

THE DEVELOPMENT OF MANUFACTURING INDUSTRY IN SOUTH AFRICA 1939-1969

Dissertation submitted in fulfillment of requirements for the degree of  
Master of Arts in Economic History

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## PREFACE

The field of study below is that of South African manufacturing industry in the period from the Second World War to the end of the nineteen-sixties. In relation to preceding developments, this period was unique. There were at least two essential features. Firstly, the nature of the firms and dominant tendencies within manufacturing industry marked a distinct break from the pre-war period. Secondly, there was a qualitative change in the nature of manufacturing industry in the international arena with the emergence of a new world order.

This thesis examines the causes, forms and implications of the specific developments in manufacturing industry during a critical period. It also examines the character of the firm and the nature of the process of development and industrialisation.

The author's chief consideration is of an economic growth, my structural form, which is the development of the economy. This defines the nature of the problems that may be posed and suggests the mode of approaching the answers to relevant questions. Through a critique of various writers on growth, the author's significant theoretical issues are clarified. In this way, the approach that is used in this thesis is clarified and developed. The major approach of this approach revolves around a theoretical position and mode of analysis that enables contradictory social relations of production to be conceptualised as the basis on which the varied forms of social existence are predicated.

CHAPTER TWO argues that analysis of the concrete formation requires prior consideration of the international framework, as the "most general context" for the development of capitalist social relations. The first section of the chapter attempts to come to terms with the effect of the world economy on the "internal" forms of development within a particular social formation. This relationship is approached through surveying a number of recent discussions of the question of imperialism. The second part of the chapter attempts a periodisation of imperialism in the present phase, showing the new forms of international relations of capital and of capitalist relations. While there is an emphasis on the new forms of subordination of the peripheral formation it is stressed that it is the conditions within each formation that

remain determinant both of its place within the imperialist world and of the specific path of its development.

CHAPTER THREE follows, offering a critical analysis of imperialism, lucidly at the precise frontier of social relations in South Africa: early capitalist development, from the discovery of gold to the beginnings of the Second World War. There is particular excellence in the emergence of a manufacturing sector under the impetus given by national capitalists. The conclusion of this chapter is crucial for an understanding of the limits and contradictions of the changing forms in the war and post-war era. The outlooks of struggle defined by the particular forms of the preceding period, define a part of the qualitative process of the post-war phase.

CHAPTER FOUR moves to the analysis of concrete developments in nationalising industry from 1931 to 1969. The chapter establishes the dominant tendencies in this period as the consolidation and emergence of monopoly capital. The determinate forms and effects in a number of areas are examined, in particular the forms of ownership and control, technological development, financial structure, foreign investment and state economic intervention. The various indices utilised, and the set of partial and tentative conclusions drawn, enable a focus on the effects of various processes on the classes of capital.

CHAPTER FIVE concludes the dissertation by examining the limitations and contradictions of the processes of dependent industrialisation in South Africa. This involves continuity with the primary contradiction in the social formation and the precise forms of capitalist relations. The appearance of disjunctions and breaks in specific sites of the formation, is discussed and analysed. It is suggested that the coalescence of such contradictions in the form of capitalist **crisis**, is a continual threat under the brittle conditions of a peripheral formation such as South Africa. The focus, however, remains on the specifically economic forms of contradiction, and conflict.

It is clear that various problems remain unresolved. In the first place,

the fiction below is economic and thus part of it in relation to the society as a whole. The concentration on manufacturing industry as merely one site of development in the economy, underscores this limitation. As one example of an unsatisfactory analysis even if it is in itself a limitation, however, I could cite the "gap" that exists between the use of highly abstract concepts and the more concrete and descriptive notions in the more empirical studies or in this thesis, many of the latter union, however, at the site of their emergence, the fields of bourgeois economic science. While such categories may be of validity in a particular historical context, their uncritical use is obviously not helpful. At the same time, they have no direct relation to the abstract concepts - for example, "profit" or "capital intensity" - the terms of which many indices, for example, have no immediate relation to such concepts as "value" or "organic composition of capital". Thus, a definite gap exists in the dissertation. This is a result of the numerous unresolved issues in theory as well as descriptive in my own knowledge. Both of general theoretical questions and of the concrete social formations. The identification and critique of such inadequacies, is the process that allows the advancement of knowledge,

In relation to analysis by other writers of South African manufacturing industry, I believe that little could be served by drawing out differences with my own approach and emphasis. In the first place, surprisingly little in South Africa has been written with an explicit focus on manufacturing and theory knowledge only, one that attempts a broad sweep of development in the post-war area (Kaplan, thesis; see Imriw).

At the most general level, the first chapter clarifies my own approach. As should be clear, differences with bourgeois writers involve a wide gulf in terms of basic assumptions and methodology through which questions are posed and analysis pursued. Writers with whom there is a measure of general agreement, such as Davies (1978) or Clarke (1978), offer however very little in the way of a wider analysis of manufacturing industry. In this regard, their work is either too general and highly abstract or too partial and detailed. To contrast their work with the analysis below would thus involve nit-picking over small points, whatever their more general significance. For example, it appears to me that Davies puts too much emphasis on the inflow of foreign

capital is a factor of production, which is the function of capital (1975: 5). One said, however, so many wider questions about industrial structure industry might be that the Circle is of dubious value. To adopt such an approach would involve a long, detailed and boring process of point-by-point comparison, with a variety of writers, who in any case would probably regard their relationships as somewhat unimportant.

There one writer who has made me, that a few preliminary remarks on post-war manufacturing industry in Kaplan (2 Kaplan, the Cities of Numbers 8 to 10). He pointed out what I consider is a limitation and valuable contribution. I do however have certain difficulties with his objection to aspects of the present approach may be found in Chapter One, in particular in the footnote on so-called secondary contradictions. On the other hand, Kaplan lays little stress in particular on forms and their institutional location and effects. Thus, it appears of little relevance to him whether incorporation into the world economy occurs through a legally-constituted international economic apparatus such as GATT or through the corporate form of the multinational company. By contrast, the real effect of the concrete forms and their location within the structure of the social formation and the international economy is continually stressed below.

I do not think that too much ought to be made of such disagreements at this point. It is unlikely that Kaplan himself sees his hypotheses as being in any way conclusive. Many of the relevant problems in his work certainly stem from the highly general and abstract level at which he approaches the question of post-war manufacturing industry. However, it was not his main object of enquiry; and, despite this, in my place the work below may be seen as clarifying, extending and developing some of his initial formulations.

This thesis is offered as a contribution in a highly under-researched field. I have attempted to concretise analysis so as to come to terms with some of the more important processes in post-war South Africa and in manufacturing industry in particular. This should encourage discussion at a level rich in determination. If this thesis stimulates such a debate, it will have served its purpose.

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CHAPTER ONE: THE QUESTION OF THEORY IN SOUTH AFRICAN HISTORIOGRAPHYThe Need for Theory

The immediate focus of this dissertation is manufacturing industry. One approach would be to assemble a whole collection of facts while denying the provision of a framework that would enable the facts to be interpreted. It is a liberal myth that facts "speak for themselves" - in reality, even the "facts" themselves are created or selected according to criteria of what is important.

Hobart Houghton, in his preface to the standard liberal work on the South African economy, asserts unproblematically that most of what followed about "the most modern and highly industrialised economy in Africa" was "purely factual". For him, an objective and dispassionate treatment required only the elimination of "personal bias": "Few people can wholly subdue their prejudices but I have done my best." (Houghton, 1973:v). The question of theory is reduced by Houghton to the simple expedient of an individual quality, namely the ability of the researcher not to impose personal choices onto the objectivity of the facts. But while courage and integrity are useful academic qualities, they do not solve the wider problems of scientific method that Houghton has ignored.

Thus, one of the failures of liberal academics writing on South Africa has been their claim that if only personal prejudice could be eliminated, the facts would then speak for themselves. For these liberals, theory has involved generalising from a set of facts to build up a model that is applicable in a given situation; they have denied that the very facts they confront already imply a theoretical framework. Such a framework contains certain principles about establishing the relationships between various processes.

The theoretical framework or problematic will always contain certain key assumptions about the way in which science works and about the relationship between ideas and society. It is not surprising that the initial framework already decides the kinds of questions that can be asked, and automatically gives priority to some aspects over others.

All intellectual work implicitly or explicitly contains certain key assumptions about the nature of the connections between various areas of analysis, even if only by claiming that there is no connection. Ultimately there is always a theory about theory itself; and this is true for liberal empiricism too.

Thus, it has been argued: "the questions which are posed are not given outside a problematic - either by the facts themselves or by the personal inclinations of the researcher. Nor can a question which is posed within one problematic be taken over for investigation by another. The questions which indicate the object of knowledge are constituted within a problematic by its distinctive concepts and method." (Bernstein and Depechin, 1978:9).

It seems far more sensible to admit from the beginning that one's approach involves certain assumptions. If these are clearly brought out, it is much easier to discover how and why certain conclusions are reached. Various parts of the argument can be seen in the context of surrounding concepts: similar sounding arguments in different conceptual surroundings may thus take on totally different meanings overall. Importantly too, the consistency and validity of the theory is much easier to subject to criticism when it announces its own principles. In this way, advances in knowledge about social reality are likely to occur at a far greater speed and with greater sophistication than when an approach denies or disguises its own principles of analysis under such labels as "neutrality" or "value freedom". All analysis involves underlying theoretical and methodological choices.

It would thus be senseless to leap in at the deep end and begin immediately with an examination of manufacturing industry. What is the relation between an economic "sector" and the economy as a whole? How do we assess the importance of the economy in relation to other aspects of society? What is the nature of South African society? Questions such as these need answering first; and the approach to these question will depend on the theoretical assumptions underlying the analysis.

Fortunately, a considerable debate concerning South Africa has gone on in recent years involving some of the questions raised above. As

the debate has proceeded, it has become more and more apparent how important the theoretical framework really is. Arguments have become more rigorous. Sometimes debates have been over interpretations of very specific processes or events, but in general what has been at stake is the kind of approach best suited to pose and explore important questions. At times this has meant esoteric and obscure quibbles where it has been forgotten that the aim of theory is concrete knowledge of concrete reality, in this case to answer definite questions about processes at work in South Africa. On the whole, however, an examination of the general direction of the debates will be extremely useful in clarifying a number of areas:

(a) In the first place, it will be possible to see how different assumptions about social relations and the role of theory, lead to different analyses of historical events and processes. Through criticising various analyses, my own position ought to become clearer.

(b) The way in which theory and concrete analysis have developed, depends on a process of critique and counter-critique. Many of the positions adopted in the past have been rejected or are now commonly accepted. Yet, in their context, they may have provided the impetus for an awareness of important issues. By thus clarifying the process of theoretical development, it becomes easier to decide what kinds of issue are important and why they should continue to generate argument.

(c) The development of knowledge is an uneven process. Attempts to answer very specific concerns, have often generated awareness of unresolved theoretical issues or resulted in sophistication of analysis. Very often, too, theoretical problems have been generated as a response to events of the times. To situate present-day concerns in terms of these, can help to decide the importance of particular issues in developing our understanding of the social forces and processes around us.

### The Liberal-Radical Debate

Recent debates opened up as a result of attacks from a radical perspective on certain common currents running through the work of liberal

academic positions dominant at least within South African English-speaking universities (see e.g. Wilson and Thompson (eds.), 1969 and 1971). The controversy involved initially a rejection of liberal positions and a reinterpretation of South African history and society.

Before surveying the thrust of these attacks, it is useful to note that the debate over the past decade or so was affected by the interplay of three major factors:

(1) Social unrest in the West and the increasing success of mass struggles in the so-called Third World, often led by movements of an explicitly proletarian character, drew political divisions more clearly and gave an added urgency to theoretical debate. These struggles weakened the hegemony of orthodox interpretations about post-war stability and social harmony. Capitalism and capitalist theory no longer appeared to provide solutions and explanations. Real processes require meaningful explanations; occasionally this impinged on academics.

(2) Many of the traditional parties of the left were also caught by surprise. Debates that had been circumscribed by party dogma were reopened and reinterpreted. Conceptual tools were developed that combined an intellectual openness with a critical and radical perspective. The very process of conceptualisation and analysis came under scrutiny and contributed to a rapid theoretical sophistication. However, a serious weakness remained - the isolation from the social movements of theorists within the universities.

(3) There was a combination of the above factors in a specifically South African context. The end of the boom period of the 1960's and consequent social tensions, the inability of liberal strategy to provide viable alternatives to a radical mass struggle, the increasing political activity of a mass character in Southern and South Africa, all these coalesced with criticisms developed initially by white South African exiles at overseas universities. The result was the rapid development and sophistication of a powerful new school of South African historiography. The radical school is already self-confident enough for the initial anti-liberal emphasis to have given way to substantial and even fundamental debate within the radical school itself.

Any characterisation of different writers with their own emphases and focus into a single "school" inevitably involves some degree of caricature. Yet even what appears as crude generalisation may be necessary in order to extract the kernel of arguments. The liberal school encompassed two major elements, with definite consequences for their analysis of the modern period:

(1) A stress on individualistic assumptions and the use of ahistorical capitalist categories, led the liberals to argue that capitalism was basically rational and liberating. In South Africa, an irrational ideology and politics had imposed itself on the economy and thus distorted the free development of economic man. Racial categories and the embodiment of these in discriminatory racial legislation and practices, eroded the preconditions for the unfettered development of capitalist economy. This was the one element of the liberal separation of economics and politics, with primacy given to the political or ideological over the material. In inverse form, this sometimes led to a crude economic determinism, whereby the development of the economy would inexorably destroy the chains of irrational ideology.

(2) With a number of variations, liberal analysis tended to distinguish between pre and post-1948 South Africa; the precise dates are less important than what they symbolised for liberal interpretation. The irrationality of racism tended to be embodied in particular groups defined according to superficial and ideological criteria. These groups could be Nationalists, held in the grip of a national socialist party with authoritarian and collectivist leanings; or farmers on whom the effects of an isolated rural existence coalesced with remnants of feudal thought to create minds unable to come to terms with the imperatives of a changing world; perhaps Afrikaners dominated by a unique Calvinism that spoke of chosen race; or reactionary white proletarians organised in powerful trade unions; in some variations, the English could adopt some of these positions, but usually softened or overridden by their cultural traditions. Whatever the precise interpretation, there was an overwhelming tendency to explain social forces in terms of the clash of ideas. The origins and effects of ideas and political practice in the material reality of the social structure could not be discovered.

The political corollary of these emphases can be seen in the assumptions of some forms of liberal social practice. A belief in the power of Reason and correct ideas to effect change led to a stress on debate and dialogue; liberal empiricism with its stress on the inevitable victory of the palpable facts, saw knowledge as neutral and education as an unquestioned good; institutions such as the South African Institute of Race Relations dedicated themselves to the collection of data. Bodies such as Joint Councils stressed consultation between elites, and there was constant appeal to abstractions such as the Rule of Law.

It is worth pointing out that the academic liberals do not hold a monopoly on liberal theory in South Africa. A thorough critique of liberalism in South Africa must thus do more than expose or invalidate the conclusions of academic liberals in order to provide - with the rest of radical historiography - an attempt to break with liberal conceptions. Such a critique must ground itself in a theory that goes beyond ideological criticism. In this way, it may penetrate behind the level of appearances to the real relations underlying social processes as a whole in the South African social formation.

#### Inadequate Critiques of Liberalism: Erwin and Webster

Erwin and Webster (1978) provide an example of an unsuccessful critique of liberalism that has definite theoretical and political implications. Their thrust against liberalism emphasises its practical weaknesses in South Africa; the ineffectiveness of liberal politics, and its unjustified hope for inevitable reforms based on false conclusions about the nature of South African social reality; and its inadequate explanations of contemporary phenomena.

But Erwin and Webster's analysis of the weakness of South African liberalism is itself unsatisfactory. They argue that liberalism has mystified the nature of social reality because liberalism has not been able to survive its uncritical transplantation from a different historical context. In the developed capitalist centres, it represents "mighty class interests." (ibid.: 92) In the underdeveloped periphery, however, liberalism is an ideological migrant that has no roots and thus cannot come to terms with such features as a preserved pre-capitalist sector, an interventionist state and a repressive alliance of settler

classes.

But Erwin and Webster have missed the point: the problem with liberal assumptions is not just the inability to come to terms with one particular social reality. This is sometimes a criticism of Marxism, that it is valid for the capitalist centres where Marx correctly described the development of the classes that existed there, but not for the peripheries. It has been argued for instance, that in South African "classical class models have to be adapted to the fact of the extent of embeddedness in the ... social structure that racial and ethnic divisions have acquired over centuries" (Schlemmer, 1978: 114). This is a misunderstanding of "classical class models" not a demolition, just as Erwin and Webster's approach is based on a misunderstanding of the liberal problematic.

Liberalism cannot explain South African society, just as it cannot explain society in the centre, because its assumptions are expressions of surface forms whose concepts are of limited historical validity. Liberal assumptions may be expressive of certain relations in capitalism, as they arose out of this reality. These assumptions, however, certainly cannot allow one to explain the real basis of the development of capitalist societies, be they the advanced industrial centres or peripheral social formations. Liberal analysis is faulty because of its very principles of analysis. Crudely, these ensure that it cannot grasp the concept of value from which it is possible to expose the dynamic of class-divided societies based on the exploitation of labour-power as a commodity. It is not surprising that liberal analyses cannot explain the particular nature of South Africa's capitalist development and its motive forces.

Obviously South Africa is vastly different from advanced capitalist societies in Western Europe. But that is not an argument against liberalism. Thus when W.H. Hutt, for example, enunciates two principles of classic liberal political theory - (1) that the function of the State is to ensure the freedom of men, and (2) that the State "consists of a small group of private people ... whom it is essential to subject to some form of discipline" (Hutt, 1972: 103-4, my emphasis) - he will end up with invalid concrete analysis of both Western democracies

and of the South African state. His mistake lies in initial conceptions of "men" as isolated individuals rather than as agents "assigned to" classes arising from exploitative social relations. He can thus visualise a political instance somehow and always "above" civil society ("private people"). His conceptual framework does not allow him to see beyond the transitory forms of a particular mode of production, and his "model" is built up by generalising empirically from these forms: Hutt, along with other liberals, has problems that are not just to do with application of theory to a particular society such as South Africa. The problems are theoretical, to do with an inadequate framework for social analysis.

Just as South Africa differs from say England, so too is liberal ideology in South Africa obviously rooted in a different social reality. But because it is rooted, it must represent social forces and class interests, be they "mighty" or otherwise. Erwin and Webster, in missing this point as well, produce an analysis that remains ideological and non-materialist. They give South African liberalism an existence without roots in social structure, and thus cannot come to terms with ideology as a part of social structure. This mirrors the liberal view of racism as an independent force, and reproduces a similar crude economy/ideology model.

Thus, in their analysis of South Africa, Erwin and Webster produce a set of alternative conclusions that stress economic factors in South Africa's development. But their analysis cannot establish a relation with the previous critique of liberalism by showing the links between social forces and these liberal ideas. Politically, too, this leads them to identify liberal conceptions with one particular variant, namely that held by a certain group of white academics at English-speaking universities. To take merely one example that they do not mention, Black Consciousness (or its major strands, rather) shares certain liberal premisses: a stress on race as a causative factor; a separation of economy and society with the non-material given dominance; an ahistorical view of the state and formalist illusions of law; and so on. This is an example of a liberal variant that does reach many of the conclusions that Erwin and Webster think are beyond liberal grasp, such as lessening political freedom being compatible with economic growth (hence BC calls for disinvestment), or the possibility

of incorporation of non-racial elites (hence, say, Black Consciousness' opposition to Bantustan politicians). An analysis of Black Consciousness liberalism would have to examine the contradictory and vacillating nature of the Black petit-bourgeoisie, and of course, its relation with other major classes, so as to understand strains and tensions in the movement. Similarly, Erwin and Webster fail when they do not root their analysis of the one form of liberalism that they examine in the particular ideological, economic and political place occupied by a specified group of white liberals.

In short, Erwin and Webster's weaknesses point to the difference between a materialist and an ideological critique. Opposition to certain intellectual and political positions or conclusions does not necessarily shatter a whole approach and provides few means for understanding a particular matrix of ideas as part of social reality. Erwin and Webster begin and end their piece with calls to "those placed in the liberal tradition to rethink out the implications of their commitment in the light of the distinct nature of South Africa." (1978:91). But because they themselves have not been able to sustain a position that both challenges and explains the bases of liberal thought, they are wrong to think that they have created a theoretical system substantially distanced from liberal tenets. Morris usefully points out that theoretical or epistemological self-consciousness - which is significantly underplayed by Erwin and Webster - is not just a matter of "theoretical nicety" (for) it has its effects in both theoretical and political practice, insofar as the lack of scientific rigour ... often enables a totally misplaced debate to take place." (Morris, 1977:68).

#### Shifting the Problematic: The Early Radical Critique and the Contribution of Wolpe

Similar criticisms to those made above could be directed at the early analyses of radical writers such as Johnstone (1970), Trapido (1971), and Leggasick (1974a and b). Although they opposed the conclusions of the liberal academic school, their interpretations remained at a superficial and descriptive level. Their opposition remained paradoxically bound by the terms set by liberal theory. Where liberal research stressed the differences between pre- and post-1948 social structure and saw a divorce between economic development and political programme, the early radicals merely turned these arguments inside out.

They argued that an alliance of white interests (variously, gold, maize, white workers, and so on) had resulted in the basic institutions of segregation - reserves, migrant and compound systems, repressive labour practices, job colour bars. The effect and purpose of these was to suppress and control black labour in the interests of capitalist development. White supremacy and black oppression were two sides of the same capitalist coin. But while the debates negated what the liberals wrote by giving different answers, the terms on which the questions were posed were set by the liberal positions.

It is not surprising that the early attacks against liberalism involved the bending of the stick in the opposite direction. These attacks, like almost all theory, involved an attempt at a political break. Their singular merit was to challenge and break the legitimacy of the dominant liberal tendency. More than anything else, the early radicals "created a space" within which argument could develop, and set its own tenets free from the debilitating terms of academic liberalism. While they did not themselves make the break, the early radicals created important conditions for its occurrence. Theoretical development is often indirect and mediated.

Harold Wolpe (1972) saw as his task the shifting of the debate so as to allow for the beginnings of a scientific explanation of South Africa's peculiar path of capitalist development. Through a critique of Legassick he attempted to introduce a heightened theoretical rigour into the radical debates. Legassick had argued fairly simplistically that in the post-Second World War period, segregation continued in modernised form but with unchanged premisses as apartheid or separate development. The increased repression and sophisticated racial ideology and control were related to an intensified demand for labour with the rise of secondary industry, although the nature of the relation was largely unexplained. The initial features of South Africa were seen by Legassick as responses to the needs of capital accumulation in an economy dominated by gold-mining. Apartheid was simply "an extension to the manufacturing economy of the structure of the gold-mining industry" (in Wolpe, 1972: 427).

Wolpe's disagreement was not with these conclusions in themselves. He agreed that secondary industrialisation and needs for labour supply

and control did indeed have a bearing on the development of apartheid. The point remained, however, that the mere fact of secondary industry's growth could not in any way explain why the structures of gold-mining should be extended to the economy as a whole. What was needed was to utilise value-analysis so as to generate "a specification of the historical conjuncture between ideology, political practice and the mode of production." (ibid.: 427).

For Wolpe, the key to such an analysis was to be found in the changing conditions of the reproduction of labour-power. The collapse of the reserves that had provided part of the reproduction costs of the labourer and his family, signalled a change in the value-basis of South African capitalism and posed a direct threat to the continued existence of "cheap" labour. Subsistence production in the reserves in the post Second World War years could no longer play the role of subsidising South African capitalism; the political responses of apartheid were consequently needed to discipline and coerce a working class whose basis of reproduction increasingly rested within the capitalist mode of production itself. Apartheid was to develop as a response to an "urban and rural challenge to the system which emerged inexorably from the changed basis of cheap labour power." (ibid.:446).

Wolpe's analysis brought into focus at least three important principles:

(1) Wolpe turned attention to the concept of value as the central category of capitalist society. At the same time, he implicitly raised questions as to the precise place of various concepts in the overall analysis and the effect this has on their meaning. The concept of value emphasises the importance of the material basis of capitalism, more particularly, the precise forms of production and surplus extraction. At the same time, value-production is shown to be a social and thus historically specific relation. At the most abstract level of analysis, what is placed at the very heart of capitalist society is not a mere technical and quantitative relation, but the social antagonism between capital and labour.

Wolpe however attempted too direct a movement from the abstract category of value to the specifics of "cheap labour" in the South

African context (see Morzis' critique, 1977). Analysis of a social formation involves a careful process of building concepts as one approaches more concrete levels of abstraction. Initial concepts isolate the dominant relationships of a complex and opaque world; as one moves to more concrete levels, the complexity and richness of determinations is increased in a successive process of approximation to the "real" that allows the "real" to be appropriated in thought as a structured whole. In this way, "appearances" may be explained and the mediating links be discovered between these and the "essence" of various phenomena.

Wolpe himself made too direct a movement from abstract possibilities to the concrete outcomes of the post-war situation in South Africa. The apartheid path cannot be seen as the mere outcome of the logical needs of capital. This is idealism, or formalism. Rather, apartheid must be theorised as the far from necessary or predetermined outcome of definite class struggles that have to be very carefully analysed. Nevertheless, Wolpe serves as a reminder that it is on the basis of the capital-labour relation that the various fetishized forms of capitalist society, the autonomy of political, ideological and economic levels, and so on, may be theorised.

(2) Wolpe criticised Legassick for adopting superficial comparisons of ostensibly similar features in order to argue continuity in pre- and post-war social structure. For Wolpe, the differences were as important as the similarities. Neither could be understood outside of their overall social context. This involves locating the basis and forms of social relations in each conjuncture and showing where there are qualitative shifts. This process, known as periodisation, involves distinguishing in "space" i.e. between different social formations, and in "time" between various stages and phases of development that mark qualitatively distinct sets of social relations. This may well involve, as Althusser (1976) and others have illuminated, focussing on different aspects of the social formation, that develop at a different rhythm from other aspects or from the social formation as a whole.

Though aspects of a social formation have their own uneven rhythms of development, the importance of each aspect needs to be established

as well as their interplay. In this way it is possible to establish hierarchies of causality, to show where the most important contradictions of a social formation are located at any time. This is complex, as there is no direct, or necessary, relationship between relevant periods in the development of the social formation as a whole and the development of the individual processes whose interplay goes to make up the whole. Nor for that matter is there an untheorisable disjuncture. Where individual aspects appear to float freely, an attempt would be needed to discover what it is about social relations that gives rise to that particular appearance of autonomy.

An important concept relating to that of periodisation is that of conjuncture: "sequences or constellations of events subject to a specific theoretical focus on the balance of class forces in a social formation at a given historical moment. At any one moment contradictions are manifested in a more or less concentrated form expressed in an uneven development of the political forms of class struggle." (Bernstein and Depechin, 1978: 8).

Wolpe attempted to periodise on the basis of changed value relationships due to the collapse of production in the Reserves. One problem, as Morris points out, (Morris, 1977: 64-5) is that he attempts to develop explanations at the level of an abstract and undifferentiated whole even while analysing fairly concrete phenomena. At such a general level, one cannot answer why this outcome and not that, or why this particular form of exploitation. Morris effectively shows this by distinguishing at a concrete level between branches of capital. He goes on with an attempt to show how it was the development of a particular stage of manufacturing industry that changed the character of the social formation.

In passing, one might note, as Morris himself later realised, that his attempt also suffered from a number of inadequacies. In particular, he has a tendency to equate value-basis with economic basis, merely one of the forms of capitalist social relations. Morris also fails to take adequate account of non-economic aspects of the social formation.

This leads, for example, to the following unsatisfactory criticism of Wolpe: Where Wolpe sees apartheid as a political response to crush African militance flowing from the disintegration of the reserves, Morris

objects that this gives apartheid a defensive role and reproduces a variant of the politics/economics dichotomy (ibid.:66).

While Wolpe's explanations may be faulty, there need in principle be no objection to the idea of defensive political struggles by dominant classes in order to combat increasing economic struggles by the dominated classes. These are inter-related forms growing out of antagonistic capitalist social relations, the roots of which are exposed by value-analysis. These contradictory relations are expressed at all levels of capitalist society: "(Class struggle) is rooted in the mode of production and exploitation in a given class society ... This in the last instance is the unity of the relations of production and the productive forces under the relations of production ... in a concrete historical social formation." (Althusser, 1976:50). But it is of crucial importance to take account of "the difference and unevenness between the forms of the class struggle, from the economic struggle to the political and ideological struggle, and thus for the interplay existing between these struggles and for the contradictions existing in this struggle." (ibid.: 204-5, my emphasis). Wolpe, who is unable to satisfactorily identify the class forces in struggle at the time or adequately to explain the processes of the concrete social formation, is nonetheless more suggestive of the preceding approach than Morris with his economistic and structuralist approach.

(3) Hobart Houghton once argued about migrant labour: "there are hundreds of thousands of men who alternate throughout their lives between two worlds, and a single individual may be fairly established both in his tribal world and in the modern industrial world." (Houghton, 1973: 85). Wolpe effectively demolished such notions of "dual economy", prevalent in neo-classical explanations of South Africa:

Wolpe utilised and developed the concept of articulation of modes of production. This suggested that modes of production, and thus classes, never "exist" in their purity: in South Africa, one may conceptualise two modes existing together in the concrete social formation under the dominance of the capitalist mode. Capitalist relations both destroyed and preserved the redistributive African economy and generated a complex interplay of economic, political and ideological effects within and between the two modes.

Wolpe showed the value of the notion of articulation at least in his analysis of the segregation period, showing how subsistence production contributed to low wages. His major failure, as Morris points out, was to concentrate on changes in the dominated mode in attempting to explain developments in the social formation as a whole. Thus Wolpe gave greater priority to the collapse of the reserves than to the growth of manufacturing industry. Both aspects are obviously of importance, but it is the dynamic of the capitalist mode that is crucial in determining the "changing nature of capitalist exploitation" (Morris, 1977: 62). In missing the latter point, Wolpe was forced to turn to descriptive and unscientific notions such as "cheap labour" in attempting to explain apartheid.

Wolpe himself was not necessarily fully aware of the implications of all his arguments, nor of the areas where his approach contributed to the development of scientific theory. But the attempt to be theoretically clear need not result in definitive and fully-developed conclusions for important advances to result. In any case, it is hardly surprising that Wolpe lacked clear understandings of differences in levels of abstraction or that he found it difficult to theorise separated instances of the social formation as the forms of the basic social relations. The work of theorists such as Poulantzas (1973; 1975) who gave an important impetus to debates on the problems of analysing capitalist social formations, was only widely available in English translation fairly recently. It may thus be justifiably claimed that Wolpe's careful and critical attempts at developing concepts for theorising aspects of South African social reality, prefigured in an important sense many of the sophistications of later work.

#### Problems in the Conceptualisation of Class: Webster and Bozzoli

I wish to turn to an early paper by Eddie Webster that reveals some of the problems and also the importance of developing an adequate conceptualisation of class (Webster, 1977). Such a discussion also reveals the way in which particular conceptualisations structure and are informed by a wider approach to social relations as a whole. Although in other work he has gone considerably beyond his early conceptions, Webster's paper has been fairly influential in Southern African studies - see for example Phimister and Van Onselen's work on faction fights in colonial Zimbabwe (1979).

Webster's paper is an attempt to come to terms with the fact that colonialism/capitalism in the periphery appears to result in a differential incorporation of ethnic or racial groups into the social structure (Webster, 1977: 30). At the same time, in line with the concerns of the radical historiography, there is an attempt to relate such racial differentiation to the themes of class. Webster's solution, focussing on a significant outbreak of violent conflict between Zulus and Indians in 1949 Natal, is to utilise the Lukacsian notion of "transformation ... from a class-in-itself to a class-for-itself" (ibid.: 2) in order to illuminate how colonialism created a block to the development of objective interest groups or classes and distorted the above process of transformation.

Webster identifies the problem as one of "partial manifestation of class consciousness and incomplete class formation" that he gives the label of class suppression. A number of reasons are advanced for the obscuring of "objective" class interests by subjective ethnicity and race prejudice:

(1) ideology is manipulated by dominant groups in their own interests, or alternatively takes on an "independent life" beyond the narrow material interests that may initially have caused it;

(2) the class itself is "stunted" (ibid.:8) from full and complete emergence by restrictions on its ability to organise, to develop its own social and political institutions, or by limits placed on the process of proletarianisation.

Implicit in the analysis is a fairly narrow definition of the "material" determinants of class. This produces a dichotomy between objective economic interests and the ideological or political matrixes through which may be revealed the basis of forms of exploitation. The working class comes to "make itself" as it eliminates the ideological and political blocks to its full development. The merit of this approach is its attempted refusal to submit in vulgar fashion to a view of ideology/politics as the expression of the immediate imperatives of an economic base. Its problem is that it does not go beyond the conception of capitalist social relations as largely economic relations. As a result, there cannot develop an anti-reductionist analysis that captures the continually fragmented formation of classes. This occurs at

contradictory economic, political and ideological levels in terms of a developing social structure determined by the outcomes of these fragmented concrete struggles.

The point is to discover what it is about social relations and the struggle over their conditions of existence, that creates "distorted" forms and ensures that in every concrete social formation classes are always produced as a fragmented unity. By contrast, Webster's notions such as stunting, distortion and suppression, set up an ideal of completeness or wholeness that is a meaningless abstraction. He further creates an ideal structure of class based on economic "variables" and then adds political or ideological criteria to discover whether the class has progressed to a full self-development where it knows and organises its pre-given self. Ideology becomes something assessed in terms of its falsity in relation to an objective economic truth; the question of consciousness as a structured part of material reality and its social "origins" is rendered at best secondary. The implications for Webster are either to wait (or fight - the point remains) for the suppressions or distortions to be removed by a full economic development that will enable unstunted classes to appear on the battlefield (economism); or to wage a struggle "with a life of its own" that will educate economic classes as to where their "real" objective interests lie (voluntarism).

A materialist analysis would attempt to discover in the development of the social relations of capitalism in particular phases in particular social formations, the permanent process of the constitution of classes through political, ideological and economic forms and struggles and their interplay. There is no need to deny the importance of non-economic factors; but nor is there a need, such as Webster finds, to rely on the subjective transition to fully developed self-conscious struggle before one can conceptualise the effects of particular and fragmented forms of struggle as aspects of antagonistic social relations.

There is thus agreement with Balibar when he states: "The proletariat is not a homogeneous, unchanging group which bears its name and its fate clearly inscribed once and for all, and for all to see. It is the historical result of the permanent process by which it is constituted, which is the process of accumulation of capital. An uneven

and contradictory process ... To talk about the proletariat is also to take into account the divisions..." (Balibar, 1977: 83-5). These divisions must not be understood as distortions or suppressions but as the changing forms of social processes structured by the dominance of capitalist relations.

To wage a self-conscious struggle against these relations involves firstly understanding how these forms are generated and how they may change, thus finding the points of unity between fragmented struggles - to capture the material origins of fragmented social forces created in struggle and so to create alliances that start from the materiality of social contradictions in all their ideological, political and economic richness.

An analysis may thus be produced that can assess the importance and the interrelation of more general struggles such as the women's struggle, the national struggle, the trade union struggle, and of more particular struggles: over education, against repressive measures, against particular institutions, and so on. These points bring out with great clarity the way in which theoretical positions may affect strategic choices; and, at a more abstract level, the way in which struggles over theory are also a part of the material struggles of social forces.

Similar points could be made in relation to Bozzoli's theoretical humanism, that wishes to assert that "Change in the society is not ... simply the result of the operation of impersonal forces, but ... the result of the actions of people or groups in a specific historical situation." (Bozzoli, 1975: 195), In trying to rescue an approach that treats groups as "people and not abstractions" (ibid: 195), her focus on ideology turns the "specific historical situation" either into a pre-given objectivity that denies the activity of her ideologists, or into the fetishised activities of ideologists and the "backgrounds, histories, even personalities" (ibid.:195) of them and their audiences.

Bozzoli sees abstractions as taking away from the humanity of groups, which she attempts to save by reinserting the element of conscious activity. But it is not the process of abstraction that denies "people" their humanity. Rather, abstraction attempts to come to terms with structured social relations that constitute individuals as impersonal classes or groups. Successful abstraction may generate intellectual

tools that enable "people" to understand the processes that constitute them as individuals and as bearers of structured and contradictory relations. This is a step to reclaiming their "humanity"; but such successful abstraction cannot start from people or individuals. Indeed, this possibility must itself be shattered as one of the illusions that arise from capitalist social relations themselves (crudely, the superficial reality that it is individuals who meet on markets to decide the terms of exchange of naturally-endowed factors of production ).

There is certainly a danger of building up concepts, isolating abstract relations that interact, and thus creating the impression that it is the abstract itself that moves the world. This is the danger of theoreticism, or rationalism. This is a mistake that is different from the process of abstraction that Bozzoli misunderstands and opposes. The solution is to hold the primacy of the real over thought, of the "real object over the object of knowledge" (Althusser, 1976: 193). But the "real" always exists outside of thought. The process of reproducing the real in thought, of coming to terms with the way in which "everything takes place within the concrete structure of particular processes" (ibid.: 189), always remains a process of abstraction. Even Bozzoli's "individuals" are mere abstractions, in her head, and not the same as the real individuals whom she attempts to rescue.

Bozzoli correctly stresses the dangers of not separating the economic and the political and of ignoring their interaction. However, her approach to the process of abstraction leads to the position that: "The foil for examining this interaction has been the concept of ideology through which the economic is transformed into the political by active ideologists" (Bozzoli, 1975: 214). This is muddled and confused, with "active ideologists" walking around - in her head, one might add - transforming the political and economic abstractions by which they are surrounded, and which even Bozzoli concedes are necessary despite her initial objections .

Because she confuses different levels of abstraction and because of her individualistic premisses, Bozzoli ends up by treating the activities of ideologists at a privileged level that exists prior to the social structures and struggles that in reality constitute, limit and impel the place and function of particular social strata. Bozzoli couples

her "three-dimensional approach" (ibid.: 195) with a methodological trick by which she examines a manufacturing journal written by ideologists for manufacturers and read by them, to create a unity of three dimensions: audience, ideologist and ideas; economy, ideologist plus ideology. She is in no way correct to assert that her approach "eliminates the most common difficulty experienced by students of ideologies - the fact that the relationship between economic or social base, and ideological superstructure, is notoriously difficult to establish." (ibid.: 195).

### Non-reductionist analysis: Kaplan and the Poulantzians

Important and influential attempts at developing anti-reductionist conceptions were opened up by the work of the so-called Poulantzians or fractionalists, whose work included an explicit criticism of the early radicals. I have chosen to illuminate aspects of their approach by looking at a seminal paper by Kaplan (1977: Capitalist Development in South Africa: Class Conflict and the State), although later I shall point to the wide range and scope of their work that belies some of the cruder generalisation against them made by writers such as Clarke (1978).

Kaplan succinctly summarised his differences with the early radicals: "Crucial in this regard (the inadequate conceptual framework of early radicals - GB) is the lack of differentiation made between the different classes of capitalists. A congruence of interest, in respect of labour, by all elements of capital does not mean a congruence in respect of a wide number of other issues. By concentrating exclusively on the question of labour and particularly by ignoring the question of surplus reallocation and reinvestment (the crucial magnitudes in the process of economic development), this radical literature has conceived of the problem incorrectly." (Kaplan: 1977: 97, my emphasis).

The explicit concern of Kaplan was an attempt to derive a theory of the state in South Africa, that would take account of the relative autonomy of the political level - a concern, it may be noted that was not central to the early radicals who concentrated rather on the relationship between class and racial oppression. Kaplan argued however, that at the level of the capitalist mode of production the early radicals fundamentally underestimated the importance of the

political struggle waged by different elements of the bourgeoisie against each other. This mistake occurred precisely because they conceived of the state as crudely serving the economic interests of capital.

Kaplan's arguments in explaining the inter-war year period in South Africa bring out his major emphases. He locates the major divisions amongst the bourgeoisie as those between indigenous capital and metropolitan capital. For the latter there was little interest in the extension of capitalist relations beyond the extractive industries, more particularly gold-mining, where their productive activity was predominantly located. In most imperialised countries, a particular constellation of economic, political and ideological relations - determined by the nature of the linkage of certain indigenous classes to imperialist interests - effectively led to what Bettelheim terms a "blockage" of the productive forces in the interests of imperial capital. However in the South African case, the particular form of domination of the precapitalist mode of production that was generated by the structure of capitalist development given its major impetus by imperial interests, itself undermined those indigenous social classes that might have entered into a constitutive alliance with imperialism. The Boer War, need for commercial farming, etc., effectively undermined the relations on which feudal dominant classes in the "white" countryside depended for their existence, and paved the way for capitalist agriculture; inside the Reserves, the possibilities for a significant peasantry were destroyed in ensuring adequate labour supplies, without their own independent subsistence. Not only were internal blockages thus significantly weakened, but the elimination of the peasantry also removed a possible source of competition to white capitalist agriculture. This further boosted one of the crucial fractions of the indigenous bourgeoisie with its interest in extension and development of capitalist relations and local capital accumulation.

The metropolitan bourgeoisie needed to ensure uninterrupted repatriation of profits, or their use to finance its own development internally. Alternatively, the two major elements of the indigenous bourgeoisie, the capitalist agrarian class and the embryonic industrial bourgeoisie, needed to channel surplus into their own activities. Subsidies, tariff protection, infrastructural development such as branch lines, etc.,

were thus of crucial importance to the national bourgeoisie. These measures necessitated state activity in their interests, and could only really be based on taxation of the gold mines so as to redistribute surplus. Nationalist mobilisation by the national bourgeoisie against the mining houses was needed to capture state power. Into the alliance were pulled the white workers, with the bait of higher wages that would also serve to keep gold surpluses locally. The electoral victory of the Pact government in 1924 signalled a change in state form and served as index of the shift in hegemony to national capital.

The state played an overtly oppressive role in regard to black classes due to the particular way in which the pre-capitalist mode was subordinated. It showed a relative autonomy from the immediate economic interests of the dominant classes, however, precisely because of their capitalist nature, and in the absence of non-capitalist classes. Coupled with the need to co-opt the white working classes - which, in his thesis, Kaplan traces to their particular path of proletarianisation - this necessitated a form of white democracy. Thus, within the state, the hegemonic fraction of the bourgeoisie had to present its interests as the general interests of the "White man", of civilisation, and so on. The Pact electoral victory of 1924 indicated the inability of mining capital any longer to present its interests as general interests. Its loss of support of the white workers in favour of elements of the national bourgeoisie was the signal of mining's political decline.

It is possible, as Fransman and Davies do (1977), to criticise Kaplan on a number of points of detail without explicitly challenging the framework within which he operates. For instance, they point out that Kaplan fails to show precisely what happens to surplus-value created for imperial capital and thus does not provide adequate explanations for his use of the term "metropolitan capital". Kaplan hardly looks at contradictions within the national bourgeoisie i.e. between agriculture and the industrial bourgeoisie. He glosses over the problems associated with establishing the congruence of interests that define class fractions: "scale of operation, location of market (internal or external), type of technology being used, level of private productivity compared to social productivity, etc., might be the relevant

distinctions ... different distinctions might be necessary in the case of different problems." (Fransman and Davies, 1977: 259). Economic and political dimensions and their interaction remain unclear. This is compounded by the fact that much of Kaplan's paper lacks concrete specificity. What is meant by the peasantry, why was no alliance possible between agrarian and mining capital, did metropolitan capital alone bear the burden of higher white wages, were white wages higher under the Pact government, and so on?

Fransman and Davies, without radically challenging Kaplan's method of analysis, in fact come to very different conclusions. They see a basic continuity before and during the Pact period that leads them to suggest with regard to fractional disputes that "the degree of contradiction appears to be much less than might at first sight be supposed" (ibid.: 286). They provide an explanation for developments leading up to Pact government that differs importantly from Kaplan's; they emphasise the importance of coming to terms with the post-World War I period as a time of heightened international and national class struggles that necessitated certain kinds of response from capital. Thus, in South African conditions, the need to institutionalise white labour conflict, and the possibility of this following the crushing of the Rand revolt, or the need for more active state intervention to defend the ability of capital to reproduce in a period of world crisis, etc. Fransman and Davies suggest that Kaplan's categories are necessarily descriptive and cannot be starting points for analysis. For this, "it is necessary to examine the dynamic processes of production and the accumulation of capital as well as the interaction between capitals in analysing a social formation." (ibid.: 269-70).

Fransman and Davies' was an exploratory paper that raised more questions than it answered. Although their work remained classifiable as "fractionalist", it is nonetheless suggested here that in this paper their tentative questioning provides a basis for a more thorough critique of Kaplan's theoretical premisses. The critical phrase they use is when they point to "the dynamic processes of production and the accumulation of capital", which is formulated quite differently in Kaplan as "the question of surplus allocation and reinvestment (the crucial magnitudes in the process of economic development)" (Kaplan, 1977: 97). What in Fransman and Davies opens up the question of analysing

social relations based on capitalist relations of production, is frozen by Kaplan at the level of circulation or distribution - only one aspect of the total circuit of capital, and a level at which explanation cannot be developed. Not surprisingly, when attention is thus focussed on the level of appearances the problems appear not as social problems but as technical or quantitative ones. Thus Kaplan talks about "crucial magnitudes" even as he attempts an analysis based on what he sees as class contradictions between elements of the bourgeoisie.

Elsewhere in his paper, Kaplan notes: "It is this redistribution coupled with the exploitative domination of the pre-capitalist mode that was the motor of South African capitalist development. Moreover, this exploitative relation and domination of the pre-capitalist mode was a necessary prerequisite for the redistribution of surplus." (ibid.: 113-4, my emphasis). The only place where exploitation occurs in Kaplan is in the relation between modes; yet the suggestion of unequal exchange has long been shown as an unsatisfactory device for analyzing class relations. And even this "exploitation" is seen by Kaplan as determined by relations of redistribution of surplus. Kaplan's notion of class struggle is, to give it a label, thoroughly Ricardian.

Kaplan thereby also misses the importance of the early radicals' focus on the "question of labour", which he explicitly criticises. He sees labour as merely one of the many areas where capitalists may or may not have congruence of interests. But the labour question is not just any other issue. It is the crucial issue in capitalist society. It is not just a truism to say that before surplus can be allocated or redistributed, it has to be produced. More than that, surplus is produced and redistributed under conditions of class struggle: This means grasping how in capitalist society, surplus takes the form of surplus-value and depends on the emergence of the historically specific category labour-power that is exchanged on the market like any other commodity. The law of value, the crucial discovery for the scientific understanding of capitalism, enables the penetration "behind" the sphere of circulation to the social relations, the antagonistic relations between classes, on which capitalism is based. This qualitative opposition - and not the "critical magnitudes" of surplus reallocation and reinvestment - is the key to understanding the process of economic and

social development.

Kaplan is not wrong to suggest that the state plays an important redistributive role in a social formation, but this cannot be the starting point in explaining the levels and practices of the social formation. The particular struggles whose outcomes affect the nature and magnitudes of redistribution, the form of domination of the pre-capitalist mode, the role of the state, may be partly understood "through an identification of the specific institutional locations" (Johnson, T., 1977: 232) and forms in which these struggles occur. More fundamental, however, as noted above, is the need to examine the underlying social relations, thus the capital-labour relation, as the dynamic motor of surplus production and accumulation. By extending his arguments too far and attempting to explain too much, Kaplan has turned the important relationships on their head.

Clarke effectly makes a similar point: "The problem that has to be confronted is that of explaining the limits on the ability of a particular capital or association of capitals to use the state to serve its own interests at the expense of those of other capitals, limits that are set by the subordination of the distribution of surplus value to its production." (Clarke, 1978: 45).

Kaplan's singular merit is to re-emphasise that production is not the only important aspect of capital accumulation, that there is a total circuit of capital to be considered. This consideration includes the importance of competition between capitals. Further, Kaplan turns attention to the role of the state and political struggles in the process of production and accumulation. Nonetheless, his concentration on surface appearances in his discussion of economic development is mirrored in his conceptualisation of the state and of politics.

#### The Poulantzian Conception of the State and Class Struggle

The economy is conceived of by Kaplan as a set of technical magnitudes rather than social relations. There is a corresponding "over-politicisation" in his discussion of the state. Politics and political class struggle are given an autonomy that prevents a scientific deployment of concepts in order to explain political forms in terms of the dominant underlying

social relations of capitalism. The result is a rationalist (i.e. purely logical) or an empiricist (i.e. based on observation) expansion of categories to cover particular theoretical or empirical possibilities or realities that need explanation.

Fransman and Davies compound Kaplan's problem when they attempt to correct some of his shortcomings: "It is therefore necessary for more empirical work to be undertaken with the use of finer distinctions in order to establish the crucial relationships" (Fransman and Davies, 1977: 260). What is rather needed is a more profound questioning of the theoretical structure that builds up the criteria that might make such distinguishing a valid exercise. In this way, to be more specific, we may question the theoretical validity of conceptualising contradictions between capitalists in the way that they are by Kaplan.

It is useful here to discuss briefly the Poulantzian conceptions of the state on which a good part of the work of the fractionalists is based (See especially Poulantzas, 1972; 1973). For Poulantzas: "The relation between the bourgeois class and the State is an objective relation. This means that if the function of the state in a determinate social formation and the interests of the dominant class in this formation coincide it is by reason of the system itself" (Poulantzas, 1972: 245). This is an important emphasis against tendencies that stress for example the nature of personal linkages or of recruitment in explaining the links between class society and political class rule organised through the state. But it means that in any concrete social formation the nature of the objective relation is problematic. Analysis of this relation stands prior to any descriptions of the actual functioning or changes in form of the state.

However, Poulantzas' concern is not with this relationship. His work on the state does not seek to problematise the autonomous character of political forms except perhaps at the most general level of the mode of production. Poulantzas largely accepts the autonomy of instances in the capitalist mode as given. He is concerned rather to develop a "regional theory" by building concepts adequate to the political level as an "autonomous and specific object of science." In part this was an attempt to counter mechanistic and undeveloped discussion of the state prevalent until recently. Similar concerns may

be detected in Kaplan's work: for instance, the problems of elimination of pre-capitalist classes, or of the white workers are dealt with primarily in order to establish the specific autonomy of the South African state as a capitalist state, rather than in an attempt to problematise the relationship between particular forms of struggle and the structure of social relations as a whole.

The problem is "solved" by Poulantzas in the way that the political level is conceptualised as the nodal point, the concentration, or the factor of cohesion, of the contradictory levels and relations in society. The fundamental role of the capitalist state as condensation of class relations is firstly to express the unity of the dominant classes, necessarily organised in the power bloc under the hegemony of a particular fraction of capital. The state is thus the sphere par excellence for the representation of the dominant interests in the social formation. The dominated classes, however, are an integral part of the balance of forces that constitute the state and thus appear, albeit indirectly, "in" the state. This is seen in the state's function of dis-organiser of the dominated classes through what Poulantzas terms "effects of isolation." Through these effects, the dominated classes are constituted as individuals or citizens by the state's very appearance as the state of the whole people, as representative of the whole people (or of certain key groups). This illusion of the state as somehow standing above society's class interests is created as an effect of the very structure of capitalist society. Apart from a few brief and suggestive remarks, however, Poulantzas leaves the precise mechanisms unspecified and - Laclau (1977: 70-1) would argue - unspecifiable except in a rationalist or purely formal manner.

Poulantzas importantly rejects any instrumentalist view of the state that sees it as a tool to be manipulated more or less at will by powerful interests; the state must be conceptualised as a "balance" of class forces. Its interventions are never simply political but include directly "economic" and "ideological" modalities of intervention. These are however overdetermined by the state's political functions. Hence, the state does not directly represent the economic but the political interests of the dominant classes in their relations with the dominated classes and with each other.

It seems reasonable to assert that the emphasis on the state itself, above all the sphere of representation of the ruling interests, puts the question of hegemony squarely in the focus of attention. The conflicts between "fractions" of capital fought out in the state predominate over the question of the constitution of these fractions themselves and their struggles at all levels as aspects of the "dynamic processes of production and the accumulation of capital." (Fransman and Davies, 1977: 269-70). The latter question involves locating the site and specifying the particular forms of class struggle in relation to the whole matrix of social relations in each conjuncture.

The Poulantzian assumption of the relative autonomy of the political has developed at the expense of an analysis of the "relation between political forms and the 'anatomy' of civil society" (Holloway and Picciotto, eds., 1978: 5). The result is an inordinate focus on the hegemonic and dominant fractions rather than on the class struggles of the dominated classes; and often the attempt to develop explanations for developments in the state or the social formation as a whole solely or primarily in terms of fractional disputes even while acknowledging these as "secondary contradictions." Kaplan's explanation of the Pact government in terms of the trio national capital/ white workers/ imperial capital has thus been usefully challenged by Bonner in showing how the 1920 black miners' strike and the general militance of the period impelled the mine-owners' assault on white workers (Bonner, 1979); and Innes and Plaut have challenged the notion of a class "alliance" involving white workers when account is taken of the process under the Pact government of destroying their militant and independent class organs (Innes and Plaut, 1979).

Holloway and Picciotto's criticism of Poulantzas echoes many of the criticisms made above in regard to Kaplan: "Because there is no systematic analysis of the relation between the capitalist state and its basis, capitalist exploitation of the working class in the process of accumulation, so too there is no analysis of the constraints and limitations which the nature of capitalist accumulation imposes upon state action. Further, (Poulantzas') failure correctly to problematise the nature of the economic and the political leads to his identification of the economic with production relations, and even, despite statements and formulations to the contrary, to a continual tendency to identify class struggle with the realm of the political" (Holloway and Picciotto, eds., 1978: 7).

There is some truth in the possible argument that to concentrate on an early paper of Kaplan's in order to bring out the weaknesses of the fractionalist approach, contains something in the nature of setting up a "straw man". My answer is threefold. Firstly, Kaplan's piece in itself clearly does contain critical weaknesses that are instructive if carefully analysed. Secondly, Kaplan's article signalled a clear break from earlier radical work. As such it set the terrain on which a debate occurred. There were consequent sophistications within the problematic, but nonetheless it contained the outlines of an emphasis and approach that does appear throughout the fractionalists work. Innes and Plaut (1979) point to similar failings to Kaplan's, found in an article that is probably the most representative possible of the fractionalist approach (Davies et al., 1976).

Thirdly, the criticism of Kaplan is not intended to be seen outside of the development of the radical South African historiography as a whole. In other words, Kaplan and the fractionalists cannot be assessed merely by criticising their most abstract assumptions or even their particular interpretations. Their work must be seen as definite interventions and part of a contribution to a debate. It was the fractionalists who took up Wolpe's challenge to move the debate out of the increasingly sterile path of turning liberals on their heads. Above all, the fractionalists accepted the legitimacy of the radical historiography and sat down in self-confidence to face the task of developing materialist analyses of South African social development. The wide range of their work is testimony to this: white workers, agriculture, Afrikaner nationalism, mining capital, protectionism, etc. In a large number of areas their work stands as the first relatively developed analysis and the starting point for further theoretical advance.

Their general methodology has been important in introducing into South African debates some of the recent advances in materialist theory. Processes such as the progressive movement in thought from the abstract to the concrete, their anti-historicism, their attack on reductionism, the meaning of the concept of problematic, have all been clarified as a result of their work. More particularly, as stated above, many of their analyses, although suffering overall from incorrect theoretical formulation and thus wrong emphases, have considerably advanced knowledge of concrete processes in South Africa.

One thinks of the way in which it has been shown that competition between capitals is an important aspect of social production and reproduction, or of Morris' work on agriculture (Morris, 1976a and b).

In passing, it may be noted that Morris' brilliant study of the development of capitalism in agriculture (Morris, 1976a) is probably one of the most successful articles by one of the fractionalists. In this he provides a close analysis in terms of property relations and the relationship of the direct producers to means of production, in order to discover the mode of appropriation of surplus. He shows the capitalist nature of agriculture and explains the paradoxical appearance and even prevalence of forms of labour tenancy. Morris is extremely conscious that the "class struggle in social formations is the only site in which the existence/reproduction of a mode takes place," (ibid:308), and draws from this the important conclusion for his analysis that "The transition from the dominance of one mode to another, i.e. the specific 'road' that will be taken can only be the outcome of a concrete class struggle." (ibid.: 309).

He analyses the period of transition from forms of labour tenancy in the 1930's and 40's in terms of four principal contradictions: a structural one relating to the uneven development of capitalism in South Africa that affects the conditions of class struggle (and he ought to add is itself the outcome of concrete struggles); the economic struggle between farmers and producers over labour tenancy as a wage form; and the struggle over the form itself of the organisation of the productive forces. Only the last contradiction concerns "the struggle/consensus between the different fractions of the dominant classes within the power bloc," (ibid.: 312). It is significant that Morris all but ignores the latter set of relations: "This involves a whole range of issues which would lie far outside the specific objects of this paper" (ibid.: 313). Analysis of these issues might have been helpful in confirming or opening up areas or linkages of importance; the fact that such analysis is missing implies an incomplete analysis of forms of struggle. But this is not important: instead of reading off from fractional disputes what the outcomes of state policy imply for relations in agriculture, Morris has turned attention to the crucial area of explaining the structural possibilities in the development of a particular

branch of capital in terms of the antagonistic social relations over appropriation of surplus. His approach encourages specification of the forms and path of development in terms of the outcomes of concrete struggles.

It is important then, along with writers such as Wolpe, to accept the fractionalists as a sign of the richness of the radical debate as well as on their own terms. Thus Wolpe argues: "Kaplan's paper served to open up a debate, as yet unresolved ... namely, how to conceptualize and analyse the relationship between 'capital in general' (that is, the operation of the circuits of extended capitalist reproduction as a whole) and the different 'fractions' of capital and the relationship of the state to both" (Wolpe, 1978: 243). This stress on the positive aspects of the fractionalists rests on an appreciation of their contribution to advancing analysis of South Africa. It is an important counter to a distasteful tendency to fight theoretical battles as if they are necessarily critical political struggles and to throw out "accusations" based on such an assumption without even showing where political implications lie. Writers such as Clarke (1978) draw lines which implicitly suggest that their own positions are not subject to critical review.

#### Advancing the Debate: Clarke's Retreat

Before examining Clarke, I wish to suggest briefly that a recognition of the Poulantzian contribution in no way evades their shortcomings. One example should suffice to show that the weaknesses are contained in their very theoretical approach. Bozzoli (1979) attempts to rescue the fractionalist concept of hegemony. But she confuses the totally different meanings of similar-sounding concepts, precisely because she misunderstands their entirely different functions within the respective theoretical structures. As a consequence, her examination of and the importance she gives to "ideological leadership" bear only a superficial resemblance to the concerns of the fractionalists.

An interesting critique of the fractionalists by Innes and Plaut (1979) is, by contrast, largely effective although the alternative proposed is highly undeveloped. Its tone and method of criticism, it is argued, are more important than its immediate contribution. The difference, and the possibility for generating further debate (see Kaplan, 1979),

are immediately apparent in comparison with the confusing frenzy of Simon Clarke (1978).

Clarke's work is riddled with cheap tricks: for instance, Clarke does not acknowledge that a similar critique of Wolpe to that which he approvingly quotes by Williams, has also been made by the fractionalist Morris. (Both Williams (1975) and Morris (1977) locate the development of apartheid "in relation to the valorisation of capital rather than in relation to the stunted dynamic of the exhausted 'pre-capitalist mode of production'" (Clarke, 1978:33) and both criticise Wolpe's descriptive and erroneous emphasis on cheap labour). Clarke uses parody (e.g. *ibid.*: 34), oversimplification (*ibid.*: 43 et seq.) and "smear" (the fractionalists "reproduce the standard liberal accounts" with which Wolpe and others broke; or Clarke's silly remarks about similarities between the reactionary Kantor and Kenny and the fractionalists). Clarke's arrogance does not extend to his own alternative, which ends up after a few preliminary remarks relying heavily on a superficial and unsatisfactory focus on balance of payments problems to explain the current crisis. Some of the above may on occasion be legitimate ways of drawing out points; and Clarke's own weaknesses should not prevent the examination of the useful aspects of his critique: It is important, however, to distance oneself from distasteful and unhelpful methods of attack, a number of which are deployed by Clarke. A degree of intellectual fraternity is an important part of generating theoretical and concrete insights; and also encourages a self-critical awareness of the limits of intellectual debate.

As a counter to the fractionalist emphasis on "contradictions" between fractions, Clarke treats the question as one of competition between capitals. Competition is conceptualised as the form through which capital-in-general expresses its constraints on particular capitals. Capital-in-general thus expresses itself as the social limits, set by the process of surplus-value production, within which particular capitals exist and interrelate. "(C)apital-in-general only exists in the form of particular capitals and their interrelations" (*ibid.*:53) not alongside or above them as something distinct. Clarke argues that it is through the form of the "fidelity" of money-capital that capital-in-general most directly and immediately makes itself effective.

An alternative analysis of "fractions" emerges that situates differing particular capitals firstly in relation to their place in the total circuit of capitalist production and reproduction, and secondly in terms of the branches or departments of production and their material interrelationship. It is thus as part of the total social capital that particular capitals must be theorised, although barriers to entry (i.e. restricted competition) or differential effects of recession on branches, provide but two examples of the way in which particular capitals, or "fractions", may benefit from favoured treatment in relation to capital as a whole. It is as part of the total social capital in a social formation that the state, through the mediation of particular institutions, may be said to be a state dominated by capital: "Thus the state is subordinate to capital because it is inserted in social relations that are themselves defined by the dominance of capital" (ibid.:64).

The system of political representation is one of the mediating institutions that integrate the state into society. Another aspect, important for Clarke's analysis of the current crisis in South Africa, is the relationship between money capital and the state in terms of the state's role in ensuring a stable monetary system. The Central Bank becomes for Clarke the institutional expression of this relationship: this direct institutional identification (capital-in-general - money capital - Central Bank), despite Clarke's protestations to the contrary, seems to stand in contradiction with his assertion of the mediated nature of the links between capital and the state. Theoretical reasons for this weakness will be examined below; at this point I wish merely to point out how the above fault is reproduced when Clarke concentrates over-duly on the monetary aspects of the present crisis. His justification for this is to argue that it is precisely the monetary form that is the most fetishised. Thus, the monetary crisis is "the form in which the crisis appears most detached from the mode of production whose contradictions it nevertheless expresses" (ibid.: 66). In this case, rather than too direct a link, Clarke now uses the notion of fetishisation to provide an excuse for what one might suggest is an unmediated treatment of "the relative autonomy of the monetary". His explanation also takes us a fair distance from the concrete struggles between capital and labour and their varied forms and outcomes, that he suggests are the determinant relationships. These criticisms are similar to some of those that Clarke makes about

the fractionalist accounts, and suggest a lesser degree of self-criticism than might be desirable.

Because of his emphasis on the importance of monetary forms, and presumably also from an acute reading of South African economic history, Clarke stresses the centrality of balance of payments or foreign exchange problems in the present crisis. He traces these problems firstly to the uneven development between branches of production with different import and export propensities; and secondly, to the inability of South African manufacturing exports to compete on world markets: "the basic structural problem of the South African economy." Lastly, essential if his criticism of the fractionalists is not to appear as bluster, Clarke asserts that the monetary form of crisis, and the present political crisis, are really manifestations of a "crisis of surplus value production, a crisis in the social relations of production (that capital and the state can only resolve by taking) the initiative in intensifying the class struggle" (ibid.: 71).

There are a number of important areas of analysis in Clarke's work, though on the whole his particular analyses are too fragmented and partial. His general emphasis on the relation between political and economic levels as forms of contradictory and antagonistic social relations, is extremely useful; and although he does not himself succeed, so too is his call to grasp "in a very concrete way the forms in which the fundamental contradiction of capitalism in South Africa is expressed" (ibid.:72). He fails in the latter largely because he has not realised the limits of the analysis of capital-in-general and thus tries to explain too much at too abstract a level.

Clarke fails to make the difficult transition from the level of capital-in-general to that of many capitals. He does not distinguish the difference between priorities in the process of abstraction and the dominating tendencies in the concrete. For example, analysis of the money-form as the most highly developed form of the commodity does not mean that at a more concrete level we may automatically assume the centrality and unifying function in relation to particular capitals of a specific institution, the Central Bank. Clarke tries, to put it crudely, to derive the nature of processes from the nature of the capitalist mode of production in its "pure" form. In doing this, he

reproduces many of the mistakes of the "capital-logic" school that are identified by Jessop (1977). The needs of capital, identified with capital-in-general, provide for Clarke the principle of explanation rather than the point of reference for a more developed theory. As Jessop points out, the problem is to account for the circumstances in which these needs are met. This cannot have to do with the logical self-realisation of capital-in-general, but with an analysis of the historical development of forms of class struggle over the organisation of the labour process and the appropriation of surplus value, and the conditions and forms on which this depends.

What we can learn from Clarke is the importance of constructing categories of analysis firstly "from analysis of the accumulation of capital and its associated laws and structures of abstraction and determination." (Fine, 1978: 146). However, this cannot be developed merely by "waving the magic wand of capital-in-general and many capitals." (ibid.: 144). The difficult task is for each problem and object of analysis to pose the questions in terms of the many and differing levels of abstraction.

### The Way Forward

The way forward involves going beyond more and more abstract discussions that think simply in terms of class struggle without locating its place in concrete analyses. As Holloway and Picciotto suggest: "it is necessary to understand the particular historical form of struggle in the capitalist mode of production, based on the particular historical form assumed by the relation of exploitation" (Holloway and Picciotto, 1977: 2). Some of this work has already explicitly begun, concentrating on periods of crisis and restructuring that bring out in acute and visible ways the basis and forms on which preceding periods have developed (see, e.g. Innes and Plaut, 1979, however unsatisfactory.)

It has been the argument of this introduction that no one approach in South African radical historiography has brought analysis to the present point of development and sophistication. The concrete insights, the analytical clarifications, have been the result of a process of debate that has drawn lines as well as owed debts. Overemphasis on certain areas, inability to handle others, have been present in all analyses. The weaknesses of some have provided impetus for the strengths of others. Hopefully the realisation of this interplay,

as well as the impingement of a struggle that is more important than the fights between philosophers, will define problems and forge a modesty and openness in the continuing debates. This need not blunt any of the critical force that has so often been present in the past.

In summarising some of the points made above, it must thus be borne in mind that the survey of preceding debates on South Africa has not been made primarily in order to find convenient papers through which to illustrate my own ideas. Real processes have often thrown up the theoretical questions of urgency, and the way in which the debates have proceeded has been the means whereby ideas have been able to develop. In this way, they present themselves as viable approaches in explaining the concrete processes. The approach to some answers has been through history; the tasks of the present and the future, concretely and theoretically, should subdue any arrogance in regard to the shortcomings in previous developments.

I have tried to show why the question of the development of manufacturing industry in South Africa in a particular period, is an inherently theoretical task. The status of a particular branch of production as part of the economy and more generally, the ways of providing explanation and the principles that establish these, as well as the empirical material that must be arranged and collected, are all aspects of the process of producing knowledge. Clarity about this process helps ensure the critical self-consciousness that may impel knowledge further.

I have attempted to show that the object of analysis in this thesis, i.e. manufacturing industry, involves exposing the basis of social relations in South Africa. These relations must be conceived of as contradictory relations of exploitation and domination. They are historically specific and necessitate an attempt at explaining the forms in which particular processes have developed: forms that have their own effectivity yet whose trajectory of development is determined by the outcome of concrete struggles. This thesis, by focussing on a certain sector of the economy and its development in a recent period of South African history, thus hopes to contribute in a limited way to an understanding of the causes and outcomes of the forms of class struggle that have shaped the South Africa of today.

CHAPTER TWO: IMPERIALISM AND THE INTERNATIONALISATION OF CAPITALIST RELATIONS

1. TOWARDS THE CONCEPTUALISATION OF IMPERIALISM

The Question of Imperialism in One South African Debate

An example is given below of a debate over the interpretation of a period of South African history, in order to bring out the immediate relevance of the question of imperialism.

The period between the two world wars was a period of rapid economic growth in South Africa. National income rose 2,35 times between 1918-39. Manufacturing industry increased its contribution to national income from 10% in 1918 to some 18% in 1939 (Innes and Plaut, 1939: 10). The 1930's especially saw a particularly rapid expansion, with manufacturing growth led by steady increases in gold mining output and revenues following recovery from the gold standard crisis.

Innes and Plaut see the basis for this "golden period of capital accumulation" in the thirties as being laid under the conditions of class struggle in the 1920's. Successful economic and political assaults on both black and white workers led to the ability of capital and the state to create "the conditions for the expanded reproduction of capitalism in South Africa on the basis of the higher exploitation and greater oppression of all sectors of the labour force, though the forms of oppression clearly differed for white and black workers." (ibid.: 17).

Their interpretation of the boom period of the 30's thus rests on an analysis of the outcomes of concrete class struggles between capital and labour in the immediate post World War I period and in the 1920's. Black militancy in particular is seen as being the factor giving rise to the restructuring of capitalist relations in the 1920's that renewed a profitable basis for economic expansion.

Consistent with their analysis, Innes and Plaut thus explain economic expansion by reference to the outcome of the primary contradiction

between labour and capital, with the consolidation of a particular structure of social relations as the precondition for this growth.

South Africa's relations with the outside world, are on the other hand summed up by simple reference to "conditions in which capital in South Africa found itself weakened internationally by the ravages of war and confronted by the revolutionary crisis that developed at the time of the Bolshevik Revolution in Russia" (ibid.: 11, my emphasis).

Their references to the world context are both vague and untheorised. There is an attempt only to provide a general context, without any suggestion that the specification or nature of "outside" influences are of much importance. These are seen largely as an external context, rather than necessarily a crucial part of the approach to specifying the dynamic of class exploitation within the South African social formation, a crucial part of the specification of the conditions and forms under which labour and capital are brought into confrontation with each other.

Innes and Plaut's argument developed as a direct response to Davies et al (1976), who in attempting to explain the same period state: "the critical division within the capitalist class was that between imperialist/foreign capital(s) on the one hand and national capital(s) on the other" (Innes and Plaut, 1979: 8). For Davies et al the explanation of developments in the inter-war period rests on conflict between various capitalist fractions to determine the trajectory of South Africa's economic development. For national capital the need was to confront imperialism in order to generate a local dynamic of capitalist development. Such development, it is acknowledged by them, would have to rely on increasing the rate of exploitation through increased oppression of the working class.

The weakness that Innes and Plaut see in these formulations is that undue focus is given to the imperial/national contradiction, rather than analysis of the forms of intensification of exploitation of the working class. It is on the outcomes of these struggles between capital and labour that conditions for accumulation are established, not on the conflicts over hegemony between imperial and national capital.

It is my contention that through too narrow a view of the value-relation Innes and Plaut fail to come to terms with the importance of the question of imperialism for developments within the South African social formation. Their exclusive focus on the open struggles of workers contains too direct and immediate an explanation for the path of capital accumulation. Further, while Innes and Plaut are correct to suggest that it is the average conditions of labour and social productivity (theorised as class relations) within South Africa that are the crucial relations, they fail to see that capitalist production and reproduction within South Africa are mediated and limited by the effects of international competition. The framework of international competition stamps itself on internal value-relations though the effect of competing and more advanced conditions of capital production and reproduction. At the level of the social formation and the nation-state analysis of the "world market" becomes a necessity. Such analysis revolves around differing interpretations of imperialism. It is to these that I wish to turn in developing my argument.

Broadly I wish to show that the world context "stamps itself" upon structures in South Africa and elsewhere so as to delimit and influence the forms within which class struggles develop. Nonetheless, South Africa's own development cannot be theorised as a mere expression of developments in imperialism. This interpretation would see external forms taking on slightly special features due to mediating structures in the South African "periphery", but remaining expressions of an unfolding imperialist essence. I wish to argue however that it is not the external imposition of imperialist forms onto a social formation that is relevant, but the way in which such forms are internalised. The historical development of each social formation needs to be linked to the world context and the nature of the links must be specified. This cannot be done abstractly, but implies relating analysis to changing social relations and the outcomes of concrete class struggles.

As with debates on South Africa, there has been extensive literature in recent years on the question of imperialism. A brief look at some of these debates will serve to clarify the approach to imperialism. The discussion is not meant to be an extensive analysis of imperialism itself. Rather, there are a limited number of points that are of

importance in order to clarify analysis and thus emphasise the importance of the question of imperialism for processes within South Africa.

#### Analysis of Imperialism: From Centre to Periphery

Early analyses of imperialism had as their primary focus attempts to discover changes within the capitalist centres in order to explain inter-imperialist rivalries. Developments within the periphery were seen as of secondary importance in relation to changing structures of economy and politics in the centre. Focus was on processes such as the development of monopolies through centralisation and concentration, the "merging" of banking and industrial capital into finance capital, outward drive of capital in search of raw materials and markets, the export of capital, division of the world into spheres of influence, and so on.

In this argument, the development of capitalism reached a stage where the activities of giant banking-industrial cartels dominated the national economies. Unable to maintain their profit-rates within national boundaries, competing blocs of capital waged furious economic struggles to divide the world into privileged spheres of influence. This was linked to political struggles marked by competitive colonisation and political alliances between imperialist nations. The net result was inevitably inter-imperialist war in which the workers of the imperialist countries were called upon to destroy each other in order to settle the scores of their bourgeois rulers. In this analysis of imperialism, the concern was to explain the conjuncture in the imperialist centres, and to show how inter-imperialist rivalry and national chauvinism were the result of the capitalist exploitation of the working classes. The precise forms of domination in the periphery, the effects on the classes there and the modes of confronting and overcoming the specific forms of exploitation outside of the advanced capitalist formations were indeed far from the centre of concern (see Fine and Harris, 1979: 149-54).

It was not until fairly recently that the "other side of the coin" - the results of the above mentioned processes in the periphery itself - became of central concern. Capitalism did not destroy itself after the first Great War despite a period of revolutionary ferment; it

survived the crash and depression of the early thirties; and appeared rejuvenated and stable in the West during the long boom following the Second World War. But the growth of nationalist and anti-imperialist movements in the periphery - in Asia, Latin America and Africa - resulted in new foci of open class struggle. Along with these movements, grew a new analysis concerned to account for the specific characteristics of the underdeveloped areas in which the struggles were being waged. Not only has understanding of the periphery been heightened by such analysis but of the whole international structure of capital accumulation. Increased knowledge has been generated of both the weaker and the stronger links in the whole chain of imperialism and of the reasons for their combined and uneven development.

Neo-classical theories of international economics, based largely on notions of comparative advantage, saw the backwardness of the periphery as being due to the lack of requisite factors of production, conceived of in technical terms: mobilisable capital, entrepreneurs, labour with the necessary skills, technological sophistication, and so on. In this view, a profound dualism separated those areas that lacked these factors from the advanced capitalist countries that could provide them. The technicist and quantitative emphasis easily led to variations of Walt Whitman Rostow's "stages of growth" paradigm, that posited a preordained path to full economic maturity as the various shortages were overcome.

First Paul Baran (1957), and then Cardoso, dos Santos and others - drawing largely on Latin American experience - provided explicit challenge to the neo-classical orthodoxy (see Palma, 1978; Harding, 1976). Re-opening an "independent" discussion of imperialism, that had been dormant since the early 1900's, the so-called underdevelopment (or 'dependencia') school had a significant impact on the development of the South African radical historiography that is seen particularly in the early works of Legassick and Wolpe. Frank (1969) and others demolished the notions of dualism by tracing the origins of the backwardness of the periphery to its original subordination by the capitalist metropolises. The very lack of capital, skills, etc., of which neoclassical theorists spoke, was caused by the periphery's linkages with world capitalism. In this way, the underdevelopment school defined the most backward or feudal parts of the periphery as being fully capitalist due to their

incorporation into a world system of exchange dominated by mercantile and later industrial capital.

Underdevelopment in the periphery was the reverse side of development in the metropolises, and found expression in an unlimited set of metropolis-satellite-sub-satellite relationships. To some, the way out for the peripheries was to be found only in a break with world capitalism, as evidenced by rapid growth in periods such as war or depression where linkages were temporarily weakened.

It has been argued that the dependencia arguments arose out of the failure of policies of import substitution industrialisation in Latin America in the 1950's (the so-called ECLA strategies). More conservative tendencies looked to the state for solutions and argued for the building of national capitalism within an imperialist framework (Cardos o/Sunkel). A more radical current, represented by Frank himself, called for the overthrow of local "capitalist" ruling classes as the necessary first step to breaking from imperialism (see Harding, 1976).

Like the early radicals in the South African debate, the underdevelopment theorists could not make the critical theoretical break with their opponents. Thus, Laclau showed that any strategies based on calls to class struggle and overthrow of national capital, were idealistic and extraneous to analysis from within an underdevelopment framework. As Laclau saw it, the problem was "to define in each case the specificity of the exploitative relationship in question" (Laclau, 1971: 24). Frank's thesis, resting on an erroneous conception of capitalism, could never achieve such specification.

Frank's definition of capitalism rested on analysis of world market relations, not on a rigorous examination of relations of production. Exchange based, and thus a-historical, it could not generate any sort of periodisation that could explain or even take account of changes in the nature of articulations between periphery and metropolis. "For (Frank's) notion of capitalism is so wide that, given the level of abstraction on which he moves, he cannot define any contradictions that are specific to it. If Cortes, Pizarro, Clive and Cecil Rhodes are all one and the same, there is no way of tracing the nature and origins of economic dependence in relations of production" (Laclau, 1971: 34).

Beyond underdevelopment: Laclau, Brenner and Bettelheim

For Laclau, the key was an analysis of modes of production defined by the dominance of production relations. A distinction was drawn between analysis at this level and analysis of the world capitalist economic system: "An economic system can include, as constitutive elements, different modes of production - provided always that we define it as a whole, that is, by proceeding from the element or law of motion that establishes the unity of its different manifestations" (Laclau, 1971:33). In this way, it was quite feasible to affirm the feudal character of relations of production in the agrarian sector without sustaining a dualist thesis. More importantly, class analysis based on the forms of appropriation of surplus from the direct producers, was now possible. The "important aspects of the ensemble of relationships between metropolis and satellite" (ibid.: 38), including links through the market, could be clarified and built into an overall analysis of class relations.

Similar points have been made by Brenner (1977) in analysing the "second feudalism" of Eastern Europe, where feudal relations seemed first of all to take a new lease of life as the economies opened themselves for export production. The basis for this was the intensified exploitation of peasant labour. Changes that took place undermined the previous feudal structure and ensured the slow emergence of relations in agriculture characteristic of underdevelopment. These changes, however, were in no way consequent only on the widening of commodity production for the world market. Production for the market could not in itself provide the determining conditions of class relations: rather, it is the latter that determine the significance of trade in a particular productive system. Only under capitalism, is the circulation of commodities a "direct and necessary expression of the class structure of the economy as a whole" (Brenner, 1977: 51).

Brenner goes on to argue that the emergence or historical development of a given class structure cannot be seen as the mere result of a ruling class choice and imposition in the way that Frank, for example, argues. For Frank, underdevelopment in the periphery is a result of the imposition of dependent outward-linked structures on the periphery according to the needs of the (mercantile) capitalists. However, the class structure

"represents the outcome of class conflicts through which the direct producers have, to a greater or lesser extent, succeeded in restricting the form and extent of ruling class access to surplus labour."

Brenner agrees that the outcome may be such that "the manner in which any ruling class can and does best maximise its surplus may not at all correspond with the objective requirements for the development of the productive forces" (Brenner, 1977: 59-60). However, this is not always so, and thus involves a close reading of class relations. In England, for example, the way in which serfs freed themselves from feudal coercion while ruling classes maintained ownership of land as rentiers prepared the way for a structure of class relations in which the "free labourer" could emerge as the precondition for capitalist relations in agriculture.

Brenner thus turned attention to the way in which the intensification of exploitation in feudal Europe mentioned above, led to widespread peasant and serf resistance. It was not the world market that itself led to the subsequent "distorted" development, but rather limits to intensified surplus-extraction from peasant labour by feudal lords. These limits grew out of conflicts whose forms rested upon "the class structure of production" with which they were associated (ibid.: 82). The structures of "underdevelopment" were attendant upon the peculiar way in which the peasantries were successful in ensuring independent access to land. This undermined the possibilities for large scale application of fixed capital and the rise of co-operative labour, and more generally hindered the full emergence of labour power as a commodity. At the same time feudal lords were limited by peasant struggles in their ability to pressurise for intensified surplus extraction (ibid.: 85).

Thus, criticising Frank and the similar explanations of Wallerstein, Brenner went even further than Laclau. Brenner showed the way in which it is not merely the "structure of the economic system" or the needs of capitalism or capitalists but the precise outcome of class struggles that determine the specific trajectory of social development. As Brenner argued, Frank and Wallerstein, "failed to focus centrally on the productivity of labour as the essence and key to economic development. They did not state the degree to which the latter was, in turn, centrally bound up with historically specific class structures of production and

surplus extraction, themselves the product of determinations beyond the market. Hence, they did not see the degree to which patterns of development or underdevelopment for an entire epoch might hinge upon the outcome of specific processes of class formation, of class struggle" (ibid.: 91). For Brenner, then, economic development is a qualitative process, and the massive increase in the productivity of labour attendant upon capitalism, depended on capitalist class relations that evolved historically out of definite class struggles.

It was Bettelheim (1972) who developed one of the most sophisticated analyses of imperialism. He utilises the concept of law of value, showing its operation in determining the value forms that are conceptualised by him as the effects of the capital-labour configuration: "... what assumes the form of value is the effect of a determined distribution of socially necessary labour time between the different branches of production. This law of necessary distribution of social labour is itself nothing but the effect of the requirements for the reproduction of the material and social conditions of production" (Bettelheim, 1972: 278). Bettelheim argues, thus, that inequalities in wages for example cannot explain the appearance of inequalities between nations or levels of productivity in these. Low wage countries in fact, using modern techniques, can achieve limited or even extensive industrialisation, as in the case of Japan, by taking advantage of generalised international prices on the world market. Wages, and prices, need prior explanation. They are the effects of class struggles within a complex social formation: low labour productivity, non-capitalist production relations, and ideological and political forms all assume importance in specifying the possibilities for capital accumulation. Their precise meaning can only be determined in an overall explanation of class relations.

The appearance of production relations in the first industrialised countries that released the potentialities for large-scale machine industry provided the material basis for polarised development on a world scale, under the domination of the capitalist mode of production. This polarised development was "subsequently reinforced by the political and ideological domination wielded by the rich countries. This consolidates, within the poor countries, the domination of social classes that cannot play an active role in the advance of the productive forces of these countries. This last-mentioned class domination is

overdetermined by the domination of imperialist political and ideological relations, which links the dominant classes of the 'poor countries' with the interests of the big industrial countries.

It is this specific combination of internal production relations and political and ideological relations on the world scale that engenders what is meant by the 'blockings' of the productive forces in the dominated countries" (ibid.: 290).

The point is clear: the specification of national differences and inequalities depends on the configuration of class alliances and struggles. These include economic, political and ideological relations of domination and struggle. The productive forces and relations within the geographical framework of each social formation are broken up, as it were, by the inherent tendency of the capitalist mode of production to become worldwide. The combination of the internal and external conditions of what Bettelheim terms "contradictory unities" (ibid.: 294) are manifested in a whole set of contradictions and relations between and within the various social formations.

As Bettelheim sums up: "Each specific combination is subjected, however, to the effects of the whole, and thus of the 'place' occupied by each social formation in the structure of world economy, a place that is itself determined by antagonistic relations, that is, by social and national struggles. This is why, furthermore, a country cannot escape the effects of imperialist domination and exploitation except through a long struggle ... primarily political but also ideological and economic ... through the transformation of the relations of production and the productive forces.

Thus a dominated country, or a previously dominated one that does not alter its situation in the international capitalist division of labour, merely reproduces its unfavourable situation" (ibid.: 296).

Countries cannot exploit countries; rather, exploitation occurs in production and depends on the specific structure of exploiting and exploited classes within each social formation. Relations of domination that do occur under the aegis of particular dominant classes of the imperialist countries, and resting firstly on the exploitation of "their

own" direct producers, are expressed not only between industrialised and underdeveloped countries, but also among the industrialised countries themselves.

All the above formulations remain general and abstract. They do no more than provide an approach that clarifies aspects of such phenomena as the world market and international division of labour. As such there is still a large process of concretising that is necessary before discovering the operation of the general laws in the specific situation. But I have moved already from the highly abstract discussions of the first chapter to a point where, in the next section of this chapter, it is now possible to provide a periodisation that will inform analysis of the concrete processes of post-war development in South Africa. As the first chapter showed, this path has been the essential clarification of the problematic within which more developed concepts take on their articulation and meaning.

## 2. THE PERIODISATION OF IMPERIALISM

### From Merchant Capital to Capital Export

This section specifies fairly generally the phases and rhythms of the operation of the law of value in the world capitalist system as a whole. The emphasis is geared to discovering the dominant relations in the post-war period and discovering the dynamic of this "general context".

The discussion is general and in many ways descriptive, aimed at discovering the most important features of the present phase of imperialism. Thus there is a concentration on processes in the countries that are imperialist countries and in which processes promote the general and leading determinants of the overall system. South Africa's place within this complex whole is not yet the subject of discussion.

Kay (1975) suggested that the key to understanding differences and continuities in the phases of development of imperialism, lay in analysis of merchant capital. Basing himself on a rigorous discussion of circulation and production cycles, he analysed the contradictory nature of merchant capital. Firstly, merchant capital can never create value, this happens only in production. Accumulated profits

by merchant capital are thus always a subtraction from possible productive reinvestment. Such subtraction creates definite limits to the expansion of capital. Herein lies the source of antagonism between merchant and productive capital. On the other hand, as a distinct part of the total cycle of capital, merchant capital not only maintains an independent form but, paradoxically, helps create conditions for capital accumulation through intensified production, division of labour, specialisation, etc. Merchant capital is thus contradictory - it tends to an expansion of trade and production, and yet at the same time it must block the transformation of the relations of production that could release a productive capital able to dominate it.

It was the "task" of industrial capital, in antagonism with merchant capital, to transform relations in the West and allow the unfettered development of productive and social forces. At the same time, and as a necessary part of this, it established its dominance over merchant capital. Merchant capital, however, historically independent under feudalism, and now subordinated to industrial capital, nevertheless remained the dominant form of capital in the periphery. As long as industrial capital was interested in the periphery primarily from the viewpoint of exchange, this situation was unlikely to be seriously challenged.

Merchant capital's contradictory subordination to industrial capital as "the form of existence of industrial capital" in the periphery (Kay, 1975: 105), was apparent, however, in merchant capital's changed functions. It obtained means of production (minerals, agricultural products) and consumption (food) for the factories and workers of the metropolises and extended the markets for industrial products.

Kay's weaknesses are instructive. His problem, above all, is the way in which his emphasis lies on the degree of transformation of production that takes place, rather than the forms of production. In this way, as Bernstein argues, Kay erroneously views capital as being superimposed on the indigenous class structure, rather than viewing the process of its penetration: "in which capital comes to control the processes of production even if it does not take on the function of organising them directly, and is free in certain conditions from the necessity to develop the productive forces" (Bernstein, 1976:60-1

The initial periods of dominance of industrial capital over merchant, included too a struggle between monopoly and competitive forms of capital in unstable equilibrium. This was the period in which local economic development in the peripheral countries gradually became subordinated in a contradictory process of struggle to the general needs of elements of the metropolitan bourgeoisie. The process of concentration and centralisation impelled the scope of operation of the monopoly companies beyond their initial national boundaries. Military power impelled invasions in the peripheral formation, but on the whole these were limited. Indigenous ruling classes responded to imperialism while maintaining a basis of independence and control over production. The search for raw materials that marked this phase, a determined necessity to change the composition of trade from the mercantile era, grew out of the rising productivity of labour, attendant on increasing extraction of relative surplus value in the West. With a greater mass of commodities being produced by a given quantity of machines and labour, there was a tendency for the share of the costs of raw materials in the production of the average commodity to rise. The mere provision at any price of these materials must gradually give way to a drive to cheapening their cost.

Initially, as suggested, there was little drive to alter the conditions under which these raw materials were produced. The forms of surplus extraction under which direct producers provided these raw materials, came under little pressure except insofar as intervention might be necessary to ensure the correct composition of the product. But the difficulties in organising the production under pre-capitalist conditions of certain raw materials such as minerals, and the inability of the pre-capitalist forms of production to cheapen costs of production beyond certain absolute levels, reinforced the tendency of raw materials to become relatively more expensive. With increasing productivity in the West capital was driven to transform its hunt for sources of raw materials into the direct transformation of the conditions under which these were produced, a compulsive pressure on capital to organise - where conditions of class struggle so allowed - large-scale capitalist production of these commodities.

But the export of capital which this implied, and the extension of directly capitalist relations into production in the periphery, occurred under the particular conditions of class struggle that prevailed.

Correspondingly, forms of exploitation differed extensively from in the metropolises. Military forces and direct political power were the preconditions for the rapid subordination and definitive maintenance of relations of domination over transformed pre-capitalist structures, and ensured that the limited development in the peripheries would not involve a challenge to accumulation in imperialist hands (see Mandel, 1975: Chapter 2).

Capitals in the periphery did not on the whole face the competition of indigenous (capitalist) producers, giving a partial truth to Kay's view of the imposition of capital. The huge mass of labour-power made available often by direct and coercive means and in conjunction with the retention of forms of pre-capitalist subsistence production, made the employment of fixed capital unprofitable on a large scale. The labour force itself was also unsuited to the imperatives of mass-production manufacture. As Mandel argues: "The modern machine could not compete with this cheap labour. In the realm of agriculture, therefore this led essentially to ... a pre-industrial capitalism ... the introduction of an elementary division of labour between manual labourers, greater work discipline and more rational organisation and accounting. In the sphere of mining, it is true, the capitalist mode of production of raw materials in the underdeveloped countries did mean the introduction of capitalist machinery and the beginning of industrial capitalism. But here too, the low price of the commodity of labour-power, the gigantic proportions of the industrial reserve army, shifted the centre of gravity of capital from the production of relative surplus-value, already predominant in the West, to the production of absolute surplus-value" (Mandel, 1975: 59).

This extension of capitalist relations within peripheral countries in the inter-war period corresponded with a phase of consolidation of monopoly relations within the West. This in turn, facilitated, and was consolidated by, the maintenance of an international division of labour between metropole and periphery akin to that of the division between town and country.

In the periphery, such industrial development as took place was carefully limited to particular fields and sectors where a dependency on the rhythm of development in the metropolises was ensured. Within each dependent social formation, there was a severe imbalance between

departments of production, with virtually no capital goods and only elementary wage goods being produced under directly capitalist conditions. This ensured, in part, that reproduction of the social formation was an external necessity in regard to accumulation and development in the capitalised sectors. Although in general the rhythm of development of the social formation now became linked fairly closely to the cycle of capitalist production, this cycle itself could not ensure the overall reproduction of the capitalist mode from within the dominated social formation. Crucial preconditions for capital accumulation remained subject to the monopoly of dominant classes in social formations that were external to, but linked in a relation of dominance with, the dependent formations.

A contradiction nonetheless remained. Because of the competitiveness or viability of production based on forms of absolute surplus value, there was a possibility for accumulation to occur outside of the hands of imperial capital where certain material and social conditions prevailed. Political forms were highly important in ensuring the international division of labour. This meant that mobilisation at the political level to remove certain blockages could open certain favourable conditions for the entry of small-scale local capital into a competitive position with imperial capital. The particular classes that dominated the imperial chain operated through the direct intensification of labour and the extraction of absolute surplus-value in the periphery. These very conditions of exploitation opened the possibility for certain limited challenges to this imperialist domination at a regional level by local capitalist classes. They would nonetheless remain reliant to some extent on imperialism to help maintain those very conditions that favoured their own accumulation.

### The Changing Forms of Capitalist Development

The particular structure of world-wide uneven development was evident in a wide range of polarised forms, such as the grossly unequal development of productive forces, differing organic compositions of capital and productivity of labour, and disparities in the rates of surplus-value as between different social formations. These differences were above all predicated upon, and in turn gave rise to, the vastly different social relations and forms of class struggle that prevailed. The forms and nature of the imperialist chain in the era of export of

capital, however, themselves became a block on the self-valorisation and forward movement of capital.

The impetus for the qualitative shifts in forms of exploitation and domination, came from the changing relations in the advanced capitalist centres. Class struggles in the West gave rise to restructured forms of capitalist exploitation, that included changed effects on the forms of the international division of labour. Some of the indices of the changes are captured in such processes as the incorporation of the once radical America CIO labour movement that was based on strata of militant and lesser skilled workers; the emergence of a social democratic consensus following the depression years, first in America and then in Europe after years of war-time planning; the tremendous spur of the arms economy; the destruction of outdated productive capital in the war years and the favourable position of the USA to encourage its rebuilding under US aegis; and the increasing involvement of the state, both as part of the "welfare" aspects of the new social consensus, and in direct economic regulation and interventionism, reducing the reserve army of labour to an insignificant level and stabilising the path and rhythm of capital accumulation. The Second World War serves as a convenient point to mark the qualitative shifts in social relations that characterised a new era of capitalist development.

Mandel's overly technicist explanation (1975: Chapters 5-8) traces the origins of these changes to the rapid technological developments in the West, in part the result of the labour struggles of the period. These advances could not be matched by rising productivity in raw materials production in the periphery, based as it was on the intensive exploitation of labour. In the advanced centres, there was thus a massive drive to penetrate the fields of synthetic raw materials, such as textiles, chemicals and plastics. With this went a dramatic rise in labour productivity predicated upon "a fundamental upheaval in technology, organisation of labour and relations of production" (Mandel, 1975: 62).

New forms of ownership and control of production emerged. What was at stake were new ways of counteracting the tendency for falling rates of profit under the changed conditions of class struggle. This was dependent on the extraction of surplus value in its relative form. What was involved was the enormous rise in the social productivity of labour that characterises the most recent phase of development.

This occurs under the decisive dominance of monopoly capital. This is not to say that competitive capital "disappears". Where competitive capital does dominate, it is however sectorally limited. Even then, its existence involves a constant fight against continual devalorisation by commodities produced under superior average conditions of production. For monopoly capital threatens to penetrate even these sectors in a continuous search for "monopoly rents".

The battle for monopoly rents is waged by turning to profit any relative advantages in the exploitation of labour. This occurs primarily through an unprecedented increase in the rate of technological innovation. There is a drastic shortening in the turnover time of constant capital, with rapid technical and economic obsolescence. The application of science to technology on a vast scale, itself fuels the competition between capitals on a national and international scale. New forms of control and domination are created, engendering new types of contradiction.

The scientific explosion and the applications of science to industry in no way involves simply a "technical" imperative. It includes the most minute division of labour and fragmentation of tasks, summed up in the importance of time and motion studies. It extends to industrial relations strategies, social engineering and crisis management. There is a dramatic socialisation of labour and of labour processes, within the factory and throughout the social formation. Distinct but vertically integrated units of production link a vast network of factories, contractors, components manufacturers and distributors into a single process. The vast scale of production, huge investment outlays on capital, long production runs with a mass of commodities, research and development expenditures, and long-term planning before production comes on stream, provide a paradoxical need for stability and certainty in a world of fierce competition amongst giants and furious technological change. Planning, consumer manipulation, and control of markets go hand in hand with obsolescence and scientific invention. New cultural forms, changing modalities of state involvement in the reproduction of labour, and so on, both socialise and fragment the forms of capitalist social relations. The extension of areas of involvement of the state, and the changed character of its interventions, create a new dynamic to political forms. Social relations are restructured with the new forms of the basic antagonisms of capitalist social relations.

The New International Division of Labour: From Underdevelopment to Dependent Industrialisation

The aim of acknowledging these processes lies in discovering their effects on the dependent countries. Firstly, these countries no longer appear only as sources of raw materials and markets or outlets for capital investment. They may now be centres of accumulation themselves. Driven by fierce competition and needing to turn every relative advantage to profit, monopoly capital seeks productive outlets in a range of fields and sectors. With dominance ensured by productivity differentials and tight control over internationally integrated labour processes, monopoly capital may find these outlets in the dependent countries. Industrialisation under the aegis of imperialism now becomes a possibility and a necessity for capital. Direct investment by multinationals takes the place of indirect portfolio investment. Forms of joint partnership and collaboration are now developed and extended between firms in the centre and those in the periphery, ranging from financial interpenetration to the licensing of scientific knowledge or the sale of technology. The forms of involvement and interlinkage depend in part on the various ideological, political and economic forms in the dependent countries themselves. In the final analysis, it is the socio-economic structures and rhythm of class struggle in the periphery that determine whether the particular peripheral formation will be attractive for profitable investment.

Industrialisation in the periphery in no way means an end to the international division of labour. The location of productive enterprises in the periphery in the wage goods and even machine goods sectors need no longer present a challenge to imperial domination. Such enterprises as are set up are usually only one stage or facet of internationally integrated production processes - producers of components for instance or assemblers of final products. Industrialisation may take place more extensively. However, the imperial centres remain of decisive importance in these processes. They provide the driving forces that stamp the specific forms of imperialist relations and structures on producers in the periphery. The new forms of uneven development in the imperialist chain are concentrated in the phenomenon of "dependent industrialisation."

The international division of labour, and the control by imperialist producers, involves a balance of class forces in favour of the imperialist bourgeoisie. This includes the various ideological and political forms of domination. At an "economic" level, control is effected partly through the direct presence of the multinational corporations (MNC's). These have at their disposal a vast network of resources and techniques to ensure favourable conditions of accumulation.

This direct control is itself a consequence and effect of the particular operation of the law of value internationally. With the massively raised productivity in the advanced capitalist centres, any production of commodities at above average social value carries enormous costs to the individual economy. The average social values are determined internationally by the most advanced producers. Thus it is that the particular conditions of competition and valorisation are set by the forms of the world market. Production under the particular relations prevalent in the advanced capitalist centres, is stamped as a permanent necessity for producers in the periphery. However, the differing national average conditions of production in the different social formations remain. These difference conditions have ensured that the internationalisation of capitalist relations has in no way meant equalisation (Ollé and Schoeller, 1977: 13).

The very way in which the dependent formation is locked into the imperialist chain dominated by the tendency to internationalisation, the differences in labour productivity and the establishment of international average values for commodities based on conditions of superior average productivity, forces the dependent formations to continue reproducing their disadvantaged position. "Precisely because of these differences in the value of commodities and the productivity of labour between each country integrated into the capitalist world market, the law of value inexorably compels the backward countries with a low level of labour productivity to specialise on the world market in a manner disadvantageous to themselves. If they wish, despite this fact, to embark on the production of high value industrial goods (in small series and with colossal costs) they are condemned to sell these at a loss on their internal market, because the difference in production costs compared with those of the industrialised nations is too large ..." (Mandel, 1975: 74).

What in essence occurs is a devalorisation of capital in low productivity sectors. It is thus the most advanced average conditions of labour that determine the specific value of products produced under inferior conditions (Olla and Scheller, 1977:36-7).

The effective transfer of value from low-productivity sectors to high involves a struggle. Short of the total removal of the structures of imperialism and mode of linkage with world capitalism, this struggle can only be over the terms of interaction. This is true as long as production in the periphery remains capitalist. With capitalist relations, the effects of competition and the world market predominate. These effects operate through the different national average conditions of labour, and their subordination to the needs of capital valorisation and accumulation.

Despite the international structure of the world market, "the average national conditions of production and of labour still provide the framework within which the accumulation and reproduction of capital (even that of the multinational corporations) must occur." (ibid.:13). The imperialist framework sets the limits of accumulation; it does not directly ensure favourable conditions for capitalist production and reproduction to occur.

Conditions in the dependent countries ensure the maintenance of relatively inferior conditions of production and reproduction. This is seen in such indices as the use of obsolete equipment, imbalance between sectors, the incapability of producing sophisticated machine goods, the inability to achieve economies of scale, and so on. These weaknesses are in part structured by the place of the peripheral formation in the international division of labour and they continually reproduce this inferior place. Industrialisation takes place largely on the terms of the imperialist monopolies that are able to turn these weaknesses to their advantage. Alternatively, production must involve a permanent "chase" to circumvent the limits imposed by the particular forms of internationalised production relations. Forcing the value of labour power down, raising the organic composition of capital, taking advantage of lower values of elements of fixed capital due for example to decisive advantages in relation to certain raw materials, or directly appropriating surplus value from more efficient capitals, provide some possible means

of struggle against these limits. The point is, however, that such attempts are articulated within a framework that imposes itself as long as the dynamic of capital accumulation remains the motor of productive activity. This framework structures even the forms of opposition to its tendencies. Thus strict limits are set to any capitalist challenge to imperial domination. As has been argued: "The interdependence of national capital reproduction and international competition is realised in the most diffuse manner ... (and) results in different limitations upon the activities of the particular nation-state. These are in turn determined by the position of the particular national technical and social average conditions of labour (productive power of labour, distribution of the social product, manifestations of the class struggle and power relations between the classes, etc.) in the framework of international competition" (Oile and Schoelker, 1977: 98).

#### The Internationalisation of Capitalist Relations

It might appear as if the precise forms of subordination in the periphery have been presented as a technical or purely economic necessity. But technology itself embodies a particular structure of productive relations. The possibility of industrialisation in the periphery under imperialist aegis thus implies, above all, the internationalisation of capitalist relations. There is a tendential movement to reproduce in the periphery, relations of production that correspond to the relations pertaining in the most advanced imperialist formations, in particular the USA.

This is seen in the tendency to reproduce the monopoly relations of the centre, such as advanced forms of control, the particular forms of relations between enterprises, the integration of labour processes, vast scale of operation and high organic compositions of capital, the minute specialisation on an international level and the dependence on the specific path of scientific and technological development. These have definite effects on the type of tasks performed by the direct producer and on the division of labour within the unit of production and between branches and sectors.

Summarising the effects of this "international socialisation of labour", Poulantzas has argued that: "the present phase of imperialism is characterised by the establishment, under a single centre of economic ownership,

of what are effectively complex production units with labour processes that are closely articulated and integrated (integrated production) and divided between various establishments in several countries" (Poulantzas, 1975: 58-9).

Capitalist relations pertaining in the dominant formations are overwhelmingly reproduced actually within the dominated formations. These relations are internalised through articulation with the specific conditions and historic balance of forces within each formation in the imperialist chain. These relations of dominance are established most strongly amongst the metropolitan countries themselves, or within particular chosen sites of imperialism. In certain cases including South Africa, the presence of strong national capitalist classes has been brought to bear, in combination with highly favourable conditions for accumulation, so as to ensure that particular formations become the "privileged" centres of a process of dependent industrialisation.

The dominant tendency may thus be characterised as the forced and necessary reproduction of relations pertaining internationally that are now internalised within the dominated formation. These relations are of course "forced and necessary" insofar as the dominant classes in the peripheral formation remain capitalist, and are thus subject to the law of value operating internationally. The dependent economies are thus polarised towards the dynamic of the capital accumulation process in the advanced capitalist centres, and thus towards the imperialist bourgeoisie. The critical question in each case is how this polarisation is secured or maintained, and the precise blockages and limits this sets on developments within each social formation. This enables analysis of the contradictory forms that have emerged, and of the possibilities of their being overcome.

The domination by imperialism is expressed through a variety of interconnections and of external and mutual pressures. This includes, for example, the operation of international state and economic apparatuses (see Fine and Harris, 1979: 153). However, in the era of the internationalisation of capitalist relations, the decisive framework for accumulation remains determined by the forms of national conditions of labour and productivity, and of the nation-state. The articulation with imperialism is not simply "external". It involves the internalised

and induced reproduction of the dominant imperialist relations within each social formation. These forms are political and ideological, as well as economic.

As Poulantzas has argued: "the specific forms of regime in the dependent countries play a particular role in the precise forms assumed there by the new path of dependence, as a result of the specific 'internal' balance of forces to which they correspond" (Poulantzas, 1976: 21).

"External" pressures operate only by way of their internalised articulation with the specific contradictions of the dependent social formation. These contradictions themselves are in part structured by the particular place occupied by each formation in the imperialist chain. This place is the complex result of each social formation's particular forms and rhythms of incorporation, and of the complex forms of class struggles and alliances that define its existence.

CHAPTER THREE: THE DEVELOPMENT OF SOUTH AFRICAN CAPITALISM: FROM THE DISCOVERY OF GOLD TO THE RISE OF MANUFACTURING

Concretising the Discussion

This chapter aims to provide a broad overview of the development of South African capitalism from the late nineteenth century until just before the consolidation of manufacturing industry that occurred during World War II.

This chapter concretises the discussion at the level of the social formation. It is necessary at this stage to discover what it is about the South African social formation that gives it its characteristic forms and rhythm of development. It would be incorrect to view South Africa as merely an "expression" of a pre-given and unfolding capitalist mode of production, with an inherent and inevitable direction of development. There is no abstract capitalist essence imposing a necessary path on the concrete structures of history. There is only the historical outcome of form-determined class struggles at all levels of the social formation.

Similarly, it would be incorrect to see South Africa's internal development as a mere expression of changes in imperialism, perhaps mediated through less or more unique structures. It will be argued that the question of imperialism is highly important in South Africa's capitalist development. However, even the reasons for this need to be specified in terms of class structure and struggle inside South Africa. In this way, the precise forms of imperialist and of capitalist domination may be identified and explained.

The outcomes of particular historical struggles shape the forms in which future struggles will be fought and affect the balance of forces and their relative strengths. The periodisation of distinct phases and stages in the social relations of a particular formation, thus rests on prior conceptions of the internal structure and development of the classes in struggle up to the period being considered. This involves a dynamic analysis. Such analysis, however, must avoid the suggestion that there is something inevitable or "goal-directed" about historical movement. The forms of struggle of one period do not unfold teleologically into the qualitative shifts of the next.

Only the rhythm of concrete class struggles can inform the analysis of the particular historical outcomes, and of the forms of disjuncture and restructuring that mark periods of crisis and their resolution.

This chapter is an attempt to schematise the class forces that determined the trajectory of capitalism in South Africa. It points to the major forms and outcomes that were to be of critical importance in shaping the blockages and contradictions in the later period of growth of manufacturing industry. It is not intended to provide more than a general overview. Rather than providing a subtle analysis, the chapter highlights the more important aspects of relevance for an understanding of later developments. The suggestions made above as to the approach in conceptualising the concrete social formation, then, do not imply that a detailed and rigorous specification and analysis will be found in this chapter. Such analysis is not essential for present purposes.<sup>1</sup> The major forms and the reasons for their particular rhythm of development, are thus painted in a broad sweep of the changing features of South African capitalism up to the period just before the Second World War.

The major areas of concern are summarised below:

- i) There was a rapid extension of capitalist relations following the amalgamation era in the diamond industry (see Innes, 1977) and, more importantly, after the discovery of gold, a vital commodity in the international monetary system. The particular relations in the mining industry, were crucial in giving impetus to a sustained process of proletarianisation of Africans from the subjugated and geographically enclosed reserve areas. Proletarianisation took particular forms that ensured the availability and "cheapness" of African labour. This involved both extensive and coercive regulation and control of the direct producers, and a particular relation between capitalist production and production in the reserves. The nature of the relations in the mining industry formed the major determinants of the structure of the dominated classes in the social formation as a whole during this period.
- ii) The struggles of the white wage-earning classes entrenched a hierarchical social division of labour along racial lines. Their particular relation with the state allowed white labour to play a definite role in the drive for national accumulation of capital.

iii) In a certain sense, capital was "injected" into South Africa from outside. The mining industry articulated with the imperialist system as a whole with specific constraints and linkages. Within South Africa, there was a rapid transition to a highly developed monopoly structure under imperialist control. This contributed to the markedly uneven development of capitalist relations between sectors, within the various branches of industry, and between town and country. These relations largely defined the forms of contradiction between "imperial" and "national" capital.<sup>2</sup>

iv) The development of mining industry, itself stimulated favourable conditions for the expansion of capitalist relations in manufacturing and agriculture. The emergence of the latter in particular, was the basis for a national capitalist challenge to unbridled imperialist domination. As a consequence of this challenge, state economic interventions gave the impetus for the steady growth of a manufacturing sector. There were the beginnings of a transition from manufacture to machinifacure.

However, the limited nature of the anti-imperialist challenge, the changing internal conditions of class struggle and the restructured relations of capital in the advanced centres, were bringing to a head the numerous contradictions in the forms of development. The expansion of manufacturing industry that had seemed possible in the conditions of the inter-war period, was beginning to reach definite limits by the end of the 1930's.

The years of the <sup>2</sup>Second World War saw a consolidation of manufacturing industry. However, the disjunctures and contradictory effects of the forms of capitalist development were to openly emerge. A restructuring of social relations would be the precondition of a renewed and profitable basis for accumulation.

#### Mining Capital and the Forms of Exploitation: The Black Dominated Classes

Before the advent of the mining industry, there were limited areas of capitalist development in South Africa. Merchant capital predominated. Sophisticated import-export monopolies dominated economic life at the coast and stretched their tentacles throughout the sub-continent. The

complex dissolution and conservation effects of merchant capital penetrated the most distant and isolated of the migrant and semi-feudal Boer communities; and, along with missionaries and military conquest, had played a part in the subjugation of the pre-capitalist African formations. In the Western Cape and Natal, capitalist farming for the metropolitan markets took place, if subject to the vicissitudes of South African climatic conditions.

However, the extent and pace of changes were slow, and producers maintained an independence of a kind. Resistance from African formations was contained within the small pockets of what would later be transformed into the reserves; some Africans worked in the harbours, small industries or on the farms of the colonisers. The most fertile land was in the hands of the latter, mostly engaging in production for their own consumption or for petty commodity-exchange. South Africa remained a backwater of imperialism.

Diamonds and gold burst onto the scene, bringing into South Africa the advanced mechanisms of monopoly capital. Diamonds were sought in the capitals of Europe for their luxury and industrial qualities; gold was the money-commodity itself, the key to the international monetary system. Those forms of capitalism that had existed within South Africa, were extended and swept along by the deep and swift transformation wrought by the mining industry. The transformation of South Africa into a social formation thoroughly subordinated to the dynamic of capital accumulation, had little similarity to the organic development of industrial capitalism out of forms of small-scale petty commodity production in Western Europe. In a very real sense, and in a very short time, the most sophisticated and powerful forms of capital were implanted in the South African social formation.

It was as a rupture or a break, that social relations were transformed. Production in South Africa was closely linked into the imperialist network. Company mining brought with it massive investments of foreign capital, access to the leading financial markets of Europe and the world, the import of mining machinery and infrastructural plant and equipment, and connections with sophisticated international networks of sales outlets and sources of supply. Joint-stock companies waged their competitive wars through merger and cartel, and the organisation of their physical and social environments to the benefit of their

accumulation drive. Imperialist political intervention, too, underwent a qualitative change.

Yet it is not money or machinery or markets that turn these aspects of imperialist accumulation into capital. The mere fact that these elements existed at the disposal of huge capitalist enterprises, could not of itself transform them into productive sources of capital accumulation within South Africa. For, as previous chapters have made clear, capital is a social relation; the conditions for capitalism are the confrontation of dead with living labour in a particular form of surplus production, in which surplus is extracted in the form of surplus-value. Capital, the result of a long process of accumulation and change in the metropolises, found itself in the periphery forced to "create" the commodity labour-power that was the very source of its wealth. With the dramatic and sudden realities of the "primitive accumulation of labour", capital transformed for ever the relation between dominated and dominant classes in the South African social formation.

The way in which gold was produced had much to do with its place in the national and international circuits of capital. The specific technical requirements for the extraction of low-grade ores (see Davies, thesis: 42) and the nature of the money-commodity in the international system (Williams, 1975: 9) are a part of the explanation for the forms of gold production. Large amounts of fixed capital were necessary, utilised under conditions of large-scale socialised production. Particularly because of price-constraints due to the internationally-fixed price of gold, the minimisation of costs was central to profitability. The decisive factor in this, was to be the cheapness of black labour.

Gold and mineral production did not enter as an element into the wage-goods of the worker. Increases in productivity thus could not lessen the labour-time necessary to sustain the worker by cheapening the bundle of wage-goods. In the absence of extensive capitalist relations in agriculture and industry, there was little way of reducing wage-costs through the supply of wage-goods of ever-decreasing value. The increase of absolute surplus-value through reducing or intensifying the period of necessary labour-time, came up against the limits of a poorly-fed and

maintained labour-force engaged in exhausting manual labour at the edges of its physical capacity.

What emerged as the solution for capital was a specific form of minimising the value of necessary labour. Capital provided only for the day-to-day reproduction of the labourer, socialising and minimising these costs while avoiding the costs of generational reproduction. In one formulation, this is theorised as: "the production of a form of relative surplus value which constitutes the cheapening of real wages. This latter form increases the volume of surplus labour-time relative to necessary labour-time, as does the cheapening of wage goods which also reduces the value of necessary labour time, though the two forms of production of relative surplus value define widely differing class interactions and demand dominantly repressive and dominantly ideological state apparatuses" (S. Brown, thesis: 45).

Before looking at the forms of the capital-relation that developed, it is important to bear in mind that the processes of proletarianisation were forced, protracted and deliberate (Davies, thesis: 50-1). They included the consolidation of the Reserve system, limiting vast populations to land areas that could not sustain them. Independent peasant production of a marketable surplus was blocked in a variety of ways (Bundy, 1972; 1977). If starvation would not force workers into the Rand mining and compound system, hut and head taxes were imposed to create a necessity for cash income. A system of labour recruitment was developed under the control of the Randlords, operating on a mixture of deceit, coercion and reward. The ongoing processes of proletarianisation were closely tied in with the forms of control and exploitation of the direct producers.

The forms of capitalist exploitation had two main aspects of concern here. These centred on the reproduction costs of labour, but involved at the same time the imposition of direct controls in ensuring the discipline of capital's rule. On the one hand, the compound system was crucial in lowering costs. There was institutional buying of stores and control over consumption. Housing and social costs were kept to a minimum. The compounds enabled close surveillance and control of any organisation against conditions of life and could be isolated from each other and from the main urban centres. This was linked

with other measures, such as limitations on strike activity, suppression of union and other defensive organisation, a system of informers and police repression, close supervision at work, strictures on movement, and so on. The brutality of mining life, and the control of opposition to this, were closely linked through the migrant and pass systems, with the functions of the shattered reserves.

The reserves were incorporated at the level of the reproduction of labour-power. It was here that the maintenance of the labourer's family occurred, and of the labourer in his non-productive periods. In non-capitalist forms, women provided the means whereby the worker was able to continually present himself at the point of production. Thus the labour of women in the reserves effectively subsidised capital through their relation to the family and the land. Women not only formed a nexus<sup>3</sup> that was part of the economic exploitation of the working class, but were also tied in to the ideological and political mechanisms of control in the reserves that were the other side of coercion in the cities. The particular situation of women mediated and limited the focus of struggle against the effects and maintenance of the system of domination.

The sexual forms of the social division of labour define one major aspect of the structure of the dominated classes. Also of importance, were the racial or national characteristics of the forms of domination. Within the reserves, there was little production of surplus and thus no real possibility of the existence of dominant exploiting classes within the pre-capitalist mode (Kaplan, 1977: 100). At the level of immediate production relations under capitalist rule, Africans were subordinated almost entirely as labourers. They were further subject to a particular racial allocation of places in the labour process (see the following section).

Those few elements amongst Africans who were tilted towards the ruling classes were incorporated at the levels of ideology or politics - petty bourgeois products of mission schools, clerks or minor bureaucrats, and paid chiefs administering the reserve policy and supervising labour supply. Yet these strata were vacillating and unsteady, with allegiances easily torn depending on the rhythm of class struggle.

For most Africans, the realities of oppression were direct and coercive. Capitalist domination had little to do with, for example, the isolation effects of tribal structures, as one writer argues (Kaplan, thesis: 22-3). Rather, domination was exercised in the forms of the racial or national subordination of virtually all Africans. This affected the nature of alliances amongst the dominated classes in the struggle against capital and white rule. The reality of national subordination, and the direct role of the state in providing the conditions for the maintenance of such relations, had also a deep effect on the nature of alliances amongst the bourgeois classes, and on the forms of politics and ideology.

The forms of capitalist production and their social conditions of existence, were shaped by and in turn limited or extended the struggles of the dominated classes. While capital appeared as an overwhelming force, it always faced the difficulties and tensions generated by the inherently contradictory forms of domination. For a long period, one of the major aspects of struggles by the dominated classes centred around the effects of dissolution of the pre-capitalist structures. In white rural areas, squatters trekked from farms to resist attacks on their access to land. (Morris, 1976). Women provided the backbone of many of the rural struggles, particularly against the extension of controls on labour. Continued shortages of labour on the mines occurred despite the pressures for proletarianisation. The mines themselves were the focus of intense activity, with both formal and informal resistance. A high point in the struggles of the black miners was the 1920 strike which coincided with widespread urban and rural agitation. Nationally, the ICU gathered in strength through the early 1920's, providing an organisational focus to rural and urban struggles until its decline later in the decade. The ANC, although on the whole a moderate body with an elite leadership, provided a national political organisation. This linked various elements of the dominated classes, proletarian and petty-bourgeois, worker and peasant, home-owner and urban squatter, and so on. Whatever its limitations, it was to ensure that the official and unofficial forms of popular resistance, were crystallised in an organisational continuity. While struggles remained basically defensive, against the effects of the forms of exploitation and domination, they set clear limits to the rule of capital and its extension.

The particular forms of capitalist relations did far more than merely "set a pattern" of interactions that neither capital nor labour could escape from in the ensuing trajectory of economic and social development. The modes of interaction between direct producers and owners of the means of production in South Africa, and the conflicts that were shaped intrinsically by these forms, were not only the preconditions for the successful accumulation of capital in South Africa. They defined, too, the blockages and limits up against which such an accumulation process, inherently contradictory, would persistently come. The limits and disjunctions would have to be continually overcome and "resolved" in struggle to reestablish, end or alter the possibilities and forms of continued capitalist production and reproduction.

#### The White Wage-Earners: The Racial Division of Labour and the State

A brief discussion of the position of the white wage-earners illuminates two aspects of capitalist relations in the early period:

- (a) There was a strict racial allocation of agents to certain skilled and supervisory positions in the labour process.
- (b) The ideological and political forms of their domination by capital, gave their struggles a certain direct effectivity within the arena of politics. White wage-earners emerged as a supportive class to an alliance of national capitalist classes.

Production on the gold mines rested in the first place on "socialised groups of direct producers" or gangs (Davies, 1979: 301). The importance of the "cheapness" of this labour ensured that the gangs consisted of African proletarians. However, certain artisanal tasks required the use of skilled labour, which was largely imported from Europe. These artisan producers retained an important degree of real control in the labour process, which gave a crucial leverage to them in their immediate economic struggles with capital and in the wider conflicts that were generated. Further, these productive tasks were closely related to those of co-ordination and supervision. The latter ensured the rule of capital in the workplace, both through the immediate aspects of discipline and control, as well as through the effects of fragmentation of the working class by the emergence of privileged strata of labour that acted as capital's lieutenants.

The tasks of co-ordination and supervision fell to white wage-earners. This was firstly because of the close interconnection with skilled labour, largely monopolised by European artisans. Secondly, "under the prevailing political and ideological conditions, whites had an assumed authority over blacks which was considered by mining capital to be indispensable in the exercise of surveillance and control over black workers" (ibid.: 302). The particular subordinate position of black workers related to a wider set of forms of capitalist domination; this position, and the particular hierarchy of places in the labour process, thus led capital to actively encourage the social division of labour along racial lines. The encouragement of a privileged stratum of white wage-earners, allocated to superior positions in the production process, was important to capital in two senses: From a technical aspect, certain tasks could be adequately fulfilled. From a "social" point of view, the rule of capital was extended, ensuring that these tasks were performed under relations that generated surplus-value at the disposal of the exploiting classes.

The position of white wage-earners bore the seeds of conflict. For along with the rapid processes of concentration and centralisation in the transition to monopoly capital in the mining industry (i.e. broadly, concentration of economic ownership), went a slower process in which capital attempted to establish its powers of possession. This involved a reorganisation of labour processes, with an enlargement of the size of productive units and a socialisation and break-down of tasks previously performed under the real control of skilled craft workers (ibid.: 298-300). The result would be a more efficient organisation of the labour process, an effective lowering of wage-costs and the "advancement" of black workers. Technical changes were thus one form in which mine-owners waged a struggle against labour, both white and black.

There was no real attempt by capital to challenge the racial hierarchy of labour or to end the white monopoly of supervisory places. Nonetheless, for white miners, the envisaged changes threatened both the number of jobs available to them and the loss of a major source of bargaining strength, namely their control of aspects of the labour process through their artisanal skills. Where a major part of the challenge to their craft privileges involved undercutting and replacement by black workers, it was hardly surprising that the resistance by white

wage-earners to capital took on racial overtones. Skilled white wage-earners allied with unskilled to fight for the retention of the job colour bar. White resistance was expressed by the Labour Party and through militant and well-organised trade union apparatuses, as well as through more informal and direct action. The latter included the use of the general strike on a number of occasions, violence against African labour, and the quasi-insurrection of 1922.

The 1922 strike showed in no uncertain terms the failure of ad-hoc solutions to the power of the white wage-earners. Spurred on by cost increases and a falling gold price, the mine-owners had finally had their hand forced by the depth and militance of the black mineworkers' struggles (see Bonner, 1979). The mining capitalists attempted to re-organise the labour process and alter the proportion of black to white employees. This provocation resulted in the near-insurrection on the Rand. Combined with fears of black unrest, the events underlined the dangers to the social structure of the struggles by white wage-earners.

Following 1922, there was an important shift in the balance of forces in the social formation. However, this cannot be understood solely from the narrow economic focus above. The political and ideological forms of incorporation of the white wage-earners were of crucial importance. The forms of white proletarianisation, "colonial" ideological forms, and the inability to repress white labour organisation, in part help to explain the incorporation of all whites into the "democratic" structures of the state. This had certain isolation effects on white wage-earners by "creating" them as individual citizens of a white nation, rather than as merely an exploited class. It also enlarged in various ways, their capacity to make demands on the state and to extract "real" concessions (Kaplan, 1979: 24-5).

In this way, it becomes easier to locate post-1922 political changes. The open intervention by Smuts on the side of the mining capitalists, irrevocably drove white wage-earners from any support for his imperialist policies. Undercutting by black labour, coupled with white unemployment and poverty as rural petty-producers flooded into the cities due to collapsing options in the countryside, opened the way to ideological interventions that stressed the upholding of white civilised standards. The National Party offered such stabilisation to white wage-earners. Its agricultural and small industrial base were mobilised under

petty-bourgeois leadership against the imperialist consequences of the gold-mining industry. It was prepared to confront the gold-mines to provide economic concessions to white wage-earners in return for their support.

Thus, under the National-Labour Pact, a new path of capital accumulation was opened up. White labour, whose support made this possible, was at the same time to find its independence whittled away. The open class struggles of the past gave way to their ideological and political subordination. A system of institutionalised economic concession replaced their own bargaining strength. This decisive incorporation was to find expression under the Pact government in such measures as the entrenchment of job colour bars, steps to ensure white employment particularly in enterprises such as the Railways, and in the creation of an institutionalised industrial relations system that bureaucratised the white labour unions. The Pact period, which saw a new trajectory of capitalist development that favoured national capital, was also to see "the almost complete political capitulation of the 'white labour movement' to capital" (Davies, thesis: 176).

#### The Transition to Capitalist Agriculture: Contradictions Between Town and Country

The primary contradiction between capital and labour is the major limit to capital accumulation. However, the forms of this social antagonism are not the only limits in a capitalist formation. Indeed, they shape and are shaped by a whole set of other contradictory relations. In South Africa, it was not only the forms of struggle within the mining industry that determined the formation's capitalist development. For, if diamonds and gold stimulated in South Africa a "capitalist revolution from above and without" (Legassick, 1974a: 260), they were not the only elements of the capitalist classes.

As has been argued: "Because the state role in the creation of the conditions of existence of the capitalist mode of production (CMP) was far more complex, and, primarily, because the scope and scale of the restructuring of the social formation was greater and more fundamental,<sup>4</sup> the dominant indigenous classes of capitalism could not be subordinated along with the other social classes. Partly because their role was important in the creation of the conditions for the CMP,

at the very least in terms of the development of the infrastructure and of the other essential apparatuses, and most importantly because of the pervasiveness (particularly in the Cape and Natal) of various forms of capitalist relations within the social formation, the indigenous (White -GB) dominant classes could not be subordinated without consequences that would threaten the stability of the state and the reproduction of capitalist relations within the social formation as a whole" (S Brown, thesis: 83).

The effects of a concentration of population in the Witwatersrand on demand for agricultural produce and other supplies, dramatically increased the extent of commodity production by the Boer landlords. The Boer war, with imperialist intervention to secure a centralised state framework and efficient apparatuses for the reproduction of capitalist relations in mining, broke their hold on the Transvaal state. However, all white classes were to remain represented in the state structures. The reality of this representation, and the diminution of numerous small-scale farmers and white tenants in the terrible conditions following the Boer war, opened the way for the possibility of a transition to capitalist agriculture.

On the one hand, this involved such state interventions as subsidisation through railway rating policies and branch siting, the encouragement of conservation and irrigation, the extension of credit, and measures to eliminate competition from an African peasantry. On the other hand, the heavy reliance on the State in the transition from "feudal" agriculture was especially important "in regard to the maintenance of political and legal controls over the direct labourer" (Morris, 1976a: 311). Despite this, the resistance of the direct producers was to ensure that capitalist agriculture remained dependent on forms of tenant labour. This acted as a continual limit on increases in productivity and thus on accumulation in agriculture. This major contradiction intensified the various secondary contradictions in the relations of agriculture with other elements in the social formation.

Agricultural capital, undergoing the stresses of the transition from "feudalism", co-existed with a highly developed and imperialist monopoly capital, concentrated in the gold mining industry and also in commerce. With the limitations of its own internal development,

agriculture could not but "lag behind" (ibid.: 313). Between town and country, mining and agriculture, a deep set of contradictions existed. They made up a major aspect of one of the crucial features of the social formation, namely the grossly uneven development between sectors and departments of production.

The effects of the relative backwardness of agriculture were seen in two main areas. The first was in relation to its dependence on exports and its uncompetitive position in regard to agriculture in other countries. Particularly with the extreme effect on agricultural prices and costs during depression periods, this appeared as a continual crisis of prices. A continuous long-term pressure on agricultural prices led to debt, over-capitalisation, and a severe squeeze on the viability of agriculture.

In the second place, a major effect of uneven development was seen in an ongoing drift of labour from rural areas to the cities. The low remuneration in relation even to the poor wages of industry and mining, compounded agriculture's inability to rely on "market forces" to compete for labour. Mechanisation was hardly an option under the difficult conditions that prevailed. Agriculture found itself subject to a perennial shortage of labour.

In both of the problem areas, requiring at the least labour stabilisation and price support for their resolution, agriculture found itself in conflict with state policies that favoured accumulation in the gold-mining industry. And yet, on the other hand, it was precisely the development of gold-mining and the establishment of a particular form of state and modalities of state intervention, that ensured the conditions of existence of a capitalist agriculture. This was clearly seen, for example, in the development of railways, the emergence of subsidiary industries to mining that utilised and processed agricultural raw materials, the extension of produce markets, the emergence of a banking and financial system that could make credit available, and the availability of state funding for administrative and infrastructural expenditure through taxation of gold revenues.

The unity in contradiction of the capitalist classes was even more clearly seen in the state's role with regard to the creation and control of a wage-labour force. However much its policies were tilted in favour

of the outward-linked and monopolistic mining capitalists, the state stood in a particular relation to all elements of the dominant classes. Yet it was precisely this, that provided the possibility for the state's intervention to ensure conditions for the expansion of capitalist accumulation throughout the economy. The very reality of the parliamentary form created certain possibilities for an organised alliance to encourage a trajectory of national capitalist development. The forms this took went, in a very real sense, against the grain of imperialism.

### National Capital in the Growth of Manufacturing Industry

Mining industry was undoubtedly the mainspring of the economy in the early period. As the most dynamic and profitable sector of the economy, it generated the impetus for infrastructural construction<sup>5</sup> and the emergence of a highly developed banking system. It provided the revenues and demand for complex state fiscal interventions in the economy. It was the major source of foreign exchange for productive and consumption imports. The mines were a major employer of labour, and, indeed, absorbed much of the labour rejected from rural areas as processes of capitalisation in agriculture occurred. The importance of gold was underlined by the peculiar quality that in times of international depression, the price of gold could be relied on to increase, providing a unique anti-cyclical source of capitalist accumulation and revenue.

Mining industry embodied the forms of imperialism in a definite phase of its development. Thus, the primary aim was to ensure conditions in which gold and minerals could be profitably extracted and put into circulation on the exchange markets of the imperialist centres. The very imperatives of gold-mining accumulation, and the power of the mines to ensure favourable policies, countered the stimulus that mining gave in generating certain conditions for the growth of capitalist relations elsewhere in the social formation.

Very little of the vast quantities of surplus-value being accumulated by mining capital was available for investment in other sectors of the economy. The banking system, itself closely allied to mining monopolies, could not be expected to make large amounts of money-capital available to manufacturing industry, for example. Such accumulation as might occur in manufacturing would have to be small-scale and profitable by virtue of very definite advantages over producers in imperialist

countries. This included advantages in relation to raw materials; in industries where labour processes made labour-costs particularly important and where advantage could thus be taken of relatively cheaper labour; and repair-work and handicrafts production with definite geographical advantages.<sup>6</sup> Alternatively, there would have to be close links with the mining industry, in fields such as explosives production where spin-offs from mining might enable the emergence of suppliers more competitive or stable than overseas producers.<sup>7</sup>

Manufacturing production could be expected to be limited for sale on the local markets and perhaps to neighbouring territories. This provided narrow limits on the capacity of local industries to take advantage of mechanised production, economies of scale, and so on. With the low consumption level of the black working class, the extent of the South African market was a severe limit to expansion of large-scale industry. As Houghton suggests: "The limited domestic market is, however, also due to the fact that a majority of the South African population has only a very low level of consumption. The three and three quarter million whites have on average a relatively high standard of living, but the eighteen million other citizens live for the most part very little above a bare minimum standard ...mass-production methods imply mass-consumption of their products. Any increase in the income of the poorer section must, however, be related to overall increases in productivity because, unless this were so, unit costs of production would rise" (Houghton, 1973: 134). However, this quote refers to a much later period than the first years of manufacturing growth. During the early period, there was a wide area of production in which small-scale industry based on relatively low labour costs, could effectively compete with producers in the imperialist countries.

The limitations on mass production applied in the main to production in Department I. This production of machinery (means of production) was already subject to monopoly relations and socialised labour processes in the imperialist countries. For producers to marshal the resources and technologies, and still be internationally cost-efficient where imperialist production in Department I was already highly productive, was extremely difficult .

As long as production, however, could continue utilising relatively

simple technologies or was based on extensions of handicraft production, the lack of a machine-goods industry was of little consequence. Yet, the small scale of production and the imbalance between departments was increasingly to impose itself as a limit on the development of a local manufacturing sector. In the inter-war period, these difficulties were already to be felt at the margins of production, beginning to compound some of the other problems of establishing a manufacturing capacity.

Noting these problems, one government commission argued: "Investment in underdeveloped countries ... tends to concentrate on extraction industries that supplement the economies of the highly industrialised countries, but does little to develop the internal economies and to encourage the balanced development of the underdeveloped countries" (UG 36/58: para. 100). It went on to suggest that "This was undoubtedly the position in the Union until the Government commenced with a deliberate policy of protection to encourage secondary industry in this country in 1925" (ibid.: para. 101). [The years of the first World War had provided a measure of artificial protection from imperialist competition for South African industry, and there were a few years of post-war boom up to the depression of 1921-2. Between 1915-16 and 1921-22, the number of industrial establishments on the Rand grew some 104% from 862 to 1 763 (Proctor, 1979: 53). In South Africa as a whole, between 1915/16 and 1919/20, the number of factories rose from 3 998 to 6 890, and factory employment by some 73% (Kaplan, 1976: 74).<sup>8</sup>

It was particularly the light consumer and processing industries - food and drink, clothing, leather - that experienced this growth, as well as the metal and building industry, the former probably being mainly jobbing and small engineering workshops or repair yards.<sup>9</sup>

With the resumption of normal trading patterns, and increasing competition from imports, a severe slump followed. For industry, the continuation of conditions for accumulation implied a confrontation with imperialism through nationalist economic policies. The major aspect of these was the need to throw protective tariff barriers around South Africa that would allow fledgling and uncompetitive industries to develop. The ideology and practice of free trade, part and parcel

of the Smuts government's close links with mining industry, went directly counter to the needs of an emerging manufacturing class.

Protection for industry was to become a reality with the electoral victory of the National-labour coalition in 1924. An analysis of the coming to power of the Pact government, however, requires more than the simple explication of structural contradictions between white worker and Rand capitalist, monopoly mining and small-scale industry, and conflicts between agriculture and mining or town and city. To explain the emergence of an anti-monopoly and anti-imperialist alliance of classes, it is necessary to go beyond a descriptive enunciation of the hegemony of national over imperialist interests. The Pact government represented an uneasy compromise between different social forces that interpreted its program in different ways. The crucial aspect in this compromise was the organisational and ideological grid through which different elements of the alliance were included, notwithstanding their own differing places in the social formation and their particular "histories" of class struggle.<sup>10</sup> Nonetheless, as O'Meara argues: "Despite the contradictions between the class forces represented in the Pact, their alliance sprang from a common violent clash of interests with monopoly finance capital, as it was represented primarily in the mining industry, but also the great import houses and the banks" (O'Meara, thesis: 24).

The assertion that the Pact period was basically about "the necessity" imposed on (the state) as a capitalist state to secure the conditions for the expansion of capital in general at a time of rising working class resistance to oppression and exploitation" (Innes and Plaut, 1979: 55), is too bland. The truth contained in the statement is that no nationalist revolution against imperialism could be possible where the state's primary interventions were to secure the domination over exploited classes. The unity of all dominant classes was needed to ensure the rule of capital. Without the involvement of the popular classes, there was no possibility of challenging the social relations that ultimately ensured for South Africa an inferior position in the international chain of imperialism (see page 46 above).

Where capital accumulation remained the imperative of the leading classes under the Pact, there would inevitably be relations of interdependence

with imperialism that could not be challenged. For example, accumulation in important sections of agriculture would continue to rely on a particular incorporation into world markets, and reliance on externally determined prices. Or again, the costs of bolstering an industrial sector could only be met through diversion of surplus value from a mining industry that continued to show profits. To destroy accumulation in the mines, and create a rupture between imperialist and nationalist classes, would seriously weaken the latter's ability to maintain the capital relation and domination over the working classes. To attack imperialism at the level of secondary contradictions, could ensure only secondary solutions.

The particular set of compromises inherent in the Pact, and the weakness in any case of its constituents, were to be clearly seen in the Fusion government that emerged after the 1930/32 Great Depression. The complexity of the interaction between "imperialist" and "national" interests was to be expressed in a closer welding of their broad constituents (see O'Meara, thesis 4-17).

The Pact government was, however, able to ensure the wider existence of conditions for successful capitalist production in manufacturing industry. More than anything else, this involved protection of industry from the effects of outside competition. The Union Customs Tariff Act, no 26 of 1914, had been largely a revenue measure (Houghron, 1973: 118). Under the Pact, a similar measure was the primary means for stimulating manufacturing industry. A reconstituted Board of Trade and Industries and the 1925 Customs Tariff and Excise Duties Act (no 36) heralded a "more positive attitude towards industrial development" (ibid.: 118).

#### The Development of Manufacturing Industry: 1925-1939

Between the periods 1925 to 1929 there was a significant growth in manufacturing industry as the table below clearly shows:

TABLE 1: THE GROWTH OF MANUFACTURING INDUSTRY 1925 - 1929

	<u>1924/5</u>	<u>1928/9</u>	<u>% increase be-</u> <u>tween 1925-1929</u>
No of establishments	6 009	6 238	4
No of workers			
All races (1 000's)	115	141	22
Whites only (1 000's)	41	54	32
Other (1 000's)	74	87	18
Value of gross output (Rm)	115	161	39
Value of net output (Rm)	49	67	37

(Source: Houghton, 1973: 119)

Manufacturing industry as a contributor to National Income rose from 11.9% in 1921/2 to 15.4% in 1931/2 (Houghton, 1973: 125), despite severe setbacks during the Depression, with falls in output of some 20% from 1930-3 (O'Meara, thesis: 4). This growth was accompanied by an increasing interlinkage with agricultural producers. Many of their products now found consumers on a local market as an increasing proportion of industrial raw materials was purchased from local sources. This provided one of the reasons for continued support for industrial protection from organised agriculture (Kaplan, thesis: 51).<sup>11</sup> The linkages grew dramatically in the Depression years, when manufacturers took advantage of the collapse of internal agricultural prices to increase drastically their use of local supplies (UG 40/41: Table XXI).

The incidence of tariff protection was specifically designed to exclude the inputs of mining and agriculture. The major reason for the opposition by mining to tariff protection was indirect pressure on costs through the general effects of higher wages in manufacturing on the struggles of relatively worse-paid mineworkers. With the abandonment of the Gold Standard in the early 'thirties, and the consequent boom in mining profitability, there was no serious crisis for the new Fusion government in maintaining, indeed extending, tariff protection measures. Under Fusion, the imposition of the Excess Profits Tax provided the fiscal means<sup>12</sup> for a wide variety of state subsidies and economic expenditure. For instance, the ISCOR experiment, embarked upon in 1928, came on stream in about 1934. It soon provided one of the supreme

examples of state ability to develop a wide variety of supportive and consumer industries through the provision of basic infrastructural and productive facilities.

If the Pact period saw an impressive rate of industrial expansion, the Fusion period saw a veritable industrial explosion.<sup>13</sup> The value of net output rose some 110%; number of establishments by 32%; and number of employees by 77% (Davies, thesis: 223). The period saw production concentrated in small-scale establishments. There was, however, a slow transition from manufacture to machinufacture, with the beginnings of the repetitive machine-operative tasks that are the hallmarks of the change from the merely formal to the real subsumption of labour to capital (ibid.: 185). The average number of employees per establishment grew from some 22 in 1924/5 to 25 in 1934/5 and 33 in 1939/40 (Norval, 1962: Table 1).<sup>14</sup> But this did not go with a significant rise in the proportion of capital to labour as the following table suggests:

TABLE 2: CAPITAL-LABOUR RATIOS IN MANUFACTURING INDUSTRY: 1923-39

<u>Year</u>	<u>Capital stock (Rm)</u>	<u>Labour (1000's)</u>	<u>k/l</u>	<u>% change over previous year</u>
1923	54	103	526	3,7
1924	56	106	527	0,2
1925	58	115	505	-4,4
1926	62	121	513	1,6
1927	68	127	536	4,5
1928	74	132	560	4,5
1929	78	141	554	-1,1
1930	80	142	565	2,0
1931	80	139	576	1,9
1932	86	136	632	9,7
1933	90	133	673	7,4
1934	96	160	601	-13,0
1935	112	182	616	2,5
1936	128	206	620	0,6
1937	138	224	616	-0,6
1938	146	232	629	2,1
1939	150	236	635	1,0

(Hindson, thesis: 173)

One writer suggests that the value of machinery/plant and tools fell from £215,6 to £187,6 per worker over the period 1933-1939 (Palmer, 1954:151).

The following table gives an indication of the ratio of black to white employment over a period of time. Assuming (not altogether a realistic assumption) that white employment represents skilled employment, there is no significant change in labour processes that would be attendant on mechanisation. In part, of course, the high proportion of white labour was related to civilised labour policies and the movement of whites into new petty-bourgeois supervisory places (Hindson, thesis: 121).

TABLE 3: BLACK/WHITE EMPLOYMENT IN MANUFACTURING: 1916-1939

<u>Year</u>	<u>B/W</u>	<u>Year</u>	<u>B/W</u>	<u>Year</u>	<u>B/W</u>
1916	2,8:1	1925	2,8:1	1934	2,3:1
1917	2,9:1	1926	2,8:1	1935	2,4:1
1918	2,9:1	1927	2,7:1	1936	2,4:1
1919	2,9:1	1928	2,6:1	1937	2,5:1
1920	2,9:1	1929	2,6:1	1938	2,5:1
1921	3,0:1	1930	2,6:1	1939	2,5:1
1922	2,9:1	1931	2,5:1		
1923	2,9:1	1932	2,4:1		
1924	2,9:1	1933	2,3:1		

(Source: *ibid.*: 121).

In 1941, a government commission argued strongly that: "At present, with few exceptions, South African manufacturing industries work on a small scale, are not highly mechanised and are largely dependent on protection. They are therefore adapted neither to make the best use of labour supply nor the fullest use of the ample supply of cheap power available. With cheap power and given an adequate market, South African manufacturing industry could be mechanised to a greater extent ... In many industries the position created by the small local market has been aggravated by the erection of a multiplicity of factories mostly below optimum size and also working below capacity" (UG 40/41: para. 38-9).

would now be produced at higher costs than internationally, threatened to generate an unsustainable rise in the cost structure throughout the economy. In 1936-7, an estimate was that the minimum excess cost of protected industry in relation to duty-free value of imports, was about £14m, and a figure of £10m was given for 1939-40 (UG 40/1: para. 104). An additional £7.5m was spent on direct agricultural assistance and subsidies (ibid.: para. 88). This threatened the very basis of profitability in manufacturing industry, in particular the relatively low wage-costs.

More intensive extraction of surplus value was hardly possible. Indeed, by the first few war years, a government commission was scolding <sup>to the point</sup> warnings about the physical deterioration of the labour force/where the reproduction of future generations was in jeopardy. Thus it was recognised that malnutrition was a serious problem, and calls were made for the extension of preventive medicine and free medical services to lower-income groups, improved and sub-economic housing, the subsidisation of food as an interim measure, and the raising of wages where productivity could be proportionally raised. Indeed, it was argued that "malnutrition and poor housing - the inevitable results of an inadequate family income - so sap the vitality of the worker that a reasonable increase in wages would often fully justify itself by leading to a proportionally greater increase in labour productivity. There would also be other favourable effects of even greater significance, such as the furtherance of satisfactory labour relations and the prevention of cumulative deterioration of the labour force" (UG 40/4: para: 191).

The starvation of the work-force need, of course, be no obstacle to the development of capital. Neither was an abstract possibility of better work from individual workers likely to induce the individual capitalist to raise wages unnecessarily. This was particularly true where his methods of production were primitive, the decline of the reserves guaranteed at least a short term reserve army of labour to replace exhausted workers, and state protection from competition generated a profitable field of operation. A more important consideration was the threat that workers themselves posed in reaction to declining standards of living. As was argued, "this must lead to social unrest and degeneration" (UG 40/4: para. 234).

That this was an increasing possibility is borne out by the following table:

TABLE 4: BLACKS INVOLVED IN STRIKES 1933-39 AND MEMBERSHIP OF UNREGISTERED UNIONS

<u>Year</u>	<u>Strikes</u>	<u>Unionisation</u>	<u>Year</u>	<u>Strikes</u>	<u>Unionisation</u>
1933	300	31 100	1937	4 800	35 200
1934	800	37 400	1938	3 700*	37 500
1935	1 400	29 200	1939	4 800	36 600
1936	1 500	35 100			

\* Note: This has been corrected from an obvious misprint reading 37 700 in the original source.

(Source: Davies, thesis: 233).

Similarly, townships such as Sophiatown, Martindale and Newclare were able to generate at a social and community level a degree of independence and cultural autonomy that could provide the nucleus for wider social unrest: "Sophiatown then, while in no sense a 'free' or completely united community, was nevertheless able to express a working class consciousness and identity in the face of determined efforts of the ruling classes to crush it" (Proctor, 1979: 83).

There were some 213 800 Africans in employment in manufacturing industry in 1936 (UG 40/41: Table XI). Some 45% of employment in manufacturing was concentrated in the Southern Transvaal area (Norval, 1962: Table VI). Under the conditions of rising class struggle, this posed not just a threat to the profitability of industry by virtue of the increasing possibility for and reality of organisation, which raised the ability of the dominated classes to extract economic concessions. More importantly, there was the potentiality of threatening the very existence of capitalist relations in the social formation.

This primary contradiction was the major threat to the continued viability of manufacturing industry on the basis of the maintenance of unchanged relations of production. Also important, was that capitalist relations in the imperialist countries were going through a phase of transition. Class struggles in the advanced capitalist centres were to culminate

in the consolidation and dominance of monopoly relations of production. In this phase, the extraction of relative surplus on an unprecedented scale generated technological change and extensive socialisation of production processes. This was to imprint itself indelibly on production processes in the periphery, effectively devalourising those goods produced under grossly inferior national average conditions of labour. Something had to change. For capital, this necessitated forms of class struggle to restructure the basis of relations of production if stagnation and decline were not to ensue.

The Industrial and Agricultural Requirements Commission pointed the way: "...industrial production has to be organised on mass production lines to be economical. This enables the work to be divided into such simple processes that, with the aid of labour saving devices such as the belt system, an efficient and economical use can be made of semi-skilled workers and unit costs can be reduced to a minimum" (IG 40/41: para. 37).

Further: "The growing urban section of the non-European population ... is suited by temperament to the standardised processes of modern mass production and there is a highly adaptable complement of European and Coloured workers for the more skilled operations. At present, with few exceptions, South African manufacturing industries work on a small-scale, are not highly mechanised and are largely dependent on protection. They are therefore adapted neither to make the best use of the labour supply nor the fullest use of the ample supply of cheap power available" (ibid.: para. 38).

And some of the targets of these desired changes were identified: "the present uneconomic position of most South African manufacturing industries is due to the fact that racial prejudice and administrative restrictions prevent manufacturers from making as large a use of the low-paid workers as do mining and agriculture ... A substantial increase in the proportion of non-Europeans to Europeans in industry is necessary before it can make an optimum use of the Native labour supply. Such a development would be practicable with greater mechanisation of industry as the resulting simplification of manufacturing processes would enable semi-skilled workers to be employed in large numbers ... Natives are temperamentally suited to perform simple machine processes in which they could be readily instructed" (ibid.: para. 173).

But changes of this sort do not just happen, and they do not happen under conditions of the participants' choosing. This chapter has outlined some of the constraints and forces at play in the South African social formation. As manufacturing industry entered a new era, the weight of the past that hung upon it was to be found not only in its own particular and sectoral limitations. The conflicts and disjunctions in the social formation as a whole, helped to determine the trajectory of development of the forms of manufacturing industry.

Analysis of the changes that the growth of manufacturing industry generated and those that affected it, is essential to an understanding of class formation in modern South Africa. The interplay of the changing forms of capitalist development, and the forms and rhythms of the struggles within manufacturing in particular, can only be understood historically. The purpose of such analysis, however, is the definition of the character of the contemporary period.

It is the task of the following two chapters to show the effects of the forms of contradictory class relations on manufacturing industry as it faced the challenges of a changing period.

FOOTNOTES TO CHAPTER THREE

1. Nor, for that matter, is such a synthesis really possible at the present stage of research on South Africa. The beginnings of such an analysis exist, but need more extensive development and research.

2. Two major points: (i) The terms "national" and "imperial" ought to be derived theoretically in terms of differing conditions for accumulation, place in the circuit of capital, main areas of realisation (markets), locus of economic ownership, and ideological and political considerations. Despite the importance of these issues and in the context of the aim of this chapter, I have used the terms rather descriptively. The point is made that - in the particular phase of imperialism - it was really only "national" interests that depended for their very existence on reinvestment of surplus inside South Africa.

(ii) As O'Meara points out (O'Meara, thesis), it is not really legitimate to deal with sectors such as agriculture in the blanket way that is done here without losing much of the subtlety and differences. The same applies to the broad treatment of all sectors of production (mining, commerce, manufacturing). I have chosen to avoid complex and extended analysis and debate by simply generalising from the dominant forms and tendencies. It is left to the reader to bear the above comments and warning in mind when reading the chapter.

3. An indication of the extent to which women were trapped in the reserves can be found in a conservative estimate of Johannesburg's 1904 African population: out of a total of 55 765 only 3 840 were women (Proctor, 1979: 52). By 1921, there were some 102 960 males and 12 160 females (ibid.: 54).

4. It is unclear what Brown means by "far more complex" or "greater and more fundamental". But the points stands if it is agreed that conditions were complex and restructuring was fundamental.

5. In particular, railways. Also, the establishment of ESCOM in 1923 ensured quantities of cheap power based on an extremely low pithead price of coal, which was largely due to the pitiful wages of black labour.

6. "The country had developed a well-equipped distributive trade system, consisting of import merchants, wholesalers and retailers, geared in to attract from all corners of the earth commodities varying in range, quality and price to meet the demands of the different sections of the community living under vastly different social and economic conditions. South Africa possessed neither the skills nor the available capital - what capital there was went into agriculture and the mining industry - to undertake large-scale and modern methods of manufacture. No wonder that at the outset and until the outbreak of the Second World War, the industries that came into being were mostly of a labour-intensive character such as the clothing industry; footwear mostly of the mining and heavier types of men's footwear with tanneries producing more the coarser type of leather and not such as required much processing through special machines with heavy capital outlay; canning and confectionary where human handling played a predominating part; this was also the case in the manufacture of cigarettes ...; the same phenomenon was found in the engineering works, which were largely repair-shops, and in the foundries which were exclusively man-operated" (Norval, 1962: 52-3).

7. "The development of goldmining in South Africa demanded the sinking of expensive shafts and large investments in machinery. Moreover, even the richest rock blasted out with explosives averaged a low ore content, and the gold could only be recovered by further chemical treatment in expensive plants. Clearly, these conditions offered little prospects for small-scale undertakings, but called for large-scale enterprise, vast capital outlays and the use of trained and skilled personnel" (TA du Plessis, thesis, 46). Further: "Gold is almost exclusively used for international monetary purposes and consequently has virtually no 'forward linkage' effects" (ibid.: 47).

8. There is some discrepancy in the sections that follow between different sets of figures given by different sources. This reflects not only inadequacy of statistical sources, but also different definitions used. As most figures are used comparatively with figures from the same sources, these discrepancies are not damaging to the analysis.

9. "Tot ongeveer die tweede wereldoorlog het hierdie (metaelwerkende - GE) bedryfstakke grotendeels op bestelling gewerk en herstelwerk gedoen en met enkele uitsonderings nie die produksie van ingenieurs benodigde"

ondernemmer. Huile belangrikste afnemer was die goudmyne" (Franzen and Reynders, (eds.) 1960: 148). ("Till about the Second World War, these metalworking branches of production predominantly did jobbing and repair work and with few exceptions did not undertake the production of engineering supplies. Their main outlet was the goldmines.")

10. See O'Meara's thesis for a theoretical and concrete elaboration of this point.

11. Indeed, between 1924 and 1939, industries processing agricultural goods enjoyed the highest incidence of tariff protection (Kaplan, thesis: 206-7).

12. Gold taxes provided some 27% of state revenues as against 6% in the Pact period (Kaplan, thesis: 275).

13. T.A. Du Plessis: "... there was indeed a remarkable structural change in the origin of the GDP during the nineteen-thirties, owing to a comparatively high growth rate in the volume of manufacturing output." (Thesis: 91).

14. These figures are deceptive. As early as 1916/17, 61,2% of workers were in establishments larger than 50 workers, with 48,8% in establishments greater than 100 (though less than 200). 64,8% of establishments had less than 10 workers, employing 13,8% of workers, while 91,9% of establishments had under 50 workers with 38,8% of the work force (Franzen and Reynders (eds.), 1960: Table 33). This duality does suggest the probability of a higher mechanisation in certain establishments than others, and thus a greater degree of transition to manufacture.

15. The following table gives an idea of the increase in white female employment, 1921/2 to 1938/9:

TABLE 5: EMPLOYMENT IN INDUSTRY: WHITES

<u>Year</u>	<u>Male</u>	<u>%age increase</u>	<u>Female</u>	<u>%age increase</u>
1915/6-21/2	53 937	54,4	6 058	32,1
1924/5	62 996	16,8	8 008	32,2
1927/8	72 956	15,8	11 942	49,1
1932/3	69 983	-4,0	17 190	44,0
1938/9	116 193	66,0	28 645	66,0

(Sources: Prinsloo, 1957: 360; Franzen and Reynders (eds.), 1960: 305).

Moreover, female labour was concentrated in particular industries: 16 047 out of 24 541 whites in clothing/textiles/leather; 5 012 out of 14 657 in food/drink/tobacco; 3 055 out of 8 958 in books and printing (Prinsloo, 1957: 361).

16. "The Union has experienced considerable prosperity as a result of the ensuing expansion of gold-mining. It has, however, involved the exploitation of the increased payable reserves on a larger scale so that it is unlikely that the present level of production can be long maintained" (US 40/41: para. 238).

CHAPTER FOUR: THE RISE OF MONOPOLY CAPITAL IN POSTWAR MANUFACTURING1. THE SECOND WORLD WAR

"When the Second World War broke out in 1939, South Africa was by no means equipped to meet the exacting demands of the civilian requirements, let alone the requirements of participating in a global war ... The Government did not wait to consider the costs. Factory buildings were built in the shortest time and plants installed to manufacture war equipment and ammunition for the forces leaving for the front; large contracts on the most remunerative basis, were entered into with private manufacturers for clothing, footwear and food. Manufacturers in general were encouraged to manufacture whatever possible to make the country independent of outside sources should the war drag on for many years as was anticipated, and should the world supply routes be cut off. No efforts were spared, nor funds for the equipment of industries ... The remarkable phenomenon was that there was no lack of capital ... a new era had dawned in the industrial progress of South Africa. The country went from a labour-intensive to a capital-intensive basis of its manufacturing industries. Over the next twenty years a complete transformation took place in the plant set-up of secondary industry which was revolutionary in scope" (Norval, 1962: 53).

The above quote is too positive about the changes brought about in the years of the Second World War, and the immediate post-war boom that lasted until about 1948-9. But, it expresses the confidence and self-assurance of manufacturing industry as it changed from a junior partner in the South African economy, to the leading sector in terms of contribution to GNP (O'Meara, thesis: 280). Its future prospects as the provider of employment, income and stability seemed in some way secure. The changes being brought about in its internal structure seemed to pave the way for an uninterrupted process of industrial "take-off".

The Second World War saw a period of growth and profits that consolidated on the boom of the 'thirties, except that this time manufacturing appeared to have developed a dynamic that was internal rather than growing on the back of gold expansion. Yet the war period was special or "precocious" as Kaplan calls it, both nationally and internationally (Kaplan, thesis: 289). Industry rallied to the war effort for hard

economic reasons. Not only did it provide the needs of the soldiers and their means of destruction, but in the process discovered that it had to improvise and develop many of the inputs that were no longer available from overseas. The Directorate of War Supplies marshalled the country's resources and involved the state in planning and directing the most efficient use of these. The suppression of strike activity under various war ordinances and the patriotic call to make one's contribution, brought not only a certain legitimacy to the control of labour, but helped to pave the way for White women and African workers to enter the industrial scene in a qualitatively enlarged manner. For sections of the working class itself, it was a period of greater bargaining power and increased militance as they sought and demanded the fruits of the prosperity they were creating.

### Changes and Growth

Gross national income rose from £395,6m in 1939 to £666,3m in 1946 (68,4%) (O'Meara, thesis: 288), while net output in manufacturing industry grew from some £87m in 1939/40 to £158m in 1944/5 (81,6%) and £260m in 1948/9 (Norval, 1962: Table I). The use of locally-supplied raw materials not surprisingly showed a significant increase, from 51,7% of the total in 1938/9 to 60% in 1945/6 (Palmer, 1954: 153), providing one of the reasons for the swing by certain section of agricultural capital to support for the war effort after their initial hostility.

This expansion took place largely through the extension of existing establishments which were geared to more efficient and immediately stepped-up production than would be the case in getting new industries off the ground. In this regard state buying policies played an important role. Not surprisingly, there was an increase of only 8,1% in the number of establishments in private manufacturing despite the increase in output. This was accompanied by only a mild increase in the amount of fixed capital per establishment, of the order of £5,7m per annum as against a pre-war figure of £4,1m (ibid.: 152). There was a definite if modest decline in the capital-labour ratio through the war, suggesting the more intensive use of equipment as excess capacity was all but taken up and changes in the labour process were pushed through. (Hindson, thesis: 25).

There are slightly conflicting figures on the growth of employment, though what is immediately striking is the changing racial composition of the labour force. White employment in manufacturing grew some 24,1% from 143 532 in 1939-40 to 178 543 in 1945/6; while black employment rose 57% from 216 924 to 341 128 (UG 36/58: Table XIV)<sup>1</sup>. The growing relative importance of manufacturing industry's employment of African labour is given by the change in the ratio of employment between industry and mining from 187:348 in 1939 to 321:328 in 1948 (O'Meara, thesis: 288). The change in the ratio of black to white employment in manufacturing is clear from the following table:

TABLE 6: RATIO OF EMPLOYMENT OF BLACKS:WHITES IN MANUFACTURING, 1937-1948

1937	2,5:1	1941	2,8:1	1945	3,2:1
1938	2,5:1	1942	3,0:1	1946	3,1:1
1939	2,5:1	1943	3,1:1	1947	3,1:1
1940	2,7:1	1944	3,2:1	1948	3,1:1

(Hindson, thesis: Table 4:3).

What this change implied was far more than the mere substitution of cheaper black labour for more expensive white. Skilled labour was scarce as many whites were involved in military campaigns overseas. Tasks previously performed by artisan labour were now being divided up, fragmented and re-allocated amongst the new semi-skilled labour force. This process was described by the Viljoen Commission as a "constant increase in the proportion of non-European operative workers, a factor which further tended to expedite the exit of European workers from certain sectors of secondary industry" (UG 36/58: para. 265).

The process affected significant numbers of white women too: the latter trend perhaps exemplified in Anton Rupert's tobacco factories, that employed white women in operative positions. It was the "most mechanised of all South African producers. The company deliberately kept up with and imported the latest American technology. Its operations were therefore much more capital intensive than those of its competitors". On this basis it succeeded in post-war years in building an empire that depended on its ability to cut costs below the world average (O'Meara, thesis: 252).

Engineering and metal industries, building on a stable and cheap supply

of processed metals from the state-owned ISCOR, expanded rapidly, increasing their proportion of net output in private manufacturing from 20,8% in 1940 to 23,3% in 1945 (Norval, 1962: Table V). With this expansion, went a change in "engineering industry towards repetition work with semi-automatic machines, which the general discovery of the importance of the tool-room and the metrological laboratory brought about" (Robertson, 1954: 102). This particularly technical description masks the new forms of control exercised by capital over direct producers in the labour process.

Other industries that grew significantly were food and drink; clothing, textiles, etc; chemicals (in 1944 the De Beers controlled African Explosives and Industries linked up with the British giant ICI to form AE & CI, with a virtual monopoly over explosives production and set to branch out into industrial chemicals); and leather and leatherware. These were predominantly immediate consumption goods. There was, however, the beginnings of intermediate processing or production of means of production where support was guaranteed from well-established industries such as the mines (chemicals, for example) or where state-established industries such as ISCOR effectively supplied elements of circulating capital.

#### The Duality in Manufacturing: Large- and Small-Scale Industry

Not only were changes concentrated in certain industries, but within these, as Kaplan suggests, there was a profound duality (Kaplan, thesis: 285). It has already been suggested that established firms obtained much of the benefits from increased war production. A few large firms controlled a huge share of the output in a number of areas. Such production as was based on relatively high organic compositions of capital would have been concentrated there in their hands. While small firms, during the war and more particularly in the post-war boom, were able to survive in the peculiar conditions that protected them from effective competition, it was increasingly the larger more productive firms that held within them the possibility of expansion: "During the war and post-war boom it was relatively easy for small concerns to establish themselves and to expand ... Owing to increased competition as well as the greater element of risk attached to such small ventures it will in future be no easy task for the average small

private manufacturer ... to obtain the funds necessary for the establishment or expansion of his business" (UG 36/58: para. 238).

The following table gives a very rough index of the degree of concentration of production:

TABLE 7: PERCENTAGE OF ESTABLISHMENTS PRODUCING HALF OF THE OUTPUT IN RESPECTIVE INDUSTRIES 1940-1941

<u>Industry</u>	<u>% establishments producing at least half of output</u>
Food and drink	3,5
Vehicles	0,4
Metal and Engineering	5,0
Clothing and Textiles	3,9
Leather	6,0

(Source: UG 36/58: para. 236).

In 1940/1, 3,2% of manufacturing establishments produced over half of gross output in some 15 industrial categories; while 50% of the total of establishments were responsible for only 2,8% of output (De Beer, thesis: 65). The average value of plant and machinery per establishment was £4 520 but well over 3/4 had plant and machinery worth less than £1 000; similarly for land and buildings, with an average of £5 350, nearly half the establishments had less than £1 000. Where average gross output was £23 100, some 60% of establishments had an output of less than £5 000 (Kaplan, thesis: 282). For these smaller firms, unable to raise the rate of surplus value by increasing productivity, the question of wage levels would in future be particularly crucial to continuing profitability and accumulation.

It is interesting that within the Afrikaanse-Handelsinstituut, formed as the active representative of (Afrikaner) small-scale predominantly rural capital, tensions were already emerging two years after its formation in 1942, with the chairman warning about the dangers of monopoly involvement in an organisation seeking co-ordination and co-operation between small capital (see O'Meara, thesis: 155). By the end of the war, already, the strategy of Afrikaner upliftment via expansion of small-scale business (volkskapitalisme) had begun to founder with the economic failure of the Reddingsdaadbond:<sup>2</sup> "Its

'failure' lay in the impossibility of volkskapitalisme going hand in hand with the development of large-scale undertakings. By 1946 it was clear to all that the petty-bourgeois vision of large-scale economic advance through the development of small undertakings was a utopian dream ... it was only those undertakings which had relatively large amounts of capital and who could invest it productively, which would succeed" (O'Meara, thesis: 152).

#### The Importance of Scientific Research:

The more intensive utilisation of labour and its socialisation in a far more complex productive unit, as well as the increasing importance of technological development as a means and a spur to accumulation on a more productive basis, involved a changing relationship between science and its application in industry. As a Board of Trade and Industries (BTI) investigation argued in 1945, acutely aware of the changes in forms of value production in the imperialist countries and the effect this would have on the organisation of production in the periphery: "The application of science to technology has changed a purely empirical, or at least a rational, procedure into a scientific process ... Important technological developments have taken place prior to and during the present war - Much of the Union's industrial plant will have to be scrapped and processing radically redesigned if the challenge of a highly competitive post-war industrial and commercial world is to be effectively met. There is therefore an urgent need for a research organisation in this country to promote the application of scientific method and knowledge to industry" (BTI Report 282: paras. 205 and 207).

The setting up of research facilities was beyond the reach of individual firms. Organised industry turned to the state to collaborate in providing the impetus for a more planned approach to technological change, often in association with the universities. This "new alignment between Government and industry", involving a "much wider and more fundamental approach on a technical level", led to the establishment of the Council for Scientific and Industrial Research (CSIR) in 1945 with goals including the improvement of existing productive techniques, extension of the old, discovery of new uses and applications of scientific knowledge, and modification of processes to suit available raw materials (Norval, 1962:78). Industries contracted with one or other of the

nine National Research laboratories on specific projects, often receiving government subsidies for research work. These included Institutes for water research, mechanical engineering, chemicals, building and, significantly, the National Nutrition Research Institute and the National Institute for Personnel Research. Further finance was provided for industry-coordinated research in fields such as leather (1945), paint (1946), fishing, sugar milling (1949), and wool-textiles (1950). The Government Metallurgical Laboratory extended the work begun in 1934 with the Department of Mines/Wit's agreement, and included research into nuclear raw materials.

Also important was the establishment of the South African Bureau of Standards (SABS) by an act of Parliament in 1945 to deal mainly in the field of standardisation and quality control, an important aspect of achieving "rationalisation" and socialised mass-production. On request from industry or organisations, standards and codes of practice were drawn up, specifications for industrial products, as well as testing and calibration. The goals of the various Liaison and Technical Committees were explicit: "to frame the specification in such a way as to reduce the number of types, sizes and grades of a product to a convenient minimum ... with the object of bringing about longer runs in the manufacturing process, thus reducing production costs" (ibid.: 90).

A further area of State economic intervention was in the establishment of the Industrial Development Corporation (IDC), by the Industrial Development Act no 22 of 1940. The aim of the IDC was to provide finance to "facilitate, promote, guide and assist in the financing of new industries and industrial undertakings and schemes for the expansion, better organisation and modernisation of, and the more efficient carrying out of, operations in existing industries" (in Cartwright, 1971: 5). The first Chairman, H.J. van der Bijl, was the Director General of War Supplies. First managing director was H.J. van Eck who as chairperson of the Industrial and Agricultural Requirements Commission was to urge that the IDC play a role in promoting "rationalisation" of industry in accordance with its directive to assess projects on their economic merits (see UG 40/41: para. 166). Other directors included a former general manager of Barclays Bank, a partner in a large shipping firm, the chairman of a large engineering company, and J.D.F. Briggs, "once a labour leader, and certainly a man who commanded the respect of the trade unions" (Cartwright, 1971: 10-13).

Bilateral and Multilateral Integration

In terms of the availability of currency for foreign purchases, the war years had been particularly favourable to South Africa. Exports of war supplies had risen<sup>3</sup> and there was relatively free access to surrounding territories. Further, with increased use of supplies from domestic sources, a positive balance of payments situation enabled more than £80m of public foreign debt held overseas to be repatriated. (Robertson, 1954: 104). There was an inflow of some R238m into the private sector, suggesting a degree of foreign investment, although this should not be overemphasised (Heyns, thesis: Table 16).

This favourable situation, as well as Smuts' aggressive international diplomacy, predisposed South Africa to an integration into the multilateral agencies set up after the war as part of the process of rebuilding the international economy under the direct and indirect supervision of American capital<sup>4</sup>. The Reynders Commission, some years later, gives an indication of the directions of multilateralism: "...the period immediately after the end of the war up to approximately 1957 was dominated by the need to reconstruct a war-torn world with the aid of the United States of America, the latter having emerged from the war with an economy unscathed and considerably enriched. The struggle to rebuild the various economies was solved mainly through massive American dollar aid and USA toleration of discrimination against its economy. The period was also characterised by the pursuit of liberal trade and monetary policies and the establishment of institutions to execute these policies. It saw the creation by the Bretton Woods Agreements of the IMF (1945) and the International Bank for Reconstruction and Development (1945) and the establishment of the General Agreement on Trades and Tariffs (1947). The events of these years were at one and the same time, fortuitous and harmful for South Africa and developments in its economy are still influenced by its membership of the above institutions" (RP 69/72: 3, para. 7).

GATT worked on a system of mutually binding tariff concessions negotiated by the member countries, with an undertaking not to raise duties on certain commodities without the granting of negotiated compensatory concessions in other areas. There was a prohibition on quantitative restrictions of imports unless this was essential to protect foreign exchange reserves, permission being granted by the IMF

who also monitored changes in the circumstances under which such permission was originally granted.

What this implied for South Africa was that in return for favourable concessions on its mineral and agricultural exports, limitations were placed on its ability to effect tariff protection on a wide range of industrial commodities, in particular capital goods such as engineering products, machinery and transport supplies and textiles. As South Africa's industrial capabilities extended to intermediate and even capital goods production, it would find that this original integration into GATT on the assumption that such goods were to be supplied from overseas, narrowed the field of manoeuvre for utilising instruments such as tariff protection to offset overseas superiority in production of these commodities.<sup>5</sup> In 1939 figures, South Africa gave concession on 31,8% of its imports; by 1946 this figure was already 34,2%. (Smit, thesis: 202). As the products on which concessions were granted became more important to South African manufacturers, membership of GATT effectively limited growth potential in an increasing number of areas.

## 2. THE IMMEDIATE POST-WAR PERIOD: THE SURFACING OF CONTRADICTIONS

The immediate post-war period began highly favourably for manufacturing industry. The release of pent-up demand after the wartime shortages, and delays in reestablishing import channels made it possible for large numbers of small enterprises to spring up and flourish. Between 1945/6 and 1949/50 the number of establishments grew by 79% and output at constant prices by some 50% (Palmer, 1954: 153-4). Many of these small firms were in the hands of Afrikaner capitalists. Some half of the new undertakings after the first Volkskongres were set up after the war. These were highly concentrated in rural areas and involved the processing of agricultural produce. Some 80% of Afrikaner establishments were one-person enterprises and average employment was only 12 people (O'Meara, thesis: 266-8).

Concurrent with this growth of small-scale petty commodity production was a consolidation of larger and more mechanised plants. The average value of plant/machinery/tools per establishment grew from £9 679 in 1945 to £13 563 in 1949 (Palmer, 1954: 153). The capital/labour ratio increased some 15% (O'Meara, thesis: 269). High rates of profit earned during the war provided the basis for much reinvestment. The annual

increase in net investment in plant/machinery/tools rose to some £20,1m as opposed to £5,7m during the war (Palmer, 1954: 151). Furthermore there was a significant inflow of foreign finance, despite the so-called funk-money episode in which sterling holdings were transferred to South Africa as part of a speculative hoarding due to fears of devaluation of the pound. Foreign involvement occurred both through the granting of licences to local firms and the establishment of local subsidiaries or branches under the direct control of parent companies.

The tension between smaller firms and the more productive large firms, and the increasing identification of the latter with foreign capital, led to dissatisfaction in the ranks of the Afrikaanse Handelsinstituut. The AHI claimed that the Union/<sup>is</sup> increasingly being controlled from abroad" (O'Meara, thesis: 159). A permanent watchdog set up in 1948/9 warned that 53% of the gold-mines, 35% of insurance and 33½% of manufacturing was foreign controlled (ibid.: 160). In March 1947 the AHI official organ Volkshandel complained bitterly: "Die Amerikaanse en Engelse finansiers en nyweraars beskik oor die tegniese kennis, ervaring en self oor die nodige kapitaal ... hierdie seëninge is ongelukkig nie onvermengd nie. Inteendeel, daar is ernstig nadeel aan verbonde. Hoewel dit op die kort duur tot ons voordeel strek, is dit hoogs waarskynlik dat dit nie op die lang duur die geval gaan wees nie. Ekonomies word die land al meer en meer deur die buiteland beheer."<sup>6</sup> However the FCI replied caustically in Industry and Trade: "now is the moment to encourage the flow of European and American capital, European and American skills, European and American brains as partners in our industrial future." (in Poolman, thesis: 15-16).

But the latter conflict, one of many that opened up amongst the dominant classes, can only be understood by focussing on the major contradictions that emerged in the war period and their differential effect on various capitals with differing conditions for accumulation. What this involves, too, is a brief look at the way in which the class struggles of the time were organisationally unified, and the political and ideological mediations and effects.

The war years saw a massive growth in African employment coupled with a large scale influx of Africans to the towns from both white rural areas and the reserves. Reserve production was particularly precarious and even in the towns there were fears of large scale malnutrition.

Social degeneration was envisaged due to the increased strain being placed on social infrastructures such as housing. Control of the rural efflux was breaking down and the various municipalities responsible for control in the locations spoke of grave difficulties.

The concentration of population in the cities combined with the rapid decline in the viability of all social structures in the reserves, seemed to presage a proletarianisation that would place pressure on capitalist relations even more directly than many of the forms of struggle hitherto. There were indications of widespread social unrest and ferment, finding expression particularly in agitation over housing and the growth of various squatter movements. Pass laws, transport, food, liquor raids, all provided a focus for friction and threatened to coalesce in a linking of demands into a generalised assault on the state and the existing forms of social relations. For example, squatters' movements, representing a grass-roots organization of spontaneous unrest, began to show signs of coordination.

Leftwing organisations and individuals were active.<sup>7</sup> The Communist Party anti-pass campaign in 1944 won support from the ANC and Natal Indian Congress. The famous "doctors' agreement" presaged an era of formal cooperation between the various Congress movements. Within the ANC a more radical current was to emerge with the Youth League in 1943 and its calls for direct action based on mass support. It increasingly gained influence within the ANC as a whole.

Within the industrial field the 1940's saw consistent industrial action by African workers:

TABLE 8: INDUSTRIAL DISPUTES 1940-1950: BLACK WORKERS

<u>Year</u>	<u>No of workers of strike</u>	<u>Man-days lost</u>
1940	230	13 307
1941	4 765	16 002
1942	12 794	35 179
1943	7 370	18 981
1944	12 041	61 499
1945	14 694	85 141
1946	84 035	150 796
1947	6 584	683 126

(ctd.)

TABLE 8 (continued):

<u>Year</u>	<u>No of workers on strike</u>	<u>Man-days lost</u>
1948	2 519	11 759
1949	5 097	19 031
1950	2 877	9 412

(Source: Lewis, 1975: 12).

Much of the unrest was accompanied by a resurgent African trade union movement. By 1940 the Trotskyists Gordon and Koza had organised about 20 unions with a membership of 23 000 to 26 000 workers, united to form a Joint Committee of African Trade Unions. Gana Makabeni, formerly of the ICU, brought together a number of unions into a co-ordinating committee with some 2 672 members. The African Mine Workers Union under J.B. Marks, also of the ANC and CP, was uniquely involved in co-ordinating the activities of a long unorganised section of the working class. In 1942, the Council of Non-European Trade Unions (CNETU) with 29 unions was formed in Johannesburg, rapidly growing in other centres and by 1945 claiming a membership of 253 000 in 119 unions throughout the country (Lewis, 1975: 12-15).

By 1945 some 40% of the African industrial labour force was unionised (O'Meara, thesis: 207). Within the mines, the unrest culminated in the massive strike of 1946 with some 70 000 workers on strike. Though brutally suppressed, it sent shockwaves through the ruling classes and even the puppet NRC was finally forced to resign in the face of popular pressure. The labour unrest over wages had itself forced African wages to rise some 53% during the war while white wages showed a slight decline (ibid.: 250). The white:black wage gap declined from 5:1 in 1939 to 4:1 in 1945, in part due to the employment of lower-paid white women. These gains for the black proletariat were to be partially lost after the war as returning soldiers reentered industry.

Much of the rural exodus to the cities came from the white farms with an estimate of some 40% of the war-time urban growth being due to this process. (Morris, 1976b:11). For agriculture, this represented a crisis of farm labour. To compound the problems, rural African producers seriously resisted attempts to apply Chapter IV of the 1936 Land Act. Uprisings in Lydenburg reinforced the Smuts government's reluctance to press the issue on behalf of farmers. This, and the manipulation

of the 1937 Marketing Act to keep agricultural prices down, incensed the farmers. As terms of trade turned against agriculture, they became increasingly well-organised in their various agricultural unions and co-operatives.

Sections of industry were in a position to call for a relaxation of pass laws, limited economic concessions to African workers and the recognition of the independent African trade unions as a means of institutionalising and controlling industrial conflict. For smaller capitals, this strategy spelt decline, if not ruin. Further, such measures would harm agriculture and for much of small capital closely linked to conditions of accumulation in agriculture, this would further have compounded their difficulties. The mines also seriously objected to the granting of union rights to "tribal natives", and found it difficult to ensure a full complement of labour in the face of higher manufacturing wages. Deep divisions were thus opened up within the state and between elements of the dominant classes. The actions of the dominated classes were forcing elements of capital with differing conditions of accumulation into opposing and conflicting strategies for the maintenance of capitalist social relations and their particular conditions for favourable surplus creation.

The issues appeared as far more complex and wide-ranging than just those mentioned above. They coalesced, however, in different attitudes to the siting of the African reserve army of labour, the forms of labour control, and the extent to which a direct assault on living conditions and organisations of the dominated classes was necessary. Crudely, the questions were about the preconditions for continued accumulation and the political, social and economic conditions of existence of the capital relation in its varied forms throughout the social formation.

I do not wish to examine the problems of agriculture and of the white wage-earning classes<sup>B</sup> in any detail. In relation to Afrikaner business, of more explicit relevance here, I merely wish to point out the dangers to it of a rise in the value of African labour-power or the price that had to be paid for it. Afrikaner capital was unable to rely on mechanisation and rises in productivity to produce relative surplus-value as a means of offsetting such changes in the value of labour. Thus, for instance, the ANI fought tooth and nail against

post-war Unemployment Insurance proposals that threatened to raise the wage-costs of employers. Control and coercion of the African proletariat was an essential condition for accumulation, by forcing down the value of necessary labour; also, close ties to agriculture, implied support by Afrikaner industrial capital for the former's call to tie labour to the farms and for its conversion into full-time wage labour.

There was thus a growing set of structural contradictions, and of points of unity, as the outcome of forms of struggle in the accumulation process. The resolution of conflicts in favourable solutions for particular class forces was not an automatic result of the forms of struggle that grew out of the dynamic of accumulation, but was predicated too on the practical coalescence of these into an organisational form with a viable strategic line. On the one hand the urban struggles of African labour brought certain contradictions to a head<sup>9</sup> which were compounded by the ideological and political forms of crisis reflected in the wavering and vacillating of the Smuts government. On the other hand, the successful and deep organisational activity under the leadership of intellectual elements of the Afrikaner petty bourgeoisie, the crucial role of the economic movement in bringing together some of the various capitalist and petty bourgeois strata under a set of immediate demands, the resolution of strategic questions concerning the role of parliamentary struggle and the leading role of the HNP-V in this regard, help to explain how certain class demands were translated into the organised strategy and policy of the Afrikaner nationalist movement. The banner under which the disparate forces of the Afrikaner nationalist movement united, was apartheid. This crystallised a set of slogans concrete enough to win the support of the various class forces and yet vague enough to mean different things to each of them: "The vaguely formulated Apartheid concept crystallised and condensed the responses of various class forces to the differential impact of the proletarianisation and increasingly, urbanisation, of the African population, the rising value of labour-power and the changing division of labour within industry which brought ever larger numbers of African workers into semi-skilled operative positions. It reflected the farmers' concern over their declining labour supply and inability to compete for labour against the higher wages paid in industry and commerce. It encompassed the concern of emerging Afrikaner business for a cheap labour policy to ensure their own accumulation. And it pandered to the fears of specific strata of

white workers at being displaced in the new industrial division of labour by cheaper African labour" (O'Meara, thesis: 206).

The accession to power of these groups through the linking of their demands in a common programme and through a successful struggle to win over key organs of the state in order to effect practical policy, could in no way automatically dissolve the contradictions facing the various classes in the social formation. The victory of the National Party in 1948 was an important step in the consolidation and implementation of the strategies of a particular alliance of class forces. It indicated a certain shift in relations between classes. It was, however, in no way a deep revolution against the basic relations of capitalism. As such, policies were always subject at their outer limits to the conditions for the continuance of the capital relation in the social formation as a whole. Once again, as in 1924, the leading classes in the dominant political alliance were capitalist. Their struggle was to find a "legitimate place" in the social formation for agents who found themselves in some sense denied favourable conditions for accumulation, or excluded from the fruits of these where they already existed.

The changed nature of imperialism and the growing internationalisation of productive capital, also provided a foreclosing of options in any strategy for accumulation in secondary industry. Particular solutions would involve the shifting of burdens onto elements of capital. Yet a fundamental question was whether the primary task of ensuring domination over labour could be effected without an alliance between all elements of the bourgeois classes. Thus, there was a complex interplay between the forms of operation of the law of value internationally, the precise mode of the articulation of imperialism within the South African social formation in the new phase and the particular "internal" forms of struggle and balance of forces shaping the confrontation between dominant and dominated classes. Attempts by capitalist elements to alter conditions in their favour, thus took place against the background of the overall development of the capital relation.

Definite limits emerged that reinforced particular tendencies or direction of development. The explanation for the precise outcomes needs neither conspiracy theory in which certain options are consciously selected or

created, nor a teleology in which directions are inevitable or determined. Rather, the forms that emerged as the outcome of relations of struggle, rested in the South African social formation on a relationship between imperialism as a particular form of dominance of capitalist relations and the ideological, political and economic forms of struggle "within" the peripheral formation. These interacted in a specific way to create a dynamic of development, that remained subject in certain limits that were the limits to the capital relation itself.

What will be attempted below is to characterise the major effects of a tendency to the dominance of monopoly capital in South Africa within the context of the changing international division of labour. These effects were the outcomes of class struggles and were expressed in concrete limits to the development of particular forms and processes. The task is both to show the forms and their concrete limits and to link these to the contradictory class relations that gave rise to them. It is the task of theory to abstract from the complexity of the concrete; the exposition below and its thematic approach reflects this simplifying process. Areas of focus are artificially enclosed from other areas with which they were richly interconnected. But the aim is not to provide a picture or a model of reality; rather, to find abstractions that express the dynamic of the class struggles that are the real focus of analysis.

### 3. THE RISE OF MONOPOLY CAPITAL: CONCENTRATION AND CENTRALISATION

"... are not some of the characteristics of the techniques developed under the domination of capitalist relations of production the products of these same relations? Take, for example, the growth in the <sup>\*</sup>size of units of production in order to obtain a reduction in costs (what contemporary economic ideology refers to as 'economies of scale'). Far from being modalities of 'natural laws of technique' are these not, quite simply, social laws - an effect of the domination of capitalist relations of production over the productive forces, quite concretely, an effect of the laws of capitalist concentration and centralisation? There are many reasons for thinking that this is the case" (Bettelheim, 1975: 80).

\*Insert: technical composition of capital, the apparently 'necessary' growth in the

"The movement of concentration and centralisation of capital is a constant process. It follows that the boundaries between monopoly and non-monopoly capital are variable and relative. They depend both on the phases of monopoly capitalism and its concrete forms (branches, sectors, etc.) within a social formation. In point of fact, non-monopoly capital is based in the stage of competitive capitalism, such as this continues to function in a formation dominated by monopoly capitalism ...

"The basis of the differentiation between monopoly capital and non-monopoly capital lies in the specific relations of production which characterise these two forms of capital in their articulation with the labour process" (Poulantzas, 1975: 140-1).

Monopoly capital is a class relation. Class struggles in the capitalist metropolises led to the emergence through the 'thirties of the production of relative surplus value on an unprecedented scale as capital's mode of counteracting tendencies to a falling rate of profit. This involved far more than a technological revolution. More crucial was the concentration and centralisation of capital into giant, integrated conglomerates that battled with each other by turning to profit every relative advantage in the production of surplus value. A major effect was the integration and socialisation of labour processes on an international scale. Previously discrete units of production were brought under a single possession and their production processes became part of an integrated and global capital relation.

For the periphery this implied not only the direct presence of the giant conglomerates where profitable conditions existed. More importantly, it is argued that the massive increase in productivity in the advanced capitalist centres effectively devalorised those commodities produced under inferior national average conditions of production and reproduction. The production of absolute surplus value and intensification of labour, traditional bases of value production in the periphery, came up against the limits of the law of value operating internationally, and no longer provided a profitable alternative to the extraction of relative surplus value. In this way, in the present phase of imperialism the law of value stamped itself upon the dependent social formations as a compulsive pressure to raise the productivity of labour. Alternatively, an increasing

gap emerged in the values of the distribution of labour time throughout the formations of the metropolises as against the periphery.

This basic expression of class relations could be "dealt with" in different ways depending on the differing conditions and class configurations in the peripheral formation. In most cases, with the capital relation as the determinant of the limits of movement, the internationalisation of capitalist relations found expression within the periphery as the forced and necessary tendency for the concentration and centralisation of capital and for socialised and integrated production processes. This occurred under the impetus of the dominant relations in the metropolises themselves, with whom a new relationship of dependence was forged.

The pressures mentioned above, because they are the forms of contradictory class relations and struggles, are always present as tendencies and not as absolutes. They are modes of struggle, and thus imply resistance and counter-pressures. Changes that occur are not brought up against abstract limits but against the concrete forms and modalities of production and reproduction of the capital relation in the given capitalist formation. In the periphery, these limits are discovered far sooner than in the advanced centres, and their unique forms develop under the twin and interlinked blockages of the effects of the international division of labour and the internalised class relations of the particular dependent formation.

Because it is class relations that are being spoken about, the movement and exposure of particular tendencies gives rise to theoretical and empirical difficulties. It is the effects of the capital relation that are visible in definite and contradictory forms. Through locating these effects and forms, it may be possible to abstract the dynamic of certain dominant tendencies. In concrete analysis, it is possible to discover indices that confirm or question the validity of certain abstract categories. The concrete forms are expressed through definite relations that appear, for example, as economic laws. These exist with historical validity and only in the context of an analysis of the underlying class relations.

The various conventional indices of monopolisation all have crucial

weaknesses. For example, measurement of size of enterprise based on the number of workers employed, may completely disregard the question of labour productivity and of differing organic and technical compositions of capital and their variation through branches and sectors. Measurement of control within individual branches falls prey to the spread of monopolies across industries, and the same is true for the percentage share of firms in the output of a particular product. Share of contribution to national production depends on prior analysis of the relation between different branches in the total national economy. Shareholding often confuses legal property with economic ownership, and in any case it is possible to control key aspects of enterprises without a single share, as in the case of monopsony buyers, for example. Most of the above indices rest on market criteria that do indicate some of the consequences of monopolisation, but fail to reveal the determinant processes (French, thesis: 47-8).

Creating further difficulties, the existence of large sections of non-monopoly or competitive capital may be due to economic reasons of benefit to monopoly capital: in low productivity sectors while monopoly capital waits to choose the most favourable moments for expansion; in high-risk sectors, or in pioneering technological innovations that may be recouped by monopoly capital at the lowest cost; in channeling and training workers; in secondary lines of production that do not enter the continuous large-scale flow of complex production units; in enabling price-fixing to be determined by prices of non-monopoly produced goods, thus disguising super-profits; and so on, including the ideological and political benefits that may accrue from the existence of a place for the "small man" in the social formation (ibid.: 53).

Monopoly capital is particularly well-suited through the complexity of available arrangements at the level of production and of legal forms and institutions, to hide the manifold interlinkages between what appear as discrete productive units. This means that even using the unsatisfactory criteria at one's disposal, there are severe empirical problems in measuring relevant indices. A striking example is given for South Africa in a paper that attempts to analyse the "interlocking" of shareholding. Here, the problem looms large of the "legally sanctioned secrecy surrounding beneficial ownership of both

public and proprietary companies" (Savage, 1978: 17). Some uncovered examples indicate the problems: "shareholdings registered in the names of Dido, Fermain, Petard, Resident, Sharestock or Taurus nominees are beneficially held by the Anglo American Corporation; similarly nominee shareholdings in the name of Amosite, Bentonite, Cryolite or Dolomite are beneficially owned by Barlow Rand ... The widespread use of nominee registration, with many companies such as City Tramways using up to thirteen different nominee names, not only serves to hide individual and company ownership but makes it difficult to determine centres of 'control' of particular companies" (ibid.: 16).

In regard to research on the question of concentration in South Africa, two main points may be made: firstly, the literature itself is surprisingly scanty and the question of monopolies - however inadequately theorised - does not appear to have been given much attention by official, academic or economic researchers. The 1977 Commission into monopolistic conditions stated directly: "A comprehensive empirical study of the structure of the South African economy has never been undertaken before, with the result that available data on firm sizes and the measures of concentration in industry are on the whole fragmentary and incomplete" (RP 64/77: para.57). The lack of official monitoring of monopolies, it will be argued later, is in part a consequence of the State's toleration, indeed encouragement, of monopoly power.

Secondly, where attention has been given to the question, it has largely been impressionistic and subject to the limited availability and extreme inaccessibility of hard statistical information. Using as a measure the cumulative percentage share of the market by a cumulative percentage of firms - a highly inadequate and yet straightforward index of concentration - the 1977 Commission of Inquiry into the Regulation of Monopolistic Conditions Act argued: "Since computerised statistics were only available from 1968, it was not possible to make a meaningful comparative study of the trend in concentration over a reasonable period of time" (ibid.: para. 78). The Commission had to do virtually all of its own statistical analysis from scratch.

These complaints echo the complaints made in the pioneering work by Steenkamp almost a quarter of a century previously: "... no comprehensive empirical investigation of local monopolistic tendencies has as yet been undertaken. The official census statistics are no safe

guide in this matter, mainly because their industrial and product classifications are too wide and uncertain" (Steenkamp, 1954: 61). Steenkamp's complaints were made some three years after a major investigation by the Board of Trade and Industries into the question of monopolistic conditions. Their report lamely gave up the idea of any "comprehensive factual and analytical study of local monopolistic phenomena", due to staff and time problems (BTI Report 327: para. 4). They argued that in any case, a discussion of economic theory would enable sufficient deductions to be made and relied mainly on experience in advanced economies overseas to draw conclusions about the position in the Union.

The Board of Trade and Industries investigation into manufacturing industries (no 282 of 1945) strongly argued that a crucial aspect of maintaining the war-time growth of industry rested on the increase of productive efficiency. This was "even more imperative in view of possible post-war developments and the increase in international competition" (BTI Report 282: para. 405). This involved a reorganisation of industry and what the Board euphemistically termed "rationalisation".

Yet the post-war position, despite the growth of numerous small firms in the 1945-8 boom, already showed signs of concentration. As early as 1940/1, despite the numerical preponderance of small unit production, some 9% of producers were responsible for 73% of industrial output (in Mare, thesis: 32-3). In 15 specified industrial categories, 3,2% of manufacturing establishments produced 50% of gross output, while half of the total establishments were responsible for only 2,8% of output (De Beer, thesis: 65). The rationalisation called for, it may be inferred, implied a number of concurrent processes that involved more than temporary market domination, but the stable dominance of concentrated and centralised monopoly capital.

Rationalisation was seen as involving two main aspects. The first concerned the technical and human reorganisation of productive processes themselves with, in particular, such changes being subject to the systematic application of scientific knowledge and procedures. This involved such factors as the use of modern technological processes, continuous production, scientific lay-out of plant, new costing and accounting procedures, product and process standardisation, efficient

labour utilisation, and research and development expenditures (BTI Report 282: para. 426-9). The major aim of this can be summarised as the reduction of unit costs. Unlike the Board, which not only treats these measures as technical and "natural" but also gives a certain determinacy to these, I shall treat them as effects of changing social relations and modalities of class struggle in effecting a changed value-basis leading to the production of relative surplus value. These aspects will be gone into in more detail below, as the present focus is on the process of capital centralisation and concentration.

This second aspect of "rationalisation" was identified by the Board as "the attempts of businessmen to adjust the output of individual firms to the total demands of an industry (which) represents the spasmodic attempts of industry to co-ordinate resources under monopolistic conditions. It shows the growing awareness of the necessity of making the industry rather than the individual firm the unit of production" (ibid.: para. 232). The Board saw the object of this form of rationalisation as being "to encourage combination as a means of allocating production between firms, concentrating output in the most efficient plants, and of closing down the less efficient ones". Seen as a "re-organisation downwards" in order to adjust industrial capacity to the limits of the market, thus reducing the industry's output and controlling prices, the process of concentration is also seen as a means to "facilitate plant specialisation and standardisation" (ibid.: para. 233).

Unhappy as it was about the dangers of monopoly power, the Board was nonetheless highly aware of the way in which the future of South African manufacturing industry was tied up with the internal cost and price structures. Particularly in the early stages of transition to relative surplus-value production, the most important aspect of this was linked to the cost of living and wage structures in the Union. In all spheres of economic activity, and with the reproduction of labour power being met almost completely by capitalist production, the need to keep down the price of necessities was crucial. The compulsive pressure in this regard, I would argue, was due to the changed productive capabilities of imperialist producers in the new phase. The Board realised this, and saw the dangers of raising the reproduction costs of labour largely in terms of keeping an "eye (on) post-war competition from

overseas" (ibid.: para. 460). Rationalisation was preferable to protection: more natural, economic, technically justifiable (ibid.: para. 461).

Six years later, in a report expressly drawn up to investigate dissatisfaction and complaints against monopolistic conditions, the Board argued in broadly similar terms that concentration was the inevitable outcome of technical progress within constraints of a limited market. Particularly in view of external competition, criteria of economic performance - the optimum use of capacity, technological development, the cutting of costs - put in a favourable light the situation where there were only a few independent producers in each industry. It would be "unrealistic and unjustified" (BTI Report 327: para. 172) to attack such monopolies; indeed, on economic grounds, it would be virtually impossible to "follow a policy of dissolving such undertakings into a number of smaller units" (ibid.: para. 291). The Board expressed a number of reservations about the centralising impact of financial conglomerates, and yet even here it was argued that such a process might ensure access to investment capital as well as leading to centralised control that could eliminate inefficient producers (ibid.: paras. 309-10).

Steenkamp found concentration of production relative to the market was "generally very high ... Rather frequently, indeed, the position is one of monopoly or near monopoly" (Steenkamp, 1954: 63). The frequency of firms operating only one plant but with a predominating position in the market was higher than in the advanced capitalist centres. This occurred in industries such as iron and steel, sectors of engineering, textiles and chemicals. Often as in explosives, cigarettes, matches, soap, there were two or more plants situated geographically in relation to major markets, and in cases such as cement and rubber-tyre production, a few similar sized firms existed (ibid.: 64). Further, the grouping of manufacturers and traders in business associations, important because of the important role of the state and the facilitating of negotiations between state and the private sector, tended to strengthen the position of existing interest groups. (ibid.: 66). Steenkamp further drew attention to the role of the finance-cum-holding companies, most powerful being those connecting to the mining houses, and the importance of overseas-controlled firms, both of which areas will be examined in more detail below.

UC 36/1958 argued that small firms would find it increasingly difficult to exist without strong support from holding or financial companies, and suggested that the State should play a role in conserving the "competitive and democratic" nature of small concerns (UC 36/58: para. 236). Increased competition and instability were making such investment less viable. That section of industry were already highly concentrated was evident from a table showing the percentage of establishments in various manufacturing branches that produced over half of the output in their respective fields:

TABLE 9: PERCENTAGE ESTABLISHMENTS PRODUCING 50% OF OUTPUT IN RESPECTIVE INDUSTRIES 1953/4

<u>Industry</u>	<u>Percentage of establishments</u>
Food and Drink	7,6
Vehicles	3,6
Metal and Engineering	4,8
Clothing and Textiles	11,7
Leather	14,3

(Source: UC 36/58: para. 237).

It should be noted that these figures are for physical establishments and not for production under single economic ownerships. Thus, for instance, in canning where 12% of establishments put out 50% of output, only 5% of firms were responsible for 80 to 85% of gross output (ibid.: para. 237). The trend was undoubtedly towards the establishment of larger industrial units, and increasingly it was the "strong industrial or financial organisations" that were playing the central role in the development of secondary industry (ibid.: para. 317).

Through the fifties, the dynamic of growth was based on the process of import substitution. By the early 1960's, as the Reynders' Commission argues, import replacement opportunities in the light-final and intermediate goods categories had been "very largely exhausted." (RP 69/72: 10, para. 28). That potential which continued to exist was largely in the heavy intermediate and capital goods industries, increasingly dependent on "large markets and economies of scale for their economic viability" (ibid.: 29, para. 14). The many blockages

to the achievement of competitive production in these fields are part of the subject matter of the following chapter; but what is apparent is that insofar as these sectors were involved in expansion, for a number of reasons growth was the preserve of the larger capitals. The 1960's it may be assumed saw unstable and tenuous production in areas where "fragmentation of productive effort (resulting in increased costs) has gone too far." There were continuing attempts at "schemes of external rationalisation" (ibid.: 135, para. 137) that mark the concentration and centralisation of capital and the consolidation of monopoly relations of production.

As the Commission argued referring to basic iron and steel products but with applicability to a large number of industrial sectors that it had also surveyed: "the mere size of investment and the need to integrate production processes vertically are almost natural factors in forcing conglomerate control" (ibid.: 228, para. 232). In the total of 25 separate industrial sub-categories surveyed, the conclusion was drawn that the best performers were undoubtedly those where industry was of a "concentrated nature" with production in larger plants, and this was closely related to capital intensity and the use of specialised technologies (ibid.: 234, para. 251).

An indication is given below of the extent to which an increasing proportion of employees were found in large-scale establishments:

TABLE 10: SIZE (IN TERMS OF EMPLOYEES) OF MANUFACTURING ESTABLISHMENTS

No of employees	(b)		1953-4		1967-8	
	A: No of establishments, as % of total	B: No of employees as % of total	A	B	A	B
9 and less	65	14	45,8	4,8	35	2
10-49	27	25	35,6	16,6	37	12
50-99	4	12	8,8	12,5	12	10
100-199	4 (a)	49	4,7	13,1	8	14
200-299			2,0	9,4	3	10
300-399			1,0	6,9	1,5	7
400-499			0,6	4,6	0,8	5
500-999			1,0	13,5	1,7	16
1 000 plus			0,5	18,6	1,0	24

Note: (a) for 100 or more employees (b) 1916-17

(Source: RP 69/72: Table 9/8; Franszen and Reynders, eds., 1960: Table 33).

The 1977 Commission of Inquiry into the Regulation of Monopolistic Conditions Act (Meiton Commission), used two measures of concentration to confirm "an exceptionally high degree of concentration of economic power" in all sectors of the economy (RP 64/77: para.87). Using an absolute measure of concentration by listing the industrial sub-groups in which three or less firms controlled 70% or more of total turnover, it was found that such a situation existed in 32,5% of sub-sections (ibid.: para. 81). In 20,5% of the sub-groups, the share of the single largest firm was in excess of 50% of the turnover of that sub-group (ibid.:para. 86). Using a Lorenz Curve to discover cumulative percentages, the table below shows that 5% of firms in manufacturing industry control 63,1% of turnover; 10% of firms control 75,5%. Some 65% of the firms control only 4,4% of turnover. These figures are not conclusive or satisfactory, telling one little about centralisation across sub-categories or about the relation between sub-categories and the economy as a whole. They do however strongly suggest that conditions in a small minority of large firms determine the overall conditions affecting produced commodities that seek to be realised on the market. Further, the Commission saw the tendency to "large units and conglomerates by mergers, take-overs and other means of acquiring control" as likely to accelerate (ibid.: para. 91).

TABLE 11: DISTRIBUTION OF TURNOVER IN MANUFACTURING INDUSTRY

<u>Percentage of firms</u>	<u>No of firms</u>	<u>Percentage of turnover</u>
5	628	63,1
10	1 257	75,7
15	1 885	82,7
20	2 513	87,1
25	3 142	90,3
30	3 770	92,6
35	4 399	94,3
40	5 027	95,6
55	6 912	98,1
70	8 797	99,3
85	10 683	99,8
100	12 568	100,0

(Source: RP 64/1977: Table 4).

The Commission also drew attention to the way in which buying power was

concentrated in the hands of monopsonies, whose search for standardised and stabilised supplies tended to favour large producers. Examples were the mines.<sup>10</sup> the motor industry, major engineering firms, Government departments, provincial and local authorities, state corporations, agricultural co-operatives and the supermarket chains (ibid.: para. 64). While the Commission tends to stress the quantitative and market-oriented aspects of the relationship between purchasers and suppliers, it is important to note the way in which nominally independent suppliers may be drawn in as moments of an integrated and socialised production process, with techniques, labour processes, equipment, levels of employment and output, etc., in large measure being determined by the rhythms of accumulation amongst "monopsonistic" producers.<sup>11</sup>

One recent researcher argued that the Mouton Commission presented the first meaningful concentration data for South Africa, though even he was aware of its highly limited nature (Du Plessis, 1978: 257). Examining only the 150 largest firms in industrial sub-categories, he discovered that in even the least-concentrated sub-category, the 10 per cent largest firms had over half of the total turnover. For example, in the Food Industry, the 10 per cent largest firms controlled 72,1% of turnover; 66,5% of employment and 80,2% of fixed assets. Similarly in Fabricated Metal Products, also one of the less concentrated industries, the 10 per cent largest firms had 69,7% of turnover; 63,6% of employment and 75,8% of fixed assets (ibid.: 265).

Inter-industry comparisons would require an incredible amount of detail to account for specific ranking of different categories. The high degree of concentration in all categories tends to make such study unnecessary. Also, as Du Plessis argues, concentration was extremely high at a relatively unrefined level of industrial classification; more homogeneously classified categories would tend to imply an even higher level of concentration.<sup>12</sup>

In view of the indices of concentration and centralisation presented above, the conclusion of Du Plessis seems somewhat of an understatement: "Should the present situation be allowed to continue unabated the South African economy may in due course be dominated by government enterprises on the one hand and only a few large conglomerates on the other" (ibid.: 269). It is interesting to note that the Reynders Commission, stressing the drastic need for export growth and thus

international cost-efficiency to prevent future stagnation in manufacturing industry, continually complained that in anything the manufacturing sector was still too "fragmented" (see RP 69/72: 44-5, paras.101

#### 4. FINANCIAL INSTITUTIONS AND THE ROLE OF MONEY CAPITAL

"Concentration is a slow process ... but centralisation through the lever of a highly developed credit mechanism accomplishes in the twinkling of an eye what would take concentration a hundred years to achieve" (Fine, 1975: 36).

"In addition to the marketing of the final products, the circulation of commodities requires complex financial arrangements, such as the provision of funds to productive capital at the start of the circuit, and the supply of consumer credit at its close. These are undertaken by specialist firms such as banks, merchant banks and building societies, who all have one thing in common; the only commodity they handle is money ...

"In every form of society producers have to make some form of calculation about production ... finance capital, the banks in particular, are the book-keepers of social capital. In their role as lenders directing capital from one branch of production to another, and from firm to firm, they plan the exploitation of labour ... Removed from the actual arena of value production they have become the main medium through which the law of value is communicated to all sectors of the capitalist economy" (Kay, 1975: 90-2).

I do not propose to discuss the links between money and production nor explore in any detail the relation between financial and manufacturing capital. I wish to argue a few relatively simple points: while there are definite contradictions between financial and productive capital over the distribution of surplus value, the development of a sophisticated set of financial institutions may provide favourable conditions for the more rapid accumulation of capital. By amassing the money-holdings of numerous small and large economic units, ranging from households to firms and other large institutional investors, the financial system facilitates the productive investment of money capital that otherwise might get held up at a point in the total circuit of capital. The

centralisation of disparate holdings into a unified mass may be used to give impetus to the concentration and the centralisation of capital. The extension of forms of credit to purchasers, by decreasing the turnover time of capital, and thus the period in which it is held up in unproductive consumption, may offset tendencies to falling rates of profit. There is evidence of the role played in these regards by the financial structure in South Africa. Since the Second World War in particular, it has seen a rapid diversification and sophistication.

The section below will concentrate largely on the contribution of the financial system in hastening tendencies towards concentration and centralisation, and the increasing merging of financial and manufacturing interests in the development of monopoly capital. The particular institutional forms are important: They are not simply the concrete expressions and bearers of ideal relations, but themselves have definite effects. The specific forms, and the concrete possibilities of their establishment and development, influence and affect the directions and outcomes that result. The emergence of specific financial institutions was not automatic in South Africa, and created possibilities and impelled changes in manufacturing industry.

It has been argued that up to the Second World War, capital markets for secondary industry were highly undeveloped. Money was largely raised privately through friends, legal firms or trust companies, or otherwise raised overseas by foreign investors or through the reinvestment of industrial profits. Speculative investment in gold shares was preferred to investment in industrial equities or direct participation in productive ventures. There was a sophisticated financial structure geared almost exclusively to the needs of the dominant mining industry and large distributors (Norval, 1962: 53;96). The situation was such that secondary industry found little organised financial backing on which to rely. As UG 40/41 argued: "Fixed capital requirements of industry as such are not supplied by the commercial banks and manufacturing industries have not always been able to obtain that capital overseas ... a need existed to supplement the existing channels for obtaining fixed capital for industry" (UG 40/41: para. 45).

It was the state that was impelled to step into this vacuum in order to generate favourable conditions for accumulation in the manufacturing

sector. One of its first moves was the setting up of the Industrial Development Corporation in 1940 with R121m of share capital, mostly subscribed by government and with an inbuilt state voting majority. The IDC's activities are dealt with below in the section on state economic policies.

The real change in financial structure was heralded by the establishment of the National Finance Corporation (NFC) in 1949 at the end of an unusual period of easy money supply. Its specific object was "promoting the establishment of an active money market in South Africa and utilising idle capital in the national economy, as well as to facilitate the participation of foreign capital in the development of the resources of South Africa" (Norval, 1962: 104). Underwritten by the state, initiated through the Reserve Bank, its ownership and management were nonetheless in the hands of participating private financial institutions, including the important mining finance houses ready to branch out into manufacturing industry (Van der Walt, thesis: 25).

It was above all the success of the NFC that provided the spur to the participation by private institutions directly in the money-market, by showing the "viability of specialised financial institutions"<sup>13</sup> (Engelbrecht, thesis: v). In its first year deposits rose to almost R140m and within three years it had an annual turnover of R2 000m (Houghton, 1973, 193). In 1955, Union Acceptances Ltd (UAL) was set up as the first acceptance bank on the initiative of Ernest Oppenheimer and Anglo-American, to finance trade bills and their use by the private sector. Similar institutions followed including the Discount House of South Africa in 1957 with UAL and Anglo's involvement. The Accepting Bank for Industry in 1959, with IDC participation, attempted to finance, "through acceptance credit, the manufacture and movement of goods (and) ... the purchase of locally produced goods to enable local industry to enjoy the advantages of a competitive market for short term finance" (Norval, 1962: 104). This Bank's shareholders included Bonuskor, Rand Mines, Corner House, JCI and Sanlam (Cartwright, 1971: 25). Similarly, the 1957 IDC-managed Industrial Finance Corporation included participation by the IDC, Reserve Bank, commercial banks, insurance companies, mining houses and other private financial institutions. Its minimum deposits were R100 000, gearing it to the finance of large-scale producers. By about 1961, the year in which the National Discount House was established,

the established commercial banks had ceased their opposition to the new forms of competition and themselves begun active participation in the enlarged fields of quasi-money.

The general effects of the diversification of financial institutions may be summarised as follows:

(1) The state played an increasingly important part in the provision of money capital for use in a far more sophisticated financial system that was now capable of effectively centralising latent money hoards and extending credit to meet the varied need of different investors. This was important because of the complex set of legal and institutional arrangements under which monopoly capital operated.

(2) A wide range of institutions were to participate in the provision of money-capital, see in the lessening importance of the commercial banks and the concomitant rise of institutions such as insurance companies, hire-purchase banks and building societies. This provided one of the modes of entry into industrial capitalist production for important social forces, particularly through the insurance companies (discussed in more detail below) and the mining houses.<sup>14</sup> Also, the diversification of forms of utilisation of money-capital considerably extended the range of options and methods for participation in productive activity, for example lessening the need for self-financing or reliance on the establishment of subsidiary investment of industrial companies.

(3) The extent to which the sophistication of the financial system was a necessary precondition for productive investment may be gauged by the estimate of a rise in the velocity of circulation of money from some 18,1 in 1948 to 69,1 in 1964. Bank debits rose some five times from R12 944m to R66 003m, while deposits rose only about 1½ times from R715,8m to R956,3m over the same period (Engelbrecht, thesis: 93). The money-creating power of the financial institutions was contradictory, however, severely hindering attempts to control internal liquidity, particularly in boom times and with large inflows of foreign investment. When access to easy finance combined with large scale expenditure on imports of consumption goods, and more especially capital goods, considerable strain was often placed on the balance of payments situation. As in the late sixties, such strains were expressed in combined dangers of inflation plus exchange crises, calling for deflation and productive cutbacks. It was not till 1965, with the new Bank Act, that a measure

of state control was established over the quasi-banks (ibid.: 30). This in itself could obviously not resolve the above type of crises that expressed very basic contradictions in the path of accumulation in South Africa, nor the development of such crises specifically in the monetary sector as a result of its particular place in the social formation.

#### Finance Institutions and the Afrikaner Nationalist Movement

In the context of the above, it is worth looking at the Afrikaner nationalist movement, partly for an index of the importance of the role of financial institutions in centralising latent money hoards, and their application to facilitate concentration and centralisation of productive capital. Also important, was the mobilisation of the "capital of farmers and the petty-bourgeoisie as the strategy chosen for gaining a "legitimate place" for Afrikaner capitalists in the capitalist economy.

Sanlam, established in the Cape, was the core of the economic movement. Its most important feature was the "use of nationalism as the major instrument to mobilise and centralise the latent money capital of agriculture" (O'Meara, thesis: 92). The 1939 Ekonomiese Volkskongres secured the backing of the nationalist movement for Sanlam as the leading finance company; it became obvious that "what the Broederbond was recommending to the Volk were Sanlam's plans for expansion" (ibid.: 108). In 1939, some £27m was in the control of the Afrikaner financial institutions; by 1949, the figure had grown to £64,7m (ibid.: 258).

By the end of the Second World War, it was already clear that the small undertaking was unviable and its future path unsteady. This was noted by the Tweede Ekonomiese Volkskongres, where "die opbouing van 'n Christelik-nasionale handelsmoraliteit' en die koöperatisme met sy afskaffing van die individuele winsbejaag, het geleidelik plekgemaak vir die hardere realiteit van 'n effektiewe, snel-ontwikkelende moderne kapitalisme" (Keizer, thesis: 45). Afrikaner advance in industry would occur through large-scale investment via the finance companies, with the Sanlam group in the vanguard.

Federale Volksbeleggings, controlled via preference shares by Sanlam and with a holding company established in 1944, had by 1946 decided as policy not to invest in small undertakings but only those which

could be considered financially strong (O'Meara, thesis: 221). Federale Nywerhede, with its major interests initially in fishing, was to provide the backbone for the growth in the FVB group, today a South African giant. Sanlam itself moved indirectly into industry, often through other institutions such as the Saambou building society, or Bonuskor that invested its high life assurance profits and evaded legal strictures applying to minimum assets for life assurance companies. In 1953, Bonuskor and FVB joined in the establishment of Federale Mynbou, to take over General Mining with Anglo's help in 1963.

Sanlam itself took policy fairly early on to avoid investment in small companies, preferring the already established, secure and profitable undertakings - a sensible and conservative policy fitting of a company that could not speculate too wildly with the policies of its clientele. A similar attitude was expressed by Volkskas, dominant in the northern heartland of petty-commodity production, that nevertheless rapidly moved away from its origins as a co-operative bank, despite the misgivings and criticisms of elements within the nationalist movement. In the 1950's it set out purposefully to expand into industry, becoming known as the bank perhaps most heavily concentrated in this area.

An important fillip to the Afrikaner finance institutions' capacity for large-scale investment, was given by the acquisition of power by the National Party, which followed a policy of support for Afrikaner establishments where these were competitively viable. Local authorities switched their accounts to Volkskas for instance, doubling its deposits from £26,4m in 1948 to £52,8m in 1952, reaching £125,7m by 1958. Inter-linkage with various state corporations is seen in the Federale Mynbou contract to supply ISCOR with coal or FVB industrial advisor Dr E.P. Rousseau's appointment as managing director of SASOL. It should be reemphasised that the importance of "economic" criteria in the decisions of state economic apparatuses gave added impetus to the concentration and centralisation of Afrikaner business, as for other enterprises in South Africa.

By the 1950's, the finance houses were independent of their previous reliance on agriculture, and one commentator could correctly argue: "This group of Afrikaans financial institutions is playing a very important role in the financing of industries. Their activities are not confined to any particular language group" (Norval, 1962: 106).

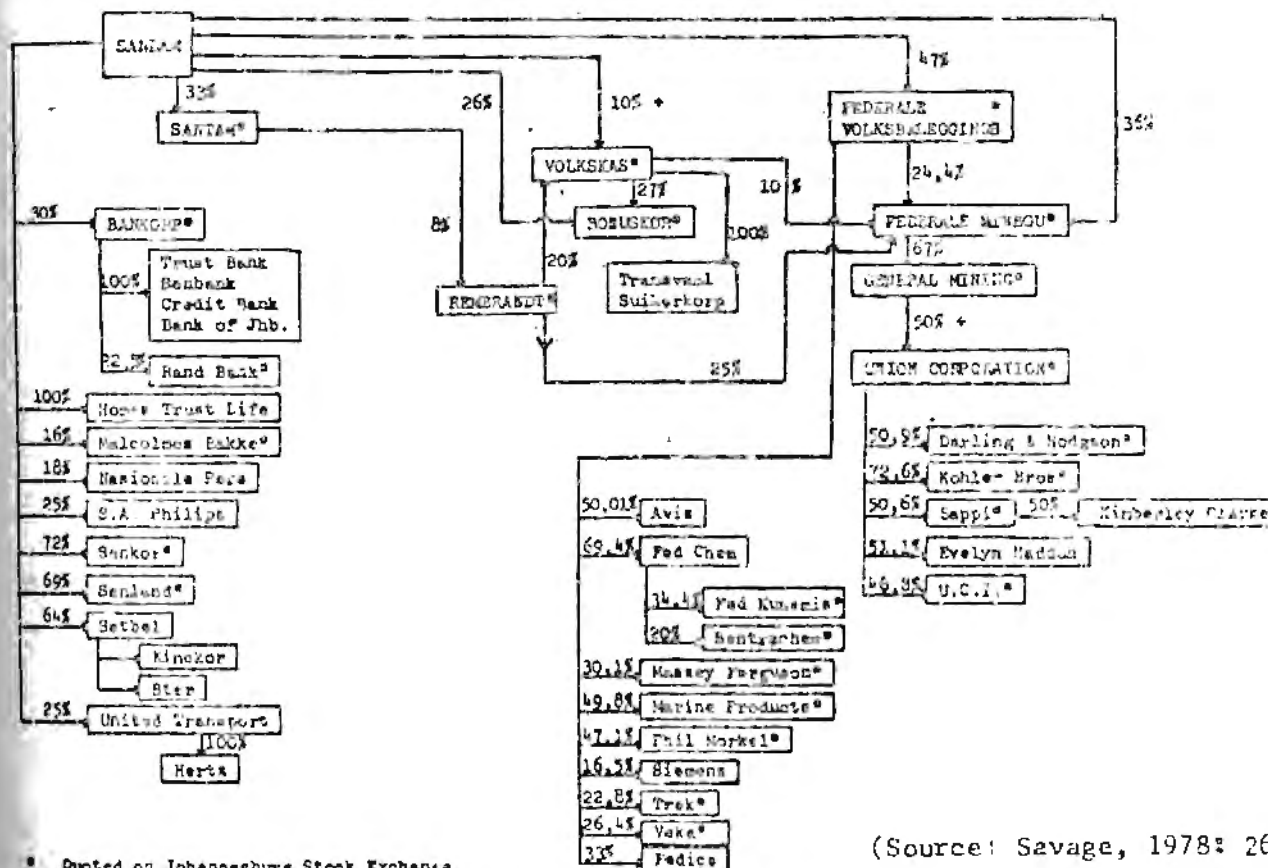
That the development of large enterprises involved struggle, even in the heart of the Afrikaner movement, is important to note. Thus A.D. Wassenaar, head of Sanlam, argued in the AHI organ in 1954 about the need for Afrikaners to support the growth of a strong centralised finance company, although first explaining this as a logical progression from the first Volkskongres. His call was to consolidate monopolies in a monopolistic world: "Hoewel die Afrikaner vandag gerugsteun word deur 'n aantal finansiële instellings en finansieëringsmaatskappye wat reeds betreklik groot kapitaal byeengebring het, beskik ons nog nie oor 'n instelling wat in staat is om van die grootste sake aan te pak nie" (Volkshandel, xv 6:18).<sup>16</sup>

His call was echoed fourteen months later by the AHI president M.S. Louw, who lamented "onocroedelkundige stigtings, gebrekkige bedryfsleiding van die kant van Direksie en bestuur en gebrek aan kennis en ondervinding en aan onvoldoende kapitaal." These wasteful efforts must end, and savings be placed under the control of "goedgesinde en kapitaalkragtige" financial institutions who would invest these on behalf of all Afrikaners. (Volkshandel, xv 18:10). The situation was again laid out in an editorial on Capitalism and Business Life in 1956: "Die Afrikaner wat in die verlede die houthakker en waterdraer was en tans 'n opdraande stryd moet voer om 'n vastrapplekkie te kry teen die gevestigde belange en monopolieë (wat op die room van die land teer), kan dus allermens as 'n kapitalis bestempel word indien hy sukses behaal in hierdie moeilike stryd" (*ibid.*: XVI, 12: 7).<sup>18</sup>

The type of accusations against which such emotional appeals were ranged, were expressed by polemicists such as R.J. van Tonder. He bewailed the impersonality of the new Afrikaner public companies that it was now the tendency to float, and attacked Volkshandel for giving too much attention to the affairs of large companies. "Ek vind dit eintlik tragies," he concluded rather lamely, "dat die Afrikaner bewus geword het ... in die tyd toe dit in koors was om groot sake op te rig en toe dit 'n heersende idee geword het dat sake alleen op hierdie manier gedoen kan word" (XVII, 3: 9).<sup>19</sup> Volkshandel's reply was to point to the numerous fields, particularly in manufacturing, where large capital was needed and where an Afrikaner presence had not yet been established: "Die is nie 'n belang van ons ekonomiese strewe dat ons skaarskapitaal aangewend word om met mekaar mee te ding terwyl groot velde braak bly le nie" (XVII, 9: 12).<sup>20</sup>

Today, the success of the strategy adopted within the Afrikaner Nationalist movement is indicated by the following diagram of the Sanlam/FVB/Volkswagen network with its many interlinkages. The path to monopoly capital in this case was clearly through the Afrikaner financial institutions:

FIGURE 1: SANLAM, VOLKSKAS, FVB GROUP OF COMPANIES



\* Quoted on Johannesburg Stock Exchange.

Sources: Company share registers, Financial Mail, Annual reports of quoted companies.

(Source: Savage, 1978: 26)

### Centralisation of the financial institutions

The financial institutions themselves are highly centralised. The table below gives an indication of this:

TABLE 12: CONCENTRATION IN RESPECT OF BANK ASSETS, 1969

Group of institutions	Total Total Assets		Criterion	Largest institutions	
	No	Rm		No	Assets Rm
Commercial banks	9	3 707	Assets exceed R1 000 m	2 2 523	68
			Exceed R500m	4 3 550	96
Merchant banks	5	530	Exceed R150m	2 364	69
Hire purchase, savings and general banks	40	1 619	Exceed R100m	4 945	62
			Exceed R50m	10 1 305	81
All registered banking institutions	56	6 243	Exceed R100m	13 5 355	86
			Exceed R50m	19 5 777	93

(ctd.)

## TABLE 12: (continued)

Note: "All registered banking institutions" includes discount houses with assets of R196m and R194m respectively.

(Source: RP 87/1970: Table 11).

As the Franszen Commission (RP 87/1970) argued, while the assets controlled by financial institutions had grown rapidly from the mid-1950's, more fundamental had been the "horizontal expansion" of the types of activities of these institutions. Diversification and group formation were playing an ever-increasing role such that "institutions classified in different categories in the aggregative financial statistics are controlled or owned by a single parent company" (RP 87/1970: para. 695). For example, some of the large banks had between 1965 and 1970 acquired full ownership and control of some 12 trust companies and boards of executors (ibid.: para. 707). The increase in the number of registered banking institutions had not changed the situation of "an exceptionally high degree of concentration." Amongst both commercial and merchant banks, the two largest institutions controlled more than 2/3 of assets. 86% of the assets of all registered banks were held by less than one quarter of the number of institutions, 93% by less than one third of the total number (ibid.: 709).

"The concentration phenomenon among banking institutions becomes more pronounced when subsidiary relationships between banks are taken into consideration. The five largest banking institutions in South Africa ... have at their disposal eight subsidiaries or co-subidiaries registered as banking institutions under the Banks Act ... If the total assets of the banking subsidiaries or co-subidiaries are added, unconsolidated, to those of their respective banks, it becomes apparent that on 31st December 1969, the total assets controlled by the five 'banking groups' amounted to R4 646m., or approximately 80% of the assets of all 54 registered banking institutions ... The corresponding figures for the five parent banks only were R4 051m and 69%" (ibid.: 710).

In 1975, the top five banks were in the top 15 of all companies measured by assets; the top four were in the top nine of all companies where they controlled 44% of the nine's total assets. Of the top 20 banking institutions, the top two, Barclays and Standard, had 44% of the assets (Grant, thesis: section 10:2:2). These two banks, subsidiaries of British companies, controlled over two thirds of all commercial bank

deposits at the end of 1973, and 70% of banking outlets (Tomlinson, thesis: 107). Of merchant banks, Standard was the biggest with assets of R238,8m at the end of 1973, followed by the Sanlam-controlled Senbank with assets of R237,9m (ibid.: 111). Despite this high degree of centralisation, the Franszen Commission argued strongly in favour of the existing financial interests and called for limitations on the entry of new competitors, as well as for further amalgamation and consolidation (RP 87/1970. paras. 715-23).

A similar position held in the long-term insurance sector with the two largest insurers holding 47% of total long-term insurance assets in 1969, and the six largest controlling 70% of the total of R2 301m (ibid.: para. 734). The Franszen Commission argued that the insurers were particularly important investors in industry and commerce, with shareholding in these sectors rising 19% between 1961 and 1969 at the same time as holdings of fixed interest assets fell.

The role of the financial institutions as "an important source of risk capital" (ibid.: 802) was vital in economic development but tended to the possibility "that competition in business and the growth prospects of the small independent enterprise might be restrained by the formation of groups of companies or conglomerates" (ibid.: 809). The high degree of centralisation in the financial sector itself, reinforced such tendencies and their occurrence through such modes as acquisition of shares for cash, exchange of shares between companies, and pyramiding to remove operating companies one or two stages from their parents without loss of effective control.

#### Interaction with Manufacturing Industry: Support For Monopoly Capital

Banking is, by its nature, conservative. That is, the banks could be expected to be cautious in the use of the funds of their depositors, with care in regard to the safety, liquidity and earnings of their assets portfolios (Grant, thesis: section 2.2). Nor surprisingly, the banks were inclined to survey carefully the prospects of industrial companies before involvement, more especially as industrial projects involving capital-intensive technology on a large scale increased the demand for longer-term capital as well as its scale, with the possibility of considerably changed economic environments before projects came on stream.

The bank's role thus became one of directing money-capital into the most stable, secure and profitable enterprises. The financial institutions themselves often took a leading role in establishing industries, bringing projects to fruition, demanding the rationalisation of production, bringing together companies in joint ventures, establishing and underwriting market arrangements on both the supply and the sales sides, providing information and research, and so on. Direct share ownership was unnecessary to considerably influence the scope and pace of industrial development, and to ensure in Norval's phrase, "an active liaison ... between the leaders in industry and their counterparts in finance" (Norval, 1962: 110).

As early as 1945 the DTI noted in its Report no 282, the increasing interest of mining and financial houses in manufacturing and argued that, while their shareholding seldom gave absolute control, a strong degree of control was exercised through the provision of secretarial and technical advice and services (DTI Report 282, para. 185). The finance houses, with funds to wait while investments bore fruit, were often better equipped than industrial firms to attract foreign and local investors, having the "staff, experience and facilities ... to make a careful assessment of the chances of success of new undertakings" (UG 36/68: para. 228).

The financial institutions avoided small enterprises. The Viljoen Commission reported how the 1957 annual report of an unnamed large financial institution had spoken of the "virtual elimination" of investments in small private companies and in small companies generally. The Commission gained the impression that similar policies had been adopted by other institutional investors (ibid.: para. 236). Thus, it was argued that "Owing to increased competition as well as to the greater element of risk attached to such small ventures, it will in future be no easy task for the average small private manufacturer, without the backing of a holding or financial company, to obtain the funds necessary for the establishment or expansion of his business". As the Industrial Finance Corporation would cater for large concerns, a call was made for the IDC to examine the situation of small firms and help expand the scope of private financial aid to these (ibid.: para. 238).

The IDC was not however a charitable body, but involved itself with

manufacturers on their "economic merits". As will be shown below, this involved ignoring the weaker- and smaller-capitals, despite the token establishment of a Small Industries' Division. Even the Viljoen Commission revealed a contradictory attitude towards what it terms "competitive and democratic" small industry (ibid.:para.234). The trend is towards the establishment of larger industrial units, and the initial requirements of risk capital therefore tend more and more to exceed the resources of individuals or groups of individuals. This means, in fact, that new concerns of any considerable size have to be established or sponsored by strong industrial or financial organisations. Hence the importance ... of financial concerns as promotional institutions in the development of secondary industry in this country" (ibid.: para. 317).

The Franszen Commission some ten years later argued that South African banking institutions had a relative freedom in diversifying their investments in comparison with many overseas countries. Particularly in the case of the larger banks, this diversification created opportunities for the establishment of wide-ranging conglomerates in both the financial and non-financial fields (RP87/70: paras. 758-61). Not only were boards of directors and managers now responsible within their specific financial institutions, but increasingly their voice was heard in the "general administration, control and financing of a subsidiary inside or outside the financial field" (ibid.: para. 750). This included areas where there was a direct interest through ownership, as well as in areas where certain preconditions might be laid down before the advance of sums of money capital.

The Mouton Commission into monopolistic conditions came to broadly similar conclusions. It saw the emergence of large units and conglomerates due to mergers, take-overs and other forms of control, as being importantly the result of the activities of the merchant banks and their corporate finance arms. This was a trend particularly over the two decades since the mid -1950's. The banks themselves, "as a matter of business routine", would investigate the possibility of merging companies, approach those concerned and often not only conduct the negotiations, but also implement the proposals. Many concerns that had excess liquidity, similarly approached the "skilled advisors" in the financial institutions to facilitate centralising or concentrating processes (RP 64/77: para.91).

Figures for the commercial bank advances of Barclays Bank, accounting

for some 1/3 of commercial bank advances, are of interest. 32% was advanced for manufacturing, 15% for commerce, 14% for agriculture, 13% finance and real estate, and 12% for other activities, largely mining and construction. The involvement in manufacturing is extremely high. A breakdown of its manufacturing portfolio parallels to some extent the importance of the industrial sub-categories in the manufacturing sector overall: Textiles, footwear, furniture and paper (22%), Food and Beer (21%), Metals and Mechanical engineering (19,5%), Petrochemicals (19%), Transport (8,5%) and Public corporations (6%) (Grant, thesis: section 11:6:1.2).

##### 5. THE MODERNISATION OF PLANT: TECHNOLOGY, ORGANIC COMPOSITION OF CAPITAL AND RELATIONS OF PRODUCTION

Material production is a twofold process: a technical, or purely physical relation, and a social relation, or relation of property. These are integrally bound together, under the domination of the latter. In other words, it is always the social division of labour that structures the technical division. These points are important, in that what appear on the surface as quantitative and neutral technical imperatives, are in reality the effects of particular modes of class exploitation. Technology as the term will be used below, could be in the form of production manuals, patents (legally-captive technology), technical assistance through experts, production processes embodied in machinery, design of factory layout and work programmes, specifications, etc: none of these can really be quantified though their economic effects may be seen. But what is more important than any "definition" is that the continual revolutionising of instruments and social organisation of production, mark phases in the modes of exploitation of labour by capital.

It is argued that the effects of the forms of class struggle in the advanced capitalist nations, turned the dominant tendency for the production of relative surplus value into a relentless pursuit. The points I wish to emphasise here are the growing dominance of dead over living labour, and the harnessing of scientific knowledge to industrial production. These two features of technological innovation, occurring under the aegis of centralised and concentrated monopoly capital, signal the mode whereby high-productivity sectors reap surplus profits through a transfer of value from low-productivity sectors. As Mandel argues: "There thus develops a permanent pressure to accelerate

technological innovation. For the dwindling of other sources of surplus-profit inevitably leads to a constant hunt for 'technological rents' which can only be obtained from permanent technological renewal.

Technological rents are surplus-profits derived from a monopolisation of technical progress, i.e. from discoveries and inventions which lower the cost-price of commodities but cannot (at least in the medium run) become generalised throughout a given branch of production and applied by all competitors because of the structure of monopoly capital itself" (Mandel, 1975: 192).

As was argued in 1945 by the Board of Trade and Industries: "Important technological developments have taken place prior to and during the present war" (BTI Report 282: para. 207). What this implied was that "the recent exceptionally rapid expansion of the Union's real national income and of its secondary industries can be maintained only if every effort is made to increase productive efficiency ... This need ... is even more imperative in view of post-war developments and the increase in international competition" (ibid.: para. 405).

Successful production thus meant raising the mass of fixed capital in the periphery, rearranging methods of production and modes of control over the direct labourer so as to utilise to best advantage the special qualities of the new machinery (need for long production runs, rapid turnover time, flow process, continual usage, etc.). This was realised by the Viljoen Commission, which argued that productivity rises were dependent not only on the change in skill, duration and intensity of application of labour, but above all upon "the rate of improvement of the quantity and effectiveness of the capital equipment with which they operate, and improvement in industrial organisation" (UG 36/58: para.

### Rise in Capital Intensity<sup>21</sup>

During the Second World War, there had been a rapid expansion in South Africa of industrial production under the twin impact of war-time requisitions and protection from overseas competition. Heavy and intensive use of plant resulted in maximum capacity use. Numerous sectors found themselves impelled to find make-shift solutions to extension, installation and repair of capital goods. The situation after the war was thus one of an important extension of the fields of local production and

the use of local raw materials; and a situation in which much of the plant and machinery was old, outdated and economically obsolete now that competition was beginning to exert demands for international cost-efficiency in production.

After the war, industry re-equipped itself, placing considerable strain on the balance of payments in the process, and contributing to the imposition of import control in 1949 (FCI, 1959: 15). Nevertheless, high profits from the war years, the inflow of foreign capital, the institutional rearrangements in the financial sector, import control that restricted expenditure on luxury imports and thus encouraged saving, all contributed to the availability of money-capital to re-structure South African capital with a far higher organic composition. The existence of large firms, and the ongoing processes of concentration and centralisation, contributed to ensuring that the massive outlays needed could effectively occur. Between 1945/6 and 1949/50, annual fixed investment was some  $3\frac{1}{2}$  times higher than during the war years: the average value of plant/machinery and tools per establishment grew by some 40%; and the average value of mechanical power per worker by 33%, suggesting a phenomenal rise in the organic composition of capital and increasing mechanisation (Palmer, 1954: 151 and 153). Between 1946 and 1957, gross domestic capital formation was some £ 4 310m. As much as 34% of this was contributed by the public sector, reflecting in part massive infrastructural investments, and expansion of projects such as ISCOR and SASOL. Manufacturing industry contributed £704m, or 25% of private gross domestic capital formation as compared to mining's 18% (UG 36/58: para. 290). The immediate post-war period saw the highest rise in fixed capital stock, of some 6,9% per annum between 1946 and 1954, as opposed to 4,5% per annum between 1954 and 1962 and a slightly higher 5,8% per annum during 1963 to 1972. The average rise was 5,7% per annum 1946 to 1972, with GDP rising at 5,1% per annum (Tomlinson, thesis: 421).

The following graph and table give an idea of the rising capital-labour ratios, which may be used as a rough index of a rising organic composition of capital in South African manufacturing post-war. The sharp rise post-war, and steady rise thereafter, should be contrasted with the rather erratic situation before the war period (see Table 2).

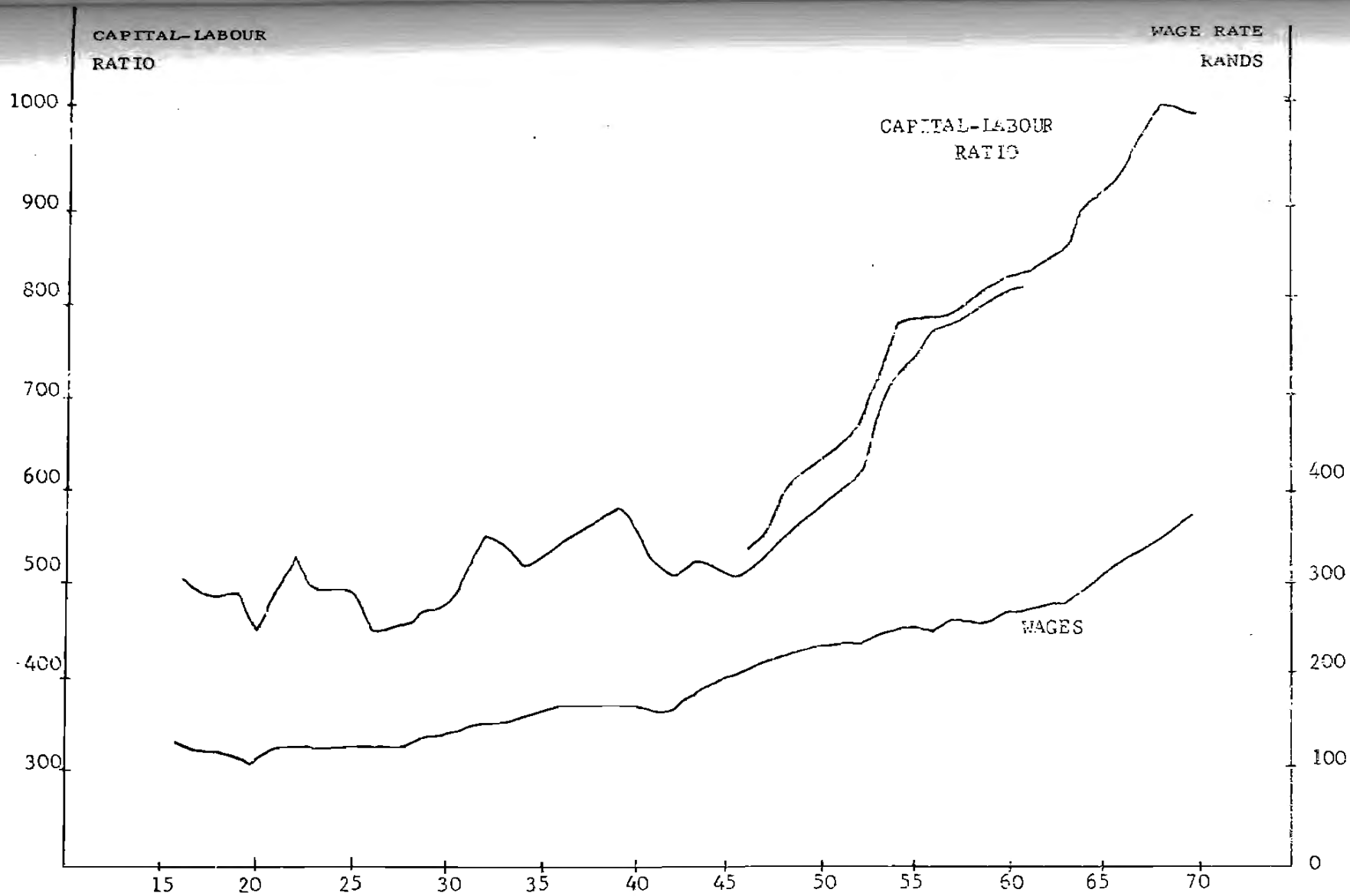


FIGURE TWO: SOUTH AFRICAN INDUSTRY: CAPITAL-LABOUR RATIOS AND WAGES 1916-70

(Source: Hindson, thesis: Diagram 2.5).

TABLE 13: CAPITAL LABOUR RATIOS IN MANUFACTURING INDUSTRY 1939-1970

Year	Capital Stock (R.1 000 000)	Labour (1 000)	Capital/Labour	% Change
1939	150	236	635	1,0
1940	152	245	619	-2,6
1941	152	274	555	-11,5
1942	154	291	529	-4,9
1943	154	309	499	-6,0
1944	162	333	487	-2,5
1945	172	361	476	-2,3
1946	184	379	485	1,9
1947	200	397	503	3,7
1948	224	434	516	2,6
1949	258	473	545	5,6
1950	286	498	574	5,3
1951	310	542	571	-0,5
1952	336	576	583	2,1
1953	384	596	644	10,5
1954	432	623	694	7,8
1955	462	652	708	2,0
1946	204	456	447	-
1947	213	465	459	2,7
1948	234	471	497	8,3
1949	261	503	520	4,6
1950	283	530	534	2,7
1951	299	561	533	0,2
1952	308	568	543	1,9
1953	328	578	568	4,6
1954	371	589	632	11,3
1955	376	602	621	-1,8
1956	384	623	616	20,8
1957	395	637	621	0,8
1958	414	650	637	2,6
1959	439	642	683	7,2
1960	450	658	684	0,1
1961	463	682	679	-0,7
1962	479	706	679	0,0

(ctd.)

TABLE 13 (Continued):

<u>Year</u>	<u>Capital Stock</u>	<u>Labour</u>	<u>Capital/Labour</u>	<u>% Change</u>
1963	523	761	687	1,2
1964	597	832	718	4,5
1965	680	922	736	2,8
1966	756	966	782	6,0
1967	3,2	1 006	812	3,2
1968	647	1 031	822	1,9
1969	880	1 095	804	-2,2
1970	939	1 164	806	0,2

(Source: Hindson, thesis: Table A2).

Between 1946 and 1955, the capital-labour ratio in manufacturing industry rose 3,7% per annum. Between 1946 and 1975 there has been a steady if slow rise in the capital-labour ratio of manufacturing industry of 1,8% per annum (Marce, 1978: 30), with Nattrass and Brown giving a figure of 2,6% per annum 1960-1972 (Nattrass and Brown, 1977:11). A falling percentage of salaries and wages in relation to gross output, and an increasing proportion of the cost of raw materials, confirm the increasing scale and capital-intensity of production (Norval, 1962: 6).

#### Causes of the Rising Organic Composition of Capital

The findings of a survey by R. Brown (thesis) and by Nattrass and Brown (1977) confirm that the rising capital-intensity of industry has to do with the capital-saving bias of technology in the advanced formations and its relative efficiency compared to other less capital-intensive technologies even in the periphery (Nattrass and Brown, 1977: 4). The high costs of research and development in particular, make it cheaper to import technologies developed overseas. Under the impact of economies of scale for capital goods manufacture in the advanced countries, it becomes cheaper to import these than to use locally-produced alternative technologies.

Nevertheless, "such (foreign) techniques tend to be too capital-intensive and are designed to operate on a scale larger than that ideally required" (ibid.: 4). Because of problems of the scale at which the technologies

are most efficient, there is a tendency for concentration to occur as the larger, more efficient and more capital-intensive producers force out their competitors.

In their survey, Natrass and Brown discovered that overall, only 27% of firms in South Africa invested in Research and Development (R&D). While large firms invested more consistently in R & D, even in the largest firm-size only 43% of firms invested. With the possibility that this research was more product- than process-oriented, local R & D hardly goes very far to freeing local firms from the constraints of overseas technological bias. As a corollary of this, the survey discovered that 60% of firms were using techniques that embodied 100% foreign technology, and 71% techniques embodying over 90% foreign technology. Only 10% of firms were using less than 50% foreign technology. Furthermore, it was largely irrelevant whether local or foreign-owned companies were concerned: indeed, foreign-owned companies were marginally more inclined to engage in research and development. It may thus be argued that the use of technology that embodied certain class relations determined by the rhythm of struggle in the advanced countries, is NOT a result of the direct presence of foreign firms, but rather of the economic imperatives facing a particular social formation in a subordinate position in the imperialist chain.

Indeed, while only 40% of firms were in fact using the latest available techniques, the choice of technique was made predominantly in terms of conventional cost and efficiency criteria, although in as many as 51% of cases the limited availability of alternative techniques was seen as affecting possible choices. Survey results suggested that the size of the firm directly affected the efficiency of the foreign technology: whereas 29% of firms whose capital size was less than R100 000 were using the latest technique, half of these were doing so because there was no alternative available. For firms with capital of over R8m, half were using the latest technique, and only 18% of these because there was no alternative.

Not surprisingly, it was found that the larger firms adopted capital intensive technology far more rapidly than smaller firms. Factors such as economies of scale and technological advances were far more important in affecting changes in capital intensity than the relative prices of capital and labour. This was corroborated by regression analysis that

confirmed a positive relationship between firm size and capital intensity. In four industrial sub-categories, the relation was weak - in the case of metal products and machinery, because of the importance of the relative cost of labour to capital; and in textiles and rubber, because changes in capital-intensity of technology affected firms of all sizes to the same extent (i.e. small firms had no choice of technique).

Apart from there being a startling correlation between the ranking of various industries according to plant size in South Africa, the United States and the United Kingdom, the following table gives an international comparison of capital-intensity by industry, that further suggests a dependence and similarity between technology overseas and that used locally.

TABLE 14: AN INTERNATIONAL COMPARISON OF CAPITAL INTENSITY BY INDUSTRY  
(VALUE OF FIXED ASSETS (K) IN USA \$ PER WORKER (L))

<u>Industry</u>	<u>Japan (+1955)</u>		<u>USA (+1955)</u>		<u>SA (+1960/1)</u>	
	<u>K/L</u>	<u>Rank</u>	<u>K/L</u>	<u>Rank</u>	<u>K/L</u>	<u>Rank</u>
Textiles	475	5	2 760	10	2 220	9
Clothing	329	10	990	12	1 157	12
Leather	422	6	1 010	11	1 813	10
Wood	367	9	3 580	8	1 213	11
Paper	508	3	7 310	3	4 297	3
Printing	143	12	3 450	9	3 110	5
Rubber	269	11	3 730	7	3 382	4
Chemicals	1 100	2	8 320	2	4 994	2
Non-metallic minerals	414	7	5 950	4	2 333	7
Basic metals	2 558	1	8 600	1	5 941	1
Machinery	478	4	4 860	6	2 471	6
Transport equipment	378	8	5 010	5	2 313	8

(Source: R. Brown, thesis: Table XXXIX).

As Brown argues, "technological changes in the more advanced countries determine to a large extent changes in the capital-intensity and typical plant size of South African manufacturing industries" (ibid.: 164). And, as he concludes, one of the effects of this technological dependence was the generation of a continual increase in the "typical" plant size, measured by gross output. Plant size was closely correlated with capital-intensity. The more capital intensive techniques generated savings per unit of output in relation to units of both labour and capital. To make the more labour-intensive techniques profitable, an extremely

low price of labour would have had to prevail (ibid.: 185).

The necessity for a continual rise in the organic composition was not only related to technological development in the advanced capitalist centres. Also important were the impending limits of import substitution industrialisation that by the end of the 1950's was beginning to exhaust those industrial fields in which relatively less sophisticated productive techniques could be utilised. As the Reynders Commission argued: "Although a relatively substantial import replacement potential still remained at that time, this was confined largely to the heavy intermediate and capital goods industries which are very dependent on large markets and economies of scale for their economic viability" (RP69/72 14, para. 29). In other words, increased local production of capital goods and heavy intermediate goods, raised even further the mass and value of capital employed in the enterprise relative to labour.

This brought further contradictions - for instance, the extension of manufacturing production under a higher organic composition of capital created a need for capital goods that could not be produced locally. Imported capital equipment and machinery made up an increasing proportion of South Africa's import bill continually straining the balance of payments. This reinforced the dependence on manufacturing industry profitability in the mining and agricultural foreign-exchange earning sectors. Each wave of local industrialisation thus deepened the degree of dependence on foreign supplies and export markets.

Raising the organic composition of capital was an ongoing necessity to provide a basis for competition with more productive producers overseas. It was true that the best performers were in industries "of a concentrated nature (i.e. concentration of production in larger plants) and also were relatively capital-intensive. Their concentrated nature can probably be ascribed to the specialised technology applied." (RP 69/72: 234, para: 251). As is shown in more detail in the section on foreign investment, the dependence on overseas supplies of capital goods brought with it various problems, some relating to direct manipulations and control by suppliers of technology, and some relating to the viability of such technologies in the special conditions of the periphery. Factors such as the smallness of the market, lack of local R & D, shortages of certain categories of skilled labour, etc., played a

role in ensuring that raising the organic composition of capital locally always involved a chase "one step behind" developments in productivity in the advanced centres.

### Real Control of the Labour Process

An aspect of the adoption of capital-intensive technologies in order to generate relative surplus value through a rising organic composition of capital, was the reorganisation of the production process so as to ensure a real and extended control over the direct producer. What appear as technical qualities of new machinery are in fact social qualities of changing forms of the rule of capital over labour. The Board of Trade and Industries Report 282 gave a picture of the importance of this "internal rationalisation" of production: "The central problem of organisation has been to integrate specialised equipment and processes in order to obtain the optimum results in terms of a smooth, even and continuous flow of work. Complex operations have been broken up into their constituent parts, and these taken over by specialised machines. This co-ordination of machinery and labour into a continuous chain of operations has had the effect of transforming the entire establishment into a semi-automatic and homogeneous unit ... workers and machines are ... placed in the sequence of the functions they perform....As each machine must be temporally and spatially adjusted to every other machine, so must every shop and department be timed and adjusted in the rate and intervals at which it contributes its lot to the main stream" (BTI Report 282: para. 197).

These processes involved above all changes in the intensity and skill of the labour force, in its composition, in its numbers, in its social conditions of existence. It bred new forms of resistance, fragmented and split some workers and overcame divisions amongst others, saw changes in racial and sexual composition of those employed and unemployed, developed new hierarchies and mental/ manual divisions, and generated continuously changing and developing forms of class struggle within the production process and outside of it. The nature and effects of these will be examined in the next chapter: at this point, it is sufficient to note that the resistance of the producers affected by changing labour processes, provided an important limitation on the extent to which the reorganisation of the production process could

establish profitability and raise productivity under the internationalised relations of monopoly capital. It was argued by the BTI that in bringing about changes, "The bargaining power of the respective parties rather than the requirements for developing a manufacturing industry in the Union has been the determining factor" (BTI Report 282: para. 414).

#### Other Effects and Conclusion

The extension of monopoly relations in industry as an attempt by capital to offset the tendency to falling rates of profit with the rise in the organic composition of capital, also generated new forms of ideology. Some of these forms can be seen in the increasing use of scientific methods and tools of management such as the application of systems of budgeting and cost control, aptitude testing, specialised courses in industrial organisation and management, the use of industrial and cost accountants, and so on. In regard to labour, the reorganisation of "skill categories", incentive payments, time and motion studies, and the rise of personnel relations department, marked the changes that were occurring. Distribution became an important part of ensuring planned output - with quality control, packaging, advertising expenditures, new forms of labelling and product presentation extending the links between producer and consumer (Norval, 1962: 4). The importance of bodies such as the CSIR and SAES have been mentioned above, and will also be discussed below in the section on the contribution of the state's economic policies.

It remains to point out that the State played an important role in facilitating the raising of the organic composition of capital, by a number of measures designed to encourage the "more efficient" producer. For instance, tariff protection after the war was put onto a new basis that guaranteed state support in advance where local producers could be shown to produce half of local consumption. This was reinforced by the imposition of far closer examination of the efficiency and cost structures of protected industry, with forced rationalisation being pursued if necessary. Bodies such as the IDC played an important role in concentrating production in plants with a high organic composition of capital. The State also played an increasing role in gross domestic capital formation through the so-called para-statal. Bodies such as ISCOR and SASOL were established on the basis of massive capital

outlays in areas where private producers were reluctant to engage in the initial risks and expenditure. This too will be examined below.

Lastly, it has been argued that industry after the war was forced to raise its organic composition of capital in order to compete with the high-productivity industries of the advanced capitalist centres, and in this way reproduced the relations of production pertaining in the centre. This was a tendential and not an absolute movement. Indeed, under the specific limits of South Africa's subordinate place in the imperialist chain, this internationalisation of capitalist relations could never be "completed". Internationalisation continually locked South Africa in a subordinate position, but one that impelled incessant deepening of this relationship in order to avoid falling so far behind that stagnation might occur. This is clearly seen in the Roynders Commission's recommendation about Component Exchange schemes, where - in order to obtain economies of scale (i.e. internationally cost efficient production) - "various members of large international groups would each specialise in their particular national location in the production of a certain component and exchange that for another which is the speciality of another member in another national location" (RP 69/72 136, para. 133). One could imagine the lasting benefits of South Africa becoming a specialised manufacturer of pin-heads to be exchanged for shafts from Argentina, and the impact on both when pins became an obsolete method of sticking paper together.

This reproduction of specific forms of capitalist relations was also tendential in that it affected a specific group of producers: significant remnants of competitive, small-scale capital continued to exist. For instance, in 1967 72% of establishments had less than 50 persons, but employed a total of only 14% of all employees; while the 1% of establishments with more than 1 000 workers had 24% of the employees (RP 69/72: Talbe 9/8). This represents a deep cleavage within manufacturing industry. The small-scale, less efficient producers, were forced by the laws of capital accumulation to adjust their strategies in relation to the changes occurring amongst those producers that most "successfully" adjusted to the imperatives of industrialisation in the periphery in the present phase of imperialism.<sup>22</sup>

6. FOREIGN INVESTMENT: THE MNC'S AND THE INTERNATIONALISATION OF CAPITAL

It is useful to begin this section by dispelling a common misconception, and showing what foreign investment in South Africa was not about. Foreign investment has not really been important because of any quantitative financial contribution. Often it made a difference at the margin in overcoming deficits on current account of the balance of payments, and encouraged a higher rate of investment than might otherwise have been the case. Nonetheless, South Africa has for nearly the whole post-war period had an exceptionally high rate of domestic savings that has been able to account for the financial requirements of investment, as the following two tables indicate. Note the high proportion of personal savings relative to total savings, which reinforces the importance of financial institutions in centralising these:

TABLE 15a: GROSS DOMESTIC SAVING AND GROSS DOMESTIC CAPITAL FORMATION 1946

<u>Item</u>	<u>1946-9</u>	<u>1950-3</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>
Gross Domestic Capital Formation (£m)	242p.a.	352p.a.	485	504	479
Gross Domestic Saving (£m)	113	285	440	453	464
GDS/GD Capital Formation (%)	46,7	81,0	90,7	89,9	96,9
Net Foreign Borrowing/GD Cap Form (%)	53,3	19,0	9,3	10,1	3,1

(Source: UG 36/58: para. 297).

TABLE 15b: FINANCING OF GROSS DOMESTIC INVESTMENT 1965-70 (Rm)

<u>Item</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
Personal Saving	571	719	889	736	710	728
Corporate Saving	316	335	301	333	470	390
Current Surplus of General Govt	296	258	450	449	499	470
Depreciation	719	791	870	947	1 031	1 140
GROSS DOMESTIC SAVING:	1 902	2 103	2 510	2 465	2 710	2 728
Net Capital Inflow	255	141	162	456	180	541
Change in Gold/Foreign Exchange, Reserves	41	-140	19	-534	65	286
GROSS DOMESTIC INVESTMENT	2 198	2 104	2 691	2 387	2 955	3 555
GROSS DOMESTIC PRODUCT	7 879	8 555	9 459	10 152	11 307	12 363
GDI/GDP (%)	28	25	28	24	26	29
GDS/GDP (%)	24	25	27	24	24	22
GDS/GDI (%)*	86,5	100	93,3	103,3	191,7	76,7

\*Note: Can be usefully compared with GDS/GDCF in Table above

(Source: Suckling et al, 1975: Table I).

These figures should obviously be used cautiously; as will be developed below, they are in no way an indication of the importance of foreign investment in general. Furthermore, as aggregated statistics, they do not show the importance of different types of finance or the quantitative importance of foreign finance in individual industries. For example, in about 1958, foreign investment accounted for an aggregate of 14.7% of total capital formation, yet was much higher in tyres and rubber (53,2%), motor vehicles (30,7%), clothing, chemicals and electrical goods (21,2-24,8%) (Norval, 1962: Table XX). The aggregate figures above, then, merely indicate the relative unimportance of the financial contribution of foreign investment. This is also confirmed by the declining importance of net indebtedness as a proportion of GNP: from 46,7% in 1956 to 27,4% in 1961, 29,2% in 1966 and 27,8% in 1967 (Tomlinson, thesis: 50).

The focus on net foreign inflows misses the point that a large part of South Africa's foreign liabilities were domestically accrued. For the period 1957-65, retained earnings accounted for some 70% of total long-term direct investment. From 1967 to 1971, 81% of UK direct investment was financed from reinvested profits. US firms accounted for 68% of finance from unremitted profits between 1961 and 1971, the figures for 1961 and 1968 being as high as 100% (Suckling, 1975: 27). In 1965, the reserves of multinational companies, largely accrued from undistributed profits, formed 57% of the total long-term direct investment liabilities of the private sector (Tomlinson, thesis: xi). It was surplus value accumulated locally that accounted for the productive investment of foreign companies.

### The Internationalisation of Capital

The interest of foreign investors in manufacturing industry in South Africa was closely tied up with the new forms of capital export from the advanced capitalist centres in the present phase of imperialism. Above all this was associated with a particular institutional form, the multi-national corporation or MNC. The export of capital goods increasingly formed the basis of the new phase and determined the new interest in industrialisation in the periphery. Primarily through the "technology" embodied in such exports, the MNC's were able to ensure that peripheral industrialisation not only did not challenge their dominant position, but enabled them to turn to profitable

advantage fields of productive activity directly sited in the periphery.

The rhythm of international capitalist development - with its drive to massively increased relative surplus value and incessant technological change - through the operation of the law of value, expressed as the progressive devalorisation of commodities produced under inferior national average conditions, tended to lock the peripheral countries deeper into their inferior place in the imperialist chain. In itself, it was not the direct presence of foreign investors that produced the new forms of uneven development (the argument that "the multinationals are strangling our economy").

In fact, those countries that were able to create conditions to attract foreign investment, found themselves in a relatively favourable position. Expansion of industry rather than stagnation was a feasible option. But this was a dependent industrialisation that brought its own specific contradictions. The direct presence of foreign capital hastened and gave impetus to changes in the internal structure of the periphery that were already existent as pressures from the international structure of production stamping itself upon the dependent formations.<sup>23</sup>

In short, the direct presence of foreign investors "speeded up" a particular form of incorporation into the world economy; the processes of concentration and centralisation, rising organic compositions of capital, the importance of technology, integrated production processes, and the effects on the labour process, reserve armies, etc. were effects of the internationalisation of capitalist relations that were given an added impetus by the activities of international capital. At the same time, it is important to note that the forms that these processes took were overdetermined by the particular form of the multinational corporation and its particular effects: it is not irrelevant to specify the precise forms through which the incorporation of a particular peripheral formation into the world economy occurred.

Competition between MNC's might give to a peripheral formation a certain range of choices. But these were precisely limited by the very weaknesses of the peripheral formation that drove it to seek foreign involvement in the local economy in the first place. In the second place, the MNC's themselves made certain demands relating to control and minimum conditions of profitability, and could enforce these through their superior conditions of accumulation; for example, their ability to move

to the national centres of accumulation in the periphery most willing or able to meet their demands. Thus, a play-off was possible over terms of interaction between peripheral producers and the MNC's, but the conditions of this exchange were doubly limited: by the power of the MNC's themselves and the effects of their modes of operation; and by the inferior place of the peripheral formation in the imperialist chain, of which the power of the MNC's was itself one sign. The latter set of conditions, as has been pointed out in Chapter 2, is not a simple function of externally imposed conditions, but rather of the internal conditions and forms of class struggle and of a specific mode of internalisation of the imperialist forms..

#### Foreign Investment in South Africa: Dependent Industrialisation?

A number of indicators may be used to show that foreign investors in South Africa were indeed interested in participating in processes of industrialisation, and that their involvement was geared to ensuring maximum control. Two sets of figures are used below to show (i) that foreign investment was increasingly concentrated in secondary industry rather than mining or commerce (foreign investment in agriculture remained negligible); and (ii) that there was an increase in direct as opposed to indirect investment, particularly in manufacturing, and increasingly this was long- rather than short-term.

In 1960, approximately 33% of foreign holdings were in mining with 27% in manufacturing (Tomlinson, thesis: 62). By the end of 1969, approximately 31% of South Africa's private sector liabilities (excluding banking) of R4 399m were in manufacturing industry as opposed to 25% in mining, 16% financial and 4% insurance (RP 87/70: para. 962). When it is considered that some of the investment in mining would have found its way into manufacturing via the investment houses, as for finance, the figure for manufacturing in the latter years especially, is correspondingly even more significant. Of considerable interest was the increase in United States involvement in manufacturing industry, bearing in mind that this was almost completely a post-war phenomenon relating to the leading role of the US in the internationalisation of capital. Whereas in 1959 34% of US direct holdings were in manufacturing as against 27% in mining and smelting, by 1968 the figure for manufacturing was a massive 48%. As one analyst suggested, this was "of more than purely quantitative significance since United States companies have been expanding in the

most dynamic sectors of the economy" (Tomlinson, thesis: 63).

Private foreign investment in the post-war period, and especially in the 1960's, increasingly consisted of direct investment (ibid.: 13). Between 1956 and 1969, direct investment rose by as much as 120% while indirect rose only 26%. In manufacturing 84% of foreign liabilities consisted of direct investment; 86% in commerce; 64% in mining and 59% financial. (RP 87/70:961-2). The latter figure is also interesting: in 1970 foreign controlled banks held 73,2% of commercial bank deposits and 55,8% of the deposits in the banking sector as a whole, while also controlling 29% of long-term and 56% of short-term assets in insurance (ibid.: 725, 645). The overall picture is thus clear. While foreign direct investment made up 61,3% of private foreign liabilities in 1956, this figure had risen to 71,9% by 1967 and 73,8% in 1969 (Tomlinson, thesis: Table 15). Manufacturing industry was particularly important in this shift, as is seen in the table below (Table 16).

The significance of direct investment is directly related to the new forms of internationalisation of capital, as is apparent from its effects: "the non-direct investor does not seek to control the manner in which the return on his investment is appropriated, while the direct investor does ... Direct investors ... are continually seeking new opportunities as a source of the future growth of their organisations. They desire control over the application of their funds. They want control over their equity, hoping for a higher return than the ordinary ruling rate" (ibid.: 66).

The table below summarises some of the relevant information for 1956 and 1965. It shows the relative importance of foreign liabilities by sector, as well as the weight of direct over non-direct investment, particularly acute in manufacturing. The preponderance of long-term over short-term investments shows a degree of confidence and commitment by both direct and indirect investors in the economy over the period.

There are one or two minor discrepancies between figures in the table and those given previously. Some of these probably revolve around definitions of such terms as investments and the much wider liabilities. The figures above include, but do not show, a period - the Sharpeville period - in which there was a substantial outflow of capital, that might result in rates of increase appearing slightly distorted. For

TABLE 16: PRIVATE FOREIGN LIABILITIES AT END 1956 AND END 1965 BY SECTORS (Rm and percentages)

Sectors	Direct				Non-Direct				Total				Grand Total	
	1956		1965		1956		1965		1956		1965		1956	1965
	A	B	A	B	A	B	A	B	A	B	A	B		
1. Mining	468	17	473	18	419	3	300	4	887	20	773	22	907	795
	(36,9)		(26,7)		(48,9)		(44,0)		(41,8)		(31,5)		(36,8)	(27,6)
2. Manufacturing	423	108	649	143	60	15	59	23	483	123	708	166	606	874
	(33,4)		(36,6)		(7,0)		(8,6)		(22,8)		(28,8)		(24,6)	(30,3)
3. Wholesale and Retail Trade	132	106	244	116	35	25	26	30	167	131	270	146	298	416
	(10,4)		(13,8)		(4,1)		(3,8)		(7,9)		(11,0)		(12,1)	(14,4)
4. Insurance	55	2	69	6	2	-	2	2	57	2	71	3	59	79
	(4,4)		(3,8)		(0,2)		(0,3)		(2,6)		(2,9)		(2,3)	(2,9)
5. Other Financial <sup>1</sup>	107	15	235	23	235	35	224	38	342	50	459	61	392	520
	(8,4)		(13,3)		(27,5)		(32,8)		(16,1)		(18,7)		(15,9)	(18,0)
6. All Other <sup>2</sup>	82	8	103	17	105	9	72	5	187	17	175	22	204	197
	(6,5)		(5,8)		(12,3)		(10,6)		(8,8)		(7,1)		(8,3)	(6,8)
7. Total	1 267	256	1 773	323	856	87	583	102	2 123	343	2 456	425	2 466	2 881

Notes: A= Long-term      E = Short-term

1. Includes all financial institutions except SA Reserve Bank, Commercial banks and Insurance institutions  
Includes mining finance houses
2. Includes Public corporations

(Source: Heyns, J. van der Spuy: Tables 8 and 9, pages 101 and 104).

instance, the rate of increase in direct investment 1956-1965 is given as 72%, from R1 523m to R2 096m. If this is accurate, and we accept earlier figures giving a 120% growth in direct investment 1956-69, this would give a high increase of 62,5% in the years 1965 to 1969. This is not unfeasible, as evidence does suggest that this was a period with a drastic rise in foreign funding of domestic investment; this is further supported by one of the possible effects of such investment, namely a rise in the number of mergers and takeovers, representing a centralisation of capital under foreign control in the late 1960's. Such a process has been noted in other countries such as Spain and Portugal in a similar period (See Tomlinson, thesis: 50; Foulantzas, 1976 ; FCI 1969: 21).

The relative importance of foreign investment in manufacturing is underscored by the fact that of the gross investment in manufacturing of R3 156m between 1959 and 1969, the net investment of R1 148m by foreign controlled companies - 36% of the total - is an understatement. This is even more so for purely private manufacturing, as 15 to 25% of the gross figure was invested by state corporations (Tomlinson, thesis: 67). About 70% of long-term direct investment was accounted for by retained earnings, suggesting a high degree of profitability and self-sufficiency by foreign firms. Indeed, the total corporate savings of foreign companies of about R1 500m between 1959 and 1969 represented a staggering 52% of all corporate savings in South Africa (ibid.: xiii).

While Tomlinson quotes a UN study as saying that 22% of manufacturing capacity was controlled by foreign interests (ibid.: 62), the Franszen Commission argued that as much as 40% of South African industry was foreign-controlled (RP87/70: para.915). The Handelsinstitut estimate of 80% being directly or indirectly overseas controlled (in Rogers, 1976: 96-7), while obviously an overstatement for "political" reasons, is perhaps more accurate, however, in that it gets away from purely formal definitions of control. To explain this, it is useful to turn to the nature and implications of foreign investment.

#### The Nature of Foreign Investment: The Control of Technology

The necessity for the introduction of the complex production processes

of advanced capitalism has been discussed above. It has been suggested that this involved not only the physical access to certain kinds of machinery, but the more general application, development and use of scientific knowledge.

In the advanced capitalist centres, this was an internalised imperative of competition as "technological rents" became the driving force of the giant corporations. For a small and relatively backward country such as South Africa, advances and the development of the productive forces in manufacturing industry could only be made through association with those who controlled the necessary technology.<sup>24</sup> The difficulties, the knowledge and access to it, the planning, to enable advanced industry to be established and developed in the present phase of imperialism involved association of various forms with overseas producers, and often their direct productive presence in the form of branches or affiliates with real economic control over the productive processes situated in the social formation.

On the one hand, this involved gaining the initial and continuing access to technical information including patents and unpatented process information and design, that existed as the legal or less formal private property of individual enterprises. Unpatented process information, or "know-how" was often more difficult to obtain than agreements through licensing or the purchase of knowledge as legal property. As UG 36/58 argued: "full process data can, as a rule, be obtained only either by the financial tie-up between local and overseas concerns, or by the establishment of affiliated enterprises of overseas concerns in the Union" (UG36/58: para. 240).

On the other hand, the linkages with overseas concerns made available not only information and techniques, but also specialised machinery, inputs such as semi-processed goods, components or raw materials, and the possibility of access to markets and outlets controlled or accessible to the MNC's. Another facet involved trained personnel, whether technicians or managerial and planning staff. This was particularly important in the light of the inadequacy of South African training institutions. There was a definite lack of business institutes, post-graduate managerial courses, and only the beginnings of a generalised understanding of scientific management and its principles in such matters as budgetary and cost control, accounting, industrial organisation, and so on.

Established institutions such as the mining houses or the banks could be expected to have considerable advantages in this regard.

What will be done below is to examine a number of specific industrial areas in an attempt to bring out some of the points made above, to develop these and to raise new matters of importance:

The Chemical Industry, for example, was responsible in 1972 for some 8% of the turnover of manufacturing industry, 9% of fixed assets, and only 5,7% of employment (Du Plessis, 1978: 266). Between 1958 and 1968, chemicals grew at a faster rate than manufacturing growth as a whole (BPI Report 1347: para. 60). It was of far more than merely quantitative importance, however, providing the basis of production in a number of vital industrial areas, such as agriculture, textiles, the mining industry, pharmaceuticals, rubber and plastics production, and in virtually all industrial processing techniques. Local chemical production was dominated by the two giants AECI and Sentrachem which - with SASOL - accounted in 1969 for 61% of output, 44% of the plants, 64% of fixed investment and 68% of employment (ibid.: para 75). An examination of some of their activities confirms heavy foreign involvement, predominantly in the fields of technology and know-how.

AECI was controlled by De Beers and Imperial Chemical Industries (ICI, UK) with 42,5% shares each. ICI was one of the largest chemical concerns in the world: "through its association with the researches conducted by this vast organisation, AECI Ltd is kept in the forefront of the latest developments in the whole of the chemical field" (Norval, 1962:31). ICI had three main local subsidiaries in 1970: ICI Pharmaceuticals, Optilon Africa and ICI (Angola). The former was of considerable importance as pharmaceuticals accounted for some 18% of local chemical output. Most components in the pharmaceutical industry were however imported, giving it the character of an "assembling rather than a manufacturing industry" (Tomlinson, thesis: 90). ICI (SA) had a near monopoly on marketing in South Africa the imported chemicals, resins, dyestuffs and plastic that could not be manufactured profitably by AECI, making this one of the more profitable of its local activities: its control of particular raw materials also gave it a considerable degree of power in influencing the types of processing techniques adopted.

ICI participated directly in the field of textiles through a 37,5% shareholding in South African Nylon Spinners (SANS), and indirectly

through the 15% share held by AECI. SANS was later to become wholly AECI owned, highlighting the other aspect of control, namely the use by SANS of chemical inputs to the benefit of the legal parent. De Beers held another 37,5% in SANS, and the IDC another 10% - a pattern in which the state often participated with large industry in establishing and developing other important industries. Similarly, the IDC encouraged SA Industrial Cellulose Corporation (SAICCOR), with technology supplied by Courtaulds (1/3 shareholding, the world's largest rayon producer) and Snia Viscosa of Italy, which produced rayon pulp with supplies from an AECI chlorine plant especially constructed for the purpose. ICI was one of the main suppliers of dyestuffs to the textile industry, along with companies such as Hoechst, BASF, Ciba-Geigy, Bayer, and Francolor, which often bought from each other and repackaged under their own labels.

Sentrachem was the other chemical giant, formed in 1967 from a wide groups of chemical companies as part of the Federale stable. The IDC provided important backing. The major overseas participant was the UK whiskey group, Distillers Corporation, who later sold out to the British state-owned BP. Other companies linked into the centralised conglomerate were National Chemical Products, with Distillers' ownership, plant design and "wealth of invaluable know-how" (FM, 25.05.79: 18); Klipfontein Organic Products, owned by FVB and the IDC; and the Synthetic Rubber Corporation (SRC). SRC was also an FVB and IDC offspring, with its techniques under licence from Polysar of Canada. SRC in turn was linked with the UK offshoot Revertex to form the Synthetic Latex Company. Under Sentrachem SRC joined with the US company Uniroyal to manufacture rubber chemicals. Technology for raw materials was gained through Maurer of Switzerland, who were proclaimed as contributing to the "Sentrachem avowed policy of self-sufficiency" (ibid.: 44).

Other linkages included the National Chemical Products and SASOL joint-venture, Kolchem, in forming Styrochem with the Dutch Shell Chemicals to manufacture polystyrene. Klipfontein Organic Products, state-controlled till as late as 1965, nonetheless cooperated closely with overseas giants such as Du Pont, Ciba-Geigy, Hoechst and Bayer to produce industrial chemicals and pesticides. It also joined with the Olin Corporation of the USA to produce bleaching agents and bactericides for swimming pools, with imported lime from France. In 1969, Sentrachem itself linked with the German Hoechst company to gain access

to the Ziegler catalyst system for polyolefin manufacture. It was not long before "Developments in processing and catalyst technology by Hoechst and creativity by local technicians ... enabled ... expanded capacity to be achieved" (ibid.: 46). Recently, Sentrachem and AECI joined together to build the largest single chemical undertaking in the country, the Coalplex plant which was completed in 1978 at a cost of R230m.<sup>25</sup>

The chemical industry shows a number of the contradictory developments in the internationalisation of capital. Despite the many links with foreign producers, there was nonetheless the possibility of the state in conjunction with elements of local monopoly capital such as the FVB, or De Beers on its own steam, providing much of the impetus for local production. Conditions could thus be changed to allow a favourable balance towards those producers whose major centres of accumulation were in South Africa, although this could only successfully occur within the limits set by the law of value operating internationally.

Thus, a complex set of interrelationships, interdependence of products and processes, and vertically and horizontally integrated firms, were all indices of internationalised monopoly relations. An index of the extent of integrated production processes, for example, is found in the fact that in 1968, one third of the sales value of chemicals was consumed in one way or another by the producers themselves (BTI Report 1347: para. 86). The chemical industry was also a classic example of capital-intensive production, with fixed costs rising less than proportionately to the size of plant. Economies of scale thus led to high plant utilisation. The high capital costs encouraged the building of an economic plant size right from first installation rather than attempting extensions at a later stage. The chemical industry was also subject to rapid technological change, and the rate of obsolescence was fast.

When it is considered that R3,7m was spent on Research and Development in South African chemicals in 1968, as against research budgets of some R200m annually for Du Pont or R60m for Union Carbide or ICI, the dependence on overseas sources for know-how and technological advance is apparent. As BTI Report 1347 argued, the basic chemicals industry was "'big business' and having regard further to the fact that the local industry

was by and large founded on the replacement by local manufacture of raw materials previously supplied mostly by world-wide concerns, it has been a natural development for the local industry 'to become more or less completely dependent on overseas for technical know-how' (BTI Report, 1947: para. 105).

Actual foreign ownership was not nearly as high: in 1968, 41% of production and 42% of investment was in the hands of firms with 10% or more foreign holding of voting shares (ibid.: 77). The involvement of the mining houses and the state account for part of the reason for the relatively low foreign holdings. On the other hand, direct ownership was hardly important where control of technology was so extensive. If local production was to occur, it had to (i) be capital-intensive and thus concentrated; (ii) reproduce the relations of production pertaining in the advanced capitalist centres, or face annihilation due to inability to match the vastly superior productivity of producers in the centre; and (iii) rely on these producers for technological development, and thus encourage foreign interpenetration to reinforce the above processes. The distinction between overseas and local producers, while not without contradictions, became increasingly blurred in an interpenetration of ownership, techniques, processes, supplies, markets, and a similarity of production relations that was the hallmark of internationalisation in the present phase of imperialism.

Some of the problems arising from production under the peculiar conditions of a peripheral social formation, are also instructive. There were obvious direct and indirect payments to be made overseas. On the one hand these ranged from royalties and licence fees to management and administration charges, as well as profits accruing to foreign investors. On the other hand, agreements with MNC's consistently included particular sources of supply of raw materials. The almost exclusive availability of imported plant and machinery, also often from the suppliers of know-how and technique, exacerbated such problems: plant and machinery made up the most important part of costs, with fixed assets being 70% of total assets in 1968 and plant and machinery accounting for 54% of investment. The monopoly of the MNC's in this regard was a source of super-profits that raised the costs of capital expenditure to local producers. Where these were themselves subsidiaries of suppliers of equipment, the possibility of international sourcing gave added weight to the advantages of the MNC. Also, these relationships included

supplies of spare parts, and often imported technicians and engineers for repair work (BTI 1347: paras. 167-183). All these ensured the maintenance of South African production as one aspect of integrated and global relations of production. They were modalities of maintaining the situation of an international division of labour that reproduced the periphery's own inferior situation on each step it took to "break out", short of a direct confrontation with imperialism itself.

As far as technology was concerned, adaptations often had to be made to processes acquired from overseas. For example, in the production of liquid fuels from coal, the adaptation of an overseas licensed process was essential to develop it further, and even to make it workable in South African conditions (such as the particular quality of the coal used). This involved great expense and lost production time, the costs of which were borne by the local user rather than the seller of the particular process. Often, processes were only made available at the end of their economic life overseas. It was virtually impossible for peripheral producers to know what developments were on the drawing-boards that would soon supplant and make obsolete the techniques now being made available locally - not to adopt these techniques would put peripheral producers at risk of being left even further behind in process development.

It was the "rule rather than the exception" that know-how was made available under conditions that "severely limited" the right to export chemicals. Where exports were allowed, this was usually only to adjacent territories. The significance of this is seen from the fact that local production was based on a market one third to one fifth the size of overseas markets (BTI 1347: para. 150). For instance, nitrogen fixation was based on a capacity of 180 to 600 tons a day as against 1 000 to 1 500 overseas; 200 tons of chlorine was divided amongst four producers as against an economical size of 100 tons overseas; 60 000 tons per annum of polyethelyne as against 100 000 overseas; and the largest naphtha cracker in South Africa produced 110 000 tons per annum while sizes of 300 000 were usual overseas (ibid.: para. 157). The significance of the smaller scale locally can be judged against the fact that a plant ten times the size of another would cost only four times as much. Capital charges per ton were about 60% less. There was also a less than proportionate rise in staff- the same staff could produce 25 or

500 tons of oxygen daily. Larger plants also saw greater use of by-products, use of steam from waste heat, etc. (ibid.: paras. 143-9). In short, local production had grave problems in attaining internationally cost-efficient levels of production, even with state assistance and favourable access to some raw materials. The cost-raising effects in an important feeder industry such as chemicals would also tend to reverberate throughout manufacturing industry. Attempts to provide protection from overseas and offset some of the limiting effects, were also subject to GATT restrictions "negotiated at a time when the possibilities of developing a basic chemical industry in South Africa were remote" (ibid.: para. 40).

Foreign involvement in the chemical industry and the technical know-how made available, were hardly, then, an "unmixed blessing", as the BTI Report 1347 argued (ibid.: 106-7). Blockages to production in the periphery were often precisely the sources of profit to the world-wide operations of the MNC's. The development of a significant amount of local manufacture was no index of a drive to self-sufficiency and industrial maturity. Indeed, the subordinate position of South Africa in the imperialist chain compounded by the particular direct and indirect forms of control of the MNC's, ensured that the growth of the chemical industry involved an incessant chase to attain efficient production under circumstances that only locked the industry further in a chain of dependence and subordination.

Main-power Machinery, Structural Installations, Transport and Railroad Equipment and Bulk-Handling Machinery: A Case Study

In the above industry, similar processes were found to operate (BTI Ind. Dev. Series No 6, Part V). The development of these steel using producers was an effect of the world-wide tendency to mechanisation throughout industry. Distributors of imported equipment, under licence from the overseas producers, turned to local assembly and production, particularly with the application of import control. The result was that: "Overseas companies are forming more and more South African companies to assemble and produce a wide range of equipment" (ibid.: para. 42).

Responding to profitable opportunities created by the artificial protection afforded by import control, and with a knowledge of South African conditions due to organisational links with local distributors and producers,

foreign companies found that a move into local manufacture would protect and entrench them against an influx of new competitors. As in the chemical industry, high capital investment and sophisticated technologies encouraged concentration of production in the hands of a few large concerns closely linked with overseas companies. Similar limitations as in the case of the chemical industry were apparent, including the small size of the local market. There was thus the difficulty of maintaining profitable production in the face of the more efficient producers of the capitalist centres (ibid.: para. 50).

A useful case study of a firm, Premier Metal Holdings, active in the fields of construction equipment and mobile mechanical handling equipment, highlights the workings of the processes mentioned (see Janisch, thesis). In the particular field, a large variety of equipment existed with a similarity of basic designs and technologies. The use of this equipment was closely tied in with the increasing mechanisation of productive processes in all industries, as shown by standardisation and containerisation for example. This affected the periods of expansion for Premier. The lack of any basic product design and development locally is an index of the major modes of internationalisation in the field.

Premier was established in 1912 as a supplier but not producer of gold-mining equipment. A significant boost was received with ISCOR's success in the 1930's. The war years saw the company disposing of large stocks of capital equipment due to the intensified demands for local production. There was little opportunity for replenishing these supplies, leaving the company with high liquidity but little room for expansion in its established line of business. Consequently, the 1940's saw Premier diversifying into other fields (horizontal integration), including ceramics and construction, and a Rhodesian brick and tile company. The uranium boom of the fifties widened the field for plant erection work. The company - now with a listing on the Johannesburg Stock Exchange - decided to enter the industrial equipment field. It thus acquired a franchise to distribute General Motors products in the Transvaal and Clark Equipment Co (USA) products in South Africa. Clark held some 22% of Premier's shares. A prolonged recession in structural engineering and increasing competition made the company eager to move away from the light/medium structural engineering fields, and to concentrate on the very heavy field with continuous production possibilities and stable demand. With a licence from Clark to manufacture "Michigan" earthmoving equipment, Premier's Equipment Local

Manufacture (ELM) Department of Engineering was born. It successfully grew and expanded into tractor type machines for diamond fields "with a demand for complex machining of castings and fabricated assemblies, as well as the procurement and assembly of sophisticated components including engines, transmissions, drive axles, hydraulic and electrical components" (Janisch, thesis: 14). By 1967, with a successful BTI application for protection, it began producing light forklift trucks and acquired an engineering company on the far East Rand for component manufacture. By 1971, Grove Manufacturing (USA) had given Premier an agency for mobile hydraulic cranes. Local manufacturing accounted for some one third of Premier's total sales. Further manufacturing operations required substantial investments. Messina Copper, controlling Datsun-Nissan Investment Co., took over Premier, and re-organised the company with Premier Equipment Manufacturing Company (PEMCO) as the manufacturing subsidiary of Premier Metal Holdings. Production involved high fixed investment, standardised products, large batch sizes and little product flexibility in order to attain low costs.

Factors affecting the company included import control, that encouraged foreign investment to protect markets; tariff protection that was given if the industry was large and relatively efficient by international standards; and GATT restrictions hindering protection from overseas. The MNC involved, Clark, provided another side to local manufacture: Operative in nine US states, it expanded internationally in the 50's, like many other US companies. It had fifteen subsidiaries in Argentina, Brazil, France, West Germany and the UK, and a total of thirty-three overseas licensees accounting for 30 to 37% of sales in 1974 as opposed to 8% in 1950. With difficulties in expanding in the US, like other major US companies, Clark turned to the periphery to stimulate expansion, developing new products that ensured that licensees would have to "maintain extremely close links with influential personnel" in the MNC (ibid.: 61). Clark Equipment AG (CEAG) in Switzerland negotiated and administered licence, patent and trademark agreements, and disseminated product and production technology overseas on behalf of the US parent. It received US \$4,6m in royalties in 1974. CEAG regularly dispatched engineers to Premier to "discuss problems" and arranged visits to US and overseas plants for Premier personnel. The latter initially resented the tight external control, but the welding of their interests was confirmed by the growth of a "high level of mutual understanding and cooperation" (ibid.: 65).

In virtually all decisions to engage in local manufacture or extend its activities, Premier had to consider the support from Clark in regard to production methods, supply of components not locally available and assistance for exports. CEAG provided notification of engineering changes and product development, detailed drawing, design assistance, cost assessment, and sources for components and outlets. Its control over technological development was thus extremely important, and at all stages Premier was integrated into Clark's world-wide networks in such a way as to ensure that "continuation of the links (was) vital" (ibid.: 71). Through CIMSA in the US, Clark ensured Premier's dependence on Clark manufactured components from all parts of the world. At one stage Clark halted a decision by Premier to expand local manufacture by a total stoppage of supplies for seven months. This was overcome when Clark "reanalysed" the role of its components division, and set up a component supply service with complete component kits and quality specification as a solution. This total integration into the production processes of units operating throughout the globe, tightly centralised through CIMSA and CEAG, was sweetened only by shorter lead times for component supply. A Clark subsidiary in France routed and decided upon export sales by licensed manufacturers throughout the world.

Further, Premier paid fixed percentages of its local content on a particular line to Clark for a fixed period that usually coincided with the product life cycle. Also, as a licensee, Premier was forced to buy US-sourced Clark components, and at a higher price than would have been applied to direct subsidiaries of Clark. One other advantage to Clark of this licensing arrangement was the tendency for government tenders and tariff assistance to be given to "local" companies. Furthermore, Clark could let Premier take many of the risks involved.

"The types of business risks faced by licensees of foreign principals are different from those faced by the principals themselves. Their markets are smaller and less stable and their profitabilities more sensitive to the unpredictable demand swings" (ibid.: 95). Premier was inextricably linked to Clark. Very few areas seemed feasible for independent local manufacture - For instance, in earthmoving, out of 17 available "technologies" in local production, only six seemed feasible in terms of medium/low expertise and similarly low investment. These were essentially labour intensive in both South Africa and the major US plants, and depended firstly on a rationalised component manufacture to make them viable. These areas made up only a small proportion of

Premier's total production that would be feasible on this basis. It seemed that "even after major growth" (ibid.: 128) this situation would remain for Premier as a sign of the limits to production in the periphery in the present phase of imperialism.

In the motor vehicle industry, production was dominated by foreign companies, with Ford and General Motors controlling some 34% of the market, and accounting for some 2/3 of investment in the 1960's. They were highly capital-intensive, as is shown by GM's ranking of 11th in terms of assets in South African industry, but 41st in number of employees (Tomlinson, thesis: 85). Further, there was much foreign participation in related industries: for instance, Firestone, Goodyear, General Tyre and Rubber, all collaborated with the Synthetic Rubber Co "to make the domestic rubber industry less dependent on foreign producers" (ibid.: 79). British and US firms dominated components manufacture. Some 27% of GM's activity was in parts and accessories in 1970; Guest Keen and Nettlefolds SA (UK) had a monopoly in prop-shafts and steel products; Joseph Lucas (UK) was active in electrical equipment; and Associated Engineering (UK) supplied precision engine parts to the automotive industry.

A great part of foreign activity was a direct result of import control and the 1961 so-called local content programme. This in effect encouraged established firms to expand assembly and machinery plants in order to maintain market shares, as well as to take over areas where local supply would now predominate so as to offset the higher costs of local production (and take advantage of the tariff-induced higher prices). As a British government report argued: "but the car manufacturers in Britain are faced with the decision of the Pretoria government to encourage motor assembly in the Republic and, with the industry planning to spend £12,5m on expansion, it is estimated that South Africa will be producing cars of 95% local content by 1970. (An overestimate - GB) British car manufacturers must consider setting up factories in the Republic" (in Weber, thesis: 3). Or again, in 1971 General Tyre and Rubber argued that it was policy to establish joint ventures with local companies in areas "which would otherwise be lost to the local or foreign competitors" (in Poolman, thesis: 87). Protection actually protected the profits of foreign subsidiaries (Swart, 1974: 256).

Thus, soon after the 1961 announcement, Ford and GM announced plans involving R3m and R21m respectively to build engine assembly and machinery plants. Increasingly, local component manufacturers either handed over control to large overseas competitors, or were forced to integrate their production processes to fit in with the designs and specifications of the manufacturers. Often this meant direct technical "assistance" and imposed quality control. Specifications, as for designs and production processes of the manufacturers themselves, were closely controlled according to overseas developments and technologies. It has thus been argued that "local content" actually means the "development of local overseas-controlled companies" (ibid.: 257). Also, many manufacturers extended control to the marketing field through dealer franchises.

Expansion of local content programmes beyond the initial phases involved higher capital intensity and specialisation, with considerable import costs on sophisticated machinery, a need for highly trained and skilled personnel, and rapid rises in costs: all this favouring the larger manufacturers and encouraging integrated and rationalised production (ibid.: 236). Not only were local designs for motor-cars virtually non-existent, but there were complaints that technology and products adopted locally were often obsolete in relation to the advanced capitalist countries.

In one major respect, the motor industry was unique: due to intense international competition, a relatively large number of manufacturers had locally sited production or assembly operations in order to - at the least - avoid losing out to competitors. Despite a large degree of cooperation between manufacturers (sharing of facilities, leasing of assembly works, etc.), this meant that the industry was too fragmented for the small local market, making economies of scale difficult to attain and raising costs to the point of making a number of the local operations unprofitable. A R25m loss was sustained by the industry as a whole in 1971 (ibid.: 237), (although transfer pricing, royalty and management fees, etc., may have disguised the extent to which local unprofitability disguised international profitability).

In assembly, economies of scale were felt only after some 25 000 to 60 000 units per annum; with the figure rising to 200 000 to 400 000

when large-scale manufacture occurs. The minimum number of units produced in Europe was some 200 000. By contrast, in South Africa very few models sold more than 10 000 units per annum in 1972 and the maximum was 21 000 out of a total production of 342 000. This compared with maximums of 52 000 in Mexico (total 229 000), 149 000 in Brazil (total 609 000), 114 000 in Australia (total 500 000) and 26 000 in Argentina (268 000 total) (ibid.: Table 10/11). Nonetheless, it remains true that "the complexity of the product, the intricate nature of many of the individual parts, and the expensive tools and equipment required have resulted in motor-vehicle manufacture being concentrated in the hands of a few large organisations" (BTI, Ind. Dev. Series No 6, Part III: 10).

The oil industry sees companies such as the US Caltex, Mobil and Esso controlling 44% of the petroleum market; Shell controlling 25%. Companies played a vital role in prospecting, with individual US companies operating six onshore and 11 offshore concessions, apart from a consortium of BP, Shell and Total. Foreign oil companies have played a key role in helping South Africa's strategic search for independent sources of petroleum: when Soekor was set up in 1966, financed by the IDC, it had virtually no trained personnel in the specialised technological and technical areas, but with help from foreign companies has made itself virtually independent of overseas consultants (although naturally not of other links with the companies) (Tomlinson, thesis: 96). Mobil had investments of some R62m in South Africa in 1969, held 20% of the oil market, accounted for one half of US petroleum investment and 10% of all US investment. It was heavily dependent on "skilled labour and sophisticated plant and equipment" (ibid.: 97). An indication of its capital intensity was the small number of employees (2 852 in 1972) and the high proportion of white employees (63%) - in fact, its black labour force declined throughout the 1960's.

The computer industry's growth is an important sign of internationalisation in other areas of the economy, providing the basis for automated production processes in many fields. It grew some 35% per annum from the mid-1960's and 30% in 1969, ranking South Africa fifteenth in world sales in 1970. IBM (US) held 50% of the market; ICL (UK) about 35%, the rest was shared between names such as NCR, Burroughs, Control Data, Univac, Sperry-Rand, Honeywell, and Singer-Fridan. Some 92% of IBM employees were white. A highly interesting development was the

Infoset Project, where Computer Sciences Corporation (US) linked with Anglo-American Corporation, which had a controlling share, to offer a world-wide time-sharing network that integrated two local centres with four centres in the US, one in Canada and two in Australia (ibid.:102).

### General

It has been pointed out how the banking system had a high degree of foreign control. It is also important to note that finance institutions have played a role in facilitating the interpenetration of foreign capital in the manufacturing sector. The knowledge of local conditions and access to well-placed local companies enable the banks to work through overseas connections, smoothing the way for profitable foreign investment (Norval, 1962: 110). Apart from the mining finance houses and institutions such as IDC and the National Finance Corporation - that as a matter of policy brought together large local undertakings with foreign investors, the latter primarily providing the technological input - the established merchant banks were largely responsible for paving the way for the post-war growth of foreign investment. This process included the inflow of foreign capital into the banks themselves and the facilitating role of the banks in providing advice to local and foreign industrialists. In 1962 25% of banks' investments were in manufacturing (Weber, thesis: 151). Also, "Oorsese banko is aktief in die voorsiening van kontakte vir senior personeel in Suid-Afrika om oorsese besighede te besoek" (ibid.: 151).<sup>26</sup>

Not much needs to be said about the source of foreign investments. The following table (overleaf) gives an indication of changes in foreign liabilities by area. Of interest is the declining proportion of foreign liabilities from the Sterling area (primarily the UK), despite its very high share in the total. This indicates a diversification of sources of foreign involvement,<sup>27</sup> that is significant for two major reasons: firstly, it indicates the possibility of some bargaining over terms of interaction with the MNC's, by playing off companies from different areas against each other; and, secondly, there was a definite geographical widening (and quantitative deepening) of imperialist interests in a stable, profitable South Africa.

US investment was more significant than is apparent from the table. Many US firms invested through British and Western European affiliates

TABLE 17: TOTAL FOREIGN LIABILITIES BY AFEA 1960-1970 (Rm, percentages in parentheses)

<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>Area</u>
1911	1919	1970	1999	2074	2211	2388	2495	2854	3074	3371	Sterling
(63)	(64)	(66)	(66)	(67)	(67)	(63)	(64)	(63)	(62)	(58)	
203	191	161	149	138	125	145	131	126	59	123	Dollars: International Organisations
(7)	(7)	(5)	(5)	(4)	(4)	(4)	(3)	(2)	(1)	(2)	
426	398	382	381	408	478	588	578	677	741	855	Dollars: Other
(14)	(13)	(13)	(13)	(13)	(13)	(16)	(15)	(15)	(15)	(15)	
428	456	457	462	469	556	615	663	866	1065	1406	Western Europe
(14)	(15)	(15)	(15)	(15)	(15)	(16)	(17)	(19)	(21)	(24)	
56	18	19	20	20	28	29	38	39	51	63	Other
(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	
3024	2982	2989	3011	3109	3398	3756	3905	4562	4990	5818	Total

(Source: Suckling et al., 1975: Table 17).

and subsidiaries<sup>28</sup> (Seidman, 1977: 74). US investment also grew primarily in the post-war era, from a very small base, and consolidated particularly in the Sharpeville era, contrary to what happened with other foreign investors. Some 60% of investment was in manufacturing, as against an average of 29% for all foreign liabilities in 1966: not only was this proportion higher than for any other foreign investor but US firms tended also to be under far more close and direct control from their parents (Rogers, 1976: 124). US firms were concentrated in the more dynamic and important sectors of the economy, and were also more profitable. Between 1960 and 1970, the rate of return on investments was 10-15% for UK firms as against 20% for US (Suckling, 1975: 27); a similar index was the fact that in 1968 US investment was 21% of UK investment, but profits were 66% (Rogers, 1976: 124).

Even more significant however, is the 1969 figure on payments to foreign organisations for royalties on licences and patents, which shows that the United States accounted for 47% of the total of R17,4lm in 1969, while the next highest figure was 17% received by UK companies, and 11,5% by West German companies. 43% of US royalties were paid to organisations other than controlling companies (33% UK, 17% West Germany) (RP 86/70: Tables 4 and 5). This indicates methods of control that did not necessitate direct controlling investments in a company. Indeed, in an interview, one foreign company noted that "in plaas van verdere kapitaal in die Suid-Afrikaanse filiaal te bele voortaan na 'n plaaslike vennot/vennote gesoek sal word wat bereid sal wees om 'n gevestigde mark, kundigheid en patentsregte as 'n plaasvervanger vir kontant as bydrae tot die aandeelhoudersbelang te aanvaar" (Poolman, thesis: 94).<sup>29</sup> This not only lessened political risks, but made the local company responsible for financing and utilised its advantages in relation to local contacts, markets, knowledge of conditions, etc., and favourable consequences in regard to state treatment. Many of the burdens of direct investment might be shifted onto the local company, while technological domination and the internationalisation of capitalist relations ensured that control of production directions remain outside of it.

A further index of the importance of particular countries in regard to technology may be gauged from the following table that shows the geographical source of imports of machinery and transport equipment. Once

again, the US played a far more significant role in regard to foreign involvement than would be apparent from its share of foreign liabilities alone. West Germany, rebuilt under US aegis after World War Two, was also highly important. As the figures given are for 1976, the last column reflects the position of major trading partners for the period 1963-70, allowing one to see the extent to which the 1976 figures differ from previous years.

TABLE 18: IMPORTS OF MACHINERY AND TRANSPORT EQUIPMENT BY GEOGRAPHICAL AREA 1976

	<u>Machinery &amp; Transport Equipment</u> (Rm)	<u>Imports of machinery/transport equipment as % of total imports of machinery/transport equipment</u>	<u>Machinery/transport as % of total imports from area</u>	<u>Imports from area as % of total imports</u>	
				1976	1963-70
UK	541,0	18,1	55,5	17,8	25,9
USA	744,0	24,8	63,4	21,4	21,6 <sup>(a)</sup>
Germany	690,3	23,0	69,5	18,1	12,5
Japan	333,0	11,1	59,1	10,3	6,8
	<u>2 308,3</u>	<u>77,0</u>	<u>62,3<sup>(b)</sup></u>	<u>67,6</u>	<u>66,8</u>

Notes: (a) Americas

(b) Machinery/transport equipment accounted for 53,4% of imports in 1976, and 49,8% in the years 1973-1976.

(Source: Calculated from Nedbank, 1977: Tables 86, 87 and 90 and Suckling et al., 1975: Table 23).

The significance of these facts above is paralleled by similar processes even in European countries where: "die nuwe Amerikaanse oorname van ondernemings ... momentum (verkry) en ... die Amerikaanse tegnologie en industriële mag besig (is) om na al die groot velde van toekomstige ekonomiese ontwikkeling in Europa te penetreer ... Amerikaanse tegnologiese kennis en kundigheid het so belangrik geword vir die toekomstige Europese wetenskaplike gefundeerde industrieë, dat dit afstuur op tegnologiese kolonialisme en ekonomiese onderwerping ... Die leefwyse, sakemetodes en wereldbeskouing van die Amerikaners gaansaan met hulle kapitaal oorsee, en die invloed daarvan is verreikend" (Weber, thesis:62).<sup>30</sup>

Before going on to summarise the general effects of foreign investment and the direct presence of MNCs in South Africa I wish to present the results of an interesting survey by Poolman (thesis: 100ff.) in which

he examines aspects of parent company control over affiliates and branches in a number of areas of the economy. His results are hardly surprising, but do provide confirmation on a number of points.

One important limitation of the survey was what he calls a "very real veil" (ibid.: 98) that was drawn over an area of the economy due to the non-disclosure of information and lack of published annual balance sheet of local affiliates of foreign companies. As "private" companies, the Registrar of Companies did not demand disclosure of financial statements.

Poolman found that in some 94% of cases, top leaders were appointed either by the overseas company or on approval from it. Nonetheless, some 56% of directors were South Africans and some 72% of managers: but more important than this was the "besluitingsmag" (decision-making powers) that they might have. Very few investment decisions were made without reference to head office and, while much of the profits was used to expand and diversify local activities, this depended largely on head office reaction to the combination of business conditions and local government restrictions.

Some 73% of manufactured products were designed overseas, and were the same as the overseas product in virtually all respects. Basic research rested almost completely overseas, with some product modification and market research methods developed locally. Local firms could simply not afford R & D costs, and the likelihood was high that affiliates "permanent van die buitelandse ondernemings afhanklik gaan raak vir hulle nuwe tegnologiese kundigheid" and thus that they would always be, as the Reynders Commission put it, "'n tree agter' hulle buitelandse mededingers"<sup>31</sup> (in ibid.: 222). Only 20% of companies exported more than 5% of their annual product, and 40% produced solely for the local market. Very few either could compete, or did compete, with parent companies.

But the extent of control in terms of products is even less significant than the determination of labour process and production methods, or what Poolman refers to as the "technical function". Only 4% of companies said that the parent had no direct influence over decisions in regard to the production process. There were strong attempts to gain as much uniformity in processes in enterprises throughout the globe. A large number of companies (65%) used local raw materials or components wholly

or partly, but this often involved affiliates "giving advice" to suppliers to ensure improvements in quality, quantity and delivery times: thus not only technologically integrating nominally independent companies into the flow of production processes, but probably also tying them financially into the rhythm of accumulation of their major buyers. 69% of companies indicated that advice and know-how provided to local suppliers in order to improve facilities, and demands that were made in this regard "bygedra het dat nuwe kennis in die produksiemetodes en-tegnieke van nasionale bedrywe infiltraar het"<sup>32</sup> (ibid.: 285). The higher the percentage of local purchases, the more was the affiliate likely to ensure the availability of technical information to the local enterprises. 67% of affiliates were prescribed to in regard to choice of machinery, with only 8% claiming complete independence.

Although the choice of machinery and equipment was largely prescribed, this plant was usually more technologically advanced than machinery in other similar factories in South Africa. The effectiveness of production by the affiliates relative to local competitors and their attempts to ensure batch-production at the lowest feasible unit cost was not harmed.

Some 76% of undertakings used techniques or processes developed overseas. Of these, 48% introduced the new techniques more than a year after their development and 20% only after five years. A number of companies had developed processes in South Africa that were exported to the parent. This occurred at no cost to the parent.

There was in general a marked parent influence on planning and installation of plant, product planning and control, and on work study and quality control. Standardised accounting procedures, information flows about important plans or projects, systems of statistical and cost information, budgetary and expenditure goals, were all importantly determined by parent companies. The use of computers in a large number of cases, increased the extent of control.

All of the major decisions regarding production in the periphery by affiliates or branches/subsidiaries, were determined in large measure by the parent companies. This ensured not only a dependence on the rhythm of accumulation of overseas-based firms, but also reinforced the

tendency in the periphery to reproduce the relations of production pertaining in the advanced capitalist centres. This is interestingly contrasted with the MNC's professed claims to seek "achievement of all possible accommodations to nationalism and national interest, seeking to minimise conflicts and to maximise the achievement of mutual benefits". Or, in the words of a General Motors spokesman, "a central objective of GM policy has always been to conduct its affairs in each country as a good citizen of that country. It includes respect for, and adherence to, the methods of conducting business and the commercial, social and cultural traditions of that country" (ibid.: 358). This was obviously true insofar as it was the particular conditions of the periphery that made it attractive and profitable for MNC involvement in the first place. Also, the few areas where affiliates were in fact allowed some autonomy, allowed the appearance of one-sided aims as mutually beneficial. This made good business sense.

The appointment of local managers obviously increased structural and personal links between South African nationals and imperialists. A strong group of local beneficiaries of imperialism were ensured who might defend imperialism as being of national benefit. Similarly, the use of local suppliers or distribution networks, not only usually made good economic sense, but also built up links and dependencies. Local management, and autonomy in regard to distribution channels, prices and sales methods, were all areas where adaptation was essential to local organisational and ideological conditions.

Lastly, as part of the ideological battle on behalf of imperialism, and in order to reduce or eliminate social tensions and contradictions, virtually all firms were allowed to take decisions to fund charitable and educational institutions. This had obviously a similar effect to the independence of personnel divisions in some 80% of cases. Virtually all employees except top management were appointed locally. In general, this was a natural part of the tendency to decide policies about wages and working conditions in relation to local practice. Indeed, the attraction of low wages and poor conditions in the periphery relative to the organisation and militancy of workers in the advanced centres, was often one of the deciding factors in locating activities in the periphery. Local autonomy in this one significant area, then, was apart from anything else, extremely convenient in allowing companies to avoid pressure from outside to change labour practices in South Africa.

The arguments in the section above, echo conclusions reached by Vaitsos in a survey of Andean Pact countries: "If the licensor retains control of the volume, markets, prices and quality of goods sold, the sources, prices and quality of its intermediates and capital goods, the hiring of key personnel, the type of technology used, etc., then the only basic decision left to the licensee is whether or not to enter into an agreement to purchase technology. Technology, through the present process of its commercialisation, becomes thus a mechanism for control of the recipient firms. Such control supersedes, complements or substitutes that which results from ownership of the capital of the recipient firms" (Vaitsos, 1975: 198).

#### Summary and Conclusions: The Effects of Foreign Investment

The argument thus far may be summarised as follows: the post-Second World War period - broadly, "the present phase of imperialism", provided pressures on producers in the peripheral countries to reproduce the relations that pertained in the advanced capitalist centres. Under the dominance of these relations, went particular processes of production. This tendency to the internationalisation of capitalist relations occurred also through the forms of the concentration and centralisation of capital as a prerequisite to a rise in the organic composition of capital. The internationalisation of these relations was through the compulsive pressure exerted by the operation of the law of value internationally on commodities produced under inferior national average conditions of production.

At the same time, and as a consequence of the changed basis of value-production, with its qualitative shift to the production of relative surplus-value on an unprecedented scale, producers in the advanced capitalist centres found it both possible and necessary to internationalise their sphere of productive operations. Where conditions in the periphery were suitable, these could now be chosen as the sites for the implantation of productive activities under the direct control of imperial producers, operating internationally through the form of the multi-national company. It was primarily, though not solely, through their domination of the rhythm and type of technological change, that the MNCs were able to impose their productive activities in the periphery as centres of national accumulation that formed moments of a global

discrete economic units were pulled into a unified and integrated production process whose rhythm and pace of development was set by the forms of the process of internationalisation of capitalist relations.

The direct presence of the multinationals opened the way to the controlling company for certain manipulations and techniques designed to hide or transfer certain operations to its benefit. For example, forms of control that did not require direct share ownership<sup>34</sup> made it possible to easily overcome restrictions on the use of local credit by foreign-owned subsidiaries and branches.<sup>35</sup> As the Van Wyk de Vries Commission of Enquiry into the Companies Act pointed out: "... the methods of establishing control by one company over another company are many and varied. In the modern group system the methods employed to secure control are sophisticated and the bonds of control are often tenuous and undetectable from the outside although effective in practice. Moreover, it appears that many different degrees of control exist between companies, ranging from absolute control in all respects to an indefinite influence decisive only in some respects" (RP 45/70: paras. 46:17). Complaints about ineffectiveness of legal provisions relating to disclosure of information and the virtual impossibility of uncovering the affairs of individual subsidiaries when these were consolidated within group financial statements, applied to both local and foreign-owned companies. In the latter case, however, the international scope of operations, made the room for disguise and manipulation far wider and more complex.

Interest payments, intra-company "loans", and management fees, were some ways of distributing profits overseas to avoid local taxation. Bilateral agreements excluded certain forms of profit repatriation from taxation, as with the US where interest payments were exempt. Even where taxation was low, as on payments for patent rights and licensing, ways were found to avoid taxation; thus royalty or licence fees were frequently incorporated "as an unidentifiable element" (RP86/70: para. 317) into the capital cost of plant and equipment. This was feasible in general because "to have economic value industrial and commercial knowledge need not ... be independently recognised by law. In practice, there is an increasing tendency today to offer for sale the right to use industrial processes that are not formally protected by patents" (ibid.: para. 316).

Secondly, where tax was payable, a large number of non-resident companies insisted on shifting the burden onto local companies: "the practice of determining royalty payments on a net of tax basis occurs most often in respect of agreements with enterprises in the USA and in European countries such as Germany, and only less often in respect of agreements with companies in the UK. It was reported that non-residents insist on royalty agreements net of South African taxes in spite of tax credits in their own countries in respect of tax liability on royalties earned in other countries" (ibid.: para. 320). Managerial fees, secretarial fees, the "sharing" of costs for R & D - costs usually paid out for services rendered in a foreign country - were non-taxable. In any case, "any test to determine the deductibility of payments for inter-company services is difficult to apply and is susceptible to abuse" (ibid.: para. 324).

Numerous double-taxation agreements, based on the formal relations between states as juridical subjects and their real powers in the imperialist chain, worked largely against peripheral countries. For instance, OECD principles were followed that taxed certain incomes in the country that provided capital or technical knowledge - reciprocal agreements that could hardly work to the benefit of an importer such as South Africa. Nevertheless, such agreements were necessary to avoid sanctions in other areas. Such measures not only bore upon the effective tax basis of fiscal authorities in South Africa, but affected relations between local and foreign-controlled companies, as well as the relations between parent companies overseas and their local subsidiaries.

Usually this was to the benefit of the MNCs. The example of Clark, with its licensing subsidiary CEAG in Switzerland and its head office in the US, provides an indication of the forms of domination applicable. Even without these manipulations, foreign investment still implied the payment of interest, dividends and profits abroad.

A further example of the particular operation of the MNCs, is seen in the supply of components from Clark in the US to CEAG-designed plants in South Africa. Not only was transfer-pricing possible through over-charging on raw materials, components and machinery supplies; but the supervision of plant and process design reinforced a relationship in which local firms were tied in to the original firms with whom they contracted. As the Reynders Commission found: "The user is usually

the party in need and must perforce be prepared to accept certain limiting clauses should he wish to obtain the know-how ... three types of limitation are of importance: (a) The agreement usually limits the sale of the resultant product to the domestic market of the producer, with exceptions only after the consent of the supplier; (b) the agreement provides that any improvements to the product or process made by the user, automatically and without charge become the property of the supplier; and (c) at times the user is also limited in his sources of supply of the required raw materials or components (the supplier being designated as the source)" (RP 69/72: 608, para. 13). Where products utilised a number of components, only a few were allowed to be locally produced and the rest were imported at high prices. Even where such supplies were economically the most suitable and contributed to more efficient production within the country, a relative efficiency gap was inevitable between local and foreign producers. Often South Africa was seen as an outlet for "relatively obsolete products, techniques and processes" (ibid.: 610, para. 21).

Where import-substitution itself was heavily dependent on foreign technological inputs and capital imports, it was hardly likely that attempts to promote exports would meet with the keen approval of overseas sources.<sup>36</sup> Indeed, in a sample from an official register kept since the late 1960's, no licensing and know-how agreements allowed for exports outside African territories: 30% restricted sales to the Republic; 5% included Namibia; 56% included Southern African territories; and only 5% even allowed sales to Africa as a whole (RP69/72: 69, para.18).

Consequently, the dependence of South Africa was reinforced on its exchange-generating primary mining and agricultural sectors. Local production at a higher cost than necessary, could well threaten the viability of the export sectors. In such a situation this meant encouraging the most efficient path of industrialisation; and this path in turn implied continued association with foreign producers. The limits of such association were the unavoidable consequences; for example, the fact that imported capital equipment accounted for some 70% of fixed investment in manufacturing between 1956-64, and 33% of total fixed capital formation (RP69/72: 41, para. 43). As Vaitsos has noted: "developing countries advance in industrialisation by becoming increasingly dependent on the importation of intermediate products and capital goods ... Also, due to lack of sufficient and appropriate domestic

resources, industrialisation has meant the concomitant and joint importation of foreign technology and foreign direct investment ... in a package form" (Vaitsos, 1975: 205). A spiral of domination and dependence was the consequence of the forms of capitalist relations that emerged from the struggles over the period.

An indication of the magnitude of some of the payments made to foreign investors may be gleaned from the statistics below. In 1969, royalties of some R43,5m were paid out. (RP 86/70: para. 315). Some R393m was earned as income on investments (RP 87/70: para. 962). The debt service on interest and dividends rose from some R54m in 1946 to R371m in 1970 (RP 69/72: 13, para. 33). Excluding retained earnings, investment income liabilities rose from R63m per annum in 1946-9, to R216m in 1962-5 and R426m 1970-2 (Tomlinson, thesis: 118). Net repayments rose from £24m in 1946 to £70-70m in 1956 (UG 36/58: para. 38).

The following table gives an indication of the total payments made for investment income through the 1960's. It also shows the increase in foreign liabilities and assets, on which the increasing payments were necessary. These figures are for all sectors:

TABLE 19: INVESTMENT INCOME, FOREIGN LIABILITIES AND ASSETS (Rm)

<u>Year</u>	<u>Payments Investment Income</u>	<u>Foreign Liability</u>	<u>Foreign Assets</u>
1960	166	3 073	899
1961	195	3 038	1 076
1962	172	3 023	1 320
1963	168	3 053	1 448
1964	205	3 135	1 390
1965	228	3 471	1 385
1966	239	3 765	1 773
1967	262	3 905	1 801
1968	297	4 562	2 422
1969	367	4 990	2 449
1970	388	5 818	2 400

(Source: Erwin, 1978: 69).

Including payments on all sorts of imports ranging from capital goods to know-how and secretarial services - and many payments highly invisible due to intra-company transfers - there was a considerable drain of

surplus-value produced within South Africa. It is true that there were net inflows, of the order of R3 632m (average R140m per annum) between 1946 and 1971). But this inflow was dependent on profitable opportunities within South Africa. The periods of outflow, even the brief period 1959 - 1964, with an average outflow of some R96m per annum, indicate that much of the locally-held foreign liability was subject to repatriation in times of crisis.

It is however, unnecessary to belabour the point about the possibility of net financial drains or the reality of considerable gross outflows. What these indicate are some of the particular effects of the direct presence of the MNCs. They represent modalities of the advantages available to foreign producers by siting productive investment in the periphery. The enforced internationalisation of capitalist relations generated the necessity for forms of interaction between local producers and the MNCs. At the economic level this was primarily through the incapacity to generate independent technological development in the periphery and the limitations to the extension of the extraction of relative surplus-value through raising the productivity of labour. The MNCs were able to turn to profit the inferior place of the peripheral formations in the imperialist chain, to maintain and reinforce their advantage and to ensure the continued reproduction of favourable conditions. It should be noted that, although I have almost exclusively looked at the economic forms of the social relations generated, these forms of domination are political, and ideological as well.

#### Dependence: The Effects on the Bourgeois Classes

For the periphery, there was no real solution short of social planning and an open struggle against imperialist ideological and political, as well as economic, relations. This was only possible if predicated on the full participation of the popular masses. The other feasible path involved a minimal shifting and negotiation over the terms on which dependency was produced. Almost every extension of productive relations involved a deepening of the direct and indirect interactions with foreign producers, and a reinforcement of the subordinate place of the peripheral formation in the imperialist chain. Those measures in which short-term struggles were won, usually involved enormous costs with repercussions throughout the social formation.. Paradoxically, the

costs of these victories served to underscore the necessity to avoid costs elsewhere, stressing the impact of the imperialist system even more deeply.

What all this implies, in relation to elements of the bourgeoisie, is fairly clear. Within "local" capital, there has been concentration and centralisation with rising organic compositions of capital, as major effects of the internationalisation of capitalist relations. Mining finance houses have diversified into manufacturing industry; the banks and finance houses have played an important facilitating and even controlling role; "Afrikaans" and "English" manufacturers have discovered the imperatives of large-scale production and established multiple interlinkages and joint ventures as a result of this; elements of competitive capital have been locked into the rhythms of accumulation in the monopoly sector through such relations as subcontracting; and, overlaid on all, has been interpenetrations with capitals whose dominant centres of accumulation and ownership are in the advanced capitalist centres. These have moved to the periphery in order to turn to profit the special conditions, which relate to the inferior place of the periphery in the imperialist chain and the particular modes of operation of the forms of internationalised capital.

None of this implies the ending of competition, or even of contradictions between elements of capital - but it does imply that there is a general similarity in favourable conditions of accumulation. Amongst the bourgeoisie, with monopoly capital undoubtedly the most dynamic and central element in the dynamic of accumulation, there is a broad agreement over the general nature of social and institutional underpinnings for the dominance of the capital relation.

Poulantzas has used the term "domestic bourgeoisie" to describe the new relation of the elements of "local" capital with foreign capital: "The development of this domestic bourgeoisie coincides with the internationalisation of labour processes and production, and with the internationalisation of capital, in other words with the induced reproduction of the dominant relations of production actually within these various (peripheral) social relations. By this fact alone, while its existence involves certain contradictions with foreign capital, this domestic

bourgeoisie is to a certain extent itself dependent on the processes of internationalisation under the aegis of foreign capital: dependent on technological processes and labour productivity, on a complex network of sub-contraction for foreign capital, on the sector of light industry and consumer goods in which it is frequently confined in this sector's relationships with heavy industry (the privileged sector for foreign multinational corporations), as well as on commercial outlets. This explains, among other things, the political weakness of this domestic bourgeoisie ... (in) its contradictions with foreign capital" (Poulantzas, 1976: 43-4).

Differences are over preferred strategies for domination over the exploited classes. Old prejudices, and ideological and institutional forms continue to mediate the particular modalities of struggle of differing elements of capital. But the overall unity between elements of the monopoly bourgeoisie and other dependent elements, provides a perspective for changes that are demanded in periods of crisis when limitations to profitability must be broken through. These limits are class limits in the first instance. They thus concern modalities for the continued exploitation of the direct producers and the re-establishment of the political and ideological conditions that have come under stress. Invariably, this means shifting the burdens of crisis onto particular classes; when the crisis is itself an outcome of the militance of the dominated classes, there are limits to the burden they will bear. Other supporting classes of the bourgeoisie, or opponents, must be found to pay as well, and help prepare the way for the re-establishment of profitability of the leading sectors.

In the crisis of the 1970's in South Africa, it is white wage-earners and small-scale competitive producers that are being threatened with the burdens that cannot be borne by the dominated classes themselves (although the unemployed are but one example of dominated classes who are called upon to pay). The leading elements in the bourgeoisie have grounds for the common pursuit of the process of dependent industrialisation. The crisis of the seventies is itself about the restructuring of the economic, political and ideological relations to effect the general interest of the monopoly elements of the bourgeois classes, removing in a process of struggle the faux frais that hold them back. The forms and outcomes remain disjointed and partial, and are interpreted through many of the ghosts of the past. But one important part of the

balance of forces is due to the emergence of the "domestic bourgeoisie" as one outcome of the changing forms brought about by the internationalisation of capitalist relations. The interlinking of monopoly elements in manufacturing industry, under the aegis of foreign capital in its internationalised form, as the dominant mode of capital accumulation in the most recent period, has significantly affected the forms of the political and ideological struggles being waged. The forms of restructuring in the time of crisis are the attempts by capitals to restore their dominance and re-establish the capital relation as the basis of the exploitation of the dominated classes.

## 7. STATE ECONOMIC POLICIES

"The State has played an increasingly important role in relation to the functioning of the economy. Though the economic system has remained dependent on private enterprise, the conditions under which the individual has been allowed to operate have been closely controlled by the fiscal and monetary powers of the State, by public regulation of wage and labour conditions, by the control of agricultural marketing and by means of State ownership and control of the principal means of transport ... The need for such intervention is essentially due to a difference in the responsibility of the State and that of an individual. Basically the difference arises from the need for the state to adopt a broad and long-term point of view, while individuals view economic events from a personal angle in which temporary gains and losses play a dominant part" (UG 40/41: paras. 130-1).

"The public authorities in a capitalist system ... provide the conditions within which the productive forces of a country can function effectively" (UG 36/58: para. 223).

This section is fairly straightforward. It does not seek to explain or explore the reasons for state economic policies in regard to manufacturing industry. It argues quite simply that State policies in a number of areas served to facilitate the transition to internationalised capitalist relations under the aegis of monopoly capital. The state encouraged rationalisation of production and the interpenetration of foreign capital. The limits to state intervention are set by the process of capital accumulation conceptualised as class struggle.

However, the state's relation to the dominated classes as a specific relation is not dealt with in this chapter. In regard to liberal parody of the National Party regime as hostile to rational economic interests, state policies are seen as being oriented towards the inducement of dependent industrialisation in South Africa, encouraging the expansion of productive forces in manufacturing in the only way possible for a capitalist state in the present phase of imperialism, viz. under the dominance of internationalised capitalist relations.

Anti-monopoly policy: In a number of ways, the state has made it possible for the extreme monopolisation of South African <sup>industry</sup> to occur. As a matter of public policy, it has kept debate on monopolies to a minimum; it has allowed information to be kept well hidden; and its policy recommendations and legislation to restrict the activities of concentrated/centralised capitals, have been negligible, despite calls to act by small-scale capitals.

The Board of Trade and Industries argued as early as 1945 that reorganisation and combination in industry were necessary to encourage efficient production: "The object of combination is not only to reduce output and to control prices, but also to facilitate plant specialisation and standardisation as a means of reducing costs. The heavy capital expenditure and loss of flexibility involved in specialisation, however, make the change a great risk unless the market is assured" (BTI Report 282: para. 233). The Board's recommendation that the State extend protection in advance to industries where plant was concentrated enough to supply half of the local market, was accepted by Government and was influential in encouraging rationalisation of local production. This same Board was to be made the investigative and administrative body for containing the deleterious effects of monopoly capital.

Legislation on monopolies had, until 1955, been "incidental and fragmentary" or "of so broad and so mild a character that it could hardly raise serious objection" (Steenkamp, 1954: 77; 82). Largely for tariff purposes, the Board of Trade and Industries had conducted a number of investigations into branches of industry that included examining monopolistic conditions. It was not however until the Undue Restraint of Trade Act (no 59 of 1949), that the Board was given powers to initiate inquiries into "undesirable trade practices" such as retail price

maintenance, although the provision in regard to preventing the latter was used only once and later withdrawn. The general idea of the Act was to scare businessmen off the use of undesirable monopoly practices by exposing them to unfavourable publicity. Needless to say, the legislation was of little effect, and, after pressure, the Board of Trade and Industries was commissioned by the Minister to undertake full study of monopolistic conditions with a view to legislating on the matter.

The Board's report (no 327 of 1951) has been mentioned above as totally ignoring empirical analysis of monopolies in South Africa. Moreover, the Board argued that economic criteria based on "performance" made condemnation of monopolistic tendencies unrealistic under South African conditions. The Board advised that a committee of experts "thoroughly acquainted with modern economics" (BTI Report 327; para: 181), be given investigatory and advisory powers to curtail monopolistic conditions detrimental to the public interest: excessive pricing, undue output restriction, undue restriction of competition, undesirable income distribution, etc. Definitions such as "excessive", "undue", and "undesirable" were to be left to the competent authorities.

The legislation that followed four years after the investigation, the 1955 Regulation of Monopolistic Conditions Act, echoed the "public interest" criteria of the Board. Monopolies per se were not undesirable; only their bad effects, where these were not unavoidable. As the Minister of Economic Affairs argued in parliamentary debates on the Bill: "This is not anti-monopolistic legislation ... even though a monopoly exists and even though combines exist they can still be justified in South Africa if they do not have a deleterious effect on the public" (Hansard v. 87, 1955: col. 1830). Indeed, the Minister was quite proud of the mildness of the Bill: "There is not another Act on our statute book under which accused persons have as many opportunities as under this Bill" (ibid.: col. 1834). The parliamentary opposition, arguing that industry was satisfied, decided to let the Minister have his Bill passed if he wanted it (ibid.: col. 1837). Only Hepple, of the Labour Party, had objections. The Bill was toothless and would have no results. It "merely warns people who indulge in restrictive trade practices and those who build up monopolies that if they are not more careful and more subtle in their methods, they might find themselves investigated

at some time or other" (ibid.: col. 1854). The Bill was a "gigantic piece of bluff" (ibid.: col. 2113).

The Act, as passed, provided largely for administrative solutions to undesirable monopolistic conditions. Its provisions could not really be broken and there were no criminal sanctions. The BTI would engage in investigations on the request of the Minister, had to consult all parties before reporting, and there was much room for appeal in the event of an unfavourable report. Most solutions required negotiation with the parties;<sup>37</sup> only as a last resort, could the Minister declare certain practices illegal. The procedure was cumbersome and slow and left wide discretionary powers to the authorities concerned. The Board's major function in encouraging industrial development through tariff protection, often facilitating or even forcing rationalisation, made it most unlikely that it would take a narrow view of practices against the public interest.<sup>38</sup> As the Mouton Commission argued, it was unfair "to expect the Board to be an impartial judge and to fulfil the role of policeman in regard to firms and/or industries with whose establishment it had been closely linked and whose growth and well-being had been its major task for many years (RP 64/77: para. 124).

The focus was on price fixing and market controls: conglomerate activity, amalgamation and integration were not covered by the Act. For instance, in 1957 when three of the largest breweries were centralised, the BTI found no evidence of abuse of monopolistic powers (De Beer, thesis: 77). Further, the Act was ineffectively applied and this did little to "influence the behaviour of the business community or to instill great respect for the legislation" (RP 64/77: para. 146).

Between 1955 and 1976, 18 investigations were ordered, 15 of which were completed. The average time for each investigation was some 28 months, due to "a lack of adequate personnel or to the fact that the Board had more pressing matters to attend to" (ibid.: para. 55). In no cases before 1974 was any judicial action taken. Out of the 15 completed investigations, in one case there was no evidence of monopolistic conditions and in five, such conditions were condoned in the public interest. Of the remaining nine cases, two involved general bans on resale price maintenance; two involved manufacturers or distributors' associations; one involved tender practices; and only the remaining four involved abuses, and these in distribution (of groceries/biscuits,

sanitary ware/ hardware, cigarettes/tobacco, motion pictures). Apart from resale price maintenance, in only one case was an outright prohibition necessary, the rest being resolved through negotiated arrangements with the parties concerned (ibid.: paras. 51-5). Significantly, not one manufacturing monopoly was affected.

The Mouton Commission's understatement is delightful. "It cannot be said that these few/isolated cases represent a considerable contribution towards enhancing and maintaining competition" (ibid.: para. 145). As the Commission correctly saw, the inability of the Act to deal with economic concentration and mergers (centralisation) meant that legislation was totally inoperative in the area that most affected the structure of the economy.

One might note that there had been virtually no official empirical examination of concentration in South African industry in general until the Mouton Commission of 1977. Even this relied on inadequate statistics, found it impossible to build up any time-series, and used grossly deficient market-oriented criteria to determine concentration ratios. Formal inter-industry and inter-firm linkages were not established at all, as for more subtle forms of control such as through subcontracting or technical design. Further, the Companies Act had highly inadequate provisions in regard to disclosure of information, especially for foreign subsidiaries and branches where concentration was likely to be high. There was a lack of reporting or disclosure in general of the identity or nature of business subsidiaries of companies; nominee shareholding was common practice and uncontrolled; and consolidated financial statements often made affairs of individual companies unintelligible (See RP 45/70: paras. 116ff.).

In short, what has been argued above, is that the state made virtually no effort to monitor or control the activities of monopoly capital, despite the early anti-monopoly rhetoric of the National Party before it came to power and during the early years thereafter.

#### Import Controls and Tariff Protection

In very few cases could production in the periphery effectively be undertaken solely or largely on the basis of advantages relating to the

cost of labour. The importance of labour productivity and the extraction of relative surplus value in the advanced centres affected production in the periphery. The peripheral formations were induced to reproduce the relations pertaining in the centres, including the adoption of the technology that was itself structured by these relations. This involved a continual struggle to raise the organic composition of capital in order to achieve international cost efficiency in production, so necessary if production in the periphery was not to involve unbearable costs.

Limitations such as the restricted size of local markets made it difficult to spread the value of constant capital embodied in higher technology over a vast mass of commodities - more efficient producers in the centres could spread the value over a wide number of use-values. Effectively, the commodities produced in the periphery were devalourised through competition with those produced under superior average conditions. This expressed itself as the inability in the periphery to achieve significant economies of scale, especially in the more capital-intensive industries. Production in Department I (means of production) was highly limited; equipment and plant was invariably imported. This in turn was a major source of perpetual strains on the current account of the balance of payments.

Possible responses by the state to the destruction of profitable conditions for small-scale capitals due to international competition, included the option of erecting various artificial barriers around the country. Import control, tariff protection, or state subsidies in various forms, would have been the available tools of state economic intervention in the interests of competitive capital. However, it is argued here that the adoption of such measures in South Africa, showed no concern for the conditions in which competitive capital could flourish. Rather, these measures indicated the dominance of the path of dependent industrialisation in setting the limits to the state's activities. Measures which might have protected small-scale capital in a more total strategy were rather utilised to facilitate the transition to internationalised relations.

Protection for small-scale industry involved raising the costs of production. This was particularly so as import substitution in light

consumer goods reached its limits. Cost-raising effects were felt throughout the economy: firstly, in the manufacturing sector. In 1955, some 60% of tariff applications were found to involve divergence between two industries (FCI, 1955: 50). The continuing battle between textile and clothing producers over protection provides another example. Secondly, as the Viljoen Commission made clear, there was the danger of raising costs of stores and equipment in agriculture and on the mines, where the use of local stores had risen from 72% in 1939 to 89% in 1956 (UG 36/58: para. 142). Thirdly, the rising cost of wage-goods would have repercussions, particularly on small-scale industry, through raising the cost of necessary labour without corresponding productivity increases to offset it. In a similar way, higher wages in industry might affect profitability in the mines and agriculture, encouraging labour militancy over wages, or migration. The economy was particularly sensitive to cost-raising effects in mining and agriculture, dependent on world-determined prices for products. Further as the major export sectors, responsible for earning foreign exchange, damage to their competitive position would rebound on limits to imports: and the more local industry developed, the more Department I goods were imported.

These were not contradictions that disappeared with the encouragement of large-scale and monopolistic industries. In the first place, however, cost-raising effects were kept to a minimum. Secondly, as Hirschman points out with reference to similar processes in Latin America: "even if the increase in input costs that comes with domestic manufacture cannot be passed on, vertical integration would take the sting out of it; for the decrease of profits in one operation of an integrated industrial concern does not seriously matter if that decrease is compensated by the emergence of profits in another, newly established operation" (Hirschman, 1968: 21). Protection might in fact stimulate the movement by established producers into the newly protected areas. This would effectively squeeze out competitive capital that had existed in these fields. Such cases in South Africa clearly occurred in the motor components industry or in areas where mining finance houses branched out into industrial production. Thirdly, the movement by monopoly producers to take advantage of the possibility of selling at protected prices above those internationally determined, could still mean relatively more efficient production than in the case of small-scale producers. This would mean a generally higher rate of profit and the likelihood of reinvestment and expansion.

State policy contributed to the demise of small-scale competitive capital. Tariffs were in fact extremely low. In 1955, the Minister of Economic Affairs boasted that they were amongst the lowest in the world (Hansard, v. 89, 1955: col. 5811). Similar peripheral formations had levels of protection up to fifty times higher (S.P.J. Du Plessis, thesis: 222). Where protection was applied, efficiency criteria were strictly applied. Industries had to already control a substantial share of local production.<sup>39</sup> They must have a good chance of becoming "self-supporting" (i.e. cost efficient), such that they "will not hang around the neck of our economic activities permanently as a mill-stone" (Hansard, v. 102, 1959: col. 7530, Minister of Economic Affairs). Also in 1955, the Minister of Economic Affairs Van Klyn, told of efforts to force down production costs: "I have already explained how we force factories to put in modern machinery, to look after its distribution and its overall costs ... (Factories) have to be efficient ... I have now advertised throughout the world for what is called efficiency accountants - people who can go into a factory and see at once how efficient they are. We do not simply say we will protect them" (Hansard, v. 89, 1955: col. 5810-11).

Protection was also geared to having few deleterious effects on agricultural and mining inputs. Capital equipment for these sectors, as for manufacturing, was virtually exempt from tariffs in order to encourage capital formation and investment. More than that, the effective tariff (as opposed to nominal - effective tariffs take into account cost-raising effects of protected intermediates) on capital goods was actually negative. This negative structure made the import of capital goods even more attractive and discouraged local production even in areas where it might otherwise have been feasible.

The overall effect of these measures was to give South African industry very low levels of protection. Local industry was exposed to virtually the full force of international competition. This impelled the movement towards the internationalisation of capitalist relations in South Africa. Import substitution as a contributor to domestic manufacturing growth levelled off significantly after the mid-fifties; one estimate suggests that whereas it contributed 52% in the period 1926/7 - 1956/7, this had fallen to only 16% between the latter date and 1963/4 (in Zarenda, 1975: 113). From the early 1960's, in particular, then,

dependent industrialisation under monopoly relations was consolidated as the path of growth.

South Africa's binding to the terms of the General Agreement on Trade and Tariffs (GATT) in 1947 affected the degree and extent of application of the various forms of protection. When South Africa signed, she opened the country to the final manufactured and intermediate goods of Western Europe and the USA. At that time, by contributing to the rebuilding of these economies, it was hoped to stimulate South Africa's exports and to acquire favourable treatment in regard to supplies of capital equipment needed for the redesign of local plant. Mutual understandings led South Africa to expect renegotiations in the near future; but this was "neutralised by the wording and application of Article XXVIII (indefinite validity)" (RP 69/72: 73, para. 48). Not surprisingly, with the recovery of the West European economies under American aegis, and the post-war boom, there were few concessions not narrowly linked to the commercial and industrial interests of those states. The hoped for renegotiations of tariff concessions did not materialise.

For South Africa, this meant that extensive concessions had been granted on manufactured goods in return for those on agricultural exports (RP 87/70: paras. 935-40). The extent of concessions may be seen in 1965 trade figures with the USA. Apart from some R311,1m in imports at varied rates, South Africa imported R100,3m totally free of import duties and R78,5m at low duties. With total exports of only R164,5m to the US - and similar positions in respect of a number of trading partners - it can be seen that concession were granted on a greater value of imports than the total value of exports (ibid.:940).

The workings of GATT in practice continually turned sour for South Africa. Economic blocs such as the EEC eroded restrictions on agricultural subsidisation through, for instance, the application of stringent health regulations. There was a general evasion of restrictions through such non-tariff means following the 1964-7 Kennedy Round of negotiations. Other examples of evasions included discriminatory state tenders, special local ordinances, technical requirements, physical restrictions, and so on. South Africa lost numerous Commonwealth preferences without compensating concessions. Discriminatory groupings

such as the EEC or EFTA, and changing membership of GATT that brought in blocs such as African countries hostile to concessions to South Africa, were seldom offset by return advantages. Bilateral agreements between weak states such as South Africa and Malawi were continually restricted, while more powerful states acted virtually at will.

In short, not only did GATT work against South African industry, but its restrictions were manipulated and evaded by big power politics while the smaller countries were powerless in the face of imperialist actions. (Smit, thesis: 205-8). Despite this, the costs of cutting loose from such international organisations carried even more prohibitory sanctions, and were impossible without major changes in South Africa's relations with imperialism.

Import control was another measure subject to GATT strictures. Article XII allowed the physical restriction of imports only as a temporary measure to relieve severe pressure on foreign exchange reserves. From 1946-71, the balance of payments showed a deficit in 20 out of 26 years; import control was thus used almost continuously, but to varying degrees. Applied in 1949 for the first time since the war, relaxed in 1951, applied more strictly in 1952, relaxed again for most of the fifties, and then fluctuating until about 1969 when favourable reserves made it difficult to convince GATT of the need for further restrictions, the policy played a dual role: (1) On the one hand, it had an unreliable and short-term protection effect. This often encouraged overseas suppliers of commodities to enter into local production to maintain supplies of restricted products and safeguard their dominant position against possible competition. The import of plant, equipment and machinery was relatively easy, creating few difficulties in raising the organic composition of capital. The latter was important. The very instability of import controls, meant that inefficient firms could not rely on these as a means of long-term protection. Import control thus tended to entrench established firms (UG 36/58: para. 151).

(ii) Restrictions on imports were usually applied to final-stage manufactured goods, luxury items of consumption in particular. Effectively, this freed money that was allotted to consumption expenditure, for use in productive areas. Through increasing domestic savings by decreasing leakages of unnecessary exchange overseas, sums of money were available to be transformed into

capital. This could be used for the plant and equipment necessary to restructure factory installations (UG 36/58: para. 299).

Subsidies have been utilised very little as a means of protecting local industry from overseas competition (Kleu, 1973: 112). Perhaps the major forms of subsidies have been indirect, through tax concessions to stimulate capital investment. In 1954-5, the Minister of Finance declared government's intention of utilising taxation policy to encourage capital formation in order to reduce production costs (Hansard, v. 88, 1955: col. 3215). He declared "that local industries would be faced with increasing international competition, and that they should therefore exert themselves to achieve the highest degree of efficiency by modernising their equipment for example" (RP 87/1970: para: 329). In addition to the normal depreciation allowance, an initial allowance of 10% was granted on new machinery and equipment used directly for manufacturing purposes. From 1960/1, a new investment allowance system conceded an additional allowance of 10% of cost on new factory buildings and improvements, as well as 15% for machinery. All in all, this was a deduction of some 45% on machinery with a 10-year life (ibid.: para. 330).

Application of Article 3 of the Physical Planning and Utilisation of Resources Act, encouraged capital intensive production with a view to saving on unskilled labour. It was applied almost exclusively in urban areas, particularly in the Transvaal. The industrial decentralisation policy offered allowances of up to 65% of the cost of new machinery (Maree, 1978: 31). Bodies such as the Tender Board, Provincial Administrations and other local authorities, could also encourage certain producers as could a variable railways rating policy: these bodies were encouraged to reduce expenditure through facilitating planned standardisation amongst manufacturers.

#### Research: Science and Industry

The establishment of CSIR and SABS soon after the war years has been mentioned. The central objective of such research institutions was to be the "rationalisation of national production commensurate with an ongoing improvement in production standards and consistent quality" (FM 27.10.78: 12). Bodies such as the State Tender Board and mining houses often insisted on SABS marks as a way of imposing technical standards on producers in order to reduce unit costs (ibid.: 26). The

general thrust of SABS activity was made clear by a director: "we concentrated on rationalising industry and helping to make our manufacturers internationally competitive" (ibid.: 29).

Expenditure on local Research and Development was extremely limited. In 1968/9, some R45,2m was spent by the public and private sector as against R35m on overseas payments for visible technological transfer (technical services, royalties, etc) (KP 69/72: 146, para. 159). Only about 23% of research expenditure was on manufacturing industry. The amounts were geared less to technological development than to facilitate the internal restructuring of industry. Thus 55% was spent on applied research and 26% in product/process development, as opposed to only 19% on basic research (the general expansion of "scientific knowledge"). Indeed, the SA Inventions Development Corporation spent only R700 000 in the busy period between 1963 and 1971. (ibid.: 147, para. 161). It was simply cheaper to import the results of overseas R & D, whatever some of the burdens that this might involve. State attitudes towards foreign investors ensured that overseas technology was readily available, albeit still in the hands of the MNCs who brought this with them.

#### Foreign Investment

Much of relevance here has been dealt with in the section above on foreign investment. It is argued below that the South African state created the most favourable conditions for foreign investors. It acted to encourage foreign interpenetration in all circumstances. There were few threats to a profitable rationale for the siting of productive activities of MNCs in South Africa.

There was nevertheless an ambiguous attitude by the state. It was realised the irreplaceable role that foreign investment played in the expansion of productive forces; but also, that this was a process of dependent industrialisation. The ambiguity is neatly summed up in a speech by the Minister of Economic Affairs, Diederichs, to the 1965 FCI Congress: "the Government cannot", he argued on the one hand, "approve of foreign capital being invested in such a way or on such a scale in the Republic that foreign control, either over the economy as a whole or over vital sectors of the economy, is thereby secured" (FCI 1965, 10). This statement is quite ironic in the light of discussion above about the nature and extent of imperialist involvement. Diederichs, himself, argued on the other hand, that the reality was based on certain hard

economic facts: "The foreign investor is no charitable institution. He expects a return on his investment and will invest his funds in the country which offers him the highest net return on his investments" (ibid.: 7). To ensure that foreign investors knew about the favourable conditions in South Africa, the government seconded attachés to overseas embassies, sent delegations from the Board of Trade and Industries on overseas visits, and generally tried to establish direct contact with potential investors (UG 36/58: para. 193).

Import control and tariff protection often created conditions in which it was favourable, or less disadvantageous, for foreign corporations to become involved in production rather than the mere distribution of particular items. Without accompanying restrictions on foreign investors, these measures signed the death warrants of competitive capitals attempting to operate behind the protective barriers. Now they were exposed to the superior production techniques of foreign capital that was itself able to take advantage of the protection granted, to entrench monopolies. Alternatively, only other concentrated capitals with relatively high organic compositions could compete. In this sphere, in terms of the productive relations and interlinkages if not legal ownership, the distinction between foreign and national capitals was blurred at the very least. The foreign control of 'know-how' and technology was decisive in ensuring its participation. This was recognised even by the Handelsinstituut, whose calls on the state to encourage foreign investors were similar to those of the FCI (UG 36/58: para. 301).

The MNCs had a variety of means to ensure that there would be difficulties in uncovering the full range of their operations. This was encouraged by the legal provision of the Companies Act. There were few demands for detailed disclosures, in particular where branches of foreign companies had no public listing. State monitoring of MNC activity was minimal - although most foreign exchange transactions were routed through the Reserve Bank, this could hardly be sufficient to uncover the variety of manipulations available to MNCs. It was only in the late 1960's that a register was established of licensing agreements between local and foreign firms. Where such monitoring did occur, it was always tempered by pragmatic considerations. For example, "the IDC quite rightly stated that at present South Africa must perforce remain to a large degree dependent on imported know-how ... and that the restrictions on imports in the relevant agreements should perhaps be regarded as the price the

country had to pay to gain access to this knowledge" (KP69/72: 611-2, para. 25).

There were few discriminatory restrictions on the activities of MNCs. As has been pointed out, there was minimal monitoring and a range of techniques available to MNCs such as transfer pricing, forced purchases of components, secretarial charges, etc. There were virtually no formal restrictions on the repatriation of current profits, dividends and royalties, and similar payments (Norval, 1962: 135; RP 86/70: para. 983). During the Sharpeville crisis in the early sixties, there was a drastic outflow of foreign capital especially in securities via the stock exchange. As a consequence, certain restrictions were imposed in June 1961 to prevent the free transfer of securities from non-residents to residents, through a discounted blocked-rand system. Undistributed profits and loan accounts were deemed capitalised from a generous and floating date, and similar restrictions imposed. Current profit and dividend transfers remained unaffected, however. These restrictions were designed, amongst other things, to protect the interests of direct foreign investors, whose position was being undermined by the collapse of foreign confidence in the speculative securities market (Norval, 1962: 136). For projects considered of distinct benefit or involving substantial financial inflows, a system of individual guarantees was in any case developed.

Taxation on foreign dividends was subject to a lower rate than local. On R140m residents' dividends, in 1969 some R35,5m tax was raised; on R275m of non-residents' only R32,4m was raised (RP 86/70: para. 196). Other measures encouraged the deepening of local involvement of foreign companies through various concessions favouring plough-back and reinvestment (ibid.: para. 234). Doubt taxation agreements generally operated to the benefit of the foreign investors (ibid.: para 336), in particular the bar on the taxation of the remittances of branch profits.

Restrictions on local credit raising allowed only 25% of the capital of fully owned foreign companies to be locally borrowed, rising with increasing local participation. These restrictions were flexibly applied: they acted largely to encourage plough-back and self-financing, as well as some form of association with local capital. The latter was in any case usually a preferred strategy of foreign companies. Occasionally, such inducements may have acted to the benefit of a local company; but this was really a case of individual competitive advantage, an adjustment

over terms of interaction, rather than a meaningful confrontation over the nature of the imperialist activities themselves.

The policy of the state towards foreign investors was succinctly summarised by the Franszen Commission: "The government ... welcomes foreign investment and, in formulating economic policy, will also endeavour to retain a favourable investment climate for foreign-controlled enterprises. On the other hand, the government would also appreciate the creation of more opportunities for South African participation in the management of foreign-controlled enterprises" (ibid.: para. 963). While local participation was desirable, more important was the willingness of the foreign investors to site their productive activities in South Africa. They would not be forced, but only asked, to extend benefits to local participants.

#### The Industrial Development Corporation (IDC)

"Many years ago under the previous government it was decided to establish an Industrial Development Corporation. This IDC was established to assist small industries, to help them get on their feet, to put money in at the beginning and then when they were going concerns, to withdraw that money and invest it in some other industry ... I will show the House what it has developed into today in assisting private enterprise. Here is a letter on the establishment of a company known as the Northern Lime Co Ltd. I want to give the names of the companies that were associated in the matter. The offer (of shares to the public) is made by the Central Mining and Investment Corporation, Rand Mines Ltd, the Anglo-American Corporation of South Africa Ltd., the IDC, the JCI Co., and Syfrets Trust Co. Well, Sir, I think that those companies, without the IDC, could have done very well by themselves, ... I do not think it was the intention that the IDC should be associated with high finance in any undertaking of this kind" (P.A. Moore, UP M.P., Hansard, v. 89, 1955: cols. 8014-5).

The IDC was an important institution involved in developing and implementing state economic policy on industrialisation. The IDC played two closely associated roles:

(a) it assisted in the rationalisation of industries whose viability in the present phase of imperialism depended on overcoming their scattered, competitive and small-scale nature;

(b) it brought together local and foreign monopoly capital in associated undertakings. The IDC often provided important elements of money-capital in return for share-holdings, while the foreign associates contributed in the sphere of technology and "know-how".

As early as 1941 it was being suggested that the IDC, with its staff for technical surveys and the finance to facilitate restructuring, should assist industry in actively promoting "rationalisation". Where necessary, the state should consider enforcing this process (UG40/41: para. 166). Making these recommendations was H.J. van Eck, first managing director of the IDC.

The following table summarises IDC propositions accepted in its thirty years from 1940 to 1970:

TABLE 20: IDC : PROPOSITIONS ACCEPTED TO 1970

Up to R100 000 (Small Industries Dept)		R100 001-R200 000		R200 000 plus		Total	
No.	Rands	No.	Rands	No.	Rands	No.	Rands
670	22795867	145	24524383	340	591234252	1 155	638554502

(Source: Cartwright, 1971: 13).

It is apparent that some 93% of propositions accepted were accounted for by companies larger than R200 000. The Small Industries Division, established in 1962 after calls by the Viljoen Commission for the IDC to protect the "democratic" small-scale undertakings, accounted for 3,6% of propositions accepted.

One of the early and very important IDC projects, was in setting a South African textile industry on the road. With wartime technological developments and the increasing use of artificial fibres, textile production involved heavy capital expenditure despite its relative labour intensity. This could only be achieved by centralising the large number of firms in existence in the early 1950's to establish a large-scale, concentrated industry. Through encouraging this rationalisation, the IDC helped to establish one of the largest spinning, weaving and finishing cotton mills in South Africa with the help of Calico Printers Association of Manchester. In 1951, the South African Industrial and Cellulose Corporation (SAICCOR) was established. It was equally subscribed by Courtaulds of Britain,

Snia Viscosa of Italy and the IDC. Largely due to these initial efforts, the textile industry boomed in the fifties and sixties, with the twin advantages of relatively modern equipment and association with overseas firms to supply technical know-how (BTI, Ind. Dev. Series 3: para. 30). There was also the advantage of a viable chemical industry supplying raw materials and involving itself directly in textiles' production.

Co-operating with the US Masonite Company to utilise locally grown wattle, and involved in the giant SA Pulp and Paper Industries (SAPPI) with Union Corporation, the IDC helped establish the timber industry. Other areas of its operation confirmed its involvement with foreign companies and local monopoly capital: In the chemical industry, assistance in the establishment of SASOL was crucial for a diversified petrochemical industry. The IDC aided Federale Volksbeleggings to rationalise chemical production, initially through centralising Bosveld, Windmill and Fisons, all largely agricultural chemical producers. The Synthetic Rubber Company was established as a FVB and IDC project under licence from Polysar of Canada to utilise SASOL products. Phillips Carbon Black, involving the US Phillips Petroleum, was another IDC chemical project. Between 1967 and 1969, the IDC joined in negotiations with FVB and BP (UK) to form the Sentrachem giant.

The IDC helped form the Aluminium Development Corporation with Rand Mines, and a smelter at Richards Bay involved Alusuisse of Switzerland and Alusaf, an Alcan US and Union Steel company. The IDC, General Mining and FVB formed the foundry and engineering firm Ferrovorm from companies such as Mangolds, Gearings, Metpro and James Barwell, to construct cylinder blocks and heads for the automotive industry. The list is sufficient to indicate that the IDC played an active part in facilitating the internationalisation of capitalist relations in a process of dependent industrialisation. It was hardly the instrument of nationalist sentiment in a battle against imperialism; although its activities, by ensuring the establishment of productive enterprises of sufficient size and strength, may have acted to enhance more favourable terms of interaction for South Africa in its relations with imperialism.

The latter point is taken up in looking at the parastatals such as

SASOL, FOSKOR, the Fisheries Development Corporation, etc., in the establishment of which the IDC was often assigned an important financial and managerial role. The Industrial Finance Corporation, and the Accepting Bank for Industry (including Bonuskor, Rand Mines, Corner House, JCI, Sanlam) indicate another area of IDC activity. Lastly, the IDC was actively involved in the decentralisation policy of the 60's, operating in the so-called "border" areas. The whole conception has not been particularly successful. Up to 1967, in any case, "decentralised" areas were all in close proximity to major metropolitan centres (Klein, 1973: 122).

### The Parastatals

There are today some 25 public corporations, or parastatals, including ISCOR, SASOL, Soekor, the Land and Agricultural Bank, IDC, uranium, aluminium and phosphate development corporations and Armscor. These state-owned corporations played an important role in ensuring that South Africa developed as a favoured site for imperialist accumulation. They also directly stimulated the expansion of productive forces, and maintained large segments of South Africa's productive potential in local hands. Most were established, or expanded rapidly, after the war.

Generally, the State initiated investment in strategic areas (e.g. arms), or in areas where private firms were unwilling to bear the risks of establishment from scratch of giant operations with vast initial outlays. In this way, the state could ensure that certain industrial projects were of large enough scale to develop into viable productive units. Further industrial development would be stimulated on the basis of assured markets or supplies. As in the case of the British steel industry, "the efficient and socialised costs of these (nationalised) industries would provide a stable basis for the profitable operation of private capital working in the rest of the economy" (McEachen, 1979: 135). As Gamble and Walton suggest too: the state "finances, in a sense, the overhead costs of the whole process of capital accumulation" (Gamble and Walton, 1976: 165).

Unlike public authorities expenditure (hospitals, roads, etc.), the parastatals were constituted as capitalist enterprises. This included

the particular institutional form of the capitalist enterprise as well as the adoption of forms of capitalist accounting. Underwriting by the state freed them from some of the immediate constraints of the need for profitable production. Nonetheless, the operation of the law of value, on an international scale, would have set clear limits to any wide-spread adoption of not strictly "economic" goals (such as white employment, supplies of cheap raw materials) (see Morris and Kaplan, 1976b: 17-20). As has been argued, "The setting up of a state owned sector had no immediate implications for the struggle to abolish the commodity status of labour i.e. labour-power" (McEachan, 1979, 135). Indeed, in South Africa, the conscious struggle of the working classes played a very small part in the establishment of the parastatals. They were managed in similar ways to private businesses and "for 'market-form' analysis the borderline between private and public corporations can be drawn only arbitrarily" (Nedbank, 1977: 99).

One notable feature of the public corporations was their increasing share of gross domestic fixed investment in the post-war period. This is summarised below:

TABLE 21: PUBLIC CORPORATIONS: CONTRIBUTION TO GROSS DOMESTIC  
FIXED INVESTMENT

	<u>1946</u>	<u>1950</u>	<u>1955</u>	<u>1960</u>	<u>1965</u>	<u>1970</u>
Rm	7	39	51	67	156	342
% of GDFI	3	7	6	6	8	11

(Source: Nedbank, 1977: 97-8)

Public authorities share remained fairly constant at about 32-35% of gross domestic fixed investment. The share of private business declined continuously, from 63% in 1945 to 57% in 1970, with the trend even accelerating in the 1970's. The parastatals' share of public sector fixed investment rose from 7% in 1946 to about 25% in 1970. This latter figure rises to 40% if South African Railways is included, and 58% including ESCOM, whose activities are in some way akin to those of the public corporations (ibid.: 97-100).

By comparison, private manufacturing fixed investment rose from 14% of total fixed investment in 1946 to 19% in 1965, but falling off

in the late 1960's to 14 % of the total. Its share of private fixed investment was some 21% between 1946 and 1955, 33% between 1956 and 1965, and fell to 25% in 1970. By the late 1960's, the share of public corporations in gross domestic fixed investment was coming to match that of private manufacturing. While in the first half of the 1960's the rate of increase of fixed investment by private capital was slightly larger than the public corporations (190% against 130%), between 1965 and 1970 there was only a 20% growth for private manufacturing and 120% for public corporations (Meyns, thesis: 149; Nedbank, 1977: 97-8).

The growing importance of parastatals in fixed investment reflected only in part the increasing forms of state intervention in the economy (what some businessmen lamented as creeping state socialism). The growth of the parastatals was partly linked to their monopoly position. This was due to the cushioning effects of being underwritten by the state, the efficiency of production due to their relative modernity, and of course a legally-established monopoly position. The nature of their operations was inherently capital-intensive (UG 36/58: para. 297). The higher and rising capital-intensity and scale of their operations and the decline in proportion of private manufacturing fixed investment, were sides of the same coin, reflecting the limits to peripheral production. The parastatals, increasingly efficient, were important in effecting favourable terms for the periphery in the face of the contradictions of production. They were able to ride some of the buffeting more successfully than private manufacturers. Whereas private manufacturing included the most efficient elements of monopoly capital along with a host of producers whose international cost efficiency was declining in relative terms in the second half of the sixties, the public corporations existed in a sector that was more efficient overall. In any case, stable markets, protection, etc., were in many cases such as to ensure the shifting of burdens onto other elements of capital if necessary. In this context, it becomes possible to explain the intensifying pressure in the crisis-ridden seventies by private monopoly capital for the parastatals to be handed over to private enterprise. The complaint by monopolists about State encroachment on areas they felt should be reserved for private profit, was only because of the desire to lay their hands on now-profitable sources of state accumulation.



Like other elements of South African monopoly capital, the activities of the parastatals necessitated close cooperation with foreign associates, in order to gain access to technology and know-how. For example, the ISCOR-controlled Vanderbijl Engineering Corporation (Vecor) was "the largest comprehensive engineering works in the whole of Africa ... (It is not only) a manufacturing concern for heavy industrial equipment, but it also undertakes the installation and commissioning of complete projects. In this regard, Vecor undertakes, in conjunction with specialised world-renowned firms, the design of complete plants ... The very high standard of Vecor's workmanship and techniques is evidenced by the standing of the firms for whom work has been executed" (Norval, 1962: 16). Vecor had interests in such firms as Babcock and Wilson London Co., and worked with Ruber Owen and Co. (UK) in its Port Elizabeth plant. Another example of such interrelation is the establishment of SASOL through buying out Anglovaal's rights to the Fischer-Tropsch oil-from-coal process. This involved negotiations with the US M.V. Kellogg Corporation and with a German Arbeitsgemeinschaft, or joint venture. American engineers were in charge of coordination and construction of the licensed plant (FM, 16.11.1979: 11). Overall managing contractor was the US- and international giant Fluor Corporation. Companies involved in SASOL 2 include the German Lurgi, Air Liquide of France, Badger (US), Universal Oil Products, Linde and Mobil. As one official said, "Our main interest in licensing is to be at the front of all future technology development" (ibid.: 34).

It should be noted that the parastatals played a specific role in regard to white labour. This was tied in with the particular ideological and political forms of struggle with the white wage-earning classes, and the State's role in this regard as the largest employer of white labour. This generated certain special features in regard to racial stratification in the labour process, with a higher white to black ratio than in private manufacturing concerns. This was partially offset by the higher organic compositions of capital in the parastatals. In any case, they were not free from many of the pressures of the transition to the real subordination of labour under monopoly relations. Their primary existence was as capitalist enterprises, and processes such as deskilling and job fragmentation proceeded within the parastatals as within monopoly capital in general, although the precise forms and rhythm might have differed (see Morris and Kaplan, 1976b: 17ff).

Another effect of the special relation of the parastatals with the state, bore upon the creation of places in management for agents drawn from particular classes and strata. Thus members of the Afrikaner petty-bourgeoisie found the opening up of opportunities in fields other than the limited openings generated through the general advance of the Afrikaner financial and manufacturing bourgeoisie. There were, as well, a number of links between Afrikaner heads of monopoly corporations and the management of parastatals. The specific composition of directors and management, however, left largely unchanged the particular structural place of the parastatals.

### General

A number of areas have not been covered above. Some of these have been touched upon in previous sections, such as the state's pioneering role in developing a money-market. The National Finance Corporation gave impetus to a wide range of financial institutions capable of centralising latent money-hoards and making them available in the variety of forms necessary for the accumulation of capital. Other areas, such as exchange control, and fiscal and monetary policy in general (e.g. interest rates, budget expenditure, Reserve Bank operations) have been largely ignored. They either appear less important than those sections dealt with, or do not really bear directly on productive activities within manufacturing industry, or have been impossible to theorise adequately or describe at this stage. Lastly, the section above has only covered a very limited set of strictly economic interventions by the state. As Poulantzas has correctly pointed out, these are structured by the dominantly political forms and functions of the bourgeois state (see Poulantzas, 1973.). But this is a discussion that would go well beyond the limited parameters of this section of the dissertation. Where relevant, the state's (economic) policies towards labour, and its maintenance of the ideological and political conditions of capitalist production and reproduction, will be the focus of discussions in the following chapter.

Despite the strictures just mentioned, it is believed that enough has been examined to sustain the argument that the state's policies were set within the limits of the development of monopoly capitalist relations in manufacturing industry. It may be argued that the state actively pursued the concentration and centralisation of local capital

and its interpenetration with foreign capital in a process of dependent industrialisation. The initial impetus for this rested on the need for a wide bourgeois consensus in the face of necessary attacks to undermine the gains of the black working class in the war years, organisational and political as well as economic. In the face of intense struggles to suppress the gathering militance of the organisations of the popular masses, it was impossible to ignore the limiting effects of the internationalisation of capitalist relations in the present phase of imperialism. Measures to find alternative strategies for development would have opened up too many flanks amongst the bourgeois classes, threatening the very dominance of capitalist relations and forces throughout the formation. A struggle against imperialism by small-scale capital required a mass base: yet the very conditions of existence of this class and its associates involved intensifying contradictions with the working class. Only in this way could absolute surplus value be found in an attempt to offset the high productivity of imperialist production.

Such a path would have been suicidal. While there was no inevitability to the series of compromises with imperialism that did emerge, these were structured by the particular forms of relation between the various classes in the social formation in the post-war era. The development of the "apartheid" option, and its specific effects on the trajectory of accumulation in manufacturing industry, carried within itself the seeds of destruction of some of the classes who were involved in forcing through the set of compromises involved. They would have to face a rearguard action against the effects of the emergence and consolidation of monopoly relations in the era of internationalisation of capitalist relations. The changing forms of the capital relation that grew out of this path of dependent industrialisation, and the seeds of renewed and intense clashes between the bourgeoisie and proletariat, would ensure that such compromises would have to break up. It is to the nature of the compromises, the forms of crisis that were generated, and their relations with the opposing interests of direct producers and capitalist that the next chapter turns. It is however, impossible to correctly and fully place the forms and functions of the state, nor to provide a wider explanation of the forms of struggle throughout the formation, by a narrow examination of manufacturing capital. The perspectives below must remain subject to this important limitation.

FOOTNOTES TO CHAPTER FOUR

1. Palmer claims an increase in white employment of 23% and black of 64% (Palmer, 1954:153). Davies suggests an increase of 56,8% in black employment from 156 550 to 245 538, though he is obviously using a more restricted definition of manufacturing industry (Davies, thesis: 255). Houghton's figures are 20% for whites from 93 000 to 112 000; and 74% for Africans from 143 000 to 249 000 (Houghton, 1973: 123). The more conservative figures probably apply to private manufacturing only.
2. Although the Reddingsdaadbond was vital in generating a correct "economic consciousness" amongst impoverished Afrikaners (see O'Meara, thesis: 148).
3. Palmer notes an increase of exports of manufactured goods as a proportion of gross output of secondary industry, from 4% in 1939 to 7,7% in 1950. Southern and Central Africa was the important component in this rise (Palmer, 1954: 154).
4. Indeed, the United States showed an early interest in the South African economy, with the arrival in 1942 of the American Economic Mission under Wickersham (see Robertson, 1954).
5. As R. van S. Smit argues: "Deur die binding van die Tarief op hierdie vlak in so baie gevalle, volg dit dat Suid-Afrika se beweegruimte om op baie van die betrokke soort goedere wat met 'n redelike mate van tarief-beskerming lonend in Suid-Afrika vervaardig sou kon word, beskermings-regte te hef, in wesenlike mate aan bande gelê is" (Smit, thesis: 203). ("By binding tariffs at this level in so many cases, it follows that the room for manoeuvre by applying protective-duties on many of the affected types of commodities that could have been profitably manufactured in South Africa, was blocked to a considerable degree.")
6. ("The American and English financiers and industrialists have control over/access to the technical knowledge, experience and even the necessary capital ... these blessings are unfortunately not mixed. On the contrary, there are grave disadvantages in dependence. Although there might be short-term advantages for us, it is most likely this will not be the case in the long-term. Economically, the country is being increasingly controlled from overseas.")

7. Much of this section is based on the paper by Lewis (1975).

8. The declining economic situation of white labour, the crisis of social-democratic ideology, and grass-roots organising within the white labour movement, were weaning Afrikaans workers (the majority of white workers) from an "economic-class" to a "political-nationalist" viewpoint (see Davies, thesis, and O'Meara, thesis).

9. A famous speech by the liberal economist, C.S. Richards after the war, is interesting and amusing for its euphemism, its hollowness and its ideological blarney: "No-one wants deflation on the scale of 1929-32: such would be a national and international disaster, but if a small amount restores a sense of proportion, a sense of social values and social responsibilities, if it creates competition for customers and for jobs, increases efficiency and reduces costs and if, incidentally, it restores some semblance of courtesy and civility in many walks of business life, it will not be altogether a bad thing. I know this is not a popular thing to say ... The doctrine of full employment, while a useful ideal, is of doubtful validity ..." (Richards, 1949: 147). Needless to say, he did not see himself as one of the victims of his all too sound doctrine.

10. A good example is Tiger Oats, that grew into a giant from its beginnings as supplier of food to mine compounds. In 1978, it ranked in the top 10 companies in South Africa by assets. Its other pillar of support was the establishment of agricultural control boards, which provided the "foundation to agribusiness". Today, Tiger Oats has interests in milling, animal feed manufacture, pet foods, malt beer, broiler chickens, margarine and vegetable oils, dairy produce, soap and oleo chemical products, baking and confectionary, soft drinks, importing and exporting, ethical drugs, hospital and surgical equipment, toiletries, ocean fishing, canning, etc. (see FM, Special Survey, Top Companies, April 12 1978: 65-71).

11. See Swart, 1974.

12. Du Plessis used three-digit classifications. Five-digit classification would be significantly homogeneous. For a discussion of the digital system, see Du Plessis, 1978: 259.

13. ("Die NFK het die lewensvatbaarheid van gespesialiseerde geldmarkinstellings bewys.")
14. Diederichs, 1955: "I must point out that to me and to us here it is very interesting to note that the great mining interests are today keenly interested in the industrial expansion of our country. That is a welcome change of heart. There was a period when the position was totally different. There was a time, 25 or 30 years ago, when they opposed all industrial development in our country. There was a time when they said that we should remain a gold-producing country and import from overseas everything we require in the way of industrial articles. There was a time when they objected when we referred to the gold mine as a dwindling asset. Today we find this change of heart on their part and they are now singing another tune, and suddenly the great mining interests want to pose here and outside as the champions of industry in our country." (Hansard, v. 88, 1955: cols. 3400-1).
15. ("the building of a Christian national business morality' and the cooperation with its rejection of the individual chase after profits ... had made place for the harder reality of an effective, fast-developing modern capitalism.")
16. ("Although the Afrikaner is today backed up by a number of financial institutions and finance companies that have already centralised large amounts of capital, we still require an institution that is capable of taking on the greatest businesses.")
17. ("disadvantageous setting-up, badly-lacking business leadership in regard to direction and management, and a lack of knowledge and experience, and of insufficient capital"; ... "well-meaning and powerfully capitalised").
18. ("The Afrikaner, who was hewer of wood and drawer of water in the past and must still wage an uphill struggle to gain a place to stand firm against the vested interests and monopolies operating throughout the country - can thus hardly be condemned as a capitalist if he succeeds in this difficult struggle.")
19. ("I actually find it tragic that the Afrikaner became economically aware ... in a period when it was the tendency to erect large businesses

and when the dominant idea was that this was the only way of doing business.")

20. ("It is not in the interests of our economic struggle that our scarce capital is expended in competing with each other while great fields lie open.")

21. For a discussion of the use of surface categories such as "capital intensity" and their relationship to explanatory concepts within a theoretical framework, see the first chapter of this dissertation. See also Fine and Harris, 1979: 58-61).

22. As will be seen below in, for instance, the relation between motor vehicle manufacturers or assemblers and the suppliers of components.

23. This is not to argue that peripheral industrialisation was in any way inevitable. Also, the presence of the MNCs, while in some sense the result of a prior set of favourable conditions for peripheral industrialisation, itself contributed to these and shaped the emergence of particular forms.

24. Even the physical acquisition of machinery that embodied certain relations, relied on overseas sources. By 1959, the bulk of imports consisted of manufactured goods, machinery and transport equipment. Between then and 1968, over half the increase in imports was made up of machinery and transport equipment alone. As Rogers argued: "During the 1960's South African industry began to operate on an import-intensive basis, highly dependent on the continued supply of capital goods for the increasingly high-technology capital-intensive operations" (Rogers, 1976: 100).

25. Much of the above information is from Financial Mail, Special Survey on Sentrachem, May 25 1979.

26. ("Overseas banks are active in opening up contacts for senior personnel from South Africa to visit overseas businesses.")

27. The diversification was even more apparent in the field of foreign trade.

28. Or even, in the case of motor manufacturers, Australian subsidiaries. South Africa takes some 20% of Australia's exports of motor vehicles and components, but largely marketed by their (sister) American companies. (Swart, 1974: 171-3).
29. ("instead of investing further capital in the South African affiliate, in future a local partner/s will be sought who will be prepared to accept a stable/guaranteed market, know-how and patent rights as contribution to shareholding interests in lieu of cash-finance.")
30. ("The new American takeover of enterprises is gaining momentum and American technology and industrial power is engaged in penetrating all the main areas of future economic development in Europe ... American technological knowledge and know-how/technique has become so important for future European science-based industries, that it tends towards technological colonialism and economic subjugation ... The lifestyle, business methods and world-outlook of the Americans accompany their capital overseas, and their influence is far-reaching.") Interesting in the latter regard, is that US film-rental royalties accounted for some 96% of overseas payments in this category in 1967 (RP 86/70: Table 4). This is not the place for a discussion of the links between cultural forms and imperialism. I merely note Bettelheim's observation that imperialism is not simply economic, but political and ideological in its forms as well.
31. ("will become permanently dependent on foreign enterprises for their new technological know-how" .... "a step behind their overseas competitors")
32. ("contributed to the fact that new know-how infiltrated in the production-methods and techniques of national firms.")
33. Own plant production as a percentage of locally manufactured components in the motor industry grew from 7,2% in 1963 to 20,1% in 1972, averaging around 13 to 15%. The biggest increases were in 1962-4 and 1968-70 following on increased local-content demands (Swart, 1974: 168). This excludes other foreign investment in components, and ignores the extent of sub-contracting, technical assistance and similar arrangements to increase control.

34. "... the holding of 20 per cent or even less of the equity share capital confers effective control of the company. In fact evidence has been laid before us to the effect that companies control other companies without holding any shares in them at all." (RP 45/1970: para. 46:17).

35. According to Exchange Control Regulation no 3(1)(f) of 1968, a maximum of 25% of share and other capital could be borrowed locally by a 100% foreign-owned company. The credit limit rose proportionately with local share participation.

36. See Vaitzos, 1975, for similar problems in Andean Pact countries.

37. Indeed, in one year, out of forty-four complaints, not one led to an investigation in terms of the Act (RP 64/77: para. 50).

38. For BTI Reports justifying concentration, see inter alia, Report no 1347; and Industrial Development Series, No 6, part V.

39. Minister of Economic Affairs, 1959: "In regard to ... the small industry, this Government has always adopted the attitude that an industry which applies for protection ought to be able to satisfy the internal demand to an appreciable extent. This standpoint can normally be justified because to tax the whole of the internal consumption for the sake of a relatively small production can do more harm than good" (Hansard, v. 102, 1959: col. 7532).

CHAPTER FIVE: THE CONTRADICTIONS AND LIMITATIONS OF DEPENDENT  
INDUSTRIALISATION IN POST-WAR SOUTH AFRICA

Capital, Crisis and the Restructuring of Social Relations

The previous chapter attempted to show some aspects of the path of industrialisation that occurred in post-war South Africa. It was argued that under the impetus of competition from producers in the imperialist countries - where the war years had stimulated the change-over to a new value-basis of production - secondary industry in South Africa found itself <sup>impelled to restructure production</sup> in line with the dynamic of the new internationalisation of capitalist relations. This involved the concentration and centralisation of capital as a necessary step to facilitating the changes in the actual process of production itself, that marked the forms of internationalisation. It was shown how the emergence of a diversified and sophisticated financial system and set of institutions, hastened and deepened the extent of capitalist centralisation and concentration. The state, mining houses and foreign capital were all active in the financial restructuring.

These processes enabled, and in turn were encouraged by, the adoption of a new technological basis for industry, whose twin aspects were the rising organic and technical composition of capital, and the systematic application of science to industry. It was this latter aspect that opened the way for a growing dependence on and domination by internationalised productive capital in the form of the multinational companies, seeking sites in the periphery for their productive activities. The changes in the metropolitan countries impelled the monopolies to take advantage of every opportunity for profitable expansion in the periphery as a means of establishing competitive superiority over other producers; and it was the effects of those same changes that generated heavy demands for a restructuring of peripheral production, such that it was difficult to resist the impact of the MNCs, except at great cost. The forms of dependence on foreign investors were established primarily through the technological backwardness of peripheral producers, and the import of machinery and other capital goods, that could seldom be competitively produced in the periphery.

If these processes and changes appear to be the outcome of technical and purely "economic" impulses, this is not the case. At one level, it is

true that the effects of capitalist social relations (in our case, internationalisation and its effects flowing from the accumulation dynamic in the imperialist countries) did in reality operate through seemingly neutral and economic laws. On the other hand, it is important to see that even the operation of these laws as the surface effects and forms of underlying social antagonisms, was subject to concrete, form-determined social struggles at all levels of the social formation.

This is seen for instance in the argument, briefly discussed in the previous chapter, that the encouragement by the state of monopoly capital was due to the limits set on the state by the dynamic of the capital relation in the social formation as a whole: this was itself determined in large measure by competition on an international scale. Within the state, in turn, these limits could be seen operating through the need to extend a tax base, balance of payments problems, technical efficiency, etc. On the one hand, these limits were set, not by a pre-given or externally-given path of capitalist development, but by the weaknesses of the particular classes organised within the Afrikaner nationalist movement, forcing an effective compromise or alliance with imperialism and monopoly capital. Any antagonisms that went beyond debates over the terms of interaction, and seriously began to shift social and economic costs onto particular elements of capital, ran the risk of shattering the necessary unity of the dominant classes in maintaining the capital relation in the social formation as a whole. It was possible that such a confrontation might have been successful if predicated upon a particular form of the strong state and fascist social and economic organisation - but this is speculation, and ignores a whole set of historically-evolved forms that favoured other alternatives (such as dependence on foreign trade, depth of existing forms of monopoly capital, an ideology of white civilisation that included all whites as part of the outpost, the particular make-up of apparatuses such as the armed forces, the entrenched elements of white democracy, etc.)

In short, not only did economic laws operate as separated forms, albeit the outcome and effects of underlying social struggles; but the very dynamic of these forms was in turn influenced through other direct forms of struggle.

The compromise that evolved in post-war South Africa emerged from a

balance of struggles at all levels. The previous chapter has shown how its development involved a gradual lessening of antagonisms amongst bourgeois elements. Manufacturing capital was in many ways the site of this welding of foreign and local monopoly interests, and the interlinking of gold-mining, financial and industrial capitals in a way that increasingly made wide structural differentiation less likely. The major secondary antagonisms were expressed in the relationship between monopoly and non-monopoly sectors, although the precise forms through which such struggles were fought must still be historically specified. Furthermore, such questions as the forms of agricultural development and the place of white wage-earners, also need answering for a full analysis of post-war South Africa.

Questions have been approached in the previous chapter largely "from the viewpoint" of capital, and in terms of what may be termed the secondary contradictions. This is permissible at the fairly general level at which questions were approached, and the need to establish certain processes as the concretely-existent effects of forms of class struggle. The forms of conflict between elements of the bourgeoisie, however, themselves remain unsatisfactorily explained until the dynamic of the capital-relation itself has been exposed. Unfortunately at this stage, even this must rest for a number of reasons on a perspective that is biased from the point of view of capital. This weakness, that makes for a lack of specificity in particular, is in itself an index of the domination of capital in the social formation throughout the period covered.

To write "from the point of view of labour" would require a detailed knowledge of widely differing local conditions, of the effects on these of national events, of open and underground organisational forms, ideology and culture, the relation between town and country, factory and township, and a host of other social interactions. This would have to be both deep enough and wide enough to provide a national perspective. By the very nature of working-class life, such a picture could not be built up solely or even mainly from documentary records - These are either non-existent, especially due to illiteracy and repression; too fragmented and partial, e.g. novels, letters; or are available from bourgeois investigation in times of disturbance or crisis. In short, a full picture of forms of class struggle cannot be the task of pure academia - the latter is always tilted towards bourgeois practices, not least because it exists as an expression of the separation of theory from practice.

As was pointed out in the previous chapter with reference to the state, explanations as to why this and not that outcome, rest on a specification of a complex articulation of historically-evolved forms of struggle. Their rhythm of development is partially explicable in terms of the general laws of motion of the mode of production dominant in the social formation. The precise forms, the development of the class struggle and the outcomes and effects, require a deeper and more complex set of determinations. What is particularly important here is that these involve social relationships developed and expressed through apparently fragmented and disjointed forms of struggle at all levels: economic, political and ideological. However, the task of this dissertation is to concentrate on the economic effects and outcomes of antagonistic social relationships, with specific reference to manufacturing industry.

The economy is both a site of these relations, and an index of the differing forms throughout the social formation. The relation is established through the particular concrete articulations and contradictions of the economy in its relation with other forms. Concentrating on the economy, and more especially on the most important and dynamic part of it (manufacturing industry), thus enables much to be understood of the quality and character of the social formation as a whole. A focus on the economic developments is, however, unwarranted, where this becomes the sole level of explanation of the dynamic of the capital relation: even to make it an hierarchically determining level, requires previous theorisation to justify such a treatment. For example, it has been argued that the economy, and manufacturing industry in particular, were the arena for modalities of South Africa's incorporation into the imperialist chain. Preceding chapters were necessary to argue strongly that the forms of incorporation bear heavily on the development of forms of class struggle.

This chapter looks more closely at the "internal" limitations and contradictions of the capital-relation. These mark a set of articulations that themselves affect the forms and outcomes of "external" pressures: In fact the latter operate only through their internalised effects. As has been argued: "The internal forms assumed by nation-states are shaped, not only by the domestic class struggle, but also by the movement of capital on the world scale, a movement that includes themselves" (Barker, 1978: 123). The separation of "internal" and "external" dynamics

does, however, bring the analysis closer to the necessary central levels of explanation. Where it is crudely possible to argue that imperialism acts as the widest context in which internal developments are situated, it is the internal developments that bring one closer to the reasons for particular outcomes. The previous chapter certainly examined "internal" developments in South Africa; but largely in terms of the external limitations on the capitalist dynamic, and concentrated on "competitive response: an attempt to mobilise capital resources for competition in the world market" (ibid.: 123). /

In short, the analysis below examines the internal limitations and contradictions of dependent industrialisation; as a consequence it looks more closely at the relationship between dominant and dominated classes within South Africa. The warning about bias towards capital is important. The focus is still on the economic forms of the capital relation, although the particular history of South African class struggle gave rise to an extremely complex interlinking of economic and political forms of struggle. As one example, the direct interventions of the state in productive accumulation, belie too rigid a separation of the "economic" and the "political". (see ibid.: 121).

This chapter thus serves to round off and complete the analysis of manufacturing industry in post-war South Africa. It draws from preceding chapters, as well as generating a fuller and more complex set of explanations for the development of particular forms of capitalist exploitation. By drawing out the implications of these forms for class structure and struggle, a more useful and important set of conclusions is reached in the course of analysis than were the usual approach of a final summary and formal conclusion to be adopted.

A useful method of approach is through the notion of restructuring. Post-war social relations marked a distinct and qualitative break in the periodisation of South African capitalism; the concept of restructuring points to the ruptures and process involved in the transition from one phase of development to another. The restructuring involves above all the re-establishment and transformation of social forms and their conditions of existence, in such a way as to ensure accumulation and bourgeois domination after a period of disruption and instability. The disruption in favourable conditions of accumulation, in other words, capitalist crisis, is inherent in the contradictory movement of the

capital relation, although its forms and outcomes are the effects of complex forms of class struggle.

The crisis involves the disruption and break in the expanded reproduction of capital, and a rupture in the balance between the circuits of capital. It is thus a crisis that could be expressed in any of the circuits, including that of money-capital or in the distribution and sale of produced commodities. The disruptions express the antagonisms between capital and labour in production but are related in a contradictory whole that ensures the real effects of each of the circuits.

The crisis is thus not necessarily the immediate result of conflicts between capitalists and workers. As Fine and Harris suggest, "Crisis is not produced by a simple balance of forces in this struggle (between capital and labour)" (Fine and Harris, 1979: 89). Thus while direct struggles give obvious impetus to the forms and outcomes of the crisis - and, indeed, are the crucial aspect as well as the only groundwork on which the successful overthrow of bourgeois domination may begin - the crisis rather is seen as the break in the cycle of extended reproduction of capital, that occurs due to an articulation and coalescence of contradictions at a host of levels. These contradictions are the forms and products of the capital relation. Organisational forms too are an important part of the modes of development of the particular social forces involved in struggle. The crisis thus includes, and is compounded by, forms of ideological and political rupture.

The crisis is both the signal, and the means of overcoming, the limitations in the development of particular forms of accumulation. These means include the economic requirements of a reconstituted capital, invariably involving the "expulsion of living labour in the restructuring of productive capital and redistribution towards capital" (*ibid.*: 135). Invariably, there is an ideological and political offensive against both the threats of defensive militancy by the working classes and the opposition of bourgeois and other elements threatened with the burdens of the past. Just as the crisis is the unconscious outcome of particular forms of accumulation (although this does not mean that organised activity is unimportant), so too is any resolution of the crisis a contradictory and uneven process.

As Holloway and Picciotto argue: "It is clear that what is involved is a process of struggle, a struggle primarily between capital and labour but, flowing on from that, also between different capitals and fractions of the capitalist class ... (it) is not just an economic struggle but a struggle aimed at the reorganisation of the whole complex of social relations of production" (Holloway and Picciotto, 1977: 93). Despite the break and reconstitution of social relations, the forms are obviously related, and often superficially similar to those of the preceding historical period. Restructuring also remains an ongoing imperative, and brings with it new forms of contradictory accumulation. The limitations of the capital relation are transformed, not overcome; the inherent social antagonisms in the accumulation of capital guarantee the re-emergence of crisis in new forms. This is particularly true for the fragile forms and more open and naked conflicts of capitalism in the periphery.

The preceding chapter gave an indication of the nature of the crisis that came to a head after the few years of post-war boom. Accumulation on the old basis was threatened. The economic forms of crisis related to indices such as the widespread use of outdated or obsolete equipment; renewed competitive pressure from imperialist producers as they shifted to peace-time production and South Africa's artificial war-time protection ended; the collapse of the speculative boom known as the funk-money episode; substantial pressures on the foreign exchange situation with increased imports of capital equipment and consumer items; and, importantly, high levels of wages and employment. The latter was closely tied to the aggressive and militant activities of the urban working-class. Such actions were organised in a wide variety of struggles by the oppressed, from squatter movements to the mine-workers' union, increasingly linked to organisations with revolutionary aims.

The major organisation of the dominated classes, the ANC, had started to shake off the conservatism and elitist inactivity of the thirties, and under the impetus given by the Youth League, moved to a programme of direct action and mass mobilisation. The return of white ex-soldiers and the threatened loss of war-time gains in employment, as well as the ideological impact of anti-fascist ideas, spurred their activity and gave an added urgency to their confrontation with the state.

Within the ruling classes, the uncertainty of the times was refracted in splits and conflicts - ranging from attitudes to trade unionism (both black and white) to questions about the social costs of reproduction of labour power. There was a general crisis of social democratic ideology reflecting the inability of the governing coalition to ward off the fears of white wage-earning classes. This was increasingly expressed at the party-political level, with a militant Afrikaner nationalist movement providing the only cohesive organisational force.

The concerns of a range of social forces were crystallised in the slogans opposing oorstroming and presenting apartheid as the solution. The victory of the National Party in the 1948 elections was obviously not the cause of the end of the crisis; but as one part signalling and helping to realise the intention to pursue an aggressive assault on the dominated classes by a particular ruling coalition, and through the particular forms of organised state-apparatus that a governing party controlled, the election victory marked the beginning of a restoration of the conditions for the favourable production of surplus-value. It was not a retreat to feudal activism. Rather under the banner of chauvinism and racism, certain class forces acted in circumstances that opened certain options, and also called for compromises and alliances. Solutions for the social forces immediately concerned involved particular forms of restructuring and direct assault on the militance of the dominated classes in a number of areas. Those solutions most directly relating to the industrial restructuring, and the nature of the forms of struggle in this area, are examined below.

In general, the nature of the crisis and the increased productivity of imperial capital, placed weaker and less productive national capitals in a situation that threatened them with destruction. The solution in South Africa parallels that in Peru, where it has been noted how "the weaker (national) capitalist class resolves the contradiction not by direct confrontation with imperial capital (which would be suicidal), but rather by negotiating a mutually profitable alliance ... the national capitalists, given their lower technical composition of capital, must try to extract greater absolute surplus-value. Thus, as the national capitalist's conflicts with imperial capital intensify, his contradictions with the working class heighten - his need to lower the

wage rate, extend the working day, and speed up production increases ... intensification of the contradictions between imperial and national capitals drives the latter back to the shop floor to intensify the rate of exploitation and thereby extend their lease on life" (Dora and Weeks, 1976: 57-8).

#### Competitive and Monopoly Capital and the Level of Black Wages

The requirements for the restructuring of productive plant differed as between large-scale and small-scale industrial capital. For large-scale capital, the adoption of the complex and integrated processes of monopoly capital, with the predominance of dead over living labour, involved accumulation of large masses of surplus-value to enable initial outlays and investment to occur. For small-scale capital, competitive and working at the margins of profitability, there was only one alternative to offset the advantages of enterprises operating on the basis of the productivity of labour. This was to force down the value of necessary labour-time so as to increase the share of value going to the capitalist; in other words, extract absolute surplus-value and raise the rate of exploitation through reducing the variable component of capital.

Particularly in the face of the rises in black wages during the war-time period, and with the generally higher reliance on skilled white labour than in the more mechanised industries, it was important to confront the black proletariat directly. The small capitalist could not afford that the temporary gains by black labour become incorporated as a determining historical and moral element in the value of labour power. The disciplining and control of the work-force could not be assured by an assault at the level of the labour process through changing the individual labourer's relation to the total collective labourer. Direct force and coercion, and therefore the use of the state's repressive apparatus was called for in order to ensure the possibility of a rate of profit high enough to ensure survival in the face of the superiority of monopoly capital. The intensification of labour by the small-scale capitalist in South Africa, ensured that the coercive functions of the white state remained close to the surface in the determination of the economic forms of struggle; to put it crudely, every struggle over wages involved the state as well.

It is not my intention to explain the assault on black wages and living standards, solely by the demands of small-scale industrial capital. A full explanation cannot be given without a wider analysis of class struggle through the formation. For example, it is likely that elements of agricultural capital too would have opposed, as a matter of life or death, the emergence of a wide differentiation between town and country. The mobilisation and success of particular demands is not given simply by the fact of the existence of certain needs. I thus wish to go no further than arguing that small-scale industrial capitalists were of necessity to require the intensification of direct coercion of the black proletariat; and that such an intensification occurred, and was particularly to the benefit of the smaller capitals. This enabled a degree of competitive survival in the face of monopoly capital internationalising in the post-war period.

Pressure on wages was one of the forms taken in the extraction of absolute surplus-value. The diagram overleaf shows that the period 1948 to 1953 immediately after the Nationalist Party victory was the only period in the post-war era in which black wages in manufacturing showed a consistent and real decline, indeed a "sharp" relative and absolute decline (Hindson, thesis). Wages were reduced by nearly 5% (Kaplan, thesis: 309).

The maintenance of competitive advantage through the depression of black wages clearly had limits in the face of high productivity industry. That the latter had severe problems under the specific conditions of production in the periphery, eased competitive pressure to an extent. In certain industries with a high labour content, forcing down wages could have been the main factor in determining profitability. These industries, clothing, textiles, food processing, were also important elements of the wage goods of labour and therefore crucial to the general profitability of capital in determining the subsistence costs of labour. Further, in these industries, the ability to depress wages by utilising specific sections of the reserve army of labour, noticeably women, had much to do with their successful expansion and relative importance.

More generally, it is argued that, in the face of demands from white wage-earners for relatively high remuneration as well as their resistance to loss of real control in the labour process, the capacity

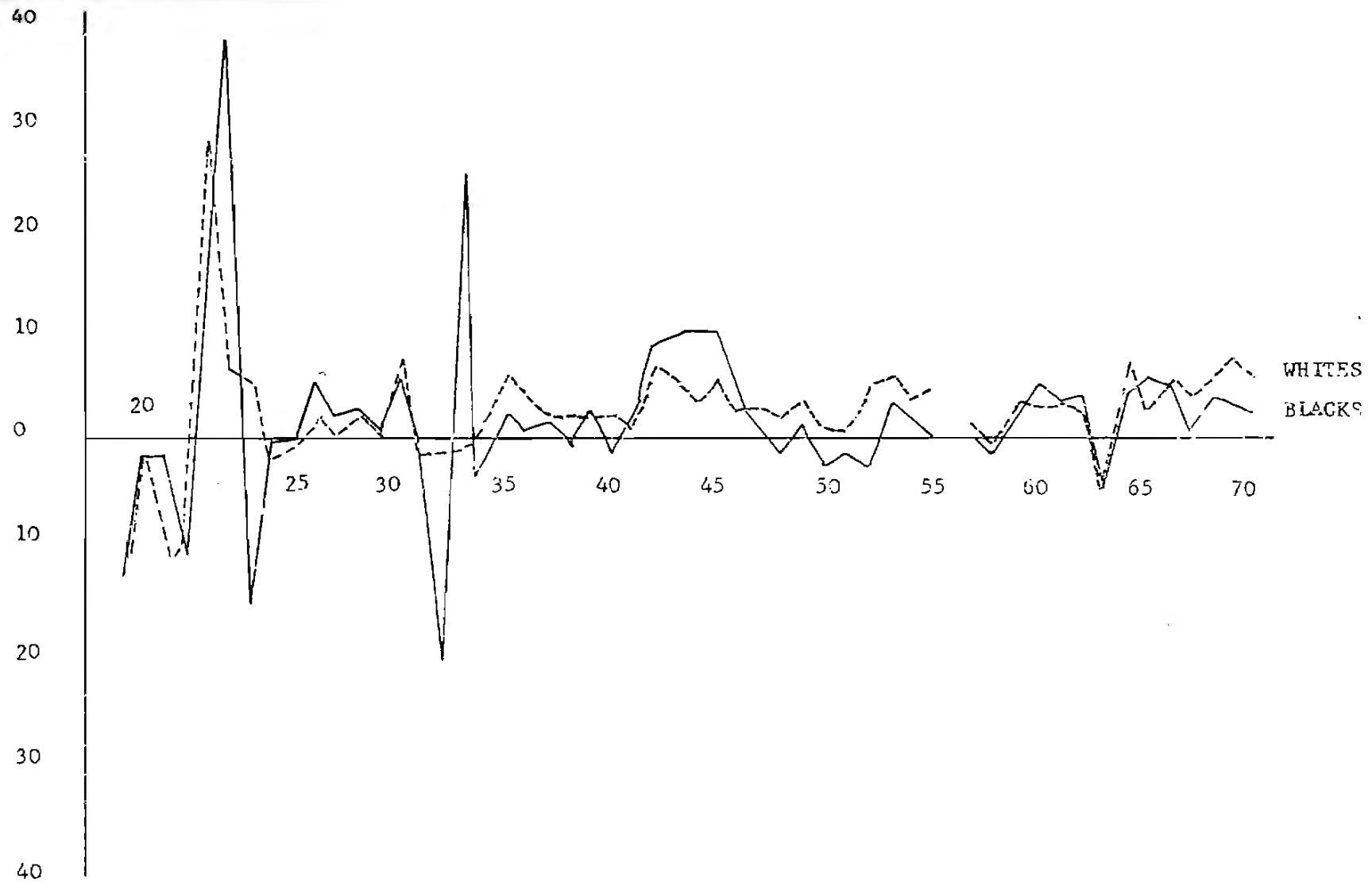


FIGURE 4: PERCENTAGE CHANGE IN REAL AVERAGE ANNUAL EARNINGS OF WHITES AND BLACKS IN SOUTH AFRICAN MANUFACTURING INDUSTRIES 1916-1970 (1938 PRICES)

(Source: Hindson, thesis: Diagram 4.3).

of capital to allow increases in black labour costs would have been further limited. The importance of the latter point is suggested by the extent of the gap between the wages of black and white workers in industry. Between 1960 and 1970 the wages of whites in the manufacturing sector rose 174.2% at current prices, while the increase in black wages was marginally less at 165.3%. There was a slight rise in the ratio of black to white earnings from 5,6 to 5,9. However, of more importance, was that the gap between white and black wages rose from R1 575 in 1960 to R2 775 in 1970 in absolute terms. Thus while the relative increase in wages over the period was more or less the same, the absolute gap between average earnings rose by 76%. While 277200 whites in manufacturing were being paid R927,8m in 1970, the 616 500 blacks received a total of R352,3m (Nedbank, 1977: Table 38). In the face of the relatively high level of white earnings, the level of black wages would have to be kept correspondingly lower.

The extraction of absolute surplus-value was not only a necessity for smaller capitals. Larger capitals were partially limited in their capacity to take advantage of production-line processes and mechanisation by the resistance of white wage-earners on the factory floor. Competition came not only from more productive industry in the advanced capitalist countries, but also from similar producers in low-wage areas such as the Far East. As with wage differentials, the effect of this on the mass and rate of surplus-value could be offset to an extent by pressures on black wages.

Once the offensive by the National Party in power was shown to be capable of crushing the worst reaction of the black proletariat, even monopoly capital would give qualified support to some of these measures (see Lewis, 1975: 39). Even if the low-wages of competitive capital were not a precondition of profitability for monopoly capital, the benefits were a welcome addition. This would remain so at least as long as there was no threatening defensive response by black labour. It is not surprising then, that in the quiet of black opposition in the sixties, the objections to state policy from monopoly capital were equally stilled.

The difficult relation between the capacity of monopoly capital to bear relatively higher wages than small-scale capital due to increases in

productivity, and yet the advantages of squeezing labour to its maximum, were captured in a speech by Horwood: "On the one side, we have the need to maintain a high rate of economic growth in order to that we may remain ahead of those countries which are currently less developed than we are. Failure to do so could lead to our losing the only markets in which we can hope to make significant progress in respect of capital goods. On the other side, there is the need to avoid rapid increases in our labour cost structure so as to take advantage of those markets for high labour content products which are likely to become available in more advanced countries ... We have therefore, to tread a very careful path between the two precipices of economic retrogression relative to lesser developed countries, and uncompetitiveness resulting from too high a rate of wage increases" (RP 69/72: 219, para.204)

Similarly, the President of the Transvaal Chamber of Industries, in an address to the 1957 FCI Congress, warned that a low-wage structure was inevitable in South Africa if competitors such as Far Eastern countries utilised "intelligent efficient and hardworking labourers (who) are paid considerably less than our natives are earning today" (FCI, 1957: 49). In the face of the rising agitation by black workers in the fifties, recovering from the first offensive of the National government, he could only urge the "95% of law abiding citizens" amongst them to "have the necessary patience. They would be well-advised not to listen to agitators who would lead them to bite off the hand that feeds them by arguing such things as day-of-strike in our industries, because if they do - their lowly status will be infinitely prolonged. They must realise that the laws of economics are far stronger than the laws of man ..." (ibid.: 50).

By 1969, the director of the FCI was warning that wage increases were threatening the long-run viability of manufacturing industry in South Africa (FCI 1969: 20); and the Reynders Commission was warning that increases in labour costs of 24% per unit of output through the sixties were threatening the competitive position of manufacturers (RP 69/72: 392, paras. 38-9). Shortages of skilled labour, and the blocking of reorganisation of the labour process, affected both wage levels and the ability to raise productivity to counteract the effects of higher wage-costs. Combining with other factors these contradictions in the forms of development of manufacturing industry in South Africa, were

to precipitate the crisis of the early seventies. The bursting forth of black opposition in a renewed, more militant and radicalised form, would presage an urgency to restructure and overcome the limiting effects of the past. The compromise between small and large-scale capitals, would come under increasing stress as monopoly capital sought a rise in/black wages as one part of its strategy of domination.

#### Other Effects of the Reduction of Variable Capital Through Squeezing Black Wages

Even the most favourable estimates show that 16,7% of the population received 5% of disposable income, and 71,2% only 25% of income (Legassick and Innes, 1977. 444-5). There were important effects flowing from the highly skewed income distribution predicated on the squeeze on black wages. One of the effects at an economic level was to increase the demand for luxury production through the concentration of income in a small group. Thus, expenditure on durable and semi-durable goods rose from 27,3% of private consumption expenditure in 1960 to 31,4% in 1970, or from some R918m to R2 433m at current prices by 1970 (Nedbank, 1977: Table 48). Expenditure on recreation, entertainment, education and cultural services, as well as on transport and communication (e.g. motor vehicles, radio equipment) also rose significantly. Such expenditure not only encouraged the more capital-intensive luxury production that would be associated with monopoly capital, but also helped to account for the extent to which growth through the sixties was linked to the growth of the internal market rather than the process of import replacement (see KP 69/72:6-7. para. 22). But it was growth confined to a small group, and limited in its scope for expansion. Also, the effect of highly visible differences in consumption levels was itself a source of grievance among the dominated classes; an ideological effect not to be ignored.

The effects of the repression of black wages on the internal market were highly contradictory. On the one hand, the enlarged mass of surplus value available enabled large-scale investment to occur. This was important in the late 1940's and early 1950's, in particular, when the restructuring of productive facilities was urgently necessary. This had to be done in the face of the competitive pressures of already advanced overseas producers, and in a short space of time so as to

rapidly generate the profits that would encourage further expansion. There was also the danger of falling so far behind that permanent stagnation might occur.

As monopoly capital slowly entrenched itself in South Africa, the marginal increments in the rate of profit as a result of reduced variable capital would have acted in two ways: (1) It acted to offset some of the blockages to internationally cost efficient production that existed as the effect of forms of South Africa's inferior place in the chain of imperialism. These blockages were also forms associated with other aspects of the development of South African capitalism such as the particular racial division of labour and structure of the white wage-earning classes, that enabled them to block the real transition in the production process to monopoly relations of production. (2) The high rate of profit acted as an element making investment in South Africa particularly attractive to foreign capital, enabling the internationalisation of production relations to be relatively successfully pursued.

On the other hand, the low level of income of the black proletariat acted as a brake and outer limit on the size of the internal market, particularly with respect to commodities that were not "necessities of life". The skewed income distribution in favour of white property-owning and supportive classes might offset this to an extent. However, the high levels of investment called for by competitive pressures in the present phase of imperialism and made possible by a raised rate of surplus-value, in turn generated the increasing production of large unit outputs if the costs of machinery were to be justified. This ever-increasing scale of production came up against the limits of a small and relatively fixed market.

Problems of realisation, limiting the full use of industrial capacity under mass-production techniques, were thus a direct result of the form of extraction of surplus value and the downward pressure on the consumption of the working masses. There were physical limits on the growth of certain sectors: Others, such as extensive and sophisticated machinery production, could never really attain the economies of scale to justify being sited inside the social formation. In turn, the imbalance between departments that this implied, linked up closely with other economic contradictions such as balance of payments problems.

There were perennial complaints from monopoly capital about the limited size of the internal market, and unsuccessful attempts to alter the boundaries of this contradiction. As early as 1941, a Government commission had noted that "the Union must rely almost entirely on the domestic market ... Unfortunately, the South African market is a very restricted one, as the total population is small and a very considerable proportion of it is in such poor circumstances that, generally, it cannot purchase the goods produced. This fact seriously militates against industrialisation of the Union" (UG40/41: para. 39). It was recommended that the solution lay in breaking into the natural markets of the North; it should be "a primary objective of South African foreign trade policy to conclude reciprocal arrangements with the Southern African territories for the elimination of trade restrictions, thus preserving their natural economic unity" (ibid.: para. 161). The BTI Investigation into Manufacturing Industries repeated the call to "concentrate on foreign markets bordering on the Union" (BTI Report 282: para. 298).

It was not surprising that "the territories to the North of the Limpopo are the natural Market for our large and expanding industries" (Eric Louw, 1957, in Innes, 1975: 147). The importance of the adjacent territories was confirmed by the favourable balance of payments with them, and the importance of manufacturing exports. In 1967, for instance, 87% of exports to Zambia consisted of manufactured goods (ibid.: 155). This was contrary to the pattern of exports to the advanced capitalist countries. Africa accounted for some 19% of total exports in the post-war period, with major partners being Zambia (Northern Rhodesia) and Rhodesia. While exports in general rose by 6,4% per annum between 1950 and 1958, 5,4% from 1958 to 1966 and 6,7% from 1966 to 1970, those of manufactured goods rose by 3,1% 1950 to 1958, to 6,4% 1958 to 1966 and a high 16,8% from 1966 to 1970. The relatively rapid growth was mainly due to developments in a few markets in Africa, Rhodesia in particular (RP 69/72: 56, para. 78; 47, para. 55).

But the breakthrough into Africa was not easy: occurrences such as the creation of the Federation saw a drastic drop in exports. While UDI by Rhodesia opened a captive market, the very racial forms of exploitation in South Africa resulted in a refusal by black African countries to trade openly with South Africa. The detente policy of the late

1960's, had as one crucial aspect the attempt to smooth the way in Africa for South African manufactured goods as the expansion of the internal market in the 1960's faltered and reached its limits.

The Reynders Commission in 1972 argued strongly that "Perhaps the most important inhibiting factor in South Africa's economic development is the relatively small domestic market, which results in relatively higher costs per unit and an inability to compete strongly in the export market ... this places a definite limit on the growth potential of capital intensive industries with a high technical optimum (the chemical and iron and steel industries are outstanding examples)" (RP 69/72: 34, para 25). The limiting actions of the MNCs further restricted the size of available markets by restricting exports.

The limitations on the scale of production were felt most keenly in those industries with most sophisticated technology and high organic compositions of capital. In this regard, the production of machinery itself was one of the least viable areas, representing a permanent imbalance between departments of production within South Africa. The necessity of importing machinery and capital goods placed continual strain on balance of payments and this in turn reinforced the fundamental choice facing the economy: "A lower rate of economic growth or more intensive efforts to increase exports" (ibid.: 18-9, para. 47). In turn, the profitability of mining and agriculture, the major export sectors, remained crucial; and their very labour-intensity, amongst other factors, reinforced the downward pressure on black living conditions that was itself an aspect of the realisation problems of monopoly capital in manufacturing industry.

The development of manufacturing industry was inherently contradictory: while the development of the capital-relation, more specifically of relations between direct producers and capitalist, were determined by relations in the production of surplus value, it is apparent that the precise forms in which the contradictions were manifest, cannot be immediately read off from the relations in the sphere of production.

#### The Costs of Reproduction: Contract Labour

Struggles over the level of wages were not the only forms through which the viability of capital accumulation was sought. Conceptually similar

at an abstract level, but with widely differing implications for the nature of the struggles, was the concomitant attempt by capital to ensure minimal social costs of reproduction of labour-power. This also involved the reduction of variable capital, but in a socialised form rather than through the privatised relations between employer and employee in the wage-form. Once again, as with wages, a similar rationale applied in regard to the urgency of the matter for small-scale capital. The costs of housing and other socialised elements of reproduction of labour-power affected different capitals in different ways. However, as previously, the immediate needs of a particular element of capital are not sufficient to develop an explanation as to the precise reasons for the particular forms and rhythm of struggle or of their outcomes.

The particular forms engendered by the drive to reduce socialised costs of variable capital, are generally associated with the question of the "migrantisation" of labour, and the reasons for its application to secondary industry. It is well known that one of the important aspects of the migrantisation of black labour, was in the minimising of costs that had to be borne by capital in reproducing labour power. Costs associated with non-productive populations were eliminated: the old, the sick, the unemployable, or unemployed, were simply dumped in the countryside. In the cities, housing was standardised, and the compound and barrack systems lowered costs immensely; transport was rudimentary, and cheap; and recreational, educational and cultural facilities were minimal, and often geared to raising revenue from the dominated classes, shifting the burdens of the costs of the townships even further onto the working classes. [It has been argued that "One of the most obvious benefits that the modern sector of the South African economy has received from the continuance of the migrant labour system is that it was not forced to direct investment from directly productive activities to social overhead investment" (Nattrass, thesis: 121). While a precise figure is relatively unimportant, on a number of reasonable assumptions, and looking only as the immediate cost reducing effects-as against family housing-of housing contract labour, Nattrass found that the migrant labour force could be as much as 28% less efficient than a settled force before its use would harm economic growth. The "savings" on housing in 1970 were equivalent to 50% of the capital invested in the Railways,

or some 12% of public sector investment (excluding parastatals) in that year (ibid.: 122).

The migrant labour system (or more correctly, contract labour system) was tied in with a host of political, ideological and economic forms: the labour bureau system, forms of political representation in the cities, regulations on home-ownership, the pass laws and the whole set of legal apparatuses associated with them, political control in the Bantustans and a whole set of Bantustan apparatuses, the ideological orientation of Bantu education, and so on. All of these elements interacted in a system aimed at virtually total control of all aspects of the lives of the dominated classes. The system as a whole engendered particular contradictions, and the discrete forms that made it up were themselves the site of a host of sometimes fragmented and sometimes unified struggles.

The reduction of reproduction costs of labour borne by manufacturing capital was only one aspect of the system. The shifting of the reserve army of the unemployed into geographical locations that virtually eliminated their ability to make claims on capital were another part, which also produced the possibility of a wide cleavage in the dominated classes. The allocation and canalisation of labour as between mining, agriculture and manufacturing was also important, ensuring a stable and balanced rhythm of accumulation in the constituent parts of the social formation, and as a whole in their inter-dependency. It is clear, however, that reduction of the contract labour system to the economic forms of subordination and control is theoretically and empirically invalid; it is also clear that the relationship between the economic, ideological and political forms was extremely complex.

One of the most important aspects of the tightening and sophistication of the contract labour system, the various political, ideological and economic forms of which were expanded and intensified as Nationalist rule consolidated, related to the political control and disorganisation of the dominated classes: in this, the particular racial forms of domination were a crucial aspect. Between 1946 and 1970, the number of Africans classified as urban-dwellers grew from 1 863 277 to 4 989 371. This was a growth of some 27% in the number of Africans classified as urban as against a rural increase of 17% and a white urban increase of some 18% (Hindson, thesis: Table 4.4).

This was closely associated with changes in manufacturing industry. Total manufacturing employment rose by 685 000 (141%) from 1950 to 1970. African employment in manufacturing grew by 382 800, from 241 800 to 624 600

(158%) - and an additional 205 900 of employment in construction is included. By contrast, Africans in mining industry increased by 162 000 (36,4%) 1950-1970. White employment in manufacturing rose 120 300 (Houghton 1973: There was, furthermore, a dual concentration of employment: a rising proportion of employment was in the Southern Transvaal area, with just under half of all workers by the late 1960's. Further, workers were increasingly concentrated in industrial units with a relatively high number of employees. Houghton gives a rise in the average number of employees from 28 in 1938-9 to 80 in 1967-8 (Houghton, 1973: 137-8; 125). With much of industrial output concentrated in the hands of a few firms, these averages are likely to be extremely misleading, despite the much higher capital intensity of large producers.

Effectively, a strong base was created for unified struggle by the dominated classes over a wide range of issues. The very all-embracing nature of the contract labour system ensured at the least a broad base of opposition to the forms of domination and exploitation. There was the possibility of a wide front due to the national forms of oppression. On the other hand, there were highly contradictory tendencies. The contract labour system evolved explicitly as a means of countering the political and social threats posed by the concentration of working class activity and the base provided for this by the process of industrialisation. It not only gave the dominant classes a formidable weapon against militant opposition, from endorsing out militants to sealing off barracks and townships. More importantly, numerous divisions were opened up amongst elements of the dominated classes. These included such divisions as those between employed and unemployed, rural and urban dwellers, migrants and permanent residents, those with housing and those without, and so on. In the absence of a political movement with deep roots and a clear line, these divisions might seriously compromise the various struggles of the dominated classes. The general social and political advantages to capital, were enhanced by the ability to counter threats against the low level of wages or the conditions of reproduction in township existence, for instance.

As the Minister of Economic Affairs argued, such matters could not be viewed from an economic point of view alone, but rather "against the background of the whole life of the community with all its problems and also its political problems." (Hansard, v.102, 1959: col. 7606). As he went on to say: "There is an enormous difference, socially, politically, strategically as well as economically, whether we have all the millions in our midst or whether they are far away on the borders of their territories" (ibid.: col. 7608).

The Viljoen Commission, too, had been clear about the dangers: "The urbanisation of the population has led to the massing of large numbers of Natives, who have broken away from tribal relations that had given their lives a content and a meaning, and have been congregated in the large industrial cities. The effect of the massing of large numbers of people, who are inadequately housed and fed, whose social and family life are disintegrated, who are forced to travel long distances to and from their work, and who consequently fall an easy prey to immorality and political subversion, represents the social cost of industrialisation in this country" (U. 36/58: para. 451).

It is clear to what extent the policy of oscillating labour was of economic benefit to small-scale capitals, controlling and suppressing the all-important commodity of labour so as to make production relatively more viable. The political advantage to all capitals is also obvious in regard to control and repression of the working masses. In this way the contract labour system helped to maintain the general conditions for the maintenance of the capital relation. The application of the racial forms of South African capitalism even to non-working class elements of the black dominated classes, was a continued necessity so as to avoid the risk of concession to certain elements releasing the dike holding back more proletarian demands (see Poulantzas, 1976: 94-5).

What is less clear is the fact that monopoly capital had, to put it mildly, little objection to the economic effects of the contract labour system either. It has been argued that secondary industry required settled labour that could develop the necessary skills, and that the system militated against this (see Houghton, 1973: 90ff.). In part, these complaints were part of the ideological baggage of liberalism and had the occasional effect of diverting black opposition away from the consequences of capitalist development.

The contract labour system did not imply the non-existence of a substantial group of "permanently urbanised" workers. The question of skills and training was more tied up with educational facilities and their use, than with the existence of inadequate amounts of settled labour, in any case. There is little evidence that settled labour was offered wide opportunities for skill advancement, or that employers

showed much desire to extend such to contract workers. The more efficient operation of such things as Labour Bureaux and call-in cards, was always the preferred solution, reducing labour turnover significantly in many cases. The complaints from monopoly capital about the contract labour system related largely to improving its efficiency and operation.

As the Viljoen Commission argued: "... the main purport of these provisions was accepted and to a certain extent even supported by all the witnesses who gave evidence ... certain criticism was levelled against the manner in which influx control measures were administered" (UG 36/58: para. 255). The recommendations of the Commission, which was sensitive to the forms of industrialisation and their preconditions, went no further than to make the system work "as smoothly and efficiently as possible" (*ibid.*: para. 263). In 1958, and again in 1959, - after over a decade of intense agitation by the dominated classes against the pass laws, and a year before the anti-pass campaigns associated with the Sharpeville massacre - the President of the Federated Chamber of Industries was proclaiming that "The need for Native influx control is not disputed". Where there was a problem, it was over the "inflexibility of its exercise" and its "implementation" (FCI, 1958: 22; 1959: 15).

It has been argued that to all intents and purposes, the content of "migrancy" was often purely formal. "Migrant labour" was proletarian labour without access to means of production, linked only by a legal connection to the Bantustans, and "permanently available to secondary industry on a continuous basis" (Kaplan, thesis: 318). A large amount of permanently settled black labour was available in the cities, the so-called "section-tenners". There was much truth in the statement by the Minister of Economic Affairs: "This Government has done so much for our industries that it will not allow them to be harmed. But we want to create order where disorder has reigned. We wish to work to plan. We will see to it that each industry has its workers, but it has to go through the proper channels, so that we know what is coming in and what is going out." (Hansard, v.89, 1955: col. 5880).

A brief profile of contract workers is of interest, and suggests that any differences between this and "settled" labour were not of economic disadvantage to capital. Contract labour grew at an average of some 3% per annum 1946 to 1970. In the expansionary decade of the 1960's, with

gold-mining employment fairly stable, the annual rate of increase was about 1% more than the increase in the economically active labour-force. Contract labour thus grew in importance in the overall labour supply.

While 81% of the contract labour force was under 40 years of age in 1970, only 62% of stabilised labour fell into this category. Nevertheless, between 1936 and 1970, the average time in employment of contract labour grew from 13 to 19 years; the average for settled workers was only 23 years. Despite some of the differences, and excluding the mines, it appeared that contract workers were distributed through various branches of the economy in a broadly similar pattern to settled workers. The fact that they appeared as likely to obtain well-paid jobs as settled labour, implied that "as far as the employers of labour are concerned ... there seems to be no marked preference for or prejudices against migrant labour" (Nattrass, thesis: 111; see also 90ff.) The benefits of the system related overall to the generalised lowering of the costs of reproduction of labour-power, and the control, discipline and disorganisation of the dominated classes that was of distinct advantage to capital in the accumulation process.

Some advantages of the benefits of contract labour, are seen in the results of a study of labour practices in the sophisticated and capital intensive ISCOR plants: "Management expressed a strong preference for homeland over township labour, because the former could be located in a company administered compound. This allowed the Companies greater administrative control and control over absenteeism. Also, local labour was much more inclined to go into the 'softer jobs' of private industry ... In addition, shift work was unpopular with local labour and significantly it appeared that a high percentage of 'local labour' were being employed in ancillary occupations rather than directly on the factory floor. Compound labour, however, could be easily organised to fit in with shift schedules and the company was assured of a high percentage attendance. This was stressed as being of great importance given the fact that steel making involved continuous production processes" (Morris and Kaplan, 1976a: 26).

Class Struggles in the Fifties

In large part because of the particular racial forms that application of the pass laws and contract labour system implied, a broad unity was established between the black petty-bourgeoisie and working classes in their struggles against forms of domination. Linked together in the particular ideological and organisational history of the ANC, the possibility existed for widespread campaigns and agitations, with a mass appeal as well as the involvement of an intellectual and petty-bourgeois leadership, that characterised the leadership of the fifties. Recovering from the first onslaughts of the Nationalist regime, and reacting against initial assaults on living conditions and wages, a mass-based and militant struggle found effect against the range of forms of domination.

Many of the struggles were against legal forms, exclusion from structures of political representation, and against the widening nets of statutory and police controls that surrounded repression and control. A large number of organised campaigns were against the more immediate forms that affected the economic and social lives of the dominated classes. The pass laws were at the centre of the 1952 Defiance Campaign; and remained the centre of agitation throughout the turbulent fifties. Women in particular organised against the threatened extension of these controls, tied in with their increasing productive employment and movement to the urban areas. In seven months of 1956 alone some 50 000 women demonstrated against "reference books". Activity by the Federation of South African Women culminated in a demonstration of ten to twenty thousand women at the Union Buildings in August of that year. In 1957 rural resistance by the women of Zeerust once again highlighted the struggles of the dominated classes against the forms of their exploitation. It took more than ten years before compulsory bearing of reference books by women could be enforced (see Walker, 1978).

Transport boycotts - in Evaton in 1955-6, Brakpan 1956, Sophiatown 1955, and the famous Alexandra bus boycott - were important struggles linked to the particular forms of reproduction of labour power. Similarly, resistance against removals from Western Townships, Sophiatown, in particular, from about 1954-7, although split by conflicting interests

and vacillating strategy, were foci of opposition against the forms of domination characteristic of the particular trajectory of South African capitalism. The Freedom Charter of 1955, the culmination of the Congress of the People held at Kliptown, proposed a democratic programme with certain socialist demands. These informed the ideology and practice of the ANC until it was crushed as a legal and above-ground movement in the early 1960's.

Also of importance was the close connection between economic and political demands of the working class. Giving support to the nationalism of the ANC, the workers gave a radical impetus and effectiveness to ANC campaigns, with widespread use of the stay-away as a weapon of protest. It was a weapon with severe limitations, but one closely related to the intermingling of community and industrial issues in South Africa and of national oppression and worker exploitation. SACTU, formed in 1955 and adopting the Freedom Charter, gave a specifically industrial and trade-union emphasis to these struggles: apart from its support for the more general demands of the ANC, its agitations were most successful in such campaigns as that for "El a day". Purely industrial strikes involved very much the same low number of strikers in the early fifties as in the latter part (see Hemson, 1978: 17; Horrell, 1969: 73)- the struggle over wages was necessarily political. It was thus limited by the nature of the ANC as the leading movement, and by the force of state repression. Tensions that existed were apparent for example after the 1958 Workers Conference. Its calls to mobilise over pass laws and for a living wage, and subsequent debates within the Congress Alliance over leadership of the movement, as well as the collapse of the strike movement in 1958, seemed to highlight the problems of strategy within the dominated classes.

#### The Forms of Crisis in the Late Fifties

The mounting agitation and activity throughout the 1950's were giving impetus to the destabilisation of the conditions for capital accumulation in the social formation. For the first time since the war, in 1957 and 1959 there were significant outflows of foreign capital, although this was partially offset by an unusually favourable surplus on current account (RP 69/72: Table 1/1). The outflows reflected a decline in profitable areas of investment. Merchandise imports, that had been

falling off rapidly from a high 33,4% of GDP in 1948 to 23,3% in 1954, now remained at a fairly static level as the process of import substitution levelled off (RP 65/72: Table 2,7). Compared with a figure of 52% for the period 1926/7 - 1956/7, import substitution contributed only 16% to growth in manufacturing production between 1956/7 and 1963/4 (Zarenda, 1975: 113). Rather than the "period of consolidation" that Innes describes (Innes, 1975: 112), the late fifties were a period of uncertainty, falling productivity and declining economic growth - the appointment of the Viljoen Commission was one indication of the search for solutions.

Capital was fully aware that it was "unsettled labour" and the inadequacy of government's "race policies" that were giving impetus to an impending crisis. FCI economists, to government ire, described the situation as one of depression or stagnation rather than the "readjustment after a boom" that one Minister suggested (FCI, 1957: 34; 1958: 25; 1959: 13-5). At the same time, the FCI called upon the "Natives" to stop listening to agitators, to stop "biting the hands that feed them by organising such things as days-of-strike" and to have patience that "by and large fundamental issues affecting their living standards are being tackled" (FCI, 1957: 50).

It took the Sharpeville crisis to restore the stable rule of capital. The ruthless crushing of black opposition was the most crucial aspect of the consolidation after the panic by police at Sharpeville, and the massive retaliation and anger of the black masses throughout the country. For a brief period, the pass laws were suspended, before the state once more went on the offensive. The outflow of capital following Sharpeville was met by the short-term expedient of exchange restrictions; and, more generally, the realisation that the restoration of industrial and political "peace", however ruthless, was a precondition for, and must go hand in hand with, the attraction of foreign capital. As South Africa withdrew from the Commonwealth and declared her independence from colonial ties, the outgoing chairman of the BTI argued against any forms of economic nationalism: "We still need the help and cooperation and in particular, the know-how of the older industrialised countries. To ensure this, industrialists from those countries must be assured that they will be allowed to operate ... without let or hindrance ... (we must also) keep the cost structure of secondary industry as low as

possible". At the same time, black wages must be raised and the internal market be expanded (FCI, 1961: 21).

The call was a feasibility on the basis of the consolidation of monopoly capital. The restoration of confidence and profitable circumstances, was accomplished through frontal attacks by the state's repressive apparatus, and the surprising fragility of the ANC in these circumstances. By 1964, the last expression of resistance, already cut off from any mass base, had been crushed. The fall-off in strikes, excluding overtly political strikes that ceased altogether, is clear in the table below, indicating in large degree the defeat and loss of morale of the masses:

TABLE 22: AFRICAN WORKERS ON STRIKE: 1955-69

<u>Year</u>	<u>No of Strikes</u>	<u>No of African Workers</u>
1955	82	9 479
1956	92	6 428
1957	113	6 158
1958	65	7 128
1959	36	3 462
1960	33	2 199
1962	11	400
1963	17	1 100
1966	14	1 374
1967	20	1 302
1969	?	1 708

(Source: Horrell, 1969: 73; Hemson, 1978: 19).

The state provided further economic preconditions for accumulation, encouraging definite expansion projects by bodies such as ISCOR, SASOL and ESCOM. This stimulated growth and infrastructural development, as well as affecting the ideological climate (FCI, 1961: 14). Certain capitalists took the opportunity of capitalising on the difficulties of others and riding the crisis; direct investors moved to protect their stake in the economy and, contrary to the general trend, US capital provided a net inflow for the years 1961-4. American financial institutions, as well as the IMF and the World Bank, underwrote the

expansion. Charles Engelhard, and a number of local financial and mining houses, including Anglo-American, expressed their confidence in the economy through plans for renewed investment (Rogers, 1976: 102ff.)

By the second half of 1961, the crisis was over, and as Houghton argues: "By 1962 forces making for economic expansion were sufficiently strong to force a breakthrough" (Houghton, 1973: 210). From 1963-1971 was to be a period of real growth in GDP of some 6,3% per annum, the highest in the post-war period (Innes, 1975: 112). While GDP growth in current prices was 135,2% over the decade (76% real), the increase in the value of private net manufacturing output was a high 157,6% (Houghton, 1973: 210 and 271). Manufacturing output was even higher if the faster increase of the public contribution is taken into account.

More importantly the decade was to be a period of consolidation of monopoly relations, in which many of the trends surveyed in the previous chapter became entrenched. Monopoly capital settled in comfortably with the state and apartheid: in 1964 the FCI President announced: "Legislation pertaining to employment, factory conditions, health and safety of workers, influx control, etc., are accepted as most desirable social measures. Administered reasonably and sympathetically, such measures do serve a real need" (FCI, 1964: 12). As foreign and local monopoly capital experienced the joy of high rates of exploitation, the ideology of economic take-off gained in popularity.

But the internal contradictions and limitations of capitalist and peripheral production in the particular South African conditions were not to be long in asserting themselves. Some of these, have been examined in an earlier section of this chapter. To gain a closer understanding of the forms of their occurrence, it is useful to examine some of the effects and consequences of changes in the labour process as monopoly relations were consolidated through the nineteen-sixties.

#### Changes in the Labour Process

"The central problem of (industrial) organisation has been to integrate specialised equipment and processes in order to obtain the optimum results in terms of a smooth, even and continuous flow of work. Complex operations have been broken up into their constituent parts, and these taken over by specialised machines. This coordination of machinery

and labour into a continuous chain of operations has had the effect of transforming the entire establishment into a semi-automatic and homogeneous functioning unit" (BTI Report 282: para. 197).

"On the line (as workers describe the assembly line), the pace of work is controlled by some mechanical means - a conveyer, a trolley, or belt. Each man works in a limited area. Operators usually do their work independently of others as the car is carried down the line ... After finishing his work cycle on a given car, the operator returns to his station and begins another installation.

"The men on the line must adjust to its pace, although there may be some room to work back on the line or to drift ... This freedom is limited, however, by the grumbles of fellow-workers who are unwilling to make room for those who do not hold their assigned work area. On the line, therefore, the rhythm of men is subjected to the rhythm of the machine ...

"The line brings the work to the men. In his work process, the discretion of the operator is directly limited. All parts are standardised and interchangeable ... Nor does (the operator) have any choice in respect of the selection of tools or work methods.

"The repetitiveness of the job requires what has been labelled 'surface mental attention' as distinct from 'attention in depth'. That is, the nature of the work operations is such that the full mental identification of the worker with his product is not required. The operation quickly becomes second nature to the operator.

"Because assembly-line jobs are standardised and minutely sub-divided, individual jobs require little skill, which in most cases can be acquired within a few days or weeks" (Spandau, 1974: 6).

The labour process in the capitalist factory is not simply a physical process of production of articles embodying use-value; it is commodities for exchange that are being produced, and it is the particular social division of labour characteristic of capitalism that predominates. On the one hand, the necessary organisation of labour and of means of production into a complex productive unit in which several workers take

part on a cooperative basis, is a feature of all modes of production. On the other hand, the particular mode in which, in the factory, labour is physically reunited with the means of production from which it is socially separated, is expressed as "the power of capital in the form of factory discipline" (Brighton Labour Process Group, 1977: 12). Capitalism creates commodities; but capitalist accumulation also implies the labourer on one side, and capital on the other in a relation of domination/subordination. Production is a process of surplus-value production, and thus produces the capital-relation itself, as well as the commodities that are churned out.

It has been strongly argued that the very development of the factory system, of the minute division of labour and the hierarchy of coercion and delegated authority, were "innovations in work organisation ... introduced so that the capitalist got himself a larger share of the pie at the expense of the worker" (Marglin, 1976: 14). In this emphasis, the process of depriving the workers of control of product and process has nothing to do with increasing productivity and technical efficiency, but involves increased capitalist control and possibilities for direct coercion in the extraction of surplus-value.

By contrast, without denying that surplus value extraction occurs under the dominance of capitalist production relations, the Brighton Labour Process Group (1977) develop a more satisfactory position. In their view, the continual revolutionising of instruments and social organisation of production that occurs under the phase of the real subordination of labour to capital, is indeed "a tendency in which 'efficiency' in some sense clearly plays a part" (ibid.: 8). Some of the technical advances include maximum speed of performance of tasks; increased intensity of labour by eliminating gaps between operations; raised precision, predictability and quality; continuity of production and the full use of constant capital; and a minimised dependency on specific or scarce labour skills, thus lowering the value of labour power, and facilitating replacement and interchangeability (ibid.: 13).

The "technical" gains themselves rest on particular sets of social relations: a particular relation of science to industry and, the corollary of this within the labour process, the separation of the tasks of conception and execution, or the mental/manual division of labour; a

hierarchy of control and discipline; and the fragmentation of tasks and deskilling of labour (ibid.: 16-20).

In this context, Carchedi's attempts to define classes at the most abstract level "purely in terms of economic structure" (see Carchedi, 1975a) has correctly been rejected as "economic essentialism" (Johnson, 1977: 198). The ideological and political aspects of the domination by capital are central even in the direct process of production. The capitalist labour process is neither just another aspect of capital-in-general, nor Carchedi's determining essence, but rather a "specific site of the production process of capital", or "a particular and irreducible functional form in the circuit of industrial capital", that has its own determination and effects (Brighton Labour Process Group, 1977: 23). Linked to other forms of the capital relation in the social formation, and subjected to the general phases and rhythm of capital accumulation, the labour process is both a site and result of conjunctural class struggles.

Monopoly capital's financial control, the new forms of accounting and market control, and so on (discussed in the sections on concentration and centralisation in the previous chapter), as well as forms of control relating to the reproduction of labour power and ideological and political struggles are extended by and integrated with the new forms of socialisation of the labour process, as a crucial frontier for the extension of the rule of monopoly capital (see Fine and Harris, 1979: 116-7).

It is particularly through the pressures on the labour process, that the effect of the internationalisation of capitalist relations is felt. This is felt in the forms of struggle associated with "technical" re-arrangement of production in order to bring about the more intensive exploitation of labour, raising the productivity of labour so as to extract a rising proportion of surplus-value (Poulantzas, 1975: 63). The specific problems associated with the organisation of the labour process within South Africa and the forms in which these processes occurred, acted as severe limits on the possibilities of profitable accumulation under monopoly relations in the post-war period.

The Division of Labour and the White Wage-Earners

The particular racial division of labour in South Africa, summed up in one Minister of Labour's view that "the white man's brain is a more useful asset to him than his hands" (FCI, 1955: 33), gave a peculiar form to struggles in the workplace over the nature and forms of work and control. The racial division within the workplace reinforced and was affected by other racial forms of the social division of labour in the social formation.

The particular structure of the division of labour within the immediate process of production involved a number of tendencies. Firstly, a monopoly of places with a real or formal skill content was held by white wage-earners. (This was also partially true for "Coloured" artisans; and the craft unions of TUCSA bear witness to common interests at this level). In the second place, white wage-earners were able to demand wage-levels on a par with the highest paid to skilled labour in the advanced capitalist countries - one study suggested wage rates were comparable with those of labour in Canada (BTI Report 282: para. 413). This was coupled with the particularly low wages of unskilled black labour, resulting in wage differentials as between skilled and unskilled of several hundred per cent. Elsewhere in the capitalist centres, such differentials were of the order of 30 to 50% (ibid.: para. 413). Quite correctly, the point of comparison was with the most advanced producers, and even on line work such as motor plants, the differential was considered "huge" (Spandau, 1974: 11). Lastly, white wage-earners were able to block the physical transformation of tasks that would have eliminated the particular places occupied by them. Thus, where the semi-skilled operative was increasingly supplanting the skilled workmen in the advanced centres, in South Africa, there was a lower proportion of operative labour than elsewhere (BTI Report 282: para. 414).

As the Board of Trade and Industries suggested: "Hitherto the reclassification of labour categories through the process of negotiation between labour unions and employers organisations has been both slow and uncertain. The bargaining powers of the respective parties rather than the requirements for developing a manufacturing industry in the Union, have been the determining factor. There has been no continuous review of the classification of jobs and manufacturing methods in the light of changing

methods of production. The process of reclassification can naturally only succeed through cooperative action on the part of trade unions and employers organisation on the advice of experts in scientific management" (ibid.: para. 414).

The latter requirement, that of "scientific management", is of interest, as it suggests one part of the way in which capital negotiated solutions. Changes in the labour process, and the ideological justifications for these, were increasingly made the object of scientific study. The Work Study Person and the Industrial Engineer waged a struggle on behalf of capital, shielded behind the seemingly neutral technical requirements of machinery (Werk: 1 (4), 1974: 2).

Where capital attempted to rationalise the labour process and introduce cheap black labour into the established preserves of white wage-earners, this was accomplished in part by the increased movement of whites into mental and supervisory positions. The upgrading of the white wage-earners into more highly skilled positions or supervisory/planning posts, with higher rates of pay as an inducement, meant that they were increasingly filling places that polarised them towards capital. The functions of supervision and control, productive from a capitalist-class point of view, implied that wage-earners performed more of the "global function of capital" (Garchedi, 1975b: 370), with a structural position akin to that of the "new petty bourgeoisie" (see Morris and Kaplan, 1976b: 19).

This was clear from the BTI discussion of mechanised production: "The function of the skilled labourer ... is to organise and supervise production - to provide the mechanisation which enables the worker to produce. The actual production is performed by the operative who is required to execute only simple, standardised operations" (BTI Report 282: para. 130). Increasingly, too, it may be noted, the power of white wage-earners no longer rested on the performance of particular productive tasks in the immediate and physical process of production.

The process of upgrading was clearly seen in the metal and engineering industries where, in the few years between 1959 and 1963, white wage-earners classified as semi-skilled operatives fell from 24,5% of the total in these grades to only 15,7% (Schreiner, thesis: 13). One estimate, of a car-assembly plant, suggested that at least half of the

white wage-earners could spend considerable portions of their time in other activities without directly affecting productivity (Spandau, 1974: 10). The pressure for reorganisation of the labour process accelerated in the 1960's ; and for a number of historical reasons, including the industrial relations structure and the processes of trade union incorporation, the white unions were not really in a position to halt the process even had they so desired. Insofar as the struggle was pursued over reorganisation of the labour process, it took place over the pace rather than the process itself (Morris and Kaplan, 1976b: 7).

Nor was the state to allow extensive white resistance to changes in the labour process. Thus in 1955, the same year as the Minister of Finance was announcing active steps to encourage standardisation and expenditure on work-simplification and efficiency studies (Hansard, v.88, 1955: col . 3216 . .), the Minister of Labour De Klerk was addressing an FCI Conference: "The trade unions have already expressed some doubts as to the nature of the impact which automation is likely to have on the interests of the workers of South Africa. It would, in my opinion, be wrong for the trade unions to approach this development in any spirit of antagonism or fear ... It is no use trying to erect barriers against technical development, but at the same time none of use could contemplate with equanimity anything which would upset the excellent industrial relations which have existed in this country ..." The solution was negotiation, preferably through the industrial councils, and a "sound technical training system (as) the key to the future of the white man" (FCI, 1955: 37; 33).

And some eighteen years later, the Minister of Labour was proudly announcing that "the Department of Labour has been instrumental in the publication of Industrial Council Agreements providing for the reclassification and regrading of certain skilled occupations in order to relieve the skilled worker of duties which can be satisfactorily performed by workers of lower categories. The production capacity of the skilled workers has thus been increased by allowing him to concentrate on the more advanced aspects of his trade" (FCI, 1973: 64).

### The Labour Process and the Dominated Classes

The upgrading of whites into supervisory positions at higher rates of

pay, paved the way for two immediate economic advantages. In the first place, black labour that was substantially cheaper could be introduced. In one instance, the wage rate of black workers employed in reorganised white jobs was a maximum of 50 to 60% of the previous wage; and this excluded the numerous company fringe benefits available to white labour, and the savings on black facilities such as housing (Morris and Kaplan, 1976a: 13).

In the second place, the jobs themselves were seldom left the same, but were fragmented into their constitutive parts. This was the process of "improvements in industrial organisation" that the Viljoen Commission had called for as a prerequisite for increased labour productivity. This was what the FCI saw as "work diversification as a natural corollary to improved techniques and increased mechanisation" (FCI, 1965: 17). In itself, this reorganisation undercut the strength of white wage-earners, minimising their importance in the labour process and thus their capacity to make future demands.

The process of work dilution is described for the metal industries: "Through the application of machine tools of a specialised character it has become possible to have a breakdown of operations and to employ labour in single or multiple operations. Skill is removed from the job, apart from the setting of the machine tool. So a number of artisan occupations have been broken down into their constituent elements and work such as machining, certain aspects of welding, press operation and the like, is now performed by less skilled workers" (Norval, 1962:147).

These changes had important effects on the nature and composition of the dominated classes. In the first place, there was a "reduction of the high cost structure through increased and improved mechanisation so as to derive the full benefits of the large resources of comparatively lower paid non-European labour" (BTI Report 282: para. 415). Not only was there a quantitative extension of the places available to black labour, but they now occupied an increasingly powerful position in the labour process, numerically and in terms of their productive functions. In the motor assembly industry, line work had opened up the possibility of widespread use of cheaper and less skilled black labour in what had previously been a white dominated industry (Spandau, 1974: 11). From a ratio of 3,1 black workers to each white in the manufacturing industry

industry in 1945, the proportion rose to 3,5 to 1 in 1955, 3,7:1 in 1960, 4,0:1 in 1965 and 4,2:1 in 1970 (Hindson, thesis: Table 4.3). When it is considered that in 1970, the ratio of blacks to whites in ISCOR plants (which as a parastatal had a special relation to white wage-earners) was between 1:1 to 1,7:1, and that ratios in small-scale industry were also low, the figure for private monopoly capital was probably substantially higher. It can be seen that the ratios changed most rapidly, immediately after the war, when industrial restructuring was most thoroughgoing: it is also probably that under Nationalist rule, the particular relations of white wage-earners to the state also acted as a brake on black employment.

One possible ideological effect of the attempts or declared intentions of black "upgrading", was the feasibility of management presenting itself as the champion of the interests of black labour, and white labour as the only obstacle. The particular racial forms of white wage-earners' resistance to the attempts by capitalists to enhance profits at their expense, involved opposition to undercutting from blacks. This was often phrased in racial chauvinist terms, in calls for job reservation and for restrictions on black advancement. However, the ability of capital to benefit from this, was limited by a whole set of other determinations. Not least of these was the oppressive forms of capital's domination over black labour within the labour-process, and more generally on the factory floor.

The upgrading aspect of the fragmentation of tasks and employment of blacks in the new semi-skilled positions, ought in any case not to be exaggerated. In many instances, the extent of any improvement in wage-levels for blacks was miniscule (see Schreiner, thesis: 14). The actual training for and skill content of the machine operator's job was not particularly advanced in mechanised production. On the motor assembly-line discussed above, apart from a three hour induction course, the only other training courses for black workers related to training in lower level supervisory functions (Spandau, 1974: 4). Similarly, in the textile industry, despite a turnover rate of some 64% in 1968, a minority of personnel officers saw this as a problem (Hirsch, thesis: 9). Further, management seemed content to recognise that skilled and supervisory functions remain largely the prerogative of whites, utilising the racial division in this case to extend the coercive rule of

capital. Little attempt was made at extensive training of black labour beyond certain levels. Lastly, the control and discipline of capital over the black proletariat was continuously direct, and involved an ongoing struggle for its extension in a variety of areas, within and outside the labour process itself.

Just as changes in the labour process served as a weapon of capital against white wage-earners, so too, these enabled advantages to be gained in the exploitation of the black dominated classes. The simplification of tasks, and the low training period often required, coupled with the existence of a large reserve army of labour of the order of 19% throughout the sixties (see Simkins, 1978: 34), enabled large-scale dismissals and retrenchment to be used as one response to militant and organised labour (Schreiner, thesis: 66; Hirsch, thesis: 9). The continuous use of machinery, and thus the existence of shift systems, often acted as barriers to worker organisation within the factory, as did the physical and temporal separation of various departments and sections (Schreiner, thesis: 117, 119-21; Hirsch, thesis: 54-5).

The rate of expansion of manufacturing employment did not keep pace with that of output, as rationalisation of the labour process under capital-intensive techniques held back any reduction in the reserve army of labour (Legassick and Wolpe, 1976: 94-8). While unemployment remained steady in the 1960s, it was at a high level, and was to burst forth as one of the major problems of both capital and labour in the 1970's. Divisions between employed and unemployed were advantageous to capital; and the threat existed of more rapid mechanisation as a direct response to labour militance. New categories of labour could now be included in productive activity, thus also extending the pools of labour that exerted pressure on the employed.

The unique features of particular categories of labour could be of great advantage to capital, for example, the lower price and levels of political and economic consciousness and organisation of female labour. The changed nature of the work performed was one part of the explanation for the increasing possibility of employment of women in industry (although the availability of particular categories as well as the reasons for the specificity of each category of labour

also needs explanation). The textile industry provides an important illustration. Here from the dominance of white women in employment in the thirties, then the entry of African men and Coloured and Indian women in the later forties, then African<sup>men</sup> through the fifties, and finally after a decade of militant struggles, African women flooded into the textile industry in the sixties, to the point where they made up some two thirds of the workforce (Hirsch, thesis: 15-6). From 1% of the total manufacturing workforce in 1951, the proportion of African women doubled to 2% in 1960 and then increased dramatically to 7% in 1970 (Yawitch, 1979: 181). It ought to be noted that the increase in female employment was largely in areas relating to the production of means of subsistence, with labour costs being an important element in production. The use of female labour in this way reflected the ability of capital to utilise changes in the labour process so as to take advantage of divisions that reflected varied forms and conditions of existence within the dominated classes. Thus in the same breath as calls for "work diversification", the FCI director called for an end to the restrictions on female employment (FCI, 1965: 17). In the absence of unifying organisation amongst the oppressed, these divisions could serve as severe handicaps in the attainment of even sectional goals.

Similar points may be made in regard to the encouragement by capital of racial or geographical differences. This was particularly seen in the creation and occupation of middle-level supervisory positions. In one motor-plant, the only real avenue of job advancement was through training as Section Leaders: "Their syllabus consists of job instruction, job method, job relations, and basic principles of supervision. After successful completion of their courses, the candidates are issued with red badges labelled Section Leader. At present, they operate as middlemen between the (White) foremen and the (Non-White) workers, and are responsible for the control of absenteeism, punctuality, and occasionally quality" (Spandau, 1974: 4). The differential incorporation of socially or geographically distinct strata as a second tier of control, where linkages outside the factory were not always sufficient to overcome these divisions, was a conscious strategy on the part of capital to increase the control and discipline over direct producers in the labour process. The coercive functions of capital were extended through increased supervision; and the capacity of the working class to resist was minimised through encouragement of divisions. As was

the case with white wage-earners, at the ideological level the particular forms of assignation of differentiated groups to places in the labour process, acted to divert conflict against particular racial groups, for example, and away from direct antagonism toward capital and the social division of labour associated with particular capitalist relations (Schreiner, thesis: 108: see also Kirsch, thesis: 57).

It has thus been shown how the particular forms of the capital relation, in the above cases in relation to the changing forms of division of labour within the productive process itself, structured forms of struggle within South Africa. The initiative in the restructuring of the labour process, closely associated with the discipline and forms of control of the factory, was often in the hands of capital. The dangers of division such as those of sex and race, rested on very real considerations structured by the forms of exploitation. Similarly, the boring and repetitive nature of work, coupled with factors such as a large reserve army of labour and state repression, led often to worker responses such as absenteeism and extremely low productivity (Spandau, 1974: 4). The discipline of capitalist control in the labour process did not automatically presage the proletarian discipline of the organised working class that at least one writer suggests (Clarke, 1978: 70).

However, in the remaining section, I wish to show that the contradictions inherent in the particular forms of struggle at the point of production, did give rise - in conjunction with other contradictory forms that have been analysed earlier - to the emergence of disjunctures and dislocations. At a certain point, and under the impact of open struggle by the dominated classes, these might coalesce and threaten the continued existence of the capital relation. At the very least, a restructuring of the forms of capitalist exploitation would then be sought by capital.

### The Crisis of the Seventies

It has been argued that the forms of incorporation of South Africa into the imperialist chain, through the operation of the law of value internationally, effected a severe imbalance between departments of production. The increasing capital-intensity of manufacturing industry,

and the need to import plant and other capital equipment, was one source of the continual "overheating" of the economy. Capital goods made up 30% of imports in 1957; by 1970 the figure was 45% (Nedbank, 1977: 151). As secondary industry expanded, this put increasing strain on foreign exchange reserves. This reinforced the dependence of manufacturing industry on the primary earners of this exchange. It also acted as a continual brake on boom-time expansion, seen in the characteristic stop-go pattern of development of the post-war era, evident in the 1960's in particular (FCI, 1965: 14).

The structural imbalance between departments was seen in a chronic balance-of-payments deficit on current account throughout much of the 1960's:

TABLE 23: BALANCE ON CURRENT ACCOUNT 1960-1970 (Rm):

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
1960	37	1966	-1
1961	215	1967	-181
1962	317	1968	75
1963	166	1969	-245
1964	-48	1970	-843
1965	-296		

(Source: RP 69/72: Table 2/7).

Merchandise exports (i.e. excluding gold), made up a steadily declining proportion of Gross Domestic Product, falling from 16,7% in 1960 to 11,5% in 1970 (RP 69/72: Table 2/7). This reflected declining levels of productivity relative to that of producers in Europe and North America, as well as Australia and Japan. (ibid.: 380, para. 6). Further, there could be little hope of competing with the low wage areas such as Hong Kong and Taiwan. In other words, the ability of South African producers to maintain internationally cost-efficient production was declining through the 1960's. This undoubtedly was to contribute to a tendency for the rate of profit to fall.

Before examining the major reasons, it is useful to summarise a number of counter-tendencies. The low level of working-class struggle, indeed

of any widespread open or underground activity amongst the dominated classes, allowed the unchallenged maintenance of a minimum value of variable capital. Similarly, sophisticated forms of labour control and allocation minimised costs of reproduction. The system of labour allocation helped to ensure a relatively balanced development as between town and country, and between manufacturing industry and the primary generators of foreign exchange. The degree of concentration and centralisation ensured a high rate of profit, with the mass of surplus value accumulated in the hands of a few producers. An expanding internal market through the 1960's, predicated on the highly skewed income distribution, sustained within acceptable limits the production levels necessary to allow for effective valorisation of manufactured commodities. A sophisticated money market ensured a minimum of delay and cost before productive investment, while credit mechanisms extended and stabilised consumption. Lastly, there were changes in the labour process involving the fragmentation of tasks, so as to encourage more efficient production and the cheapening of costs through the employment of semi-skilled black labour.

However, blockages in the latter process, with its inherently contradictory forms of development acted as a major source of the declining productivity levels relative to overseas competitors. While the racial division of labour brought a number of definite advantages to capital, there were a number of significant contradictions at the economic level. Coupled with a highly inferior technical training and educational system for blacks, resistance from white wage-earners was to result in "the exclusion of blacks from certain categories of employment" (Davies, 1978: 2).

Despite the encouragement of skilled immigration and the practice of "floating the colour-bar", this resistance had the effect of growing shortages of certain categories of skilled labour. Opposition to job reclassification slowed down the rate of absorption of semi-skilled operatives and thus the extent of mechanisation. It is also likely that such strictures on black "advancement", combined with the monotony of line-production and the conditions of existence of black labour, contributed to a less intensive application of black labour. There was loss of productivity through absenteeism, labour turnover, illness and hunger, and various minor forms of industrial sabotage

in the workplace (see Meth, 1979: 86). As the Reynders Commission argued, the net effect was that "the productivity of labour in many industries was severely hampered, resulting in higher costs and decreased competitiveness on foreign markets" (RP 69/72: 387, para.24).<sup>1</sup>

Another effect of the shortages of skilled labour, was the ability of those in skilled employment (which also did not necessarily imply that they had the required levels of skill), to command high levels of remuneration. Through the sixties, there was an average rise in skilled wages of some 6 to 7% per annum, as against about 6% for unskilled and semi-skilled workers in manufacturing industry. With an increase in output per unit of labour of some 2½% per annum, the productivity rise was "much more/fully absorbed by the annual average rise in labour earnings" (ibid.: 392, para. 37-8). The increase in labour costs per unit of output in the decade were of the order of 24% in manufacturing industry. This effectively meant a severe rise in relation to overseas costs (ibid.: 392, paras. 38-9).

Between 1965 and 1972 the process accelerated as the share of wages and salaries in the national income rose from 62% to 70% (FCI, 1972: 46). To the Federated Chamber of Industries, despite the rising capital intensity of industry, "the escalation of salary and wage levels constitutes a serious problem to the long-run growth of manufacturing industry in South Africa" (FCI, 1969: 20). From the late 1960's, inflation began to emerge as a serious economic problem, now threatening even capital rather than serving merely as a disguised erosion of wages (Houghton, 1973: 221-2).

Rising costs of industrial goods, as circulating variable capital and as elements of the wage costs of labour, began to threaten the viability of export earners and of producers for the domestic market alike. The domestic market itself was coming to assert the limiting effects of its size on the scale economies of mass-production, helping to slow down manufacturing expansion. The increase of protectionist policies overseas as international decline set in, further hit the possibility of increased manufacturing exports as a solution to the limited internal market. Overseas inflation was also being imported, and was partly reflected in the increasingly serious deficits on current account of the balance of payments. The relaxation of import controls in 1967,

(250)

on GATT and IMF pressures, led to the record deficits of the late sixties and early seventies, underlining the serious structural imbalance faced by the economy. In this context, too the expenditure on state bureaucracy and even on the apparatuses of coercion and control, began to appear as an unproductive subtraction from the mass of surplus-value at the disposal of capital.

Declining profit levels were reflected in the increasing speculative utilisation of money-capital. Stock exchange prices soared as share transactions were subjected to the speculative boom. There was a wave of mergers in the later 1950's with a "diversion of management activity from productive expansion to consolidation" (FCI, 1969: 21). Government fiscal expenditure, based on deficit financing, fuelled inflation through the injection of massive amounts of money into the economy that was not directly tied to productive expansion. The international monetary system concentrated many of the negative prospects of the world economy, that were having repercussions within South Africa. Manufacturing industry was becoming a lagging rather than a leading sector for the first time in the post-war period. The whole economy was being threatened by stagnation and the possibility of serious recession.

A double-bind faced manufacturing industry: "A lower rate of economic growth or more intensive efforts to increase exports. Export expansion will have to fulfil the twin roles of stimulating economic growth directly through the creation of expanding markets, and indirectly through the provision of foreign exchange to pay for the sustained growth of investment" (RP 69/72: 18, para. 47).

Yet neither was manufacturing in a particularly strong position to make such choices, nor were they straightforward: As one president of the FCI was to argue: "(Even before 1969) there were already indications that the 1970's would expose basic weaknesses in our economy; weaknesses that would call for major policy decisions and pose new challenges for manufacturing industry ... We had in fact reached the end of the road with our anti-inflationary measures and were faced ... with a so-called structural imbalance in our foreign accounts. The wheels of manufacturing industry were grinding to a halt, our balance of payments showed the largest deficit ever, and our domestic prices were accelerating to new heights. We were travelling along a one-way street and ended up in a cul-de-sac". (FCI, 1972: 45).

These disjunctures involved class relations. As problems set in, this basic fact was thrust closer to the surface. Increasingly, the dominant classes began the search to restructure the basis of exploitation and to find the groups that would pay the short- and long-term costs. Direct relations between owners and producers became increasingly brittle, and the effects of the social crisis made both more unable to compromise. Within the ruling classes, the debates became more intense. As open conflict threatened, and indecision remained, the crisis itself was exacerbated.

The seventies saw the beginnings of economic slump in the advanced capitalist centres, with rising tensions internally. There were rapid spin-offs to the disadvantage of the dependent peripheral formations. Politically, imperialism suffered setbacks, in Asia and then in Southern Africa. South Africa's outward thrust in Africa, itself closely related to the search for manufacturing outlets, faltered and collapsed in the face of African opposition. In international forums, increasing diplomatic and political hostility was shown and pressures put on the racial forms of South African capitalism. In Mozambique, and then in Angola, popular movements rode to power with an upsurge of mass activity.

Within South Africa, black students and intellectuals had begun to pick up the pieces of organised resistance in the first stirrings of the black consciousness movement. For the first time in over a decade, black opposition was articulated, and the forms of capitalist oppression and exploitation were identified openly. With the bursting onto the scene of black labour activity, in Namibia in 1971, in Durban and Natal in 1973, in a host of small and isolated strikes and in the revival of an independent union movement, the struggles of the dominated masses gained momentum and direction.

The breaking out of mass uprisings on a national scale marked the beginning of a qualitatively new phase in the rhythm and forms of class struggle. Uncoordinated and yet deep-rooted, they provided a qualitative shift in the relation of the dominated classes with their exploiters, and coincided with and gave impetus to consolidation of a popular movement with increasing political and organisational roots. The economic crisis and the political crisis fused, rebounding in disputes amongst

the dominant classes and the emergence of new alliances and strategies for domination.

The precise forms of restructuring, the political, economic and ideological struggles to shift the burdens of the crisis and to subvert and crush opposition, the new alliances and the jettisoning of old companions, involve the attempts to overcome the contradictions of the past and shift the basis of social relations onto a qualitatively different level. This is the precondition for continued exploitation. In no small part, the solutions will reverberate within the sphere of manufacturing industry, and it forms a particularly important site for the forms of restructuring and struggle.

The analysis of the particular trajectory of post-war manufacturing industry, thus helps to provide an important background to the nature of the present forms of crisis in social relations. The precise outcomes, of course, are hardly academic questions.

FOOTNOTE TO CHAPTER FIVE

1. R.T. Bell tries to argue that South Africa's relative productivity decline was insignificant. He compares figures with middle level Latin American countries for the early sixties (Bell, 1975: 482). Yet it was precisely in the second half that the productivity decline became significant. Bell also uses a general regional comparison with all developing countries, Latin America, East and South-East Asia. Yet the question is one of the productivity levels relative to the most advanced peripheral producers. Even within these aggregated groupings, South Africa hardly did better.

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