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CHAPTER 14

THE POLITICAL ECONOMY OF LABOUR

Continued

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CHAPTER 14THE POLITICAL ECONOMY OF LABOUR

Continued

If competition in the labour market threatened intolerable change to White workers, so the competition of the labour market was as little acceptable for South African farming operations and costs. The manner in which White farmers ensured that the polity and not the market should be the decisive determinant in regard to their rights to land and to income from that land has already been elaborated. The same deeply-held beliefs led farmers to insist that it was the polity's obligation to provide them with their farm labour.<sup>1</sup>

The more market demand for African labour induced responses in supply, the more White farmers insisted that the elasticity of supply should be countermanded by legally imposed immobilities. Many farmers indeed could not understand and would not accept that change should influence labour supply - at least to the extent that Africans move away from their farms. Control over the movement of Africans by pass laws of increasing stringency was imposed. The early Natives (Urban Areas) Acts of 1924 and 1930 aimed to limit the numbers of pass-bearing Africans entering towns and villages in the hope that the excluded would seek farmwork.

When economic change operated strongly - for worse or better - then farmers pressed harder to restore customs as the constant in their labour factor. Numerous attempts were made to regulate the system of labour tenancy and to increase the period of labour service, despite general criticism that the system had 'outlived its usefulness' and involved 'a serious waste of labour units'. Employment in

farming (as in domestic service) was invariably excluded from the scope of industrial legislation. In so far as it was subject to law, it was governed by the Masters and Servants Acts.<sup>2</sup> The essence of these Acts, which originated in the Cape in 1856 and were subsequently enacted in all provinces during the nineteenth century, was to make desertion of service a criminal and not civil offence. The object was to limit labour mobility.<sup>3</sup>

By the nineteen-thirties, labour tenancy as a concomitant of the squatting system or so-called 'kaffir farming' had disappeared in areas of commercial farming or intensive cultivation - that is from the Cape, the Orange Free State and parts of Natal. Such labour-tenants had been replaced by wage-paid labourers.<sup>4</sup> But where cash-farming remained sluggish, that is in most parts of the Transvaal, northern Natal, and the eastern and north-eastern boundary of the Free State, labour tenancy persisted. It permitted the continued reality of African occupation (though not of course ownership) of the land and of labour service to be provided, remunerated not in cash but in cultivation and stock-grazing rights. Such rights and obligations were varying and vague but they were essentially customary.

With economic development in other sectors of the economy - in mining and in manufacturing, in the urban areas but not in the rural regions - labour-tenants (and especially the young) went in search of cash in the exchange-economy.<sup>5</sup> Farmers and landowners however clung to custom. When the aid of the polity was invoked, it was not that of the Minister of Labour. Working conditions, rights and obligations in South African farming had never been accepted as the subject of industrial legislation. Indeed the objective of control and regulation was to exclude the intrusion of the competitive market.

It was the Minister of Justice, therefore, who introduced the Native Services Contract Act No. 24 of 1932 to amend the law relating to Masters and Servants in the Transvaal and Natal.<sup>6</sup> The Act, which provided for written labour service contracts of three years duration, aimed at preventing Africans from evading their labour service obligations by prohibiting the employment of labour tenants in towns (or by other farmer-employers) during the period that they should be fulfilling labour service to their landowner-employer. Furthermore the parents or guardians could enter into labour service contracts on behalf of their minor children without their consent and it was illegal for such minors to seek alternative employment or to be so employed or even to enter into an outside labour service contract without prior permission of the landowner of the parental labour-tenant. The landowner-farmer also acquired the right to cancel a contract with a whole family or kraal-group, that is to deprive them of their rights of tenancy or occupation on his land, should one member of the family or kraal-group fail or evade his personal labour-service obligations.

Laws to prevent the movement of agricultural labour, of course, go back centuries and the same centuries also evidence the failure of the law in the face of economic development. It is not therefore surprising to find the Report of the Farm Labour Committee, 1937-39, recording that

notwithstanding the regulatory provisions of the Native Services Act, there appears today to be even greater dissatisfaction than formerly. Farmers now complain that the Government is failing in its duty in that it does not ensure that the provisions of the Act are carried out.<sup>7</sup>

The complaints of the farmers to this Farm Labour Committee, appointed to enquire into the shortage of African farm labour and its remedies, went further. The reasons

for the shortage as given by the farmers<sup>8</sup> were that farming was economically unable to compete with other industries so that cash wages on farms were generally low and juveniles unable to obtain cash; there was an uneven, wasteful and uneconomic distribution of farm labour owing to the labour-tenant system, squatting and African share-farming; the superior attractions of urban opportunities and life especially to the young; the favourable economic position of Africans in some reserves, as well as their low standard of living, made it unnecessary for them to work regularly or to work at all; there was a strained relationship between farmer and farm labourer owing to continual propaganda against farm work; intensive competition from the mining industry owing to its tremendous expansion and also of government departments at all levels; liberal and ill-advised assistance during times of drought and crop-failure by the Government to Africans making it unnecessary for them to seek employment.

The Africans' reasons, according to the Committee, were that farm wages were generally low, and in some cases there was an entire absence of opportunity to earn cash wages; objections to the system of the kraal head contracting to bind all kraal members to enter into service; no clarity in contractual arrangements; no educational or medical facilities on farms; poor food, housing and treatment; inadequate land and time for own farming operations; eviction from farms and share farming no longer allowed.<sup>10</sup>

Although individual farmers who had successfully developed commercial farming for the market experienced little or no difficulty in obtaining wage-paid labour at market wages, it is clear that the rate of development in agriculture as a whole was lagging behind that of other sectors of the economy. The shortage of labour was indeed most marked

where custom most predominated. Hence the Committee recognized the labour tenant system as a critical factor which had not only made the gradual evolution of a distinct class of farm-labourers impossible, but, on the contrary, educated Natives over a long period of years to look to the towns as the places where they were able to obtain high wages, congenial conditions and many other amenities.<sup>11</sup>

Nonetheless the Committee recognized

that labour tenants represent a most valuable potential labour supply, which should be properly conserved, utilized and distributed to meet the reasonable requirements of a much larger number of farmers than at present.

It therefore recommended the Union-wide proclamation of the relevant provision of the Natives Trust and Land Act No. 18 of 1936 (the quid pro quo of Hertzog's native legislation disenfranchising Africans in the Cape Province). Such proclamation would make a labour service period of six months in the case of the Cape, Natal and the Orange Free State, and a minimum period of 122 days in the case of the Transvaal compulsory for an African to qualify as a labour tenant.

The significance of this proposal was that, as originally provided in the Native Services Contract Act of 1932, a prohibitive tax of £5 per annum per able-bodied male African became payable by the landowner-farmer for every 'squatter' on his farm unless a minimum labour service to the landowner-farmer was rendered. Such labour service exempted the landowner-farmer from the tax.<sup>12</sup> The Committee consequently hoped that an appropriate redistribution of African farm labour could be achieved but farmer-opposition appears to have rendered the provision and the proclamation nugatory.

From the time of the Native Land Act of 1913 through to the Natives Trust and Land Act of 1936 and subsequent legislation, the polity has aimed at the administrative deter-

mination of farm labour supply through intensifying restrictions on land-holding and land-occupation by Africans. But market forces consistently operated against the effectiveness of such administrative controls. In particular the pull of urbanization and its cash-nexus could not be permanently obstructed, though such obstruction was to occupy much of the White polity's legislative and administrative machinery from 1948 onwards.

It is perhaps of significance that throughout the nineteen-thirties, and even earlier, the farmers' complaints were particularly directed against the attractions of urban life for African youth. Juvenile desertion of the land and its subsistence-stagnation for the cash economy of the cities was, however, as much the irresistible response of young Africans as of young Whites. Among young Africans, it had the added importance for economic development that it tended to break down the dragging influence exercised by the extended family system, and to intensify the acquisitive incentives of individualism.

Because the farmers pressed for rigid enforcement of administrative control under existing legislation, the Farm Labour Committee examined the administrative machinery in much detail.<sup>13</sup> It summed up:

Repeated demands were made for the introduction of more stringent laws to bring Natives into farm employment by the use of coercion. We have endeavoured in this report to show that many of the restrictions asked for are already in existence and to explain the procedure necessary to set in motion the administrative machinery to obtain a remedy. At the same time we have endeavoured to show the futility of employing force to compel Natives to accept employment not desired by them.<sup>14</sup>

Perhaps the clearest picture of the belief among the most traditionally minded section of the electorate, the

White farmers, that the polity should and could rescue them from the adaptive compulsions of economic development came in the Committee's concluding paragraphs:

The despondent, indeed despairing, attitude of the farmers in regard to their labour supply was only too apparent to your Committee. The enormous migration of farm labour to the mines and urban industrial areas which, consequent upon the unprecedented industrial development in this country, has taken place in the last few years and which is undoubtedly on the increase, developed with such alarming rapidity as to bring about a very difficult situation.

Farmers can see relief only in action by the Government and that only in the direction of compulsion on the Natives to accept farm work and the imposition of further restrictions upon the movements of those already so employed. Your Committee is convinced that such measures are among the factors which have made farm labour unpopular, and it sees no prospect of any relief being obtained by accentuating them.<sup>15</sup>

The point has already been made that the political economy of labour frustrated the political economy of food. Neither Say's Law nor Keynes's Law penetrated the consciousness of the White polity and certainly not the White farmers. Relationships between production and consumption or between consumption and production never constituted part of the function of economic development in the minds of those with power in South African society down until the Second World War. After that War the relationships were evident - so clear that Prime Minister Verwoerd in October 1963 declared to a Nationalist Party meeting: We would rather be poor and White than rich and multi-racial.<sup>16</sup>

In the nineteen-thirties, however, so stark an ideological dichotomy did not present itself. The interests of the Chamber of Mines and of the White farmers and of White trade-

unionists were more immediately materialist. The wage-fund theory and the labour theory of value had that measure of meaningfulness for an economy and a polity, which was still looking for the key to development. As Schumpeter observed,

Although it is not true that a greater number of workers must share the same wage fund as a smaller number, it is correct that if the number of workers increases while the methods of production remain the same, the level of wages cannot increase proportionately but only to a lesser extent.<sup>17</sup>

Capital accumulation was growing and methods of production were changing - but slowly. Too slowly to win recognition from skilled White workers that they shared a complementary relationship with non-skilled, non-White workers, which in the long-term outranked and overweighed a competitive challenge of short-term sharpness. Too slowly for the great majority of farmers who were not concerned with Engel's Laws. They sold their wool, their wine, their fruit mostly to the British. They sold their maize mostly to the Chamber of Mines and not to African mine-workers, who lived largely on the mealie-meal. It was the industrialists who, converting agricultural raw materials into manufactured goods, saw that their self-interest might lie in more productive employment of Africans at related rising wages.

As for the Chamber of Mines, most of all it feared a rising wage-bill. This as much as any other factor periodically threatened to kill the goose that laid the low-graded, golden eggs.

CHAPTER 15

THE GOLDEN GOOSE

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THE GOLDEN GOOSE

The general theoretical model of a growing economy is of a rising circular flow. The activators or agents of such growth are usually identified as the innovator-entrepreneurs, who might be private individuals or state bureaucrats. Acting either as private or public capitalists, they will need a source of either private or public savings. Their entrepreneurial decisions will invest such capital with the co-operating factors of labour, natural resources and technology so as to yield profits as the source of new savings for further investment.

This will explain the rising circular flow - in theory. In practice there remains two key questions - what starts the flow and what sustains the flow? How does a stagnant pool convert into a circular flow? How does a circular flow open a succession of sluice-gates to higher and higher water?

These are large questions for economists and economic historians. For the poor toiler who found the golden goose, there was really no need to ask questions. All he had to do was to take rational care of his goose and not permit any outsider to make destructive demands on its productivity system. For South Africa, too, there is no problem in establishing the critical impetus that shocked stagnation into growth. The search for the golden goose was an unorganized but nonetheless purposeful lone-prospecting exercise carried on intermittently for almost twenty-five years until success came to the Struben brothers in 1884. Once found, the gold-bearing reefs of the Witwatersrand provided the golden eggs - though rational care of the goose certainly demanded highly sophisticated entrepreneurial management.

With the discovery of gold at the far end of the stagnant

pool of the South African economy, entrepreneurship could begin its conversion into a circular flow. The circular flow started, entrepreneurial management could open the succession of sluice-gates that led to higher and higher water. To bring together the capital, labour and technology initially and then continuously, so that the Witwatersrand reefs in the course of fifty years from 1886 produced three-quarters of the amount of gold which the whole world had produced during the previous four hundred years, ranks the mining-finance-house group system of Johannesburg-London as an outstanding operation in the history of entrepreneurial-management.

An economic development plan may be regarded as a plan to raise productivity per unit of factor of production used.<sup>1</sup> The mining-finance houses evolved by Cecil John Rhodes, Alfred Beit, Julius Wernher, J.B. Robinson, Barney Barnato, Adolf Goerz, George Albu, Samuel Marks, Abe Bailey and George Farrar,<sup>2</sup> had little apparent resemblance to the modern United Nations team of experts moving into an underdeveloped country. But these mining-finance houses in reality provided precisely the expertise of entrepreneurial management, which pursues productivity or economic rationality. The reason why the mining-finance houses succeeded in South Africa, unlike the UN expert-teams elsewhere, was not only the existence of a golden goose but that its care was under private fostership for profit.

The interaction between minerals discovery-exploitation and capital investment in Africa is the major subject-matter<sub>3</sub> of Professor Frankel's study of economic development in Africa. For South Africa, it is a particularly informed interpretation. It establishes empirically many significant realities about theoretical assumptions in respect of the strategic variable of capital.

Mining investment is high-risk enterprise. High profit expectations will at particular times more than off-set low-profit or even net-loss secular performance. This seems to be true not only with the specialist class of large capitalists but of the much bigger numerical class of small savers, unable to resist the psychological excitement of a speculative share-market boom irrespective of past disappointments. Hence the long-term supply of capital for mining ventures has exceeded what long-term, actual interest- or dividend-receipts would have called forth, if hindsight mirrored foresight. The supply of capital for high-risk mining is a variable of experience and expectation, rather more exaggerated by psychological behaviour and rather less influenced by arithmetical calculation.

This results in periodic interruptions and stoppages to the supply of capital. This in turn adds significance to timing-expertise in mining-company promotion and also to self-financing through re-investment of non-distributed profits. The role of the financier is therefore a strategic factor in its own right in the mining-production function.<sup>4</sup>

According to Frankel, the class of investors who was prepared to interest itself permanently in speculative mining investment in Southern Africa has always been relatively small. Frankel found that, except during booms, the type and number of shareholders in mining, financial and exploration companies both in and outside South Africa had altered surprisingly little. Though such investors might change their investments in particular companies, they remained gold-mining investors.

For the fifty years preceding 1936, claimed Frankel, gold mines had been the main attraction for investment in Africa by Europe's money markets. Nearly one-half of the private listed capital from abroad had been directly invested in the Rand gold mines. If related investment in social structure is

added in, then, said Frankel, one-half at least of the total foreign capital had entered South Africa 'as a result of the exploitation of its mineral wealth'.<sup>5</sup> The close connections between the Rand's financiers and the City of London were especially important, giving favoured access to and comparative advantage in the world's greatest money-market at perhaps the zenith of its venturesomeness. It is also worth noting the German origin of some of the key Rand financiers at the thrustful time of the First German Empire.

The Rand gold-mining industry in its exploration-development stage is capital-intensive. Hence its capacity steadily to attract large amounts of foreign investment capital virtually underwrote the continued contribution of capital to the production function of South African economic development. Furthermore the capital-output ratio in South African gold-mining and diamond-mining was exceptionally favourable, while profits - though fluctuating widely and yielding a comparatively low-net for the entire time-period of capital investment - followed a pattern favourable for substantial re-investment.

From the time of the diamond discoveries in Kimberley in the 1860's, the subsequent mineral resource discovery and exploitation of such resources in South Africa provided an exceptional sequence of investment-opportunity favourable to optimizing the capital input in its direct and indirect development consequences. The significance of conjuncture of favourable factors for economic development, emphasized by Benjamin Higgins in his study of Economic Development,<sup>6</sup> will be examined in a later chapter. What needs to be noted here is the organizational structure of the mining-finance houses and the personal relationships of leading financiers in South Africa. It enabled a small group of key decision-takers to ensure the generation of an appropriate flow of capital through the

crucial stages of the pre-conditions for take-off into take-off of the South African economy.<sup>7</sup>

In this respect the importance of profits as the source of capital re-investment is to be found not in the global, long-term rate of return on risk-investment in mining in South Africa but in the particular profit performance of companies under group control. The identification of such group controls with especially venturesome individuals, to whom in time the esteem or magic of success attached, is another realistic consideration in the record of capital investment in South Africa.

The most notable example comes from the diamond industry and De Beers Consolidated. According to Frankel, from the date of the discovery of the diamond fields until 1936 the value of diamond production of the Union of South Africa (excluding South-West Africa) exceeded £320,000,000 and this sum in turn was in excess of the total value of minerals produced up to the time of his calculation (c. 1936) for the whole of the rest of Africa. Net dividends of the South African diamond-producing companies, of which De Beers is the giant, for the whole period exceeded £80,000,000 whereas, says Frankel, the total amount of foreign capital invested in the diamond industry up to that date was probably not in excess of £20,000,000.<sup>8</sup>

Further development capital for this flush diamond industry came largely from profits and dividends, which were subsequently invested to a very considerable fraction in the Rand goldfields. The connections between Rhodes-Beit of De Beers and Rhodes of Consolidated Goldfields and Beit of Wernher, Beit and Company in the pre-1914 period, and of the Oppenheims (father and son) of De Beers and the Oppenheims of Anglo-American Corporation in the post-1930 period (as well as the now nearly century-old connection of these great

companies with the City of London) made a tactical contribution to capital supply for South Africa's economic development, that is very much part of capital as the strategic variable for the South African model.

The diamond industry achieved an exceptional output in relation to the comparatively small capital invested. The gold-mining industry absorbed much more absolute capital. It will be suggested below that in respect of the country's economic growth, the gold-mining industry has a definitive two-era strategic significance - from its beginnings in 1887 to the world gold standard 'crisis' of 1932, and from the major rise in world gold-price in 1933 until to date. For the first period, from 1887 to 1932, Frankel put the gold-mines capital utilization at £148,000,000 subscribed plus another £63,000,000 of re-invested profit appropriations. Some of this re-investment of profits was in respect of depreciation and obsolescence but there was also redemption of about £9,000,000 debentures from profits.

Broadly speaking, writes Frankel, the Rand thus absorbed some £200,000,000 of capital until the end of 1932, of which roughly £120,000,000 can be regarded as having been invested from abroad.<sup>9</sup> The total value of gold output for the same period, 1887 to 1932, was £1,145,000,000 with a total dividend payment for the period of £255,000,000.<sup>10</sup>

The structural significance of such sustained capital investment for economic development hardly needs emphasizing. Furthermore, the major portion of investment amounting to £125,000,000 was made from 1887 to 1913; from 1913 to 1932 capital investment was only about £23,000,000. It is clear that the first phase was decisive in its contribution to energizing the growth of the South African economy. Figures for investment in the non-mining sectors of the economy are

not available but, in a sense, the pre-statistical era and non-statistical area of the country's economy is indicative of its unsophisticated development and even of its stagnation.<sup>11</sup> Contemporary calculations of gross national product are not of course available and despite the usefulness of recent statistical researches into the past, it seems unrealistic to use them for precise comparative interpretation.<sup>12</sup>

The Rand gold-mining was not only the most capital-intensive industry in Africa, it was also the most labour-intensive. Gold-mining, that is, absorbed very large absolute sums of capital to reach the stage of gold production and thereafter very large absolute numbers of workers. In the previous chapter on The Political Economy of Labour, the implications of the colour bar between skilled and unskilled in general and in the mining industry in particular were analysed. It undoubtedly constitutes the critical parameter of the political factor in the economic development of South Africa. But the scale of the Rand gold mines in providing employment, irrespective of the colour bar, matches its strategic significance as the magnet for capital in the production function.

The Witwatersrand gold-fields were proclaimed in 1886. By 1889 there were forty-five companies producing gold and a population of 25,000 Whites and 15,000 Africans on the Rand.<sup>13</sup> By 1899, just prior to the outbreak of the Anglo-Boer War, African workers on the gold mines had risen to 97,000. For almost the next ten years, during the war-time interruption and the subsequent Chinese labour-indenture phase, there was a substantial drop in the numbers of African workers. By 1908, almost 150,000 Africans were again employed on the gold- and coal-mines of the Transvaal. From then on, though there were annual fluctuations, the numbers rose steadily.

From 1911 the Rand gold mines provided work for about 22,000 Whites and the numbers of Africans are given in the following table.

Number of Africans Employed on Gold- and Coal-Mines  
of W.N.L.A. <sup>14</sup>

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1911	174,000	1916	191,000	1921	188,000	1926	203,000
1912	191,000	1917	176,000	1922	183,000	1927	215,000
1913	155,000	1918	158,000	1923	196,000	1928	213,000
1914	156,000	1919	177,000	1924	199,000	1929	205,000
1915	198,000	1920	173,000	1925	192,000	1930	222,000

For an econometric analysis of development, it would be of consequence to give detailed consideration to the geographical composition of this African labour force. The changing numbers coming from South Africa proper, from the British Protectorates of Basutoland, Swaziland and Bechuanaland, and from Portuguese East Africa have a patent relevance to the production and consumption functions of the separate tribal economies and to the exchange economy of twentieth-century South Africa. For a study of the political factor in the economic development of South Africa, interpreted with the insights of social system theory, broader considerations are appropriate.<sup>15</sup>

Underdeveloped natural resources and an economically or technologically backward people within a single territory will theoretically aggravate, and have historically aggravated, their interaction in a vicious circle of stagnant decline.<sup>16</sup> A unique aspect of the Rand gold-mining industry permitted a break-out of that vicious circle - at least for the geopolitical area of the Union of South Africa. The unique aspect of the gold-mining industry was that it was capital-intensive, labour-intensive and export-intensive in related phases.

The econometrician-planner of underdeveloped economies, Dr. Jan Tinbergen, has pointed out that both highly capital-intensive and highly labour-intensive activities 'seem to

turn out products that do not readily enter into international trade'.<sup>17</sup> But the Rand gold mines were producing the very medium that financed international trade. Gold exports from South Africa - and virtually the total production was exported - did far more than earn foreign exchange to pay for the Rand mining industry's essential imports; such exports financed the crucial flow of imports for the secondary and tertiary sectors of the South African economy. These secondary (that is manufacturing) and tertiary (that is commerce, communications, urbanized services) activities are recognized as the key to the transformation of the social structure, which is identified with economic maturity.

The Witwatersrand complex of urbanization, centred on Johannesburg, within fifty years became <sup>in</sup> both numbers and sophistication (with the possible exception of Cairo) the most advanced in Africa. Its integrating impact on the political divisions of republican and colonial South Africa has already been elaborated in earlier chapters. Its integrating consequence for the labour relationships of White and Black South Africans and segregationist impulse for the political relationships of White and Black South Africans has also been noted.

The labour factor in the pursuit of productivity within the gold mining industry can indeed be understood only as an interaction between this integrationist compulsion and segregationist impulse. From the viewpoint of the Chamber of Mines maximization of the production function of the gold-mines depended critically on full utilization of the strategic variable of African labour.

Qualitatively, this was to be achieved by a non-discriminatory application of labour productivity irrespective of colour in a flexible combination with available capital and changing technology. Quantitatively, it was dependent on

obtaining the very large numbers of unskilled labourers to ensure that fixed, specific mining capitalization (in auriferous rock and extracting plant) was operated to full capacity.

The qualitative aspect - the adjustments to and modifications of the colour bar on employment - occupied the Chamber of Mines down until the decisive change in the polity in 1924, which followed on the supreme challenge of the 1922 Rand strike. Economic 'victory' for the Chamber of Mines in the epochal strike ended in political 'defeat' when the Nationalist-Labour Pact Government came to power in 1924. Nothing reveals the character of the superior power of political over business forces as the post-1924 labour policy by the Chamber of Mines.

From 1924 onwards, there is a virtual end to serious labour disputes in the Rand mining industry. In total contrast to the previous quarter-century of almost continuous turbulence and frequent syndicalist violence on the Rand mines, the subsequent decades have been marked by an industrial 'peace' probably unparalleled in labour relations in the world's mining industry. The Chamber of Mines acquiesced in a collective bargaining agreement with the White trade unions, that from 1924 onwards recognized the written and unwritten rules of White-Black job demarcation as simply not an agenda item. Year after year the presidential address of the Chamber of Mines from 1924 refers to the cordial relations with its White organized labour and only after 1937 is there the occasional disturbing reference to the impact on wage- and working-conditions emanating from party political intrigue in the White mining trade unions.<sup>18</sup>

Accepting the political realities of the colour bar, the Chamber of Mines turned its undivided attention to the quantitative aspect of labour supply. To secure the numbers of Africans unskilled workers which would optimize the tonnage

of ore milled (that is, ensure full capacity operation of fixed, specific mining capitalization), becomes the never-ending task of what the Chamber now accepts as its prime objective. Every presidential address from 1924 had its extended reference to the supply of African labour.

Once the Chamber acknowledged that no South African Government from 1924 onwards would regard the qualitative combinations of labour utilization as a subject for discussion, it concentrated its negotiating objectives on obtaining Government authority for the employment of 'foreign' Africans - that is, from outside the Union of South Africa and the British Protectorates. 'Foreign' Africans were identified as those from Portuguese East Africa, portions of British East Africa and the territories north of 22° South latitude - 'tropical' Africa.

Between 1924 and 1930, the supply of African labour which the Chamber of Mines could secure was inadequate to operate the gold-mining industry at its full then-capacity. The Chamber never publicly questioned its own article of faith that a backward-supply curve for tribal labour made it economically disadvantageous to increase African wage-rates; and hence it never departed from its monopsonistic policy of buying labour at an unvarying wage-rate. Since the Chamber denied the possibility of higher wages securing South African labour, it consistently sought permission from the South African Government to bring in more 'foreign labour'. When it became evident that the Portuguese were not prepared to revise the terms of the long-standing Mozambique Convention except to reduce the permitted-quota of Portuguese East African worker-migrants for the mines, the Chamber pressed hard for a relaxation of the bar to admission of Africans from north of 22° South latitude.

The Chamber argued that environmental conditions of underground mining work and new medical advances made it most unlikely that the earlier disastrous mortality rate in respect of such tropical African underground-workers would be repeated. The Government's concern however was not so much with the empirical health factors, as with its policy-objection to importation of 'foreign Africans'. From 1924 until the new Coalition Government of 1933, furthermore, the Minister of Labour was Creswell. He had never abandoned his belief that the exclusion of all foreign African labour from the gold-mines was the means of achieving by stages his all-White labour policy. In 1933 under a new Minister of Labour in the new United Party Government and with the irresistible prospects created by the greatly-increased world price of gold, the Government agreed to relax its opposition to 'foreign' Africans and more particularly to the admission of numbers of those from hitherto excluded territories of Africa.

In the absence of the political factor, both qualitative and quantitative aspects of labour supply would undoubtedly have increased the productivity of labour as a key co-operant factor in gold-mining output. The significance of this not merely to the production function of gold-mining but to the rate of South African economic development is incalculable.<sup>19</sup> Some observations on non-econometric aspects are perhaps of interest.

The absence of a colour bar on the gold-mines would have introduced a fundamental new condition into the social system of South Africa through its radical impact on the production-consumption function. The accelerator or spread effect of increased per capita income for a growing class of detribalized Africans, living as urbanized families and not as 'bachelor'-migrants in mining compounds, can only be an estimate. As a subjective speculation, the writer believes that

the gross national product and rate of annual increase in GNP which South Africa achieved from, say, 1948 might have been anticipated by perhaps a quarter-century.

The quantitative aspect is open to perhaps more objective academic or theoretical argument. In the absence of South African Government opposition to the uncontrolled employment of 'foreign' Africans, the position might have approximated to that envisaged by Arthur Lewis in his consideration of economic development with unlimited supplies of labour.<sup>20</sup>

The gold-mines of the Witwatersrand were the greatest natural resource of Southern Africa, if not of Africa. As such, in the absence of government-imposed restraints on the mobility of Africans in Southern Africa, the total supply of African labour for the gold-mines would have been 'unlimited'. That is, as defined by Arthur Lewis, the population of Southern and Tropical Africa was so large relatively to capital and natural resources in the same geographical area at that historical period, that the marginal productivity of such labour was contemporaneously negligible, zero or even negative.

Under such conditions, says Arthur Lewis, the price of labour is a wage at the subsistence level. So long as the supply of labour exceeds the demand for labour at this price, he continues, the supply is 'unlimited'. Under such conditions, old industries could be expanded or new industries could be created without limit at the ruling wage. The ruling wage is, of course, part determined by the alternatives open to the workers. If such alternatives are either negligible or the potential earnings in the subsistence sector, then the actual wage-levels established in the industrial sector will be those which the employing industry regards as appropriate to customary standards of subsistence for the category of 'unlimited' labour.

Chamber of Mines as the most powerful capitalist group exercising political diktat, the Chamber throughout has been politically ineffective if not impotent. There is only one major instance at the time of the gold-standard crisis in 1932, when a crucial policy decision favourable to the gold-mining industry was taken by a South African Government.<sup>23</sup> Apart from this admittedly critical occasion, the Chamber of Mines throughout the decades has had great difficulty in dissuading the polity from making destructive demands on the productivity of its golden goose.

Though the goose maintained a gratifying golden regularity, it nevertheless had a genetic tendency to lay eggs of lower and lower grade. The presidential address of the Chamber of Mines from 1889 has never failed to draw attention to the problem of the low-grade ores and the relationship of production costs to profitability.

Every year the Chamber's president expressed concern at the cost inputs that diminish and destroy gold output. The improper inputs of excess labour costs, transportation costs, stores costs and taxation are identified with the decisions of the state. Functional and geographical immobilities of labour - the colour bar and the barrier to foreign unskilled labour - were imposed by the Government. Railway rating of a highly discriminating kind added to the delivered cost of mining machinery and materials.<sup>24</sup> Tariff protection and state-sponsorship of manufacturing industry increased the costs of stores. Mining taxation - technically a complex issue - certainly did not facilitate the delicate timing of raising capital at ruling interest-rates in Europe's money-markets.<sup>25</sup>

The essential criticism is that all such policies, through shifting upwards for the whole industry the marginal cost

curve of goldmining which faced a fixed price of gold, must diminish the total output of gold.<sup>26</sup>

As far back as 1908, the Transvaal Mining Commission had noted that the Chamber of Mines in its evidence had claimed as a fundamental postulate for testing every State policy-proposal that working costs must be reduced and not increased. Furthermore the Chamber invariably asserted that any course of action which tended to increase working costs without a more than compensatory increase in profits was economically inadmissible.<sup>27</sup>

But that Commission of 1908 took the view which, 'only putting into words the general feeling and conviction', was 'that the chief value, and indeed the only real or permanent value, of the mining industry to the State is the means it affords of building up and maintaining a large and prosperous white population in this country ...'<sup>28</sup> Specific recommendations of that Commission, that aimed to off-set its key proposal of an all-White labour policy by reducing railway rates and customs tariffs on stores for the gold-mines, were not accepted by either the then Transvaal or later South African Government.

A decade later, immediately after the first World War, when inflated costs threatened the closure of more than half the operating mines, the Low Grade Mines Commission of 1919 recommended unanimously a temporary modification of the ruling prohibition on employment of Africans from Tropical Africa. This was in response to an urgent appeal from the Chamber of Mines to ensure a labour supply essential to maximization of tonnage of ore milled and therefore of minimization of working costs. Despite the strong case for reducing marginal costs by such full-capacity operations to prolong the extraction of low-grade ore, the Government would not change the prohibition imposed in 1913.

Yet another decade later in August 1930, when the working revenue-working cost margin was foreshortening the life of the gold-mining industry, another Low Grade Ore Commission was appointed. It had a single term of reference - to report upon the mining of low grade ore and matters connected thereto. Before it was a calculation made by the Government Mining Engineer, Dr. Hans Pirow, dated December 1929. Dr. Pirow was providing for the Gold Delegation to the League of Nations an estimate of the value of the future annual gold production of the Union on a basis of ruling mining development and developing areas and ruling costs of production. His estimate, as given in the following table, was indeed dismaying.

Fortunately mining engineers are normally no better prophets than economists, but to the South African government mining engineer the data available of ore-grades, mining costs and assumed fixed gold price permitted only of an extrapolation which would almost eliminate gold output from the South African GNP in a generation. Moreover this was at a time when no other sector of the economy - certainly not an almost-prostrate, debt-loaded agriculture - looked in the least likely to carry forward or even maintain the rate of economic development.

Estimated Value of Gold Output of South African Mines<sup>29</sup>  
(by Dr. Hans Pirow, December 1929)

	£		£
1930	43,500,00	1940	25,500,000
1931	42,600,000	1941	25,500,000
1932	43,800,000	1942	20,100,000
1933	42,500,000	1943	20,100,000
1934	40,700,000	1944	15,500,000
1935	39,000,000	1945	15,500,000
1936	34,250,000	1946	11,700,000
1937	34,400,000	1947	10,100,000
1938	34,400,000	1948	10,000,000
1939	27,400,000	1949	10,000,000

The Low Grade Ore Commission of 1930 issued an interim report as a matter of urgency to secure what it described as a permanently adequate supply of African labour for the gold mines.' This Commission significantly noted that the recommendations of its 1919/20 predecessor had been followed by the Chamber of Mines in so far as 'they did not require the co-operation of the Government'. In regard to these major policy changes which, however, needed Government approval - importation of tropical African labour from north of 22° South latitude and the abolition of the legal colour bar - such official support had not been forthcoming.

African labour supply was, in the judgement of this 1930 Commission, the key variable for gold output. It concluded that on all the evidence submitted, including the Underground Officials Association and the South African Mine Workers Union, and other bodies representing mine workers, 'there is no possibility of doubt as to the vital bearing ... of the provision of a permanently adequate native labour supply for the gold mines'.<sup>30</sup>

The 1930 Commission accepted the evidence of the Chamber of Mines that only in most exceptional circumstances (such as crop failures) could South Africa, including the British Protectorates, provide more than 115,000 Africans in the early part of the year falling to 100,000 at harvest time out of a total labour requirement of 208,000 for capacity production. The complement from Portuguese East Africa was scheduled in terms of the revised Mozambique Convention to a progressive reduction to 80,000 by the end of 1933.

The weight of evidence, the Commission wrote, was overwhelmingly in favour of the employment of Africans from north of latitude 22° South. All the workers' bodies were in favour of it, with the exception of the Transvaal executive committee

of the S.A. Labour Party, Creswell's section. The reason for this unusual consensus of opinion, asserted the Commission, lay in the recognition of the enormous value of the industry to the Witwatersrand and to the Union and the belief that the maintenance of the current scale of operations depended on a larger supply of African labour than was available from the Union and the Protectorates.<sup>31</sup> It also accepted as established that the Chamber of Mines left 'no stone unturned to obtain Natives from the Union and the three Protectorates'.

Other than, of course, wage-stones.

In fact, almost at the very time that the Committee was reporting, a major change was coming over the African labour supply position. The world and South Africa entered the Great Depression, aggravated for South African tribal agriculture by severe, prolonged drought. Productivity in the tribal territories of British South Africa<sup>32</sup> approximated that zero or negative-level which, as Arthur Lewis's model suggested, would call forth an 'unlimited supply' of labour.

Thus the forty-first annual report of the Transvaal Chamber of Mines for 1930 began by reporting that the outstanding feature of the past year had been the excellent African labour supply, rising to 211,600 in February 1931. Due, in the words of the Report,

to exceedingly low prices now ruling for agricultural products, he (the Native), temporarily must obtain from service with an employer, a larger income than he usually finds necessary, and, as a result, not only have more Natives offered themselves for work on the mines, but those who are employed are staying longer.

The next presidential review for 1931 again was able to report not only that African labour supply had been ample that, with alternative opportunities almost non-existent,

indeed, we have been embarrassed by its abundance. In consequence of the severe depression of all other industries, the low prices obtainable for Native produce, and famine conditions in certain areas, workers are flocking to the mines - with the result that we are now employing about 216,000 Natives. The large accretion to our Native labour force consists entirely of British South African Natives, as in order to assist the Union Government and to relieve the necessities of British South African Natives, we have considerably restricted the immigration of East Coast Natives.

The Chamber's long-held conviction that the required labour supply was not obtainable from South Africa and the Protectorates, i.e. British South Africa, endorsed by so many authorities including Government commissions, was readily disproved. It was so disproved by a reduction in the supply price of that labour. The subsistence and alternative wage was in effect diminished because conditions in tribal areas and other sectors of the economy reduced the numbers who could subsist in such areas and sectors. It would seem logical that the Chamber of Mines could have called forth a similar increase in labour supply at any time by an increase in its wage-reward that would have established a similar differential between mine-employment and ruling subsistence or alternatives.

The Chamber was, however, able to substantiate the functional relationship between African labour supply and gold output. In the same year of 1931, the Transvaal gold mines milled a then record tonnage of 32,426,220 tons with a yield of 10,707,805 fine ozs and related record value of £46,000,000.<sup>33</sup> Two years later, for 1933 when the scale of operation was increasing consequent on the gold-price rise, the annual report noted that the African labour force had increased to 240,000 of which no less than 191,000 Africans were from the Union of South Africa and the Protectorates and only 49,000 from

Portuguese East Africa. 'In five years the number of British South African Natives employed has virtually doubled' but with the major development prospects for the gold-mining industry and the related accelerator-multiplier effects on the rest of the economy, the Government (in which Creswell was no longer a minister) agreed to the experimental employment of 2,000 Africans from north of 22° South latitude.

It has been asserted above that the South African gold-mining industry, in its strategic significance for the country's economic development rate, shows a definitive two-era contribution. In the first era from 1887 to 1932, the major variables might be regarded as the quantum of capital and the quantum of labour employed. In the new era, opened up by the world rise in the price of gold after 1932, the strategic emphasis shifts to profits.

Obviously capital invested and labour employed have a two-way functional relationship to profits, but a new magnitude of absolute profits generated by the gold-mining industry after 1933 had in itself important psychological spread effects. An ebullience which characterized Johannesburg from its earliest days as a mining-town expressed itself in a capitalistic zest of venturesomeness that transformed the Johannesburg skyline into what Johannesburgers were particularly fond of describing as a 'little New York'.

The so-called gold standard 'crisis' of 1932 as the prelude to a 'finding of a second Rand' was in itself one of the most dramatic episodes in South African financial and political history. It is worth recalling some of the circumstantial background of the gold-mining industry, as it illustrates so effectively how favourable conjuncture of events can be a real determinant of growth in the life of a national economy as in the experience of an individual business.

Although the fortieth annual report of the Chamber of Mines for 1929 had opened with the gratifying statement that the gold production valued at £44,236,000 was a record, the high global figures obscured the position of the constituent parts. The Far East Rand mines had milled about 40 per cent of the industry's total tonnage, returned over 80 per cent of total profits and distributed 86 per cent of total dividends of the industry in that year. The remaining mines, which contributed only 20 per cent of total profits and 14 per cent of distributed profits or dividends, had handled 60 per cent of the industry's full tonnage and produced 49 per cent of the total gold output, spending 65 per cent of total wage bill and 60 per cent of total bill for stores. Ten producing mines, with a total wage bill of about £5,000,000 and total working costs of £9,500,000 paid no dividends at all.

The Low Grade Ore Commission of 1930, whose publication of the Government Mining Engineer's dismal projections of future gold production appear above, estimated that of the total White employment and total stores-purchases of the gold-mining industry in 1930, 30 per cent was by mines earning less than 2s. per ton working profit and 40 per cent was by mines earning less than 3s. per ton working profit.

Such gloomy projections were deepened in their economic development consequence by estimates of the contemporary contribution of the gold-mining industry to the economic structure of the country. Professor Frankel had ventured a calculation that one-half of South Africa's total population obtained its livelihood directly or indirectly from the industry. Dr. J.E. Holloway, then director of Census and Statistics and subsequently Secretary for Finance, while disagreeing with the practicality of such statistical precision, bluntly stated,

the single fact that it (the gold mining industry) has a gross output of about £45,000,000 per annum

is sufficient proof (that) if South Africa were suddenly deprived of its gold mines, it would be a stupendous disaster, resulting in the smashing up of its economic system.<sup>34</sup>

The contribution of the gold-mines to the contemporary production function, as well as what the mineral resource-exploitation of the last fifty years had meant to an under-developed economy, was expressed by the Chamber of Mines president in his 1931 report. At the depth of the world economy's Great Depression, he said:

I think I am justified in pointing out the enormous benefit resulting to the State from this huge annual expenditure in South Africa (wages and salaries for the year £16,000,000 plus another £16,000,000 stores of which £12 million expenditure on South African stores and railways and customs dues), especially in view of the very grave depression prevailing as far as most other industries are concerned. It would be difficult to overstate the immense importance of the operations of our mines to the stability and well-being of South Africa ...

I should like, if I could hope to reach them in this address, to impress upon the people of the country that it is evident on every hand that the gold and diamond mines have been the chief means of transforming South Africa from a group of small territories (as measured by their White populations and activities before the discovery and subsequent development of diamonds and gold) into a considerable and important Dominion. If from an apparently arid soil, it is possible to extract enormous riches in the way of precious stones and precious minerals over a very long period of years, that is a wonderful and almost unlooked-for accession to the wealth of the country fortunate enough to contain them.

In this respect South Africa has indeed been exceptionally fortunate. Although at the moment the diamond industry is in a difficult position ... the gold mining industry of the Transvaal is in an exceptional position as regards to its stability ... It is hardly

necessary to explain that the main source of prosperity in South Africa during the last forty years is that, of something over one thousand million pounds value of gold produced in that period from the mines of the Transvaal, by far the greater portion has been expended in this country in working costs, such as wages and stores, and in capital expenditure on construction work and local manufacture.

While the Chamber's President was felicitating the South African public on its golden goose and while the Low Grade Ore Commission was lamenting its future reproductive vitality, the British Government left the gold standard and thereby increased the sterling price of gold from 84s. per fine oz to 125s. per fine oz. The Low Grade Ore Commission had issued its interim report on 13 March 1931, as a matter of urgency to secure Government action on African labour supply for the mines. Its Final Report of 24 February 1932 did not express an opinion on the now violent political controversy as to whether or not the South African pound should align itself with British sterling to obtain the higher sterling price of gold. This Final Report merely noted that a reduction of 2s. per ton in working costs would probably add at least 50 per cent to the future average life of the Witwatersrand and a reduction of 4s. per ton would more than double life.<sup>35</sup>

It was indeed highly-opinionated expectations as to the future level of working costs which added academic fuel to the political flames now raging round the burning issue whether South Africa should 'follow Britain' and abandon the gold standard. Some academic opinion felt strongly that a devaluation of the South African pound to secure the higher sterling price of gold would be followed rapidly by a counter-vailing inflationary increase of costs. This was also the opinion of the Nationalist Government's public service

advisers, especially Mr. Postmus, Governor of the S.A. Reserve Bank. But other academic opinion and other political leaders, especially in Smuts's South African Party Opposition, felt the reverse.

Over and above the issue of mining-costs, there was the near-ruinous position of South African agricultural prices. With Britain taking about 90 per cent of South African agricultural exports (more particularly wool, dairy produce, maize, fruit), the farmers' produce was threatened with almost total exclusion from the British market unless export-subsidies compensated for the exchange-differential so long as 'South Africa refused to follow the British pound'. This was swinging the South African rural vote away from Hertzog's Nationalist Government to Smuts's Opposition South African Party, where such voters were not climbing on the band-wagon that Mr. Tielman Roos, resigning as the Union's Chief Justice, was now flamboyantly driving through the South African countryside with all the exuberant injudiciousness of a former politician delighted to be an ex-judge.<sup>36</sup>

The Chamber of Mines initially approved the wait-and-see policy of the South African Government. But the Chamber was very shortly powerfully motivated by the profits-production consequence of the substantial gold-price increase in terms of South African currency to match the gold-price increases in other currencies, as world devaluation proceeded. Such motivation became irresistible when to it was added speculative visions of the bonanza awaiting repatriated funds sent in mounting millions to London, there to fiddle while Hertzog's Nationalist Government burned.<sup>37</sup>

At a special meeting of the Chamber on the Gold Standard, held on 13 November 1931, the president, Mr. John Martin, declared that the assumption that a departure from the gold

standard and the accrual of a premium on gold would be followed by a corresponding increase of costs was unfounded. There would, he said, be no necessity for, and scarcely the possibility of, a corresponding, or anything like a corresponding, increase of costs. The premium on gold that would follow the departure of South Africa from the gold standard and the linking of currency with sterling would, the Chamber's president claimed, however, be much more than sufficient to meet any justifiable claims involving an increase of working costs and other charges. The net benefit to the mining industry and to the country, he insisted, would be immediate and great.<sup>38</sup>

At a meeting of the Chamber on 27 June 1932, Mr. John Martin emphasized the insupportable decline of the country's non-gold exports. There had been a 'colossal contraction' of external trade, notwithstanding that gold production had been increasing.

South African Exports-Imports for first Five  
Months Only, 1929-1932

	1929	1930	1931	1932
Exports gold, bullion	£19,000,000	£19,700,000	£20,200,000	£20,800,000
Other exports	£19,800,000	£15,300,000	£11,200,000	£ 8,500,000
Imports	£34,200,000	£27,800,000	£22,400,000	£13,900,000

With an economy contracting so violently, the polity would on this occasion have to do the adapting to realities. South Africa devalued its currency and the country's first 'national government', burying - temporarily - the Afrikaans-English antagonism of the past, was formed. It was not however, the eclipse of the political factor. On the contrary, Hertzog as prime minister of the United Party now had the

essential two-thirds parliamentary majority and was able at long last to carry the articles of his segregationist faith in his Native Bills. But concurrently entrepreneurial management could pursue productivity in a political economy so propitious to profits that in eight years the gold-mining industry achieved a total working profit greater than the total for the previous twenty-two years.

From 1933 until 1940, the working profits of the gold-mining industry amounted to £275.3 millions as compared with £263.3 millions for the period from 1911 to 1932, inclusive.

The effective price of gold for the mines moved from just under 84s. per oz in 1932 to about 125s. from the date of linking South African currency with British sterling, 28 December 1932, and then to 140s., when the U.S. dollar-price of gold was adjusted to \$35 per oz in 1934. Working costs of the mines benefitted from the unique condition that world and South African prices were broadly stabilized by the continuing unemployed and underemployed capacity until the outbreak of the Second World War.<sup>39</sup> Wages, as a major component of mining costs, did not significantly rise. From 1933 the S.A. Labour Party was a spent parliamentary force and in the new United Party with its overwhelming parliamentary majority, the Mineworkers Union could exert virtually no leverage.

When the White miners in 1933 demanded increases ranging from 20 per cent to 35 per cent and a reduction of the working week to 40/36 hours, the only concession from the Chamber of Mines was a provident fund. The Chamber could establish that living costs had not significantly risen and that 'it was not in the national interest' to concede even high differentials in wages to the highest-category of wage-earners in the country. A strongly conservative government with a very orthodox Finance Minister, Mr. Havenga, enjoying a mining-tax yield

that had risen from a pre-1933 average of about £3½ million to a post-1933 average of nearly £14 million, saw no political reason to take sides in the collective bargaining.

As for the African labour, the continuation of negligible, nil or negative marginal productivity in tribal agriculture maintained an 'unlimited labour supply' at unchanged subsistence wage-levels. By the end of 1935, African labour had increased to 287,000 of which three-quarters was coming from South Africa and the Protectorates. For 1936, the numbers rose to 310,000.

The final conjuncture of favourable factors was the capital market. From the beginning of 1933 to the end of 1936, according to the statistics of the Government Mining Engineer, about £45,000,000 new capital was invested in the gold mines. Under prevailing conditions, profit prospects in gold-mining were relatively attractive and more than half of the above investment came from foreigners. A sustained 'bull' Johannesburg share market also naturally assisted the very large capital needs of feverish mining activities.

From 1933 to 1936 mining development, in addition to the deepening-level activities of the large companies, was taking place over an area nearly four times as large again as the whole of the Rand in 1932. In the fiftieth Chamber of Mines Report for 1939, the point was made that the disposable profit per ton of ore in the hands of the mines was only slightly greater than before the Union left the gold standard in 1932. The expansion of development was therefore primarily responsible for the increase in total dividends distributed. During seven years, from 1933 to 1939, investors had put £80,000,000 into gold-mining, a significant fraction coming from re-invested dividends.

The profits realized and the profit expectations, follow-

ing the major gold-price increase in December 1932, transformed the volume and rate of capital investment in the industry. The above figure of £80,000,000 in seven years compares with Frankel's estimates of £148,000,000 for the whole period from 1887 to 1932. But the increased concentration of the capital input in the post-December, 1932, era is emphasized by the facts that, of the £148 millions, £125,000,000 had been invested prior to 1913. From 1914 to 1932, only about £23,000,000 had been invested.

For the nineteen years prior to 1933, the average annual new capital raised was about £1,217,000; from 1933 for the next seven years the average approximated £11,430,000.

The detail of performance data by the gold-mining industry for the period 1911 to 1942 is given in the table appended to this chapter. The magnitudes of change in working profit from 1933 are clear. From 1923 to 1932 inclusive working profits fluctuated narrowly around the ten-year average of £13.4 millions. In 1933, they jumped to £31.5 millions and for the next decade, from 1933 to 1942, working profits averaged £36.48 millions.

The multiplier effect on consumption and the acceleration effect on extra-mining investment <sup>40</sup> brought the level of GNP to a new order of magnitude. According to a recent re-calculation of gross domestic product (see table below), the total in 1921 was R482.1 million (or £241.5 million) for a 1921 census total population of just under 7,000,000 South Africans; in 1940, the total was R988.9 million (or £494.5 million) for an estimated population of about 10,500,000. These calculations of gross domestic product appear to be at market prices but the official South African retail price index (base 1914 = 1000) was exceptionally high at 1451 in 1921 and from 1933 until the Second World War

price movements remained steady at between 1170 to under 1200.

From the early twenties to the early forties, gross domestic product can be reasonably regarded as having doubled in real terms. The author remains a sceptic about the precision of national income accounting, more particularly on the basis of statistical reporting for South Africa. By the very nature of the South African social system with its imposed immobilities and gulf between the living standards of its racial components, calculations of income per capita are - in the author's view - without useful purpose.

Gross Domestic Product of South Africa - Selected <sup>41</sup>  
Years

(Calendar year and at market price)

in millions of rands

Year	Total	Agriculture Forestry & Fishing	Mining & Quarrying	Manufacturing
1911	299.2	62.3	83.9	11.4
1920	561.6	122.1	108.7	40.4
1921	482.1	86.7	80.9	36.5
1929	591.5	95.1	100.1	53.5
1932	463.5	59.7	80.3	45.5
1933	530.8	69.2	116.4	53.3
1939	887.6	114.0	176.3	99.3
1940	988.9	119.8	203.4	114.5

The above figures are in millions of rands, the new post-1960 unit of currency of the Republic of South Africa. For an appreciation in more familiar pounds, they should be halved throughout. The years selected show 1911, the first year after unification of South Africa; 1920, the post-World War I boom year and 1921, the succeeding slump year of deflated prices; 1929, the peak year of boom and 1932, the

year of Great Depression; 1933, the first year of gold-price at 125s. per oz and 1939/40, the years of peak gold-mining expansion at the outbreak of World War II.

The broad trends are clear. From unification of the country's economy down until the world-wide increase in the price of gold, rate of growth is unexciting. Neither agriculture nor manufacturing has fulfilled anything like their expectations. Agriculture especially has shown no contribution commensurate with its highly favoured legislative attention. Mining, too, has fluctuated to end in 1932 much where it began in 1911.

Twenty years of the political factor from the time of Union have made no spectacular impression on the rate of economic development. The political pre-occupation with ensuring that the polity and not the market determined the distribution of land, labour and wealth as between White and Black had achieved no impressive increase in gross national product - the total wealth for distribution.

But an external impetus from 1933, the world-wide increase in the price for South Africa's greatest natural resource - from 84s. per oz of gold to 125s. and then to 140s. - adds a dominant influence to the side of economic adaptation. From 1933, the pursuit of productivity ignores the polity. The years between 1933 and 1939 may well be distinguished as the period in which the polity and the economy were so intensely immersed in their internal objectives as to have neither time nor desire to interfere with each other.

The Prime Minister, General Hertzog, having abandoned a gold standard (to him an uninteresting mystery) and gained a two-thirds parliamentary majority (a far more vital elusive interest) was free to concentrate on his life-long ideology - the search for segregation by ending the remnant of the

Africans' common roll franchise and their related right to 'traffic' in the common land of South Africa. The Chamber of Mines, having for perhaps the only time in its history exercised effective influence on the polity to bring about the abandonment of the gold standard, was free to concentrate on its life-long ideology - the pursuit of profits.

Such a climate of confidence, unprecedented in the country's political and economic history, was highly favourable to the rate of economic development. During the subsequent years of the Second World War, irreconcilable emotional sympathies split Parliament and the electorate into revived, intensified political conflict. But the overriding demands of War gave a decisive freedom to productivity, uninhibited by the labour colour bar for the duration of hostilities.

STATISTICAL APPENDIX

OF

GOLD-MINING OPERATIONS

SOUTH AFRICA : 1911-1942

## GOLD MINING

SOUTH

Year	Tons Milled	Yield ozs	Gold Price per oz £	Working Revenue		Work- ing
				Total £ mill- ions	Per Ton milled s. d.	Total £ mill- ions
1911	24,075,502	7,967,198	4.715	33.8	28 1	21.7
1912	25,695,837	8,883,847	4.715	37.5	29 2	24.1
1913	25,842,692	8,512,359	4.715	36.2	28 0	23.2
1914	25,900,789	8,111,288	4.715	34.5	26 7	22.2
1915	28,522,499	8,852,433	4.715	37.6	26 4	25.0
1916	28,757,532	9,061,799	4.715	38.5	26 9	26.1
1917	27,507,680	8,822,431	4.715	37.5	27.3	26.5
1918	25,040,063	8,274,174	4.715	35.1	28 1	27.1
1919	24,158,688	8,182,909	4.715	34.8	28 9	27.8
1920	24,217,177	8,022,010	5.590	42.7	35 3	31.1
1921	23,519,805	7,992,858	5.342	41.5	35 4	30.4
1922	19,614,414	6,876,163	4.614	30.9	31 7	23.2
1923	26,649,675	8,974,838	4.544	39.4	29 7	26.8
1924	28,336,073	9,428,414	4.673	42.5	30 0	27.9
1925	28,431,508	9,428,468	4.673	39.8	28 0	27.3
1926	29,624,072	9,778,173	4.673	41.3	27 11	28.2
1927	29,361,617	9,951,301	4.248	42.1	28 8	29.0
1928	30,327,500	10,170,723	4.248	43.2	28 6	30.2
1929	30,797,300	10,233,321	4.248	43.4	28 2	30.5
1930	31,477,000	10,550,701	4.248	44.6	28 4	30.9
1931	32,426,220	10,707,805	4.248	45.4	28 0	31.6
1932	34,906,450	11,378,064	4.396	48.8	28 0	33.5
1933	36,860,900	10,841,054	6.236	67.3	36 6	35.8
1934	39,722,850	10,304,923	6.901	70.8	35 8	38.6
1935	44,234,650	10,564,904	7.103	74.4	33 8	41.8
1936	48,221,120	11,117,327	7.103	77.4	32 1	45.3

## OPERATIONS

## AFRICA

Costs		Working Profits			Total Government Revenue from Gold Mines
Per ton milled s. d.	Per oz s. d.	Total £ mill- ions	Per Ton milled s. d.	Per oz s. d.	Income Tax & All Other
					£ thousands - fiscal years
1948	55 3	11.5	9 6	29 2	1448.0
1949	55 1	12.7	9 11	29 2	1450.0
1950	55 1	12.2	9 7	29 0	1499.0
1951	53 6	11.6	9 0	27 11	1412.0
1952	56 10	12.0	8 5	27 3	1681.0
1953	58 1	11.7	8 1	25 11	1881.0
1954	60 6	10.3	7 6	23 7	1914.0
1955	65 11	7.6	6 1	18 6	1622.0
1956	68 4	6.7	5 6	16 5	2058.0
1957	78 0	11.6	9 7	29 0	2570.0
1958	76 5	11.2	9 6	28 2	2360.0
1959	67 11	7.8	8 0	23 0	1964.0
1960	60 3	12.6	9 6	28 4	2777.0
1961	59 8	14.6	10 4	31 4	3471.0
1962	58 6	12.5	8 9	26 10	3183.0
1963	58 2	13.1	8 10	27 1	3687.0
1964	58 8	13.1	8 11	26 7	3517.0
1965	59 8	13.0	8 7	25 9	3500.0
1966	60 1	12.9	8 4	25 5	3510.0
1967	59 3	13.6	8 8	26 1	3623.0
1968	59 5	13.7	8 6	25 10	3768.0
1969	59 3	15.3	8 9	27 1	4587.0
1970	66 5	31.5	17 1	58 6	14915.0
1971	75 6	32.3	16 3	63 2	13541.0
1972	79 11	32.6	14 9	62 5	14598.0
1973	82 3	32.1	13 4	58 2	14029.0

GOLD MINING  
SOUTH

Year	Tons Milled	Yield ozs	Gold Price per oz £	Working Revenue		Work- ing
				Total £ mill- ions	Per Ton milled s. d.	Total £ mill- ions
1937	50,725,750	11,445,087	7.035	79.7	31 5	48.0
1938	53,834,150	11,839,077	7.127	83.6	31 1	51.7
1939	58,340,200	12,495,111	7.765	92.3	31 8	56.6
1940	64,515,350	13,683,418	8.400	114.2	35 5	66.7
1941	67,255,450	14,039,912	8.400	117.0	34 9	71.1
1942	66,979,700	13,761,035	8.400	114.5	34 2	70.8

## OPERATIONS

## AFRICA (Continued)

Costs		Working Profits			Total Government Revenue from Gold Mines
Per ton milled s. d.	Per oz s. d.	Total £ mill- ions	Per Ton milled s. d.	Per oz s. d.	Income Tax & All Other £ thousands - fiscal years
8 11	84 9	31.7	12 6	56 0	13990.0
9 3	88 4	31.9	11 10	54 6	12930.0
9 5	91 8	35.7	12 3	57 9	17017.0
0 8	98 6	47.5	14 9	70 3	26740.0
1 2	102 6	45.8	13 7	66 1	27328.0
1 2	104 4	43.7	13 0	64 4	27703.0

CHAPTER 16

UGLY DUCKLING INTO PROTECTED SWAN

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What's good for the Chamber of Mines is best for South Africa's economic development.

This was the article of faith of the mining-finance houses. It was, and in many cases remains, the objective view of much highly regarded academic opinion. When the Mills-Clay-Martin membership of the Economic and Wage Commission of 1925 wrote:

Now protection in its early stages, whatever its ultimate effects, does nothing to increase the resources of total wealth of a nation. It may lead to the development of new industries, but it cannot create these out of nothing and, in fact, creates them by diverting to them labour, capital and enterprise, that, but for the protective policy, would have been applied elsewhere.<sup>1</sup>

It was not merely calling Adam Smith to witness but invoking almost all respectable authority. Such a version of economic development in general and of the Union's economic growth in particular was endorsed by most South African economists. Intervention by the polity to alter the shape of the country's economic development had and would manifestly diminish the rate of growth. S.H. Frankel had made a formidable case against one key state-controlled enterprise, the South African Railways; C.S. Richards had made another against the other key state-controlled Iron and Steel Corporation (IsCOR). They and other South African economists made the general case against the protection of manufacturing or secondary industry.

The evidence that the gold-mining industry was the crucial, if not the sole, strategic variable in the GNP function and the critical determinant of national income per capita was persuasively argued by Frankel. In 1944, a date which permitted

him to look back to the pre-war break-through into expansion and to look forward to post-war hopes and fears, he published An Analysis of the Growth of the National Income of the Union in the Period of Prosperity Before the War.<sup>2</sup>

Frankel's calculations of total national income at current prices showed an increase from £234.7 million in 1932/33 to £394.8 million in 1938/39 or an increase of 68.2 per cent. Acknowledging the doubtful validity of the retail price-index as a price-deflator, he gave a 'real' national income per head of the gainfully-occupied population of £56.2 in 1932/33 and £77.3 in 1938/39 or an increase of 37.5 per cent. The table which follows suggests that national income per head doubled from Period I, 1911/12-1919/20, to Period II, 1922/23-1928/29 and then doubled again in Period III, 1932/33-1938/39.

Annual Percentage Rates of Growth of the National Income of South Africa for Three Selected Periods<sup>3</sup>

	Period I: 1911/12- 1919/20	Period II: 1922/23- 1928/29	Period III: 1932/33- 1938/39
National Income at current prices	7.0	4.6	8.8
National Income at constant prices	3.0	5.0	7.5
National Income at constant prices per head of gainfully occupied population	1.4	2.5	5.3

Period III from 1932/33 to 1938/39 was designated by Frankel as one of 'Great Prosperity'.

What especially concerned Frankel was that

the great rise in the national income, and the further rise subsequently engendered by the exceptional circumstances of the war, should not be permitted to obscure the fundamental economic factors from which it has resulted or the basic conditions on which the growth of the national income depends.

He found that fundamentally those standards had been achieved by a high degree of specialization of the country's economic activity, and by the export of certain specialized valuable products in order to obtain the benefits arising from the import of a large variety of goods and services. It is this operation of international trade, he asserted, based on specialization which has led to the existing real income standards of the community. The exceptional rate of growth in Period 111 was to be explained by (a) the growth in real income yielded by export production, particularly of gold exports and (b) by the great stimulus which such increased export activity gave to new capital investment, financed from both domestic savings and foreign capital.

So great were the windfall gains from the gold-price increase, that Frankel claimed the rate of growth in the post-1933 period was not only much greater than in the other two periods analyzed but also exceptional, when compared with the experience of most other countries in the world over comparable periods.

From this statistical evidence, Frankel asserted inescapable inferences for government policy. He found 'dangerous and fallacious' those suggestions which believed that in the post-war period full employment at increased income standards could somehow be achieved merely by maintaining net investment from domestic savings and by stimulating new manufacturing production for the home market. He was perturbed at what seemed to him autarchic thinking and insisted that with the existing natural resources and population, South Africa was so fundamentally dependent on the maintenance and expansion of international trade that 'all future economic and fiscal policies must be based on the realization of this inescapable fact'.

There can be no underestimating the empirical substance nor analytical penetration of Frankel's well-timed study.

Nonetheless, did it in fact provide the last figure and the final word?

In the previous chapter, the post-1933 gold-mining expansion era was assessed. Such expansion was the acknowledged decisive contributor to a structural change in the South African economy that generated a critical impetus towards the drive to maturity. The increased inputs of African labour and of capital were undeniably major. Frankel's calculations of total new investment in his Period 111 of 'Great Prosperity' are impressive. He put the figure at £261.9 million, an average of £37.4 per year from 1932/33 to 1938/39 - nearly double the period of the previous upward swing in the South African trade cycle from 1922/23 to 1928/29.

Furthermore, while Frankel found gold-mining investment from 1922/23 to 1928/29 to be negative, i.e. new investment not replacing capital obsolescence and closed-down mines, from 1932/33 to 1938/39 total net new investment in gold-mining contributed the 'extremely large' sum of £55.5 millions. For this latter period, the total investment for the private sector was £154.4 millions and for the public sector £107.4, together amounting to £261.9 million.

But the generative effect of massive gold-mining investment was taking place in a political-institutional framework that had its own unique constraints. It was taking place in a social system that exhibited at least some Marxist features within Talcott Parsons's general theory of social systems.<sup>4</sup>

Those years in which, to the pleasurable astonishment of the annual presidential address to the Chamber of Mines, African labour supply increased from 211,000 in 1930 to 367,000 in 1940, were the decade in which the subsistence tribal economies of South Africa 'pushed' their 'unlimited labour supply' into the mines. They were the years in which the process of making millions of Africans legally landless was fermenting its

urbanized proletariat. The Africans' economic life was being compelled to adapt to the White man's polity.

In such a social system, are not the calculations of 'real national income per head of gainfully occupied population the abstractions of arithmetical averaging? It is patent that Frankel was acutely aware of the immobilities in the South African social system and intensely sympathetic to its consequent poverty-creation. But to derive a description of 'Great Prosperity' from averaging national income estimates over the quantum of the South African population, however justified by econometric values, was to imply a misleading reality.<sup>5</sup>

It was misleading in that a mass of contemporary evidence suggests the proletarianization of the African people under the land-labour controls imposed by the White polity was adding nothing to their net wealth and little to their net income. An examination of the country's social system did suggest certain features of under-employment and under-consumption, that were not solely the inbuilt characteristics of a slow rate of economic development. The political process was a real determinant of the interacting under-employment and under-consumption; and the under-employment and under-consumption were real determinants of the social process.

Landlessness among the Africans was a creation of the polity. The decade of Frankel's 'Great Prosperity' by econometric measure was also the decade in which the political economy of South Africa was bringing the Africans' marginal productivity on the land to the point of nil or negative yield, while the colour bar on the mines imposed an insurmountable ceiling to their marginal productivity in mining.

The under-consumption of such a social system would not necessarily be solved by no interference with the specialization of the country's economic activities, in order that maximum gold output might bring the optimum gains of international trade. Such under-consumption might be a permanent trap so

long as the land-labour utilization of resources in South Africa was a function of the polity rather than of the market.

The study of the realities of the South African political economy might yield a different answer than the unchallengeable logic of international trade theory. The pursuit of productivity in the South African social system might under such compelling reality justify intervention to bring about structural change.

However ugly the duckling of an infant industrialization looked to those who had such legitimate admiration for the golden goose, was there not a special case for nurturing a protected swan?<sup>6</sup>

The general case of international trade was of course fully and almost completely stated by Adam Smith a long time ago.<sup>7</sup> It remains the classical statement of the problem of free trade and protection and the argument of Adam Smith is almost as valid today as when he deduced it. This general case, to run over it very briefly, is that under the assumptions of general economic theory (that is, free competition, mobility of resources and a certain political-institutional framework), the unrestricted international exchange of goods and services increases the real incomes of all the trading countries concerned - both those who export and those who import.

In classical terms free trade maximizes the social product through automatically ensuring that each country specializes in the production of those goods and services in which it has relative advantage and imports those goods and services which it can obtain more cheaply than it can relatively produce itself. As a general theory it remains virtually unchallengeable.

Some economists have attempted, however, to examine this classical theory in terms of other assumptions, which are not the assumptions of free competition or mobility of resources.

They have questioned how far the classical doctrine of comparative costs, based on equilibrium theory, is entirely satisfactory for a political economy in which the institutional factors present a different picture from the assumptions of general economic theory. How far is the classical argument conditioned by the dis-equilibria of the South African political economy? How far is the general comparative cost doctrine modified by the particular social system of South Africa?

The constitutional and institutional immobilities of South Africa resulted, it has been contended above, in a degree of under-employment and under-consumption that was chronic and might through neglect become congenital.

Haberler in his Theory of International Trade reviewed the arguments for protection advanced to reduce unemployment. He categorized the arguments as relating to (a) unemployment which is general and enduring (b) to unemployment which is cyclical and (c) to the unemployment specific to an industry. He conceded a very limited possibility to such a special case as Britain's unemployment after World War I, when Keynes had argued for protection as an alternative to devaluation just before the 1930's.<sup>8</sup> But Haberler's general argument is that protection merely shifts employment as between different activities. In the case of South Africa, however, the general unemployment of the Africans was an imposed under-employment.

The manner in which the polity imposed such under-employment meant that neither in agriculture nor in mining was there any likelihood of a tribal society of non-differentiated labour emerging from a stagnant self-subsistence and merging into an expanding exchange economy based on division of labour.

Haberler did not indeed deny the contention of those who argued that it is not invariably true to assume that the available factors of production are given and fixed in quantity so

that they cannot be increased, but only redistributed, through protection. He conceded that protection may bring previously idle resources into utilization and that tariffs may attract factors of production, through the import of capital and immigrant labour, from other countries. But, according to Haberler, the effects of such industrialization must be short-lived because the import of capital sets up obligations to repay that capital in the future. The balance of payments problem is merely postponed and the obligations to redeem foreign investment ultimately necessitates additional exports in future years for the execution of payment.

Empirical evidence in the case of South Africa, however, lends itself to another interpretation. Although much of South African industrialization has been brought about by foreign or imported capital and entrepreneurship, protection (whether by way of tariffs or import controls) has attracted a transfer of permanent capital and scarce knowledge and technology to co-operate with unutilized or under-utilized African labour. This aspect will be taken up again later in the text but it must also be acknowledged that world events combined with further natural resource exploitation in South Africa to provide for the continuation of South African 'miracles', which miracles greatly expanded the country's exports.

The special case for the protection of South African manufacturing is implicit, it is suggested, in the general infant-industry exception of free-trade theory. The infant-industry argument is, of course, an aspect of industrial development by way of protection. Because the South African economy had by the end of the Second World War acquired certain special features of what may be termed an adolescent economy, protection of industry after 1945 could and has in fact increased the rate of economic development.

Such an analysis, however, requires the support of historical fact and a brief account of South African industrialization therefore follows. After the factual account has been filled in, it will be more intelligible to return to the examination of the special case for the protection of South African industry.

From even before Union in 1910, there had of course been non-academic enthusiasts for the fostering of manufacturing or secondary industry by customs tariff protection.<sup>9</sup> Their enthusiasm did not then match their political influence. Thus an editorial article in the August 1907 issue of the South African Commerce and Manufacturers' Record noted that a few importers have been the merchant princes of the country, 'looked up to as oracles on every question under the sun and their influence is almost absolute', while 'manufacturers as a class, have occupied a very different and less influential position'. The first Congress of South African Manufacturers was held in Cape Town in October 1909, and a proposal made for a fund to support candidates for election to Parliament in the interests of industry. The first Union Parliament was an opportunity for William J. Laite, pioneer of the chamber of industry movement in South Africa, to press on Lord Gladstone, the Governor-General, a claim for one of the unallocated seats in the first Union Senate to be given to a 'direct representative of manufacturing interests'.

Although the occasional customs duty helped a local manufacturer, industrialists exercised virtually no political influence in the early Union Parliaments. On the other side, the redoubtable J.W. Jagger, the greatest merchant of the Cape Colony and the Union, imposed a Gladstonian free trade orthodoxy on pre-Union and post-Union cabinets until the political downfall of Smuts in 1924. With the Nationalist-Labour Pact Government an avowed protectionist policy was adopted. The

Customs Tariff Act of 1925 and the reconstitution of the Board of Trade and Industries with extensive powers and advisory duties for the protection of secondary industries (agriculture and mining by South African tradition being classified as 'primary') did not, however, imply a suddenly acquired major influence by manufacturers and organized industry in the polity.

Such influence was rather a necessary administrative by-product of the new Government's basic social objective - increased employment opportunities for Whites. In the gold-mining industry, the Mines and Works Amendment Act ensured the regulations that re-established an unchallengeable category of Whites-only jobs. In government undertakings, more particularly the South African Railways and Public Works Department, the 'civilized labour policy' was forthwith implemented directly to increase the numbers of White employees in labouring categories. Tariff protection of secondary industry politically was intended to ensure that this 'civilized labour policy' was made effective in what was thought of as a secondary field of economic activity.

Manufacturing industry, indeed, remained secondary to the primary industries of agriculture and mining - in political influence even more than in economic significance until after the Second World War. The public attention aroused by the vociferous free trade-protectionist argument, academic and non-academic, has tended to exaggerate the extent of protectionist policy in promoting South African industrialization until the Second World War.<sup>10</sup>

A memorandum by the Board of Trade and Industries to the Customs Tariff Commission of 1934 claims a gradual evolution of a revenue measure into a device used to an appreciable extent for the encouragement of industrial development. The first Union Customs Tariff Act No.26 of 1914, itself based on pre-

Union colonial tariffs, was primarily revenue in character though it contained an appreciable number of protective duties and had provisions against dumping. The 1925 Customs Tariff Act No. 36 of 1925 has generally been regarded as the inauguration of a more positive or definitive protective policy, though it was an outgrowth of the 1914 Tariff. The Board of Trade and Industries itself now acquired a purposively protectionist responsibility.

In its Report No. 51 on Tariff Revision, the newly charged Board announced these general principles as fundamental considerations for its directive:

- (i) the interests of primary industries, farming and mining, whose costs of production had to be kept as low as possible;
- (ii) the interests of consumers, including protection against undue increase in the cost of living; and
- (iii) provision of increased scope of employment for civilized labour, tariff assistance to be partly dependent on satisfactory labour conditions and, where possible, on the employment of a larger proportion of civilized labour.

The Board's memorandum to the 1934 Tariff Commission declared that since 1925 the Government's policy of encouraging the employment of civilized labour had become a distinct and important feature of the Union's industrial and commercial life. As far as encouragement of industry through the means of the Customs Tariff is concerned, the Board said, it was definitely expected that efforts at promoting the employment of civilized labour should not be relaxed.

On the contrary, when it was discovered that evasions of wage determinations and agreements were taking place in individual industries which were entitled to some form of tariff assistance, the remedy was sought in the Tariff Act. Thus a new

clause governing Class XV of the Tariff has been introduced into the regulations, which provides for the exclusion of particular manufacturers from the privilege of free admission of raw materials and requisites under rebate, after investigation by the Board of Trade and Industries had shown that such manufacturers were maintaining unsatisfactory labour conditions.

The 1934 Customs Tariff Commission itself, under the strong chairmanship of Dr. J.E. Holloway, in its introduction indeed declared that it did not wish to be understood as advancing the view that no alternative development of the country's resources was possible in 1925. 'We have regarded', it asserted, 'the adoption of a protectionist policy as being primarily influenced by social rather than economic considerations and this view underlines the whole of our report'.<sup>11</sup> It made an attempt to establish the magnitude of protected secondary industry and estimated employment of 26,000 to 28,000 Whites and 21,000 to 23,000 non-Whites earning a combined wage bill of just over £5,000,000 and with a gross output of £19,300,000 as specifically attributable to protected secondary industry for the year 1933. For the same year, private industrial establishments as defined in the Industrial Census employed a total of nearly 69,000 Whites and about 96,000 non-Whites, who together earned a wage bill of £17,500,000 and had a gross output valued at about £80,500,000.<sup>12</sup>

It seemed clear, said the Customs Tariff Commission, that the ratio of employment of Whites was higher in protected than in economic secondary industry.

In 1933 the ratio of Whites to total employees in all the classes covered by the Industrial Census was 41.9 per cent while in a number of fully protected secondary industries, for which separate data are available, the ratio was 57 per cent.<sup>13</sup>

From an analysis of employment in three sheltered industries

and seven protected industries, and acknowledging that the former were particularly vulnerable to the depression,

it is yet clear ... that the protected industries showed a much greater increase in employment than the sheltered industries (and) it will be noticed, for instance, that the seven protected industries accounted for just over 50 per cent of the total increased employment of Whites in all private industries.<sup>14</sup>

That the White labour-employment potential was a guiding, if not determining, consideration of protectionist policy is unequivocally acknowledged by the long-term chairman of the Board of Trade and Industries, A.J. Norval, when he wrote after his retirement:<sup>15</sup>

From 1925 up to the outbreak of the Second World War in 1939 the Government's policy of encouraging the employment of civilized labour became a cardinal feature of the country's economic policy ... As far as the encouragement of industry through customs tariff protection was concerned it was definitely expected that efforts to promote the employment of civilized labour would not be relaxed. In this regard the Government's efforts were crowned with great success. The Poor White Problem, a tragic feature in the country's economic and social life, was virtually wiped out in a comparatively short period through the absorption of the Poor Whites in industry.

Footwear, clothing, motor assembly, tyre and saw-milling industries in centres such as George and Port Elizabeth contributed much to alleviate this distressing problem by attracting whites from the countryside to the factories. The Government's policy of maintaining and promoting healthy labour conditions in industry was further carried into effect by withholding, through a provision in the Customs Tariff and Excise Duties Act, the privilege of importing under rebate of duty raw materials and requisites, from manufacturers who maintained unsatisfactory labour conditions.

Norval also makes it clear that in this phase the pro-

tectionist policy was labour-intensive and not capital-intensive. He claimed that the customs tariff contributed very materially to the development of expansion of industries in respect of which a nucleus existed in 1925, such as blankets, clothing, footwear, canning, confectionery, soap, cigarettes and tobacco and others, but that during the period 1925 to 1939, the tariff failed to stimulate capital intensive industries.

Throughout this period, Norval elaborates, it was avowed Government policy not to increase the customs duties on capital goods or on the requirements of agriculture and mining, even where such articles could be satisfactorily produced in South Africa. The special requirements of agriculture and mining, in consequence, bore either no duties at all or only low revenue duties. 'Since 1925 the customs tariff was so framed and applied as to avoid as far as possible, the penalizing of primary industries in respect of their special requirements'.<sup>16</sup>

Down until the Second World War it was the primary industries of agriculture and mining which commanded the interest of the polity. The exercise of influence by manufacturers was, as befitted their classification, essentially secondary and indeed exerted at administrative rather than at legislative level.<sup>17</sup> The continuous, close and zealous concern of the polity with agriculture has been documented in an earlier chapter. If the protectionist policy of the South African Government until 1939 is closely examined, it will in fact be found that it was as much directed to the protection and encouragement of 'primary' agriculture as of 'secondary' industry.

It might even be argued that until 1939 the tariff protection given to secondary manufacturing was not so much the promotion of industrialization as the consequence of a virtual import prohibition to safeguard primary agriculture against

foreign competition. While wool, milk and fruit were unprotected, the heavily protected wheat, maize, sugar, butter, condensed and powdered milk, leather and tobacco leaf constituted the raw materials for the important food and drink industry group.

The Board of Trade and Industries in its Report No. 282 pointed out that confectionery manufacturers must buy highly protected sugar, glucose made from maize, condensed milk and milk powder at relatively high prices and that agricultural protection must be followed by industrial protection, if local factories are to use South African raw materials. Export Subsidies, it wrote, direct or indirect, on local products, such as sugar, fruit, maize, meat, eggs and butter, place local manufacturers at as great a disadvantage as do comparable import duties on imported raw materials.<sup>18</sup> What the Board of Trade and Industries did not elaborate was that the dumping of many of these agricultural raw materials under forced-export policies enabled foreign manufacturers to obtain their raw materials at below cost to the even further disadvantage of their South African competitors.

The interest of the polity in the gold-mining industry was somewhat different. As the Chamber of Mines saw it, the polity's concern was to keep the industry in being in order to milk it for the 'protection' of others. The tax yield, at discriminatory rates, from the gold-mining industry was thus an interest of first priority to the Minister of Finance. Mr. Havenga in those years of his bounding budgetary surpluses after 1933 gave a special kind of consideration to those gold-mining companies which made such a gratifying, to Mr. Havenga, contribution.

The Finance Minister was not disposed therefore to impose on this primary industry a direct burden of increased machinery

and materials costs through related customs tariffs for the benefit of the secondary industry of manufacturing. He did not however, oppose an indirect burden consequent from the protection given for the other primary industry of agriculture.

Both these aspects were acknowledged by the spokesman of the Chamber of Mines in his evidence to the Customs Tariff Commission, 1934-35:

Mr. Gemmill (of the Chamber of Mines) expressed the view that owing to the freedom from duties of a large part of the materials used by the mines, protection can have had only a slight direct effect on the costs of production. He was, however, emphatically of the opinion that indirectly, in its effect on the level of prices, it materially influenced the cost of gold production through the general wage level ...<sup>19</sup>

The Customs Tariff Commission was satisfied that, whatever the exact incidence of the additional cost of the products of protected industry, a considerable share must ultimately fall to be paid out of the proceeds of the largest economic industry of the country.

Regard for the productivity of the golden goose was perhaps understandably wider and keener in the light of its contemporary record-laying output. Such heightened appreciation extended beyond enthusiastic, non-discriminating share-dealers and more discriminating though equally enthusiastic economists.<sup>20</sup> Gold-mining investment was multiplying income for a growing number of White South Africans, including those who supplied stores and those who supplied labour. The consequential chain of expenditure accelerated investment so that a sizeable market for domestic manufactures was for the first time establishing the possibility of economic production, if safeguarded against foreign 'dumping'.

Certainly the majority of the Customs Tariff Commission, whose chairman, Dr. J.E. Holloway, was the Secretary for Finance, concluded that mining was primary and manufacturing secondary - in terms of the concern of the polity:

It was represented to us in evidence, not only by many industrialists but also by the Board of Trade and Industries, that it is necessary in this country to develop secondary industries to take the place of the gold mining industry when it finally disappears. Without commenting on this matter we desire to emphasize most strongly that if secondary industries are to take the place of the gold mining industry they must themselves become economic. The fulfilment of this condition is absolutely essential; for otherwise when the gold mining industry does disappear the resulting adverse effect on the country's economy will be much greater than if secondary industries had not been developed at all.<sup>21</sup>

The majority report (with a strong dissentient minority) indeed concluded, in its own words, that South Africa has reached a stage where her economic system can bear the burden of further protection only at the cost of a lower national income and that, one of the main requirements of the country being to reduce its level of costs ... one of the first essentials is to reduce the cost of protection wherever it is possible to do so without detriment to the industries concerned.<sup>22</sup>

Indeed in its rejection of protection as a policy to promote economic development, it went further:

We desire to add to these conclusions that if we had considered it possible to call a halt to the process of extending protection without detriment to the work which has already been undertaken under the protective policy, we would have preferred to recommend that no further protection be granted, except when room is made for it by protected industries no longer requiring the protection granted to them.<sup>23</sup>

The discussion at the opening of this chapter stressed characteristics of the political economy of South Africa which, it was contended, might give theoretical validity to a special case for the protection of South African industry. They were the constitutional and institutional framework of a social system imposing chronic, and possibly congenital, under-employment and under-consumption on the African population. Industrialization, it was suggested, might have been the only way out of the under-consumption trap and protection a theoretically valid practical policy to increase productivity from unutilized resources.

The empirical examination has shown however that the polity accepted and applied a protectionist policy only because it promised increased, improved employment of Whites, otherwise described as 'civilized labour'. That this was the raison d'etre of industrialization, if needs be under the encouragement of protection, is brought out unequivocally by the Customs Tariff Commission of 1934 as well as by the launching of a state-controlled iron and steel industry by the Pact Government.

One of the reasons for the adoption of a policy of development of protected industries, the Commission explained, was the difficulty of securing employment for a larger number of Whites, 'on account of the fact that the two major natural industries of the country employed a relatively low percentage of Whites and offered only slight employment for women'.<sup>24</sup> The Commission was much impressed by the evidence of the Chamber of Mines that in the past the Chamber had claimed a reduction in mine-working costs would have generated additional employment of substantial numbers. 'We consider, however, that it is open to doubt whether at the time the protectionist policy was framed the possibility of this alternative employment becoming available would have been entertained or even

envisaged', said the Commission. But, it went on, the facts about available reserves of low-grade ore were now known and although it could not agree to supporting the Chamber of Mines in its plea for the gradual 'elimination of the protective tariff policy', the Commission was opposed to its extension as 'the biggest economic problem which faces the country is reducing costs'.<sup>25</sup>

The Tariff Commission had no doubt as to what and who were being protected by the fiscal policy introduced by the Pact Government in 1925:

The greatest competitive drawback of South African industry is the high cost of White labour, and the protection which exists is to a large extent a protection of the wage rates payable to Whites in industry in South Africa.<sup>26</sup>

This aspect is well exemplified from the early record of the state-controlled iron and steel industry. The exhaustive analysis of Iscor by C.S. Richards must be read in its voluminous detail to gain a full impression of the political factor in the development of this key industry.<sup>27</sup> War-time pride and post-war propaganda have so overlaid pre-war performance of Iscor that only the diligent student of Richards will learn some of the facts.

Briefly the iron and steel industry in South Africa was not a creation of Government enterprise after 'private enterprise had failed'. The State took over existing efforts from private entrepreneurs. The Government did not step in because it could raise the capital from the public when private financiers had flopped. In those years of world-wide excess capacity in the steel industry and of general depression, the 'public' would not put up the capital. The Government, after its failure to obtain the equity from private share-holders,

then 'subscribed' the public's money on the strength of parliamentary approval obtained only after the first of subsequent devious amendments of the Act of Union.' The public's money being unwilling to volunteer was drafted for service in the iron and steel plants as a matter of nationalized interest.

Despite absolute parliamentary assurances that Iscor would require no protection nor subsidization, high-cost railway branch-lines were provided by the South African Railways without the customary undertakings against initial losses; dumping duties were imposed against imported steel and in 1936 an agreement entered into with the International Steel Cartel which determined minimum c.i.f. prices depending on 'fair average prices of steel on world markets'. This agreement gave Iscor an unfettered discretion to apply its own basing-point price system (modelled on the American technique declared illegal under anti-monopoly legislation) so that Iscor could ensure that the South African market, that is the South African Railways and the booming gold-mines, took up its full capacity. The early financial results of Iscor were 'most disappointing' - which suggested that private prospective shareholders had shown no lack of foresight. Following the Agreement with the International Steel Cartel gazetted on 1 March 1937, the high profits made and dividends declared provided, however, the proof of the prescience of the politicians.

Again, labour costs played a key part in Iscor's costs.<sup>28</sup>  
The government-appointed chairman forthwith announced:

It is the intention to man the works with white labour with possibly a few exceptions. We believe that this policy will yield better results in a modern highly mechanized works such as are being built at Pretoria and our estimates of production costs are based on white labour entirely. The experience so far gained with the employment of white labour on the construction work is encouraging.

But the encouragement did not last long. In the subsequent labour-disputes leading to the appointment of a Conciliation Board and on its failure to the appointment of two Arbitrators, the submission was:

The Management engaged European labour (many taken over from the contractors constructing the works) to a much larger extent than it would have done under normal economic conditions ... on operations generally performed by non-Europeans ... on humanitarian and not economic grounds ... and at wages much higher than ... usually paid to non-Europeans for the same class of work.

The Arbitrators described the wages of White unskilled and semi-skilled labour as 'extraordinarily high' and that in the beginning there was definite over-staffing so that employees in the past had not worked to full capacity. In due course, Isacor modified its all-White labour policy as its White labourers found alternative opportunities in the mining boom of 1936 and replaced them with African general labourers.

It is evident that the post-1925 interest of the polity in industrialization, either by way of customs tariff protection or by way of extended state-controlled enterprises such as expanded railway transport, iron and steel manufacture and electrical power supply, was related to the need and desire to find employment for the Whites now migrating by the thousands from a depressed agriculture. It is easy to relate the need and desire of the Poor Whites for jobs to the need and desire of the Pact politicians for votes. Yet the obvious inferences of obvious vote-catching politics have a more fundamental explanation in the realities of the country's total social system.

The fact that in the early nineteen-thirties there were millions of under-employed poor non-Whites does not refute the contemporaneous gravity of hundreds of thousands of under-

employed poor Whites. The complementary relationship was not however clear except to a few social analysts. The Nationalist-Labour Cabinet taking charge of a static, even stagnant, economy might understandably be more perceptive of and responsive to the aggravated short-term competitive relationship of Poor Whites and Poor Blacks for a non-expanding work-wage fund. It was also understandable that in seeking to expand that work-wage fund by the encouragement of industrialization, it should accord a preferential priority to the Poor Whites.

It is a political fact that the Poor Whites were the concern of the polity; it was an economic consequence that the Poor Blacks were also caught up in the process of forced industrialization to solve the problem of Poor Whiteism. Hence though 43,000 Whites were employed in private industrial establishments in 1924/25 compared with about 101,000 in 1939/40, the numbers of non-Whites had increased from 88,000 (55,500 Africans only) to 182,000 (130,500 Africans only) over the same period.<sup>29</sup>

Once again, however, it was the turn of history for an external social process rudely to interrupt the internal social system of South Africa. Hitler and September, 1939, broke into the Union's political economy with shattering effect. Hertzog and his nationalist supporters, unconvinced that they would be fighting for South Africa's interests and unreconciled to fighting even within Africa for 'British Imperialism', re-joined their nationalism to the official Nationalist Opposition. Smuts taking charge as prime minister once again linked South African destiny to a one-world holism. Political power was transformed, and the imperatives of the Second World War were steadily to re-structure the South African economy.

The Industrial and Agricultural Requirements Commission was forthwith constituted, under the influential chairmanship of Dr. H.J. van Eck, to facilitate the re-structuring - both to meet the urgent needs of war and to anticipate the compelling pressures of the post-war. Its famed third interim report addressed itself to Fundamentals of Economic Policy in the Union.<sup>30</sup>

It began with a review of realities. The generalizations are informative in giving sociological perspective to economic derivatives. Although large in size, 472,000 sq.miles, South Africa had a 1940 estimated population of about 10,000,000. Probably two-thirds of it was still rural. Authorities had shown that of this population, small in relation to land-area, probably as many as 400,000 Whites and the bulk of non-Whites were underfed, badly housed and poorly educated.

The van Eck Report repeated what had been said at the time of Union. The summer rainfall falls in a semi-arid area and only one-third of all South Africa receives more than 25 inches a year - a precipitation required for successful crop production in most of the country. Winter crops are confined to a small winter rainfall area. The country's soils lacked phosphates and areas of good soils are patchy so that restricted mechanization retards higher yields and cost reductions; rivers are neither navigable nor suitable for large-scale hydro-electric power generation.

Save in certain areas, the Union's physical features, therefore, do not combine to give the moisture, temperature and soils required for successful crop cultivation, and today less than 6 per cent of the total area of the country is cultivated. The maximum irrigable area is very restricted - possibly 2,000,000 acres - and in all these circumstances at most 15 per cent of the Union is ever likely to be

cultivated. Agriculturally, the greater portion of the country is, therefore, suited only for livestock farming ...<sup>31</sup>

Over and above the physical controls which compelled recognition that South Africa was poor crop-raising country, improper pasture management was resulting in an almost general deterioration of natural grazing, culminating in further denudation and moisture loss. The most durable of South Africa's natural resources, the van Eck Commission was led to warn, was being dissipated extensively and at a cumulative rate.

While the country was extremely poorly wooded with timber-producing plantations of less than 2 per cent of total area, surveys of the Union's lengthy coastlines were disclosing enormous potential fishing grounds. Contemporaneously, however, as against an agricultural production of over £60 million a year, only 70 million lbs. of fish worth £600,000 were being landed. Mineral resources, apart from gold disclosed and undisclosed, were highly encouraging.

Available data showed beyond doubt, said the van Eck Commission, that the potential underground wealth was impressive. Several of the key minerals are plentiful - iron ore, steam coal, limestone, asbestos, chrome and manganese. In the Transvaal, Natal and the northern Free State, easy mining conditions and low-wage African labour gave a then pithead price of coal at an average 4s. 9d. to 6s. 9d. against a British pithead price of 15s. per ton. The Union of South Africa, the Commission declared, could thus rank with the limited number of countries in which the essential minerals for heavy industry are present in large quantities.

Human resources were even more than natural resources a potential of unutilized, if not unknown, capacity. The very great majority of the non-White population, and many Whites,

were poorly educated and had no vocational training or qualifications. The country had no comparable supply of highly skilled labour as was available to the leading industrial countries. Nonetheless the van Eck Commission discerned that the growing urbanized non-White population was suited by temperament to the standardized processes of modern mass production and that there was a highly adaptable complement of White, and Coloured, workers for more skilled operations.

But, the Commission declared, with few exceptions South African factories were working on a small scale, not highly mechanized and were largely dependent on tariff protection. In consequence they were adapted neither to make the best use of the labour supply nor the fullest use of the ample cheap power available.

The analysis of the van Eck Commission established that South Africa possessed the potential of materials and men. What it did not have were the markets. Professor Frankel and other authoritative academic opinion was convinced that the markets should be conceived as those developed by international trade. The van Eck Commission, while conscious of the interdependence of foreign and domestic markets, was more disposed to use the instruments of the polity to develop the domestic market. Neither the Commission nor the academics were doctrinaire enthusiasts for free trade but both, though much more strongly the academic economists, opposed a fostering of manufacturing industry that would increase gold-mining costs and thereby inhibit its critical contribution to post-war economic development.

Again the quantitative-qualitative assessments of both the van Eck Commission and of Frankel's national income analysis established that by the early 1940s, the South African social system had produced a skewed development. The problem

of preventing gold reverting to dross remained. It is the special merit of the van Eck Report that, in making a plea for the use of government as a catalytic agent, it turned away from the alchemy of party politics.

The van Eck Report saw the future not as a projection of the party political intervention from the time of Union to the outbreak of the Second World War. It rejected back to the land for the Whites, the concept of civilized labour narrowly interpreted as a work-wage fund for Whites, railway rating as an instrument for extra-economic aims, indiscriminate encouragement of manufacturing industry.

It pressed strongly that the polity face the responsibilities arising from the realities. The most unacceptable reality was that in 1936 just under two-thirds of the total working population was still dependent on farming, which was contributing about one-eighth only of the national income and that from 1927-8 to 1936-7 the amount so contributed had remained static at about £49,000,000. It saw the limited local market was a fundamental obstacle to the establishment of new industries and that the gap in wages - in mining White earnings currently 8 times and in manufacturing 4-5 times, respectively, as high as non-Whites' wages - was being widened. It acknowledged the practical monopoly of skilled work by well-organized Whites and the restricted collective bargaining rights of non-Whites, confined to unskilled grades, with all the consequences for the earnings-differential.

It saw some of the implications of a monopolistic South African Railways, whose discriminating rates had contributed to secure 60 per cent of its total revenue from 16 per cent high-rate traffic tonnage, and the relationship to restrictions on competitive, cheaper road transport. It faced the facts of gold-mining's significance - its contribution of one-fifth of

the nation's net income and two-fifths of the State's annual revenue, of gold exports of £110 millions out of then total yearly exports of £140-£150 millions. It urged the formulation of a long-term gold-mining policy so that State action affecting costs and revenue should henceforth aim at optimizing productive life.

It took a particularly realistic look at South African manufacturing industry. It found a rapid increase in output concomitant with the expansion of gold-mining since 1933. But it declared that the bulk of the country's manufacturing structure was not self-supporting and was dependent upon protection, estimated at costing £10,000,000 a year. The high industrial cost structure indicated a low level of efficiency, with insufficient mechanization to obtain the full benefit of cheap power and operatives' semi-skills. The inordinately restricted use of lower-paid Africans for the benefit of very much higher-paid Whites inhibited a cost-reducing rationalization. It was convinced of the potential of industrial expansion subject to the replacement of rigidities in labour-organization by the flexibilities that would favour the non-skilled<sup>32</sup>.

This van Eck Report, prepared for the Smuts Government by a number of independent minds with no party political connections or political interests in the narrow sense, at a low-point of the Allied fortunes in the Second World War and at the time of the Atlantic Charter, introduced its own aspirations for the post-war South African social system:

The Commission considers that the low-income groups at present receive an inequitable share of the national income and this both limits the local market for industrial and agricultural products and is the cause of serious social degeneration through malnutrition. This is a consequence of the present labour policies regarding wages and employment. There is much social injustice and the resulting economic

position of the low-income groups is so parlous that malnutrition is rife amongst them and their efficiency is impaired. It is, therefore, imperative that the position of the low-income groups be improved.<sup>33</sup>

The Commission, in brief, brought before the politicians what had long been known to the economists. The rigidities that the polity had fastened on the economy in the supposed interests of economic growth in general and of the Poor Whites in particular had achieved neither the rate of growth of which the optimum use of the country's resources, human and natural, aided by domestic and foreign capital and technology, was capable - nor the social justice acceptable to the new thinking of welfare economics.

Under-consumption and under-employment after thirty years of political unification, centring on the great Witwatersrand gold-mining industry, was rigidifying. But the Second World War was on - providing its own grinding, pounding flexibilities.

War-time protection of domestic manufacturing by the forced exclusion of imported competition may prove nothing about the theory of peacetime international trade, though Adam Smith of course allowed for defence needs in his 'exceptions'. But the rapid build-up of South African industrial protection after 1940 was important and impressive. The iron and steel industry certainly proved itself to be strategic to national defence and the key-supplier to a growing engineering industry. The food manufacturing factories and the clothing factories fed and clothed civilians and armed forces. Raw material imports still came in - largely paid for by gold as before - but South African secondary industry proved of primary importance to the war-time economy.

What war-time protection does however prove is that war mobilizes more than armies. It mobilizes resources - utilized, under-utilized and unutilized. It breaks down en-

trenched positions in factories as well as on battle-fields. It brings fluidities into institutions and geography. It introduces risk-taking behind the lines and in the lines. It brings forward 'new men' into command of resources, military and civilian. It deploys man-power and employs woman-power. It attacks all barriers - including colour bars. It operates through a disintegrating integration.

To repeat, war-time protection mobilizes resources. In pre-war South Africa there were unutilized resources in abundance waiting for mobilization. The under-employment and under-consumption of the Poor Whites had less quantitative but no less qualitative significance than the under-employment and under-consumption of the Poor non-Whites. Industrialization, forced by the protection of war, did not under such conditions merely mean a redistribution or diversion of workers already at work.

The theory of free trade, however, does not accept that the existence of unutilized labour is in itself sufficient case for protection. Such unutilized labour still requires the co-operant capital, entrepreneurship and material resources. A valid case for protection would have to substantiate that the economic development achieved is a greater social product than the economic achievement sacrificed by a diversion of the co-operant capital, entrepreneurship and material resources.

War-time experience is by the nature of things not a satisfactory test of maximizing the 'social product'. Victory is more a war-aim than a definable 'social product' either for econometrics or welfare economics. Yet the war-time industrialization of South Africa has empirical significance. There are suggestive magnitudes to be read into the figures of the Table of Industrial Growth in South Africa, appended to this chapter. Apart from the unutilized labour, there were unutilized material resources and there was unsuspected or unproved

entrepreneurial management. But whether the inspiration of the war-created industrialization, which brought together the unemployed labour-raw materials-entrepreneurial management, was newly created markets or newly created money is unanswerable.

Either way, if it was capital formation by way of monetary inflation or domestic demand creation by way of non-available imports, the war years meant a rapidly growing market for South African manufactured goods. Infant industries were being forced to grow up, while new infants were steadily born.<sup>34</sup> Haberler in his Theory of International Trade acknowledged, as many others including Adam Smith had done before him, the possibility that protection may help an industry to survive the weaknesses of infancy.<sup>35</sup> He also repeats the familiar argument that this is an advantage only if the 'nursing' through the infant stage attracts workers into employment where their marginal employment will be greater than it was in their previous employment.

Haberler's argument that, in a modern industrial country well supplied with skilled workers, trained technicians and enterprising leaders of industry, tariff protection can fulfil a nursing function in exceptional cases only is not readily deniable. Nor is his contention that the alleged advantages of mass production following on the nursing, depend on certain conditions of decreasing costs flowing from external economies, which are the 'curiosa of theory' rather than the realities of practical policy.

But South Africa was not such a 'modern industrial economy' - certainly not at the beginning of the Second World War nor even at its end. It was an economy of mass under-employment and mass under-consumption. Yet neither in 1939 nor in 1945 was it an under-developed economy, at least as defined by Bauer and Yamey in their Economics of Underdeveloped Countries.<sup>36</sup>

South Africa, though not necessarily unique, was unusual. It was, it is suggested, an adolescent economy.

An adolescent economy might be said to have some of the features of an underdeveloped economy and some of the features of a fully developed economy. The interesting theoretical and practical issue is whether protection or forced industrialization can add to the social product of an adolescent economy. Is there a protectionist case, not only for the infant industry, but for the adolescent economy? Were there real possibilities of external economies flowing from expanding industrialization in respect of South Africa? Further consideration is left to a later chapter.<sup>37</sup>

South African experience of industrialization, it is submitted, indicates that an ugly duckling may grow up into a protected swan - with greater self-assurance if, of course, it can do so in the maternal care of a golden goose. And self-assurance might excuse boastful conceit, if Mother Golden Goose should suddenly start to inject uranium into her golden eggs just when the world becomes infatuated with atomic energy. While boastful conceit might even with impunity indulge in chauvinistic assertions, if Mother Golden Goose decides in her declining years to have offspring of golden goslings.<sup>38</sup>

The Second World War unquestionably acted as highly stimulating protection for South African manufacturing industry. When war-time exclusion of competitive imports was soon followed, in 1948, by post-war foreign-exchange controls that continued such exclusion of competition, industrialization developed rapidly indeed. Such very complete protection of secondary industry did not, however, curtail the rate of economic development through diminishing essential gold output. A unique joint-product of uranium and gold in the older

Rand goldfields and some of the world's richest gold-mines brought into production in the newer Orange Free State gold-fields, all on top of a sterling devaluation in 1949 to raise the sterling price of gold to 250s. per oz., ensured that from the early nineteen-fifties gold-mining profits and production soared annually.

A ten year record of increased performance by the gold-mining industry yielded for the operating year of 1963, 27,000,000 fine ounces of gold valued at R677,500,000 or £339 millions (apart from the proceeds of uranium sales). It must, therefore, remain an academic question whether the protection of manufacturing industry has been 'at the expense' of the gold-mining industry. The non-academic might well feel that Mother Goose could afford the cost.

When he was analysing the growth of South Africa's national income in 1944, Frankel had written:

Unless the Union becomes the fortunate recipient of new favours, owing, for example, to an exceptional turn of the currency wheels of the world economy, which may yield another windfall increase in the value of its exports, it will have to increase the efficiency of its labour force both in export and home industry.

The windfall favours for gold-mining exports were to come in flowing measure in the post-war period. The years of war were more decisive in increasing the productivity of the country's labour force. They were the years of crucial institutional change. As the Whites went off to battle-fields and war-factories, the non-Whites entered into the urban workshops by the tens and tens of thousands. The colour bars did not disintegrate nor were they abandoned. They remained barriers but the pre-war gulf was now bridged by the new industrial class of operatives. Coloured, Indian and - more slowly - Africans. Between the skilled and unskilled, the

semi-skills were increasingly inserted.

These institutional changes were such as to revolutionize the South African social system - what had passed and what lay ahead. It propelled change into the economy so radically that the demand for unchange by the polity became irresistible.<sup>39</sup> The network of economic development was enveloping South African society in a manner which the political factor of Afrikanerdom saw as the extirpation of its entire culture. It reacted with all the fervour and power of nationalist faith.

STATISTICAL APPENDIX  
OF  
MANUFACTURING INDUSTRY  
SOUTH AFRICA

- (i) Only private undertakings i.e. excluding government undertakings, are shown. Establishment in this period i.e. prior to 1954/1955 and 1955/1956: an 'establishment' included any business using motive power and in which three or more persons employed whole time on work of an industrial nature - hence it included large numbers of in effect non-manufacturing activities.
- (ii) Gross output represents gross value of production and value of work done - hence it includes element of duplication where finished product of one industry (e.g. tanning) is the material processed in another industry (e.g. footwear).
- (iii) Net output, or net value of production, is gross value minus cost of materials and fuel, light and power used and the amount paid for work given out. It represents value added to cost of materials etc. by process of production. Broadly speaking, it comprises salaries and wages, overheads and profits.
- (iv) From 1954/55 and 1955/56 new definitions and classifications make comparability with previous period of limited significance.

TOTAL PRIVATE MANUFACTURE  
SOUTH

Year	Estab- lishments Number	Value of		Employment	
		Land Build- ings £1,000	Machinery £1,000	Total	Whites
1924-25	6,009	16,125	14,721	114,876	40,791
25-26	5,957	15,888	14,732	120,928	43,944
26-27	6,012	16,594	16,286	126,922	47,165
27-28	6,162	17,399	16,070	132,184	50,428
28-29	6,238	18,331	16,722	140,689	53,698
29-30	6,472	18,857	17,010	141,616	54,809
32-33	6,543	18,901	15,796	132,503	57,047
33-34	7,232	21,205	18,336	159,611	68,707
34-35	7,636	23,120	20,042	181,755	77,146
35-36	8,152	25,954	22,536	206,430	84,913
36-37	8,416	29,375	23,758	224,014	91,375
37-38	8,581	31,552	24,925	231,986	92,675
38-39	8,614	33,529	26,103	236,123	93,054
39-40	8,505	34,723	27,978	245,457	92,545
40-41	8,599	36,362	30,270	273,779	96,540
41-42	8,608	39,273	32,700	291,248	97,433
42-43	8,639	41,477	34,779	308,657	99,125
43-44	9,166	46,183	38,973	332,528	104,564
44-45	9,316	50,565	40,814	361,004	112,219
45-46	9,642	56,825	46,466	379,022	120,481
46-47	9,999	64,968	55,251	396,940	129,686
47-48	11,376	80,871	66,471	433,756	140,497
48-49	12,060	90,420	88,801	473,373	152,406
49-50	12,517	104,294	104,747	497,887	157,129
50-51	12,983	140,653	122,512	543,252	168,245
51-52	12,887	154,959	137,912	575,866	173,476
52-53	13,260	173,867	143,289	595,855	177,847
53-54	13,811	191,671	167,972	622,682	183,141
54-55	13,725	216,563	218,254	652,625	184,334

NG INDUSTRY  
RICA

Salaries & Wages		Materials used £1,000	Value of Output	
Total £1,000	Whites £1,000		Gross £1,000	Net £1,000
1,060	7,404	30,846	57,304	24,746
1,962	8,017	35,188	63,766	26,791
2,831	8,668	36,634	67,219	28,676
3,887	9,476	42,324	75,642	31,292
4,865	10,130	45,075	80,648	33,776
5,603	10,742	42,435	78,425	34,194
6,356	9,646	35,037	67,332	30,700
6,318	11,891	43,959	82,448	36,401
9,264	14,063	50,411	95,373	42,637
12,230	16,090	56,255	108,412	49,542
15,081	18,095	66,365	126,036	56,743
16,948	19,325	70,142	134,142	60,769
17,848	19,821	73,213	140,587	64,068
19,546	20,794	87,088	161,671	70,851
23,943	22,983	102,413	189,849	83,288
27,007	26,911	112,440	212,298	95,229
28,253	30,578	121,148	230,962	104,833
26,481	34,459	143,275	267,839	119,281
27,353	40,233	160,453	304,083	137,810
24,818	44,945	175,965	334,554	152,476
24,181	51,733	209,434	390,222	173,717
27,691	60,471	252,859	461,234	200,451
28,103	70,283	293,580	531,195	228,524
22,442	76,265	342,119	608,486	256,011
21,239	87,741	467,929	791,604	310,860
24,006	102,916	538,480	904,494	350,246
22,577	114,727	547,802	954,259	387,729
23,121	124,090	554,627	1,006,553	430,211

Source: Union  
Statistics for  
Fifty Years -  
Bureau of Census  
and Statistics,  
Pretoria.

CHAPTER 17

THE SOUTH AFRICAN WAY OF LIFE †

CHANGING AND UNCHANGING

PART II

CHAPTER 17  
THE SOUTH AFRICAN WAY OF LIFE - CHANGING  
AND UNCHANGING - PART II

Industrialization, more forced by war than protected by customs tariffs, had given suggestive evidence of the latent productivity in the South African economy, hitherto institutionalized into immobility. It had perhaps given too obvious indications of the 'shock effect' of integrating industrialization on the segregating ethos. The 'big push' had sent hundreds of thousands of Africans from the tribal territories and the now thoroughly commercialized White agriculture into the cities and the 'shock effect' was felt more deeply by those who believed 'the struggle of the past was the struggle of the present, and the struggle of the present the same as that of the past'.<sup>1</sup>

It was however the Boer General Smuts, now the British Field-Marshal Smuts, who, in taking South Africa into the Second World War, had confused the struggle of the South African present with the struggle of the Afrikaner past. It was Prime Minister Smuts whose holism 'held that all entities tend to seek larger groupings within which to realize themselves', who refused to understand that the Afrikanerdom was an entity to itself and whose nationalism could never seek a larger grouping, if it was to realize itself.

It was Dr. D.F. Malan, the former Dutch Reformed Church predikant, who had withdrawn Afrikaner nationalism into the desert of a 19-strong opposition fifteen years ago, and who could look more deeply into the Afrikaner heart.<sup>2</sup> It was Malan who, through all the years of his monumental patience, had always understood that Afrikaner nationalism would never realize itself by voting United Party instead of Hereenigde Nasionale of Volksparty.

It was Smuts' United Party, too absorbed in change by the war-economy, which failed to perceive the urge towards unchange from the pre-war polity. It was Malan, therefore, who in 1948 became Prime Minister of his triumphant Nationalist Party and it was Smuts who was defeated in his own constituency by an opponent who had resigned from the civil service rather than withdraw, as ordered, from the Broederbond.<sup>3</sup>

The most striking aspect of the 1948 election, wrote an American political scientist, Professor Carter, was the degree to which it reflected national origins and sentiments.<sup>4</sup> Malan's Nationalist Party, together with its soon-to-be absorbed, coalition-partner Havenga's Afrikaner Party, won virtually every seat in the predominantly Afrikaans-speaking areas; the United Party and the Labour Party (which in 1946 had once more split and begun again with a declaration on 'fundamental rights for all races in the Union') won every seat in the English-speaking areas.

According to a careful analysis by Carter, only about 20-25 per cent of the Afrikaans-speaking people voted for Smuts' United Party although it had an equal number of Afrikaans-speaking and English-speaking candidates. The Nationalist Party had not a single predominantly English-speaking candidate and Malan's Cabinet was consequently exclusively Afrikaner

For the first time in history of the Union, the Government was composed of only one of its two European peoples. Moreover, the party in power was one which had gone through a long period in the wilderness for the sake of its convictions ... Politically, then, the year 1948 marks a watershed in South African politics.<sup>5</sup>

In 1910, as an earlier chapter of this thesis expressed it, the White polity had taken charge; in 1924, as the next chapter put it, the White polity had taken control. Now, in 1948, the Afrikaner polity had taken over.

J.B. ✓  
 At each point, the polity expressed the value-orientations of the South African social system - or, more precisely, of its contemporary electorate. If the significance of these value-orientations for the post-war economy, that is for the pursuit of productivity through a colour-blind market, is to be appreciated, a brief account of the formative agents of Afrikaner nationalism is necessary.

(116) | The polity is more than the government. It comprehends the interacting, interlocking organizations and persons which are both the source and the expression of party political power that is in control of the government of the nation.

The cohesion of nationalistic Afrikanerdom comes in part out of the vividness of its memories and grievances; the way in which the British imperial factor pursued the Afrikaners who had trekked North to free themselves from its influence; the Anglo-Boer War; the concentration camps for women and children; the one-time discrimination against Afrikaners. In large part, however, its closely knit unity is the creation of a host of organizations which have more or less consciously sought to overcome the traditional divisions within Afrikanerdom, and develop political, economic and cultural fronts which reflect its common ideals and purposes. The National[ist] Party is one of the most influential of these organizations. At the same time, it is only one - though now the most important one - amongst an interacting series of groups covering all aspects of life and knitting nationalistic Afrikanerdom together.<sup>6</sup>

Without doubt the most important influence on Afrikanerdom was, and possibly still is, the Dutch Reformed Church. The Dutch Reformed Churches have provided the comprehensive philosophy of life for a volk, more church-going perhaps than any other Protestant-professing people. Though urbanization undoubtedly brings other values and mores, the institutionalized

culture of Afrikaans-speaking peoples - and especially in the rural areas - is evoked by its distinctive interpretation of Calvinist faith and is focused on the church. The constitutional law, the grondwet, of the trekker Republics insisted on racial separation in Church and State and herein is the link between Afrikaner faith and Afrikaner government.

Nonetheless, a constant questioning of the appropriate relationship between State and Church and consciousness of its divisive intimacy led Afrikaner intellectuals to establish a secular authority for the 'ideal of total apartheid'. The South African Bureau of Racial Affairs, known as Sabra, was inspired at Stellenbosch University as the intellectual front of Afrikanerdom and infused with its total apartheid concepts by Dr. W.W.M. Eiselen, son of a Dutch Reformed Church missionary. Dr. Eiselen was to be brought into the key civil service office of Secretary for Native Affairs by the 1948 Nationalist Government in a unique non-careerist appointment.

It was Dr. Eiselen who spoke of

separating the heterogeneous groups from the population of the country into separate socio-economic units, inhabiting separate parts of the country, each enjoying in his own area full citizen rights, the greatest of which is the opportunity of developing such capabilities as its individual members may possess to their optimum capacity.<sup>7</sup>

And it was Dr. Eiselen who, as the intimate of Dr. H.F. Verwoerd, also summoned from Stellenbosch University to non-elected appointment as Minister of Native Affairs in 1950, spelt out the administrative detail of Verwoerd's legislative programme of Apartheid. The Dutch Reformed Churches and Sabra are, however, influences of Afrikaans thought and not instruments of Afrikanerdom.

The earliest and probably the most effective of such instruments has been the Broederbond. It was conceived in 1918,

constituted in 1920 and expanded into a secret society in 1922. The exact role of this most controversial band of non-consanguineous brothers in South African politics is unlikely ever to be established.<sup>8</sup> Following the 1944 ban by Smuts on Broederbond members continuing as civil servants, the Broederbond secretary published four articles in Die Transvaler. The articles declared inter alia:

The Afrikaner Broederbond is born out of a deep conviction that the Afrikaner nation was put in this land by God and is destined to continue in existence as a nation with its own nature and calling.

Its highest aim is honourable service to Afrikanerdom

- (a) To bring about a healthy and progressive unanimity amongst all Afrikaners who strive for the welfare of the Afrikaner nation
- (b) To arouse the Afrikaner's national self-consciousness, and to implant a love for his language, tradition, country and people
- (c) The furtherance of all the 'interests' of the Afrikaner nation.

The Broederbond, though disavowing party politics, laid down a seven-fold 'ideal' for which Broers should strive in 'their political action'. These included: Putting a stop to the exploitation of the resources and population of South Africa by strangers, including the more intensive industrial development; the nationalization of the money market and the systematic co-ordination of economic policies; the Afrikanerization of our public life and our teaching and education in a Christian National spirit while leaving free the internal development of all sections of the nation insofar as it is not dangerous to the State.<sup>9</sup> Though disclosure of membership of the Broederbond is prohibited (at the present time of 1970), it is generally believed that about four-fifths of the Nationalist Members of Parliament are Broers and most, if not all, the Cabinet members, including the former Prime Minister, Dr. H.V. Verwoerd.

It is also believed that most of the top-ranking civil servants and the one-time chairman of the South African Broadcasting Corporation are members. A considerable fraction of university and school teachers at Afrikaans institutions are members.

Whether or not it is more than a close association of like-minded persons dedicated to the advancement of Afrikanerdom, the Broederbond has contributed strongly, and perhaps, dangerously, to the natural isolation of nationalist Afrikanerdom, as well as to its power.<sup>10</sup>

On the initiative of the Broederbond, the Federasie van Afrikaanse Kultuurverenigings or FAK was established in 1929 to co-ordinate Afrikaner cultural, religious, educational and economic societies.<sup>11</sup> In 1939 the Economic Institute was founded by the FAK and remained under the latter's jurisdiction while the Reddingsdaadbond, also founded by the FAK became an autonomous body. The FAK was also responsible for bringing into being the Afrikaanse Handelsinstituut (or Afrikaans Chamber of Commerce), the National Council of Trustees to promote Afrikaner labour organizations (which under Dr. Albert Hertzog's chairmanship was instrumental in securing Afrikaner-National control of the Mineworkers' Union) and the Institute for Christian National Education.

In 1938 the Reddingsdaadbond or RDB was established at the time of Great Trek centenary celebrations 'to train the Afrikaners to take their place in industrial society'. Apart from help to the individual worker, the RDB aimed at mobilizing the capital resources of the Afrikaner people. Dr. Dönges, subsequently to become the key Cabinet Minister in effecting the withdrawal of the Cape Coloured voters from the common roll, claimed: We have the purchasing power. We have the capital power. We have the money power. The question is: have we the will power and the power to act?

The RDB is generally accorded recognition for stimulating

Afrikaner institutional finance. During the war- and post-war years, it effectively encouraged farmers to invest their savings in Afrikaans insurance, banks, building societies and savings institutions instead of the traditional plough-back into further farm-lands. The return flow of investment-capital brought about a major take-over of small business enterprises in the dorps or country towns by Afrikaners. The RDB, while/<sup>a</sup>valuable catalytic agent, was soon surpassed by the self-generating growth of the major Afrikaans financial institutions. Unquestionably the inter-connections of purposive Afrikaner consumer-buying, clientele-support and capital-generation proved effective in a generally favourable business climate.

A Christian National Education Conference was organized by the FAK in Bloemfontein in 1939. In the course of ten years the Institute for Christian National Education formulated a complete system of Christian National Education for all levels of primary, secondary and higher education. The chairman was subsequently to claim that the policy had the support of the 'whole of Afrikanerdom' and in the course of time became quasi-official educational policy.<sup>12</sup>

In due course, other distinctive Afrikaner organizations were founded ranging from automobile clubs to Boy Scouts (Voor-trekkers), from Red Cross (Noodhulpliga) to university students (Afrikaner Nasionale Studentebond).

The very fact of describing these groups may, in a sense, exaggerate their importance ... Yet they represent something almost unique in modern Western society. Other countries and peoples, in particular Americans, have developed a network of associations to bridge the divisions caused by shifting populations, and social mobility. But the groups described ... do much more than this. Consciously or unconsciously, they have sought or seek to create out of nationalistic Afrikanerdom an integrated whole which can assume what is looked on as its

'destiny', if not domination of all other peoples within the Union, and possibly beyond.

The intensity of purpose of these groups, and the effectiveness of their actions, provide an essential underpinning for the drive and power of their political spokesman and leader, the National Party.<sup>13</sup>

It is evident that the culture of the Afrikaner volk was institutionalized with increasing emphasis and impetus from about the time that Dr. Malan took his 'Purified' Nationalist Party into seemingly hopeless Opposition in 1934. It is equally evident that this intensively institutionalized culture carried Dr. Malan and his Nationalists to parliamentary power in 1948.<sup>14</sup>

It is no fanciful academic abstraction to identify the interactions of polity and institutionalized culture of Afrikanerdom from 1948 onwards. The Afrikaner polity had taken over to preserve the charisma of the volk. It directed itself with extraordinary intensity of concentrated, dedicated parliamentary purpose to bring about the unchange of its institutionalized culture and to erect an impenetrable defence of that culture against the adaptations of compulsive change coming from the economy.

In consequence, a mounting tide of legislation and a flood of regulation engulfed the social system of the non-White South Africans.

The essence of Apartheid was that Whites and non-Whites did not, could not and must not constitute a single social system. The self-existence of the Whites subsisted in excluding non-Whites from a shared reality of human relationships, however much the existence of the non-Whites proved an economic entity. The parliamentary programme of Afrikanerdom directed itself accordingly.<sup>15</sup>

Among the earliest bills were those that, significantly, dealt with sex-contacts. The Prohibition of Mixed Marriages Act, 1949, though only 100 mixed marriages had been solemnized between 1943 and 1946, was followed by the Immorality Amendment Act No. 21 of 1950, which prohibited all illicit carnal intercourse, even with consent, between a 'European' and a 'non-European'. The debates stressed on the Nationalist-Government side that the special urgency for legislation arose from the process of industrialization and consequent increasing urbanization of the population with its cosmopolitanizing demoralization.

Customary contact-relationships were subject to increasingly rigid legal regimentation and administrative jurisdiction. An Appeal Court ruled that 'separate but equal' facilities was a fundamental civil right and invalidated unequal facilities as manifestly unjust and oppressive.<sup>16</sup> This was followed by the Reservation of Separate Amenities Act, 1953, to separate physical contacts between Whites and non-Whites in post offices, railway entrances and stations, trains, bridges, buses, public parks, benches, beaches, swimming pools, libraries.<sup>17</sup> The law specifically provides for the principle of inequality, leaving no discretion to the courts to place limitations on its extent.

Identification of colour-classification became an obvious administrative necessity for a social system based on Apartheid. The key Population Registration Act of 1950 provided for identity certificates for every South African inhabitant with specific categorization of colour-group.<sup>18</sup>

Throughout these debates and years, the governing Nationalist Party and its press repeatedly emphasized that they were doing no more than give legislative authority to hallowed social practice and customary mores. It would indeed be totally inaccurate to suggest that either major political

opposition, the United Party, or many English-speaking White South Africans wished to see an end to social discrimination based on colour. Throughout his political career, Smuts had been bedevilled by the problem of Indian 'penetration' in Natal and the bitter resistance of English-speaking Natalians to unrestricted property-ownership by Natal's rapidly-growing Indian population. The former's insistence on residential segregation in Durban forced Smuts to enact the Pegging Act of 1943 to make illegal inter-racial property transactions in Durban. The subsequent - aborted - Asiatic Land Tenure and Indian Representation Act of 1946 coupled land ownership and occupation restrictions on Indians with a limited communal representation in Parliament and local authorities.

Smuts' Indian legislation split the South African Labour Party. Its stormy petrel Madeley, former Cabinet Minister and trade unionist leader, declaring himself 'to be a white man before he was a socialist', left the Party. The Labour Party was then reformed and its 1946 statement marked the beginning of subsequent declarations on 'fundamental rights for all races in the Union'. This too was the period of cleavage within the trade union movement itself, with a bitter taking-of-positions on White workers' opposition or support for Government action to entrench and extend the labour colour bar. Smuts' policy towards Natal's Indians also led to the hardly papered-over cracks in his own United Party and to a confusing split in the Dominion Party formed from an earlier split from the United Party. In particular Smuts' destined successor, the liberal-minded, brilliant Jan Hofmeyr, became the bogeyman of anti-integrationist value-orientations among White opinion generally and in all political parties.<sup>19</sup>

The determination of English Natal to secure legislative restraints on Indian property-ownership and residential-penetration of 'European areas' was a stage in the long sequence

of residential segregation. The policy culminated in the Group Areas Act of 1950, described by Prime Minister Malan as 'the kernel of the apartheid policy ... the most crucial for determining the future of race relations' and by Dr. Dönges, its ministerial author, as 'the cornerstone of positive apartheid'. Its fundamental principle was to extend residential segregation to colour groups of White, Coloured and African - the Act itself providing for subdivision of category of Coloured into 'any ethnical, linguistic, cultural or other groups of persons'. The ultimate goal, according to the responsible Minister, Dr. Dönges, was to restrict each defined group to its own particular area as far as ownership, occupancy and trading are concerned.<sup>20</sup>

Despite the patent emphasis on minimizing physical human contacts between Whites and non-Whites in such legislation, its basic objective was to control the integrating influences of the economy. This is most clearly brought out by the concentration of legislative and administrative attention on the urban areas.

It was the process of urbanization, speeded up by the gold-price increase of the 1930s after which Johannesburg 'grew more in four years than in the previous forty', and the accompanying industrialization of post-1940 that gave seemingly irresistible impetus to market forces. Urbanization is in one respect essentially a market-process - a mechanism for centralizing human contacts to achieve economies of space and time. The village, the town, the city, the megapolis, the conurbation each in its turn evinces the compulsive co-ordination of the market. The intimacy of inter-relationships, increasingly impersonal as urban-market forces interact to generate growth, is unendingly disruptive of individuality.

The cry of the Nationalist backbencher in the Group Areas ACT debate that mixed residential areas are 'the deathbeds of

the European race'<sup>21</sup> and of another that they lead to 'loss of colour sense'<sup>22</sup> expressed the depth of revulsion against the impersonality of the market-economy and the loss of group-consciousness from its urbanizing concurrency. While the Apartheid legislation, outlined above, was the obvious method by which Afrikanerdom after 1948 aimed to manage the tensions and maintain the patterns of the South African social system,<sup>23</sup> its Bantu Education Act of 1953 and Native Laws Amendment Act of 1957 were the clear demonstrations of intent to preserve its institutionalized culture.<sup>24</sup> Subsequent legislation to control the geographical and functional mobility of the non-Whites in general, and the Africans in particular, manifested the determination of the polity to resist adaptation coming from the economy.

Government policy was concerned with resistance to change from the exercise of least-cost substitution of economic rationality. So-called 'total apartheid' in the sense of two totally-separated social systems was indeed disavowed as an 'impracticable ideal' by successive Nationalist Prime Ministers.<sup>25</sup> But the pursuit of productivity in the economy was never to be allowed to challenge the institutionalized culture of Afrikanerdom, which was specifically identified with total control of the polity by Afrikanerdom.

Hence the long, bitterly-fought constitutional measures that finally eliminated the Cape Coloured voters from the common franchise roll and the ultimate exclusion of direct representation of Africans by their elected-representatives in the Union Parliament. Hence - though this would not necessarily be widely-agreed - the inevitable break-away from the Commonwealth and the reconstitution of the Union of South Africa as the Republic of South Africa.

The detail of this constitutional crisis of 1951-6 moved between Parliament and the Supreme Court. The initial unconstitutional less-than-two-thirds majority for the Separate

Representation of Voters Act of 1951 was followed by a too-ingenious, if not ingenious, High Court of Parliament Act of 1952 to substitute Parliament for the Supreme Court. Finally the Constitution and the Supreme Court were out-flanked by the Senate Act of 1955 to create the requisite number of senators for the two-thirds majority to eliminate the century-old franchise rights of the Cape Coloureds. The full story is exceptionally interesting constitutional law - and party political technique.

The significance of these measures, and of the subsequent Promotion of Bantu Self-Government Act of 1959 that finally excised any form of indirectly elected parliamentary representatives of the African peoples from the Union Parliament was the clear and present purpose of Afrikanerdom to deny the reality of a single social system of White and non-White South Africans.

Both the 1953 and the 1958 general election made it evident that this clear and present purpose had a growing support among the White electorate.

House of Assembly Membership - General Elections

	<u>1948</u>	<u>1953</u>	<u>1958</u>
Nationalists	79	94	103
United Party	65	57	53
Labour Party	6	5	Nil

But while Afrikanerdom was taking over the polity,<sup>26</sup> the entrepreneurs were taking decisions. While party politics was winning votes, enterprise was winning markets. While the Nationalists entrenched unchange,, productivity pursued change. While Dr. Verwoerd master-minded counter-revolution in South Africa, Sir Ernest Oppenheimer consummated the Schumpeterian revolution that Cecil John Rhodes had begun.

From 1940 onwards the South African economy became market-

orientated in extent and in depth. The break-away from subsistence and under-capitalization gave critical impetus to that division of labour and specialization of function, which in the remarkably short period of fifteen years virtually eliminated Poor Whiteism. The years of the Second World War sharply stimulated the geographical and social mobility of the rural White population, already being pulled into the Witwatersrand by post-1933 mining investment.<sup>27</sup> War-time demand for the output of farms and factories at prices which were in effect cost-plus at all levels of output meant favourable incremental capital-output ratios in money terms. Markets which could readily absorb the total yields of agriculture and the total capacity of manufacturing plants meant an increasing rate of domestic capital formation, though inadequate provision for depreciation at replacement prices over-stated true profits.

The high level of war-time demand for food crops and agricultural raw materials continued into the post-war years. The gross value of agricultural production at current prices, which had fallen to a near-nadir of £37 millions in 1933, achieved £73 millions in 1940, reached £295 millions in 1951 and climbed to £384 millions in 1957. The country's long-time major pastoral export, wool, showed the most spectacular price increases - an index of 100 for the base 1935/36 - 1938/39 was 176 in 1946/47, jumped to 445 in 1949/50 and to an unparalleled 950 during the Korean War phase of 1950/51. Wool sales valued at an annual £8,500,000 in 1939 rose steadily to about £14,500,000 in 1947 and then began the spectacular climb for the next fifteen years into the 1960s with an all-time peak of £91,000,000 in the exceptional year of 1951.

The tables that follow highlight changes in South African farming from about the outbreak of the Second World War.<sup>28</sup>

The broad indicators are clear.

Selected Data of Agricultural Statistics for  
South Africa

Season ending in:	Gross Value Agricultural Production £1,000									
	Grand Total field & livestock products	Maize	Wheat	Slaughter Cattle & sheep	Wool	Fresh Fruit	Vineyards	Sugar	Tobacco	Dairy Produce including fresh milk
1911	28,933	4,031	1,553	4,812	3,179	832	304	499	249	3,090
1931	42,534	5,731	3,020	6,154	6,530	2,829	598	2,457	457	4,763
1941	78,504	12,960	5,142	12,361	9,895	5,179	1,669	4,151	1,137	7,641
1951	294,929	42,273	17,313	31,247	79,656	19,438	5,504	8,939	5,090	28,027
1952	258,018	32,267	17,424	39,319	44,115	19,598	4,134	7,972	3,535	29,836
1953	320,902	53,875	15,351	48,730	56,563	23,293	4,838	11,029	3,583	34,671
1954	340,593	59,978	15,399	49,552	59,879	26,928	4,860	12,865	3,727	37,958
1955	334,956	55,965	17,489	48,765	53,974	26,450	5,837	13,814	3,447	39,257
1956	347,859	54,499	22,329	51,946	47,833	29,581	5,692	15,934	5,613	40,540
1957	383,809	60,177	23,728	56,846	66,869	34,278	5,564	14,390	6,477	42,174
1958	359,544	51,326	19,767	60,775	47,917	33,507	5,711	16,133	9,423	43,165

Index of Physical Volume of Agricultural Production

1936/37 - 1938/39 = 100

Season ending	Grand Total field & livestock products	Maize	Wheat	Slaught-er Cattle only	Wool	Fresh Fruit	Vine-yards	Sugar	Tob-acco	Dairy Produce and milk
1911	47	34	42	39	50	24	27	18	66	39
1931	83	63	65	81	120	55	61	86	63	81
1941	106	95	109	108	103	85	145	120	99	115
1951	140	118	177	152	93	147	196	129	237	174
1952	130	84	165	151	95	136	158	108	196	174
1953	147	132	139	154	103	167	181	129	178	179
1954	154	153	135	163	108	187	182	140	152	190
1955	160	147	155	146	115	196	203	166	134	198
1956	170	147	201	157	117	221	226	180	195	205
1957	179	166	213	158	121	268	200	170	242	213
1958	174	144	202	163	114	245	202	194	282	217
1959	181	154	168	155	118	247	201	231	301	220

Index of Producers' Prices of Farm Products1936/37 - 1938/39 = 100

Year	Combined Index	Summer Cereals	Winter Cereals	Slaughter Stock	Wool & Mohair	Dairy Products
Weights	100	19	13	17	32.3	6
1912-13	101	116	101	108	-	110
1931-32	72	76	110	65	47	91
1941-42	125	120	144	135	102	131
1951-52	355	302	258	310	501	280
1952-53	411	320	277	329	620	312
1953-54	411	333	282	339	612	320
1954-55	378	323	277	351	519	318
1955-56	360	320	273	358	464	317
1956-57	409	312	275	379	610	318
1957-58	365	300	275	393	459	319
1958-59	328	296	276	371	368	319

South African agriculture in the White farming areas - the data are for all practical significance the statistics of White-owned farms - was becoming completely commercialized. After long decades, and even centuries, South African agriculture found its markets or the markets found South African agriculture. From 1940 it became market-integrated. The Second World War years were decisive. Internal consumption of food complemented by bulk-purchasing governmental contracts (including the highly lucrative British Government contracts) ensured prices that guaranteed profitability, except in the most reckless instances of over-capitalized indebtedness. In the post-war years, rising monetary incomes both inside South Africa and in the country's major export market of the United Kingdom maintained remunerative price-levels.

The indexes of physical volume of agricultural production suggests unremarkable increases in productivity. There is no striking evidence of 'scientific farming'. Neither in area cultivated nor in yields is there a break-through in Rostow's one key propensity - the application of science to fundamental ends. But in respect of two other key propensities - the seeking of material advance and the acceptance of innovation - there is patent progress. Farm mechanization is reflected in tractors, which increased: 1937, 6,019; 1947, 22,397; 1957, 100,420; in stationary engines, which increased from 10,573 in 1937 to 53,674 in 1955; in the number of farm motor-lorries that rose from 8,568 in 1937 to over 52,000 in 1955. Evidence to a Commission reported that total investment in farming machinery and implements before 1939 was approximately £30,000,000, which figure had risen to over £150,000,000 by 1955, without allowing for price increases.<sup>29</sup>

Changes in census classification inhibit comparisons but there is no doubt that in the crucial measure of population-shift out of primary agriculture, the figures for White South Africans establish a key to material advance both in respect of

White farming as a sector and the economy as a whole. The number of White males, classified as economically active in 'Agriculture, forestry, hunting and fishing' fell from about 178,000 in the 1936 census to about 160,000 in the 1946 census and to about 141,000 in the 1951 census. Figures for the numbers of White farmworkers, i.e. not self-employed, are not available earlier than 1947 but a total of 14,470 in 1947 steadily declined to 9,255 in 1956 (a subsequent figure of 11,071 for 1957 probably indicating a change in statistical designation of 'farm worker').

Proportionately but not absolutely in terms of respective population totals, non-Whites too were less employed as farm employees and domestic servants on White-owned farms. The absolute numbers increased from about 831,000 in 1947 to about 953,000 in 1957.

From the viewpoint of South African agriculture, the consequences of the Second World War were hardly less revolutionary than for the country's manufacturing industry. A factor the full import of which may still lie ahead is that world demand for foodstuffs and agricultural raw materials gave much-increased capitalized values to that fraction of arable and pastoral South African land to which environmental conditions lent productive significance.<sup>30</sup>

The socio-economic consequences of change in South African agriculture have been far-reaching. The transformation in the marketability of its products has carried land-values totally out of the context of Goodfellow's earlier observation that, farming in South Africa for market demand having proceeded so slowly and with such little specialization, 'the value of nearly all the land was unknown'. The same marketability and related land-capitalization had also finally pushed the White bywoner out of his traditional context. Indeed from about 1945, the tax consultant became a more frequent presence

on the farm than the White bywoner.<sup>31</sup>

Another socio-economic consequence of changing marketing practice made its indirect contribution to increased entrepreneurship in South Africa - perhaps more in the capitalized structure of entrepreneurship than in the arduousness of its risk-bearing. The early Jewish-immigrant smous or itinerant pedlar often settled down to carry out his no less vital marketing function as the country store-keeper. From after the Second World War, the pull of more profitable, urbanized retailing, wholesaling and consumer-goods manufacturing - perhaps even more than the push of Reddingsdaadbond finance for Afrikaner take-over of the 'algemene handelaar' (or country general-dealer) - stimulated a shift in distinctive Jewish entrepreneurial expertise. Country-storekeeping experience, market observation and accumulated capital often inspired large-scale, heavily capitalized manufacturing and merchandising after the 1940s.<sup>32</sup>

The war and early post-war exclusion of foreign competition and resources was responsible for a more far-reaching structural change in two other factors of production - raw materials and labour. It was the crucial contribution of entrepreneurial management to bring about this shift. With the market clamouring for supplies, manufacturing outputs responded. Entrepreneurship abhors a vacuum and profits are the mother of innovation. South African industrialists moved in to fill the pipe-lines of profits.

During this period there was a major increase in the proportion of raw materials of South African origin utilized in South African manufacturing. During the First World War, the proportion of South African materials used had increased from 44.9 per cent in 1915-16 to 53.5 per cent in 1918-19 and then declined to 45.5 per cent in 1921-22. By the early part of the Second World War in 1941-42, it had risen to 57.4 per cent.

By 1944-45, in respect of private industry only, the percentage was 64.9 per cent; it fell away to 55.5 per cent in 1948-49 and from 1954-55 the proportion was approximately two-thirds.<sup>33</sup>

The most notable, and significant in terms of structural change, increase is in respect of the metal-using industries. The account that appears later in the text and which goes behind the unsatisfactory statistical data<sup>34</sup> brings out some of the facts, and the government policies behind those facts, that have characterized South African industrial growth since the 1940s. The 'facts' also provide empirical substance for even some of the theoretical queries, raised in the previous chapter, whether the special circumstances of South Africa's adolescent economy justified a special case for forced industrialization.

The era of forced industrialization by way of more positive intervention from the polity had been foreshadowed both in the Board of Trade and Industries Report No. 282, Investigation into Manufacturing Industries in the Union of South Africa of 1945, and the van Eck Report into Fundamentals of Economic Policy in the Union of 1941.

The van Eck Report had perhaps placed more emphasis on restructuring the country's labour resources in conjunction with the rationalization, i.e. increased mechanization, of industries based on the available resources of base minerals, especially cheap coal and iron ore, and agricultural raw materials for textile-manufacturing and food-processing. The Board of Trade had stressed the practical importance of demonstrated Government 'goodwill' towards industrialists. The risk-factor of capital investment in manufacturing industry was progressively minimized by such Government 'goodwill'.

From early in the 1939-45 War, as the chairman of the Board of Trade and Industries writes in his account of industrial progress in the last quarter-century,<sup>35</sup> the Government

adopted a policy of giving an assurance in advance that customs tariff protection, under clearly defined conditions, would be granted to specific essential industries, such as agricultural implements, electric motors, spinning and weaving, pulp and paper, and certain chemicals. The technical instruments ranged from anti-dumping duties and suspended duties to exchange-import controls.

In the earlier phase of protectionist policy from 1925 to 1940, the general policy of the Government was (a) before granting tariff protection to require the establishment of an industry to the extent of supplying a given fraction of South African market demand and (b) to admit raw materials (other than agricultural produce for food processing) duty-free or under rebate. After 1940 Government policy was (a) to give direct and indirect assurance of appropriate tariffs prior to the commencement of manufacturing and (b) to apply tariff protection to increasingly earlier stages of materials-processing and semi-manufactures.

Indeed the general rule could be formulated on the empirical evidence of the actual administration of government industrial policy from 1940: the greater the risk and the larger the scale for capital investment in an industrial undertaking the more complete the advance assurance by government of the minimum domestic market-share by the appropriate measure of protection.

This policy was not altered when in 1948 the Smuts wartime government gave way to Malan's Cabinet. On the contrary the year 1948 was, if anything, an even more critical date in the history of forced industrialization. Not only was 'Made in South Africa' identified in the Nationalist Party credo as sound nationalism but the balance of payments crisis attendant on its accession to power gave it a new imperative.

The combination of hot-money inflow from Britain after the 1945 advent of Atlee's Labour Government and hot-money outflow from South Africa after the no-less panic reaction to the advent of Malan's Nationalist Government in 1948 (plus the uninhibited restocking imported spree arising from grossly inflated personal consumption and manufacturing investment in South Africa after war-end in 1945) made foreign exchange control a practical certainty.<sup>36</sup> With a majority of six the new Nationalist Government, despite the return of the conservative Havenga to the Ministry of Finance, was hardly likely to try the deflationary alternative.

Foreign exchange control meant and must mean control of foreign imports, all ministerial assertions and protestations notwithstanding. Economic policy administration moves through the looking-glass into the Wonderland of Alice with no more contrived confusion between pretence and reality than in the regulation of exchange-import controls. No major manufacturing group and no heavily-capitalized undertaking from 1948 in South Africa was delayed in its capital-expansion programme by other than a few additional meetings with more rarified levels of hierarchial authority before it obtained practical demonstration that foreign exchange control was restraint of foreign competitive imports.<sup>37</sup>

The partial or total exclusion of such competitive imports by the realities of the Second World War, post-war shipping and supply bottlenecks, and by post-1948 exchange-import control administration, resulted in a massive, uninterrupted increase in the gross output of manufacturing industry. The related increase in net output was more chequered, with costs disturbed by contemporary conditions.<sup>38</sup> The overall actions of the polity on the prospects for economic development in general and industrial growth in particular were such as to lead to ebb-tides of confidence, while the shots fired at Sharpeville

were indeed to reverberate around the world until they near-shattered confidence in South Africa itself. Withdrawal from the Commonwealth shortly afterwards sent capital into such flight that foreign-exchange control became capital-movement prohibition except as authorized.<sup>39</sup>

But import control of foreign competition pushed the infant industry argument for protection to its logical, or illogical, conclusion. The customs tariff that is urged to give the infant industry the chance to achieve the alleged economies of scale is in fact a claim to a specific share of domestic market demand. The external economies of growth, analysed so perceptively by Alfred Marshall, are a function of the size of the market. Industrialists have generally argued that their case for protection turns on this particular key consideration.

Protection, such industrialists often insist, does not necessarily lead to higher prices for domestic-manufacturers provided that the market shares acquired by local industry permits 'the economies of mass-production'. It was this argument with its variations that their experience of the South African market from 1940 onwards seemed to confirm. When imports were restricted or prohibited, South African manufacturers were confident of their ability to supply the total needs of the domestic market at competitive prices. The unanimity of such confident opinion was broken only when the manufacturers were not themselves given the desired quantum of import permits for their own raw materials from foreign suppliers at world price.

Government policy was however increasingly attracted by import-substitution. Such import-substitution served as a powerful inducement to persuading shy foreign capital, instead of listening to Afro-Asian threats of boycotts, to safeguard

its share of the South African market by intensified investment in South African-located capacity. It also served as a vital national-defence interest in the face of threatened boycotts and United Nations interference.

An analysis of policy, in the contemporary context of the conditions for economic progress, by the Viljoen Commission<sup>40</sup> reflected the more pragmatic approach towards forced industrialization in the balanced development of the country's resources. This Commission, proceeding from recognition that (i) the marginal productivity of much African labour was low or nil and (ii) the statistical support of massive unemployment among tribal Africans, Durban's Asiatics and non-White women, was persuaded that the protection would not necessarily involve a diversion of labour. Indeed the Commission saw the stimulation or creation of the appropriate employment opportunities for a rapidly growing population projected for the year 2,000 at about 5,000,000 Whites or Europeans, 23,000,000 Africans, 4,000,000 Coloured and 1,250,000 Asiatics as the crucial task of balanced economic development. Since neither agriculture nor mining promised significant increased employment, secondary industry would perforce have to expand.

Future Government policy towards forced industrialization was most clearly fore-shadowed in a section on The Psychological Effect of Protection. This variation of Marshall's external economies or the 'Big Push' of later theorists was expressed by the Viljoen Commission as follows:

The inducement to invest is determined by the expectations of business-men in regard to the prospective yield of investments. The outstanding fact in regard to these expectations is the extreme precariousness of the basis of the knowledge on which the estimates of current yields have to be made. The willingness of entrepreneurs to risk money in industrial development, therefore, depends not merely on probable forecasts but on the confidence with which these forecasts can be made ...

It was maintained by the representatives of organized industry that entrepreneurs would not be prepared to invest capital, to an extent sufficient to ensure the renewed rapid development of the country's economy, unless they were assured of a sufficient share of the limited South African market, so that production could be planned and unit costs reduced to a level comparable with that of overseas manufacturers with much larger home markets. The assurance that the Government would be prepared to extend adequate protection and sympathetic treatment to South African industry would, it was maintained, act not only as a spur to the development of industries that cater for the domestic market, but would also encourage overseas firms that at present export to African territories to establish their factories in the Union, in order to be in close proximity to their markets.

It is noteworthy that the official attitudes towards the protection of secondary industry by the primary industries of agriculture and gold-mining, as reflected in the Viljoen Commission's Report, had almost completely swung round. The South African Agricultural Union in evidence expressed the opinion that protection had exerted no appreciable adverse effect on agriculture,<sup>42</sup> while the mining industry was said to have 'benefited greatly from the development of certain local protected industries, which supply the mines at prices well below those ruling in world markets'.<sup>43</sup> The Gold Producers' Committee of the Chamber of Mines said the mining industry benefitted especially from the development of the iron and steel and metallurgical industries, the heavy chemical industry, the cement industry, the rubber industry and the heavy footwear manufacturing industry.<sup>43</sup> Some opinions in South Africa had certainly changed!

An even more decisive change of opinion, with the power to give effect to that new viewpoint, came from the new Prime Minister himself. Dr. H.F. Verwoerd, from the time of assuming office as Minister of Native Affairs in 1950, had repeatedly

expressed his conviction that the industrialization-urbanization of South Africa was too high a price to pay for its concomitant integration of the Africans in the White Man's economy and social system. Much of the legislation for which he was directly and indirectly responsible had aimed to stem the tide and then reverse it. It was Dr. Verwoerd who gave 'influx control' a new meaning and a new magnitude so that legislative and administrative control over the mobility of African labour, geographically and occupationally, acquired a completeness and complexity unique in the modern industrial world.

Dr. Verwoerd became prime minister in September, 1958. On 21 March 1960, at Sharpeville, 69 Africans were killed and 186 wounded in this charismatic tragedy. On 5 October 1960, there took place the Referendum for a Republic in which the Whites only of South Africa and South West Africa were allowed to vote and 850,458 said Yes, while 775,878 said No. The application by Dr. Verwoerd to the Commonwealth Conference in London that South Africa should retain its membership of the British Commonwealth, after it became a Republic, was withdrawn on 15 March 1961. The bill for the Republic of South Africa was enacted by Parliament on 31 March 1961.

The Minister of Finance, Dr. Dönges, after the customary avowals of un contemplated and unthinkable action, imposed a prohibition on capital withdrawals from the Republic and severed free transferability of securities between the Johannesburg Stock Exchange and the London Stock Exchange on 17 June 1961. The break with the City had followed the break with the Commonwealth. Perhaps only the economic historian would recognize that it was a single break.<sup>44</sup>

At this particular moment South Africa's political and economic isolation seemed near-absolute. Though the drama of the event suggested a climacteric in the country's political economy, it was part of the continuing process in an unchanging-

changing South African way of life. The attempts by Afro-Asia's new nations to force an economic boycott of South Africa had been in progress for some while with little outward effect. The break with the Commonwealth and the City merely intensified the characteristic reaction of Afrikanerdom to outside interference - escapism into the laager of self-sustaining effort.

Dr. Verwoerd was either persuaded by Dr. Dönges of the desirability of the deliberate creation of a favourable monetary climate to restore confidence and induce investment or the Prime Minister believed with the Finance Minister that the largest proposed capital investment programme in South African economic history in both public and private sectors could be accomplished within the proposed restructured framework of the South African social system. That restructuring was implicit in the new image now given to Apartheid as 'Separate Development', in the envisaged separate states of the Bantustans to be created in due time under the Promotion of Bantu Self-Government Act of 1959, and in the proposed programme of industrial re-location in 'border areas'.<sup>45</sup>

In either event, a skilful deployment of monetary expansionism, announcements of vast public sector development projects such as the Orange River Project and of mammoth capital expenditure by such State-controlled, commanding-heights of the economy as the S.A.R. & H., Iscor, Sasol, Foskor, plus the exuberance of capital investment in constructional industry, certainly produced the favourable psychological effect for industrialization of unlimited horizons.<sup>46</sup>

Import control ever since 1948 had served to force industrialization. As Afro-Asian hostility threatened increasing pressures on South African import-export trade and, ultimately, on the country's sovereignty as a political economy, import-substitution became almost a national rallying-cry. Self-

sufficiency was however hardly attainable or even sought by a nation now boasting and determined on an annual rate of growth, that would compel recognition of the Republic's economic viability from all critics and respect for the progressive strength of its political economy from all-comers.

Moreover, despite an increasing percentage of local raw-materials inputs yielding a growing quantum of domestic gross outputs, the South African propensity to consume imports was exceptionally high. The Viljoen Commission referred to an inter-war calculation of income elasticity of demand for imports of between 1.5 and 2. With, therefore, a 1 per cent increase in national income associated with a 1.5 to 2 per cent increase in the value of imports, economic growth targets of 5 or 6 per cent patently carried with them a high volume of imports - and the exports to pay for them.

For many decades South African exports had meant the Rand's gold - and not much else of comparable significance. This fact indeed was the essence of the economists' long-time support of what's good for the Chamber of Mines is good for South African economic development. The increased industrialization, by way of customs tariff protection in the nineteen-thirties with its consequent increased imports, had been nurtured and nourished by the crucial post-1933 gold-price increase and hence value of gold exports.

The Second World War years of shipping priorities pushed up merchandise exports and cut down imports. The post-war back-log in both consumer goods and capital goods - luxuries, durables, plant and equipment, semi-manufactures - brought an upsurge of imports that lagging exports could not sustain. The balance of payments deficit on current account was temporarily financed by an unprecedented inflow of capital escaping from Socialist Britain until in 1948 the escape route of capital reversed itself out of Nationalist South Africa. Import

control became a politico-economic necessity.

The more import control, the more imports; the intensified import-substitution, the increased imports. This, though it may have surprised the politicians, would not surprise the economists. A rapidly developing economy - especially one being 'developed' by an expansionist monetary policy - produces its own developing needs for more imports. The composition of the imports will of course change but the quantum will steadily grow. Indeed the shift from consumer goods to raw materials to semi-manufactures to capital equipment in response to a more capitalistic structure of industrialization will almost certainly increase the money-costs of the imports.

Hence the case to be made that exports and not imports, or exports at least as much as imports, are the determinant of a country's rate of economic growth and of rising national income per capita. Hence, in respect of South Africa from the end of the Second World War, the case to be made that its history was at least as crucially determined by Sir Ernest Oppenheimer as by Dr. Hendrik Verwoerd. Export-creation perhaps more than import-substitution was the key variable in the GNP function. And it was the entrepreneurial decisions of Oppenheimer that generated the massive exports.

The 'architectonic and creative achievement' of a Schumpeterian colossus is recorded by Sir Theodore Gregory in his Ernest Oppenheimer and the Economic Development of Southern Africa.<sup>47</sup> It is of more than passing interest that Sir Ernest's critical entrepreneurial contribution was in marketing. It was this expertise that took over the chairmanship of De Beers on 20 December 1929, only a few weeks after the historic crash of the New York Stock Exchange on 29 October heralded the Great Depression, together with over £13,000,000 of virtually unsaleable stocks. It was marketing and financial skill of the highest order that prevented a total collapse of sales

becoming the extinction of the diamond market.

It was Ernest Oppenheimer's Diamond Corporation that absorbed through the next five years stocks from sources beyond the fiat of De Beers to close down and then years later disposed of such accumulated stocks in the midst of the greatest boom the diamond trade had ever seen, so that in 1952/53 the Diamond Corporation's cash resources rose to £40,000,000.<sup>48</sup> It was his epochal decision that ploughed back the mammoth once-for-all windfall profits from De Beers and the Diamond Corporation into the further financing of a major chemical industry, and the Anglo-American Corporation gold-mining ventures in the Far West Rand and the Orange Free State. However open to criticism from disappointed De Beers shareholders and opponents of self-financing, diversification of this magnitude not only was to bring a golden harvest in due course to staunch shareholders but to launch the golden goslings that may yet surpass the golden goose.

Oppenheimer's Anglo-American Corporation did not indeed initiate the search for the golden goslings in the Far West Rand and the Orange Free State. The 'West Wits Line', the Klerksdorp field and the penetration south of the Vaal River into the Orange Free State were largely pioneered by New Consolidated Gold Fields Limited, Rhodes's old company. Anglo-American Corporation followed on closely. Sir Theodore Gregory points out that the search for gold is historically stimulated during times of relatively low prices, such as in the nineteen-thirties and it was then that the first steps were taken to prove the golden goslings. The new gold price added of course a further incentive but, despite the new technological development of geophysical surveying, it was only the West Wits Line and the Klerksdorp field which had been proved by the outbreak of the Second World War. The Free State still lay fallow.

During the war years, gold production after increasing initially to a maximum of 14,039,000 fine ounces in 1941 fell successively to 11,936,000 fine ounces in 1945 with the realized value of gold sales falling by £15,000,000. With increasing costs, labour shortages and tight capital controls, the war and immediate post-war years were discouraging except to the venturesome in new techniques of expensive scientific, systematic exploration, new methods of financing and new measures of co-ordination between mining-finance houses. It was the achievement of Sir Ernest Oppenheimer to inspire decisive effort in each area of innovation so that his Anglo-American Corporation by 1945 was clearly destined to dominate the exploitation of the Free State goldfields. The story and the significance of the new goldfields to the economic development of South Africa are well summed up by Sir Theodore Gregory:

By 1955, the development of the Orange Free State field as a whole had involved the provision of some £200,000,000. For the seven mines of the Anglo-American Corporation Group alone over £63 million had been found by 1954 and Anglo American Corporation also provided part of the funds for mines under the control of other groups. Of this amount, over £18 million had been put up by De Beers Investment Trust (out of a total investment outside the diamond industry of over £28 million). London and the Continent had also contributed heavily. In sum, 40 per cent or more of the total investment was furnished by the Anglo-American Corporation Group alone, and nearly 10 per cent of this amount came from the profits of the diamond industry ... Without Ernest Oppenheimer it is doubtful whether the diamond industry's contribution would have been possible at all, and the prestige of his name must have powerfully contributed to the willingness of London and the Continent to put up the very large sums actually forthcoming. 49

A single sentence, continues Gregory, can sum up the contribution of the Far West Rand, Klerksdorp and the Orange Free State fields to South African mining. In 1959 these three

fields furnished 60 per cent of the total output of the gold which contributed 79 per cent of the working profit from gold. Out of the dividends paid, 75 per cent came from companies in these areas. The Free State alone, percentagewise, contributed 28 per cent of the total output of gold, 37 per cent of the working profit and 36 per cent of the dividends paid from gold.<sup>49</sup>

What then had happened to the South African way of life in these years in which Afrikanerdom prepared for the transformation of the Union into the Republic? If the politicians had striven to impose unmoveable unchange, the entrepreneurs had promoted irreversible change. The clash between the polity and the economy was continuous though increasingly concealed by mutual consent. A single socio-economic fact shows however the absolute determination of the polity to remain in charge of change and, hence, of the social system.

Appropriately it is evidenced in a parliamentary question by Mr. Harry Oppenheimer, son and successor of Sir Ernest, and answered by the Minister of Native Affairs, Dr. Verwoerd. It was an answer too, that foreshadowed that Dr. Verwoerd had in due course to become Prime Minister, if Afrikanerdom was to retain control of the unchanging-changing South African way of life.

The question to the Minister was:

Whether he would be good enough to define his attitude in regard to the experiment which is being made on certain of the new gold-mines in the Orange Free State by the establishment of villages on the mines for married Native employees.

Dr. Verwoerd's reply was:

In regard to married quarters on the mines on the Free State gold-fields I want to state quite unequivocally that I am opposed to that development ... my department has

been instructed to investigate the position very thoroughly and to stop the development of such villages as far as possible ... Within that Free State gold-mining area every mine can then establish its own Native town with married quarters. That will then mean a series of Native towns ... Now we must bear in mind that, when the mines stop working one day, large numbers of towns will remain there spread out over that area. That may amount to 20 or 30 or 40 within that area! In addition it must be borne in mind ... that the Natives who work on the mines ... are usually Natives who have been recruited by agents in the reserves, but usually their children who grow up on those mining towns do not want to work on the mines ... They will disappear from those mining towns in the course of time ... [and] So it means that those married quarters become a channel through which the rest of the non-European population in the cities become greater and greater ...

APPENDIX OF STATISTICS  
OF SIGNIFICANT CHANGE AND GROWTH  
SOUTH AFRICA

TABLE 1  
Distribution of the Working Population of the Union  
between the Different Sectors of the Economy:  
1921 - 1960

	<u>Farming Forestry &amp; Fish- ing</u>	<u>Mining</u>	<u>Secondary Industry(I)</u>	<u>Services (II)</u>	<u>All Sectors</u>
<u>Whites - % ages</u>					
1921	31.6	6.3	12.3	49.8	100
1936	24.5	6.3	17.9	51.3	100
1946	18.9	6.0	21.4	53.7	100
1951	14.8	5.8	26.1	53.3	100
1960					
		Number 1960			
	117,599	62,171	311,614	649,085	
<u>Asiatics - % ages</u>					
1921	34.9	4.3	14.1	46.7	100
1936	27.2	1.3	17.2	54.3	100
1946	17.3	0.8	24.8	57.1	100
1951	13.7	0.6	25.9	59.8	100
1960					
		Number 1960			
	9,587	466	35,338	60,529	
<u>Coloureds - % ages</u>					
1921	36.5	1.3	13.5	48.7	100
1936	34.2	1.2	16.8	47.8	100
1946	27.9	0.8	22.0	49.3	100
1951	24.2	0.9	27.4	47.5	100
1960					
		Number 1960			
	119,203	4,153	139,049	285,877	

Table 1 - Continued

	<u>Farming Forestry &amp; Fish- ing</u>	<u>Mining</u>	<u>Secondary Industry(I)</u>	<u>Services (II)</u>	<u>All Sectors</u>
<u>Africans - % ages</u>					
1946	*43.7	15.2	8.4	*32.7	100
1951	*40.3	14.4	12.1	*33.2	100
1960	*37.5	13.9	13.1	*35.5	100
	Number 1960.				
	*1,454,569	539,210	510,286	*1,377,414	

\* Almost certainly a very large fraction of Africans classified as 'Services' are resident and 'gainfully occupied' in farming.

TABLE 1 - NOTES:

1. Source for Whites, Asiatics and Coloureds - Viljoen Commission, U.G. 36 - 1958 with figures for 1960 added from Statistical Yearbook 1964, of Bureau of Statistics, Pretoria.
2. Source for Africans - Statistical Year Book, 1964, table H-6. There would seem to be significant variations in definition over the years, requiring caution in interpretation.
- 3(i) Secondary industry includes manufacturing, construction, electricity, gas, water and sanitary services.
- (ii) Services include commerce and finance, transport and communication, services and 'unspecified including presumably unemployed'.

TABLE 2  
Gold Production and Total Imports 1929 - 1963

<u>Year</u>	<u>Imports A</u> <u>£ millions</u>	<u>Gold Production</u> <u>B £ millions</u>	<u>B as percentage</u> <u>of A</u>
1929	83.5	44.2	52.9%
1930	64.6	45.5	70.4
1931	53.0	46.2	87.2
1932	32.8	49.8	151.5
1933	49.3	68.7	139.1
1934	66.3	72.3	109.0
1935	75.3	76.5	101.6
1936	86.3	79.5	92.1
1937	103.4	82.5	79.9
1938	95.9	86.7	90.4
1939	91.3	98.9	108.3
1946	215.1	102.8	47.8
1947	300.4	96.6	32.2
1948	353.5	99.9	28.3
1949	313.1	114.8	36.7
1950	304.1	144.8	47.6
1951	466.8	142.9	30.6
1952	416.9	147.1	35.3
1953	424.3	147.6	34.8
1954	439.0	164.7	37.5
1955	482.2	182.7	37.9
1956	494.9	198.5	40.1
1957	550.6	212.6	38.6
1958	555.5	220.0	39.6
1959	488.5	250.0	51.1
1960	556.0	268.0	48.2
1961*	1006.0 (Rands m.)	575.0 (Rands m.)	57.1
1962	1028.0	637.0	62.0
1963	1252.0	686.0	54.8

\* From 1961 figures in Rands i.e. £1 = R2.

Source: S.A. Reserve Bank, Quarterly Bulletin of Statistics.

TABLE 3  
Value and Proportion of Local to Imported Materials  
Used in Secondary Industry  
(All Industries - Private and Public Sectors)

Year	Total Cost of Materials Used A £1,000	Cost of Local Materials Used B £1,000	B as Percent- age of A
1938-39	101,472	52,488	51.69
39-40	110,251	48,880	53.41
40-41	125,742	67,712	53.85
41-42	136,835	78,543	57.40
42-43	142,352	88,972	62.50
43-44	166,748	105,031	63.02
44-45	188,587	119,634	63.44
45-46	211,873	126,791	59.84
46-47	255,212	140,303	54.98
47-48	310,240	170,749	55.04
48-49	361,859	196,038	54.18
49-50	422,296	247,147	58.52
50-51	542,246	320,336	59.08
51-52	619,990	382,005	61.61
52-53	637,931	412,800	64.71
53-54	649,297	408,497	62.91

Source: Bureau of Census & Statistics: Industrial Census.

TABLE 4  
Changing Pattern of Gold Production in South Africa

Period	Witwaters- rand and Extensions oz fine	Total Transvaal oz fine	Orange Free State oz fine	South Africa oz fine
1884-1889	531,643	630,499		
1890-1895	6,636,055	7,310,310		
1896-1901	11,934,200	12,837,176		12,838,083
1902-1907	24,722,448	25,611,973		25,614,089
1908-1913	46,119,519	48,033,791		48,044,063
1914-1918	42,674,936	44,221,218		44,226,211
1919-1923	39,702,430	40,776,739		40,777,747
1924-1928	47,942,013	40,603,869	59	49,604,149
1928-1933	51,961,758	54,576,581	1,163	54,478,698
1934-1938	52,394,985	56,482,255	2,447	56,486,029
1939-1942	50,405,739	55,400,609	403	55,402,510
1943-1947	59,412,036	60,435,434		60,436,083
1948-1952	57,114,219	58,045,408	242,955	58,288,741
<u>Year</u>				
1953	11,332,095	11,509,353	431,262	11,940,616
1954	11,929,919	12,114,505	1,122,606	13,237,119
1955	12,243,639	12,411,821	2,189,574	14,601,404
1956	12,565,112	12,715,124	3,181,569	15,896,693
1957	13,114,777	13,261,424	3,769,313	17,030,737
1958	13,186,755	13,334,669	4,321,773	17,656,447
1959	14,334,945	14,483,597	5,581,881	20,065,515

Source: Report Government Mining Engineer for year ended  
31/12/59, p.31.

CHAPTER 18

THE POLITY VERSUS THE ECONOMY

CHAPTER 18  
THE POLITY VERSUS THE ECONOMY

The point has been made <sup>1</sup> that the early years of the polity in action in the new Parliament of the Union of South Africa had made it clear that economic change expressed through the competitive market would never be allowed to alter the status-differentials of White-Black relationships advantageously to the Blacks and disadvantageously to the Whites. The polity would never accept that the distribution of wealth (land) and wages (labour) as between White and non-White should be determined in the last resort by the market economy.

Nearly forty years and two World Wars after Union, the dynamic of economic development was exerting the most far-reaching adaptationist impact on the social system. The impact was necessarily strongest in the urban-industrial regions where White capital investment was progressively concentrated and in the rural-Reserves (or so-called Native Territories or Bantustans) where White private capital investment had been virtually prohibited and where Government capital investment had been relatively negligible. Hence the emergence of the so-called dual economy in a plural society.<sup>2</sup> It is necessary to appreciate the co-ordinating influence of the economy, or more strictly market forces, in a plural society.

From the time of the large-scale mineral-resource development by private capital investment in South Africa, that is from the last-quarter of the nineteenth century, the exchange economy and related market co-ordination of factors of production penetrated deeper and wider into the South African social system. Simultaneously it exerted its integrating disintegration on the rural-Reserves of the Native Territories <sup>3</sup> with their collectivist values and its disintegrating integration on the urban-industrial regions with their capitalist values. Co-ordination

of such basically opposed social systems by the economy could be expected to proceed with friction. The nature and extent of such friction would be determined largely by whether the value-orientations, as manifested in the actions of the sovereign polity of the social groups, accepted or rejected a single social system.

If the sovereign polity, that is the White Parliament of the Union of South Africa, had as its goal a single social system then it would have intervened only to promote the effectiveness of economic co-ordination of the plural society.

But, if the White polity's goal was to resist the reality of a single social system and to reject its desirability, then it would oppose and frustrate even more vehemently and extensively the purely market forces of co-ordination. In the familiar terms of South African political usage, trusteeship aiming at guiding the transition towards a unified economy would be followed by segregation determined to restrain the process of bringing together. In its turn as the power of economic co-ordination penetrated more completely - as under war-time pressures to dissolve contrived frictions - so segregation would give way to apartheid, resolved on reversing the processes of the market and aiming ultimately at two totally separated social systems.

This latter process has been the course of South African political economy from the birth of the Union to the coming of the Republic. The special features of the South African economy - migrant labour and the linkage-mechanism by way of administrative direction of change rather than market adjustment to change - have consequently been the subject of continuing conflict between the polity and the economy. Increasingly, too, the conflict expressed itself in and centred on the urbanized-industrial regions of the country.

It is these urbanizing-industrializing regions which, of course, have throughout been the magnets for migrant tribal Black labour. The diamond field of Kimberley and the gold field of the Rand provided the impetus for cash-seeking pilgrimages and established urbanizing growth-points in the interior. It was the rapid development of Johannesburg as the market stronghold for the entire South African economy that brought a new order of urbanization not only to the Witwatersrand but to the original defence-trading settlements of Cape Town, Port Elizabeth, Durban.

It was the Rand's gold-mining industry, too, which made migrant African labour both the basic, critical cost factor in its operations or production function and also a national policy. The overwhelming concentration of private capital investment, mainly from external sources, was on the Rand and much of public capital investment, such as in harbours and railways, was to serve the market of the Rand. Simultaneously private capital investment by Whites was virtually prohibited in the reserved tribal territories, which became thereby totally dependent for technological advance on the relatively negligible fraction of Government investment. The flow of labour was consequentially towards the essential co-operant capital.

Migration from the tribal economies of the Reserves was pushed both by the absence of capital investment and by the continuation of the traditional shifting cultivation. However appropriate to the earlier phase of apparently unlimited pasturage and extensive agriculture, the system was forthwith escalated into diminishing returns by the White polity's legal reservation of 87 per cent of the country's land-area for White ownership. Simultaneously, the imposition of taxes to be paid in money and the encouragement to buy Western goods 'imported' into the tribal Reserves by authorized White-owned trading-stores necessarily created a demand for cash by the

tribal inhabitants. Specialization by the tribal economy to produce saleable produce or merchandise to trade with or export to the exchange economy of the White man's polity was frustrated as much by the traditional tribal social system with its resistance to individual land-ownership title as by the obvious superior alternative labour-productivity associated with capital investment in resource-exploitation in 'White' South Africa.

Labour in consequence was 'exported' from the tribal economies as their only saleable product and 'imported' by those regions, where its utilization yielded the highest returns. This latter meant overwhelmingly the mining areas and then the related industrializing regions, which were linked to and by the Rand market. The location of manufacturing industry in four industrial regions - the Witwatersrand, Greater Cape Town, Durban-Pinetown and Port Elizabeth-Uitenhage - was further encouraged by the discriminatory railway rating and restrictionist transportation policy adopted by the State, largely in support of the Poor White and rural vote.

The characteristic features of proletarianization in South African social experience have been previously remarked upon, as well as those special conditions of labour-organization by the Chamber of Mines to secure the largest quantum of marginal ore at the ruling fixed price for its gold content. The compound system of housing for its short-term contracted labour force adopted by the gold-mining companies had in its early decades serious defects, exposed to strong criticism in public enquiry from time to time. It did however involve a rudimentary organized provision, however inadequate. In respect of Africans attracted to non-mining employment in the urban centres by the push of negligible or negative productivity in their own limited territories, following the legal prohibition of further land-ownership rights in agriculture, virtually no organized accommodation for living was made by municipal autho-

Natives for European industries and the need for cash had before this brought out large numbers to the European areas (so that) the developed European areas began to support part of the Native population of the under-developed Reserves.

As long as the Native was 'raw', fit only for the crudest manual labour - which was wanted in plenty by the mines - the flow was looked upon by the European as a necessity and was even encouraged. We can go further and state that while this stage lasted it was beneficial to the European, in giving him labour, always scarce in a new country; and to the Native, in giving him an income and accustoming him to European methods of industry.<sup>14</sup>

As the Africans sought higher wages to satisfy increasing tastes, they started to migrate permanently to the towns there to compete with less skilled Europeans and also with their fellow-Africans who had migrated before them.

Hence the Commission emphatically insisted: 'The cure, the proper economic synthesis of our wealth producing factors, lies in a wise, courageous forward policy of development in the Reserves'. A large proportion of the Reserves, it was satisfied, possessed agricultural potentialities which were not exceeded elsewhere in the Union.

It would be wise to develop the wealth-producing capacity of these excellent areas and thus secure a larger amount to go round, rather than to allow a continuance of the present struggle between Black and White for a larger share in the wealth being produced from the developed areas. With these areas developed to a reasonably productive level there would be enough to make possible friendly co-operation between the races.<sup>15</sup>

Once again a Government Commission of Enquiry saw the market as a place of racial strife and not as a mechanism of racial co-ordination, leading to an ultimate non-racial divi-

sion of labour, limited only by the size of the market and by its very specialization of function extending the size of that market.<sup>16</sup>

Handicapped by the cancellation, on grounds of economy, of the 1931 African census, the Native Economic Commission had little factual information on the main subject of its investigation - the urbanized African. It acknowledged that there was a permanently urbanized group of Africans who had been born in the towns and who had lived there all their lives. The urbanized Africans, the Commission argued, had no source of income other than wage-employment and had already adopted living standards in which there were no limits to personal expenditure. Such a social group had to meet the competition of tribal Africans whose 'tribal assets supply at least a portion of primary needs' and 'who will frequently prefer a congenial job at lower wages to a harder and more distasteful job at a higher rate of remuneration'.<sup>17</sup>

The continuing influx of Africans from the tribal territories and the White farms, the Commission believed, was the main cause of the chronic state of chaos of the urban labour market, in which the wage-rates of the permanently urbanized were constantly being forced below subsistence-level.

In the matter of wage-rates, he (the urbanized African) cannot get away from his tribal brethren on the labour market. They come into the towns in their thousands to supplement the living which they obtain from their tribal lands or from labour tenancy on the farms. They create a plentiful labour supply for urban occupations other than mining. Being purely casual labourers, they seldom give rise to even reasonable efficiency. Supply plentiful, efficiency low, and we have the natural corollary of low wages ... the pressure of their numbers far exceeding those of the urbanized Natives makes the competition very severe for the latter, who seeks on the one hand to sustain a higher standard of living,

and on the other hand do not possess those assets which make the former less dependent on wages ...

The labour market is, therefore, in a chronic state of chaos. No regular class of urban labour gets a chance to develop because those Natives who remain permanently in town are always subjected to the disturbing influence on wage rates of a large supply of unskilled labour ...

These evils must be attacked in the Reserves. This will have the effect of stemming the flow of labour to the towns, and of reducing the town labour problem to manageable proportions ... In order to encompass this it is essential that no time shall be lost both in developing the Reserves, and in reducing the present pressure on land, by making available more areas for Native occupation. While present conditions last the flow to the towns will continue, the pressure on the urbanized Native will increase, and the problem of Native wages in towns will become worse. State policy should be directed to reducing this pressure, in the interests of a class of Natives who have made considerable progress in civilization, and with whose aspirations for conditions in which better living is possible, one cannot but have the fullest sympathy.<sup>18</sup>

The Commission believed the solution, however, to be in its positive proposals of development of the tribal Reserves rather than in additional negative restrictions to the existing Urban Areas Act controls to 'stop the drift to the towns'. While the Commission was not prepared to add to the White polity's power to control directly geographical movement of the Africans, it saw in the contemporary market realities only competitive chaos. The majority of the Commissioners either did not acknowledge or were not prepared to concede that the polity's imposed imperfections on the market might be the more crucial determinants of, firstly, the slow rate of over-all economic growth and secondly, the stagnant and probably declining income per capita of the African population.

The effective prohibition of the alienation of land by White men to the Africans must have had a sociological significance, the influence of which on market demand is almost impossible to assess. Thus home and property ownership, surely one of the most powerful incentives towards intensifying consumption and personal capital accumulation in all societies, was denied to the urbanizing Africans. Colour bar legislation, and trade unionist barriers to expanding job opportunities for Africans, combined with collective and imposed wage-determination to confine Africans to unskilled categories of employment. In the mining industry, by far the largest single field of employment, a monopsonistic labour-recruitment system gave permanency to an undifferentiated, migrant labour force.

The view of the majority of the Native Economic Commissioners, Dr. Roberts and Mr. Lucas excepting, was that State policy could not allow free competition between peoples living on such widely different levels of civilization as the Africans and the White population of the Union and that such free competition would not lead to the ultimate benefit of the Africans.

Differentiation is recognized in other spheres and differentiation in industry is necessary to prevent the lowering of White standards of living, which is sure to be followed by a lowering of the standards of efficiency and of culture. Should this be allowed, it will be necessary, after the process has worked itself out, and a new society has been created on a lower level, to start rebuilding what has been destroyed in the process.<sup>19</sup>

But almost at the moment of publication of the Report of the Native Economic Commission, economic forces were bringing about a structural change in the South African economy. The sustained, heavy capital investment in post-1933 gold-mining and the great increase in the country's exports were introducing a new magnitude of urbanizing-industrialization and an unstoppable inflow of African labour. Using the not very

satisfactory urban-rural definitions of the Census, from 1921 to 1936 the percentage of White population classified as urban increased from 55.78 to 58.18; the percentage of African population increased from 12.50 to 17.31. Counting all non-Whites together, the urbanized percentage rose from 16.42 in 1921 to 22.44 in 1936. There were 847,000 urban Whites in 1921 and 1,307,000 in 1936; in 1921 there were 587,000 Africans classified as urban-resident and in 1936 the number was 1,142,000. In the fifteen years the Whites had shown a 54.26 per cent rise of urban inhabitants, and the Africans a 94.49 per cent.

The trend was clear. Even in the absence of census figures, the popular impression among the White electorate, who saw more and more squatters' shanties mushrooming in the peri-urban areas, was that the Africans in great numbers were leaving the safe refuge of their Reserves to follow the lure of the apparent wealth of the towns, where they overloaded the labour market; and then, to the detriment of themselves and the whole community, fell into misery and crime.<sup>20</sup>

So the polity again moved against the economy. A Departmental Committee of 1935 was instructed to draft legislation (1) to enforce the principle of limiting the numbers of Africans in urban areas to the labour requirements of such urban areas; (2) to provide for controlling the entry of Africans into urban areas; and (3) to provide for the withdrawal of superfluous Africans from urban areas. Though this Young-Barrett Committee<sup>21</sup> was highly critical of and rejected as a 'highly immoral line of reasoning' the Stallard dictum, that the Native should only be allowed to enter urban areas to minister to the needs of the White man and should thereafter depart, the Committee dutifully provided the Natives (Urban Areas) Amendment Act of 1937, in turn amended and consolidated repeatedly in subsequent years.

The detail of urban area legislation in respect of Africans is so prolix and has been subjected to such complexity of amendment that it well-nigh defies understanding and recording. The essence of the extended controls has, however, been to limit progressively rights of entry, rights of continued employment and rights of continued residence in urban areas of all Africans whether rural-born or urban-born. The ultimate apologia for all such legislation was that Africans, wherever born or however long domiciled, could never acquire citizenship status outside the land-areas assigned in terms of the Natives Lands Acts and would for all time be migrant labour into White South Africa. Furthermore the kinds of jobs and categories of employment for Africans were in terms of the revised Industrial Conciliation Act Number 28 of 1956 subject to ministerial control and discretion.

The administrative control document to govern the movement of all Africans, men and women over the age of 16, is the reference book.<sup>22</sup> Urban areas legislation defines urban and proclaimed areas to include in effect all urban and peri-urban centres (other than the Native Territories subject to other legislation) of South Africa. Within these areas no African may remain for more than 72 hours unless (a) he or she has resided there continuously since birth (b) he or she has worked there continuously for one employer for 10 years, or has been there continuously and lawfully for 15 years and has thereafter continued to reside there, and is not employed outside the area and while in the area has not been guilty of certain minimum penal contraventions (c) he or she is the wife, unmarried daughter or son under 18 years of age of an African falling into classes (a) or (b) and ordinarily resides with him or (d) he or she has been granted a permit, by an employment officer in the case of work-seekers, or by local authority otherwise, to remain.<sup>23</sup>

As at 1960, in terms of regulations issued over the years under the Native Regulation Act of 1911, a work-seeker is any African over the age of 15 years who is unemployed, is not a full-time student, is capable of being employed and is mainly dependent on employment for subsistence. The burden of proof that he or she is not a work-seeker, if he or she is living in an urban or proclaimed area, is on the African to avoid arrest and expulsion on allegations of 'idleness'.

All work-seekers must obtain employment only by way of official labour-bureaux and subject to the sanction of such official bureaux. Employers may not employ an African without a reference book and unless such African work-seeker has been registered by the employment officer of the labour bureau. All details of such employment - employer's name, African worker's name, identity number, date of engagement, nature of employment and rate of pay - must be recorded and endorsed in the reference book. A monthly fee, to be receipt-stamped, in the reference book records continued employment.

Any unemployed work-seeker within 72 hours of becoming unemployed (and any youth reaching the age of 15 and any full-time student within 14 days after ceasing to be a full-time student) must report to the employment officer of the labour bureau, who has far-reaching powers to authorize or not authorize permission to seek re-employment. No one may engage for employment an African in an urban or proclaimed area, for employment in mines and works in non-proclaimed areas (in effect in all forms of employment other than farm-work), unless the African has been registered by a State employment officer.

No African may proceed to or enter in an urban or proclaimed area for the purpose of obtaining employment without first obtaining permission from the district labour bureau or employment officer in which he or she normally lives. The local

employment officers in the urban or proclaimed areas must register (but see subsequent post-1960 amending legislation increasing discretionary authority of the State official to register) Africans, who qualify to remain in such urban or proclaimed area or who have been authorized to proceed there for employment, or who apply to re-enter the area after an absence of not more than twelve months in order to return specifically for employment in the same class of work with their previous employers. In the last instance, the right of the African to return to his previous employment is subject to the fact that his previous permission to be in the area was not for a specified period only.

Apart from such limited class of Africans who, as of 1960, had as of right to be registered for employment by the local employment officer of the urban or proclaimed area, registration of all other Africans in the area is at the discretion of the appropriate local employment officer. An African legally in the area who becomes unemployed may be registered, if there is a vacancy in the class of work in which he or she was previously employed or in some other class of work approved by the regional labour bureau and if he or she is prepared to accept such work. If there is no such vacancy, or if the African is not prepared to accept the work offered, he or she may still be registered for a period not exceeding seven days provided that the African reports daily and lives in a depot if such accommodation is available.

Registration will not be granted if there is a 'surplus' of labour in the area, or if the African has not complied with the laws relating to the carrying of documents, or for other administrative reasons. No man under 18 and no woman under 21 will be registered, unless the guardian's consent has been given to enter the area to seek employment.

When an employment officer registers an African, he must complete an index card of personal data and records the African's industrial classification. The employment officer then tries to place the African in employment. An African, who does not qualify to remain in an urban or proclaimed area and is placed in employment, will have his reference book endorsed with permission for that specific employment only.

From the above account, it will be observed that the legal contractual freedom of the African in respect of his personal rights to employment has been narrowed almost to nil and his practical contractual rights to a nullity. The reality of freedom of contract subject, except in certain categories (subsequently further limited by later legislation), entirely to administrative discretionary authority, must furthermore be related to a 72-hour permit to seek employment and possible 'endorsement out' of the area in the event of unemployment for whatever cause.<sup>24</sup>

While the right of choice of employment by the African was thus subject to extraordinary restraint and interference by the polity, it must also be stressed that the employer's freedom of choice was per contra limited. The legal right of the employer to choose his own African labour was subjected to the same discretionary administrative authority to accept or reject that choice; the practical power of the employer to choose his own labour complement is determined not by the supply and demand operations of the labour market but by administrative decisions of what the supply and demand ought to be. If it is the unfettered authority of hierarchical ~~and~~ administration to control the numbers of permitted work-seekers at all times in a particular labour-demand area and to decide arbitrarily what constitutes a 'surplus' of available labour, with total disregard of what employers may be willing to pay for the labour quantum, categories of labour and individual workers or of what

employees will be willing to accept, then a 'labour market' in ordinary usage cannot be said to exist.

Although it must be repeated that the market mechanism is capable of almost limitless adjustment to administrative intervention and interference and will adjust prices and wages appropriately,<sup>25</sup> the effect of etatism on resource-allocation in South Africa and on the consequent rate of economic development must clearly have been restrictive. The fact that the State's monetary management may run completely counter to its direct controls of the labour market is, of course, the key reason for the practical breakdown of its direct controls. This monetary factor made its explosive impact in the post-Republic phase of forced expansion and of planned growth. But even before, the Government's unwillingness to proceed to compulsory controls of private capital investment (while maintaining its prohibition of private capital investment in the Native Reserves or re-named Bantustans) was stretching the de facto urbanization of the Africans in 'White' South Africa beyond containment of the most absolute de jure limitations and denials.<sup>26</sup>

It is of interest that the clearest acknowledgement of market reality and legal unreality should have officially come from a former Chief Justice and a former Minister of Native Affairs in Hertzog's Government. Justice H.A. Fagan,<sup>27</sup> Chairman of the Native Laws Commission 1946-48, was appointed by Smuts' war-time Administration to examine the laws controlling the movement of Africans with particular reference to urbanization and the socio-economic significance of the migratory labour policy of the gold-mining industry. This Commission reached the conclusion:

From what we have already said it should be clear, firstly, that the idea of total segregation is utterly impracticable; secondly, that the movement from country to town has a background of

economic necessity - that it may, so one hopes, be guided and regulated, and may perhaps also be limited, but that it cannot be stopped or turned in the opposite direction; and thirdly, that in our urban areas there are not only Native migrant labourers, but there is also a settled, permanent Native population.

These are simply facts which we have to face as such. The old cry, 'Send them back!' - still so often raised when there is trouble with the Natives - therefore no longer proffers a solution. A policy based on the proposition that the Natives in the towns are all temporarily migrant - or can be kept in the stage of temporary migrance - ... would be a false policy, if for no other reason, then because the proposition itself has in the course of time proved to be false. It is, however, precisely this proposition of the Stallard Commission which, as has already been noted by the Young-Barrett Committee of 1935, lies near the root of many provisions of the legislation relating to Natives in urban areas and has had far-reaching effects in the administration of that legislation throughout the Union.

An admission, therefore, that it is an untenable proposition - and that is an admission which is simply forced upon us by hard facts - makes it necessary for us to find a new formula which may serve as a guide in respect of our suggestions for revision of the existing legislation.<sup>28</sup>

But the Fagan Commission was already reporting to a changed Government and a new Minister of Native Affairs. Malan's 1948 Nationalist Government and his Minister of Native Affairs from 1950, Dr. Verwoerd, were not disposed to regard any proposition as 'untenable', more particularly as their whole institutionalized culture now to be formulated in Apartheid put a totally different construction on the 'hard facts'.

The frequency and emotive intensity of the references in a text-book Apartheid<sup>29</sup> to the relationship between African urbanization and the apartheid idea established clearly that

the Fagan 'admission' would have struck at the very roots of Afrikanerdom.

The large-scale urbanization of the Bantu during and after the First World War brought the new Black stream into direct conflict with the Afrikaner in the city. The socio-economic struggle transformed this conflict into a veritable struggle for survival. As will be shown, there is a direct link between this struggle for survival and the apartheid idea. Without the stimulus it provided, it is doubtful whether apartheid would ever have crystallized into its present form ... The economic integration of the Bantu and the chaotic racial conditions in the cities threatened the existence of the Afrikaner people, hence the consolidating effect of this danger. The socio-economic struggle in the cities became to the Afrikaner a national struggle.

The differentiation policy of the National(ist) Party after 1924 was therefore a true deliverance to them ... The economic integration and national awakening of the Bantu reached a climax during and after the Second World War (and figures) show the extent to which economic integration had already taken place by the end of the war. The report of the 1946 census revealed in particular the enormous concentration of Natives in the Union's four most important industrial areas ... The multi-racial urban areas became a Second Eastern Cape frontier to the Afrikaners. The dangers attendant upon the urbanization of the Bantu provoked lengthy discussions at the various People's Congress. At a Congress in Bloemfontein in 1944 it was even stated that the urbanized Native constituted a threat to the Afrikaners ...

The cities formed the terrain on which the two forces (Black nationalism and Afrikaner nationalism) would oppose each other, while the socio-economic struggle for survival, waged simultaneously, served only to aggravate the conflict. It was therefore in the urban areas that the so-called Native problem took on its present-day alarming character. Afrikaner and Bantu were thrown into contact with each other in, so to speak, every sphere of life.

The two racial groups took their stand ranged against each other as units, and the numerically weaker Afrikaner realized that only drastic steps could guarantee his continued existence as a separate entity ... It was in this manner that a favourable climate was created which led to the 'crystallizing-out' of the apartheid idea. Self-preservation could be reconciled with Bantu development by means of apartheid: 'He (the white man) has then at least the chance of preserving himself, a chance which he would under no circumstances have in a multi-racially controlled state - Dr. Verwoerd pointed out in Parliament in 1959.

When they are judged objectively, it becomes crystal clear that the changes which took place during the years from 1939 to 1948 in the field of colour relations reshuffled the old and familiar racial patterns in South Africa in a manner which was quite revolutionary. The result was inevitable: A new approach by the White towards the non-White - in action as well as thoughts.<sup>30</sup>

The 'hard facts' of urbanization following on accelerated economic development, and more particularly industrialization, which the Fagan Commission had found so irresistible even by ideology, were analyzed in greater detail by the Industrial Legislation Commission of Enquiry of 1951.<sup>31</sup> The tables which follow are taken from the Commission's Report.<sup>32</sup>

TABLE 1Urban and Rural Population of South Africa, 1911-46

Race	<u>Urban</u>				<u>Rural</u>			
	1911	1921	1936	1946	1911	1921	1936	1946
A: Total Population - thousands								
Euro- peans	658.3	847.5	1307.4	1740.8	618.0	672.0	696.5	631.9
Afri- cans	508.1	587.1	1141.6	1810.5	3510.9	4110.7	5455.0	6021.4
Asia- tics	311.4	51.2	145.5	210.8	366.7	114.5	74.1	83.5
Colour- ed		250.0	414.9	546.7		295.6	354.8	381.8
All Races	1477.9	1735.8	3009.5	4299.8	4495.5	5192.8	6580.4	7118.6
B: Percentage of Total of Each Race								
Euro- peans	51.6	55.8	65.2	73.4	48.4	44.2	34.8	26.6
Afri- cans	12.6	12.5	17.3	23.1	87.4	87.5	82.7	76.9
Asia- tics	45.9	30.9	66.3	70.7	54.1	69.1	33.7	29.3
Colour- ed		45.8	53.9	58.9		54.2	46.1	41.1
All Races	24.7	25.1	31.4	37.7	75.3	74.9	68.6	62.3

(Source: Population censuses with 1946 re-computed to include in 'Urban' certain African townships in Southern Transvaal classified as 'rural' by Census definition)

TABLE 2  
Distribution of African Population in Various Areas  
1936 and 1946

<u>Area</u>	<u>1936</u>			<u>1946</u>		
	<u>Male</u>	<u>Female</u>	<u>Total</u>	<u>Male</u>	<u>Female</u>	<u>Total</u>
	<u>thousands</u>			<u>thousands</u>		
Native areas	1236.3	1726.1	2962.3	1369.3	1897.9	3267.2
White-occupied farms	998.9	1054.6	2053.4	1107.3	1079.8	2187.1
All farms*	1062.7	1133.1	2195.7	1238.0	1219.9	2457.9
Other areas-mainly urban	1013.7	424.9	1438.6	1389.8	717.0	2106.8
Total Union	3312.7	3284.0	6596.7	3997.2	3834.8	7831.9
	<u>percentages</u>			<u>percentages</u>		
Native areas	37.3	52.6	44.9	34.3	49.5	41.7
White-occupied farms	30.2	32.1	31.1	27.7	28.2	27.9
All farms*	32.1	34.5	33.3	31.0	31.8	31.4
Native areas & farms	69.4	87.1	78.2	65.2	71.3	73.1
Other Areas	30.6	12.9	21.8	34.8	18.7	26.9

\* All farms but excluding tribal farms owned by Africans.

(Source: 1936 Official Year Book, 1946 Official Census Report)

TABLE 3  
Urban Population of South Africa and Four Principal  
Industrial Areas

<u>Area</u>	<u>1946</u>				
	<u>Whites</u>	<u>Africans</u>	<u>Asiatics</u>	<u>Coloured</u>	<u>Total</u>
	A: <u>Total urban population - thousands</u>				
South Africa	1740.8	1810.5	201.8	546.7	4299.8
Western Cape	264.7	43.4	7.2	255.8	571.1
Southern Trans- vaal	708.4	985.8	27.0	46.1	1767.3
Durban/Pinetown	132.0	119.8	118.1	11.5	381.3
Port Elizabeth	66.0	50.8	3.5	35.0	155.2
	B: <u>Proportion of total population</u>				
Western Cape	15.2	2.4	3.5	46.8	13.3
Southern Trans- vaal	40.7	54.4	13.4	8.4	41.1
Durban/Pinetown	7.6	6.6	58.5	2.1	8.9
Port Elizabeth	3.8	2.8	1.7	6.4	3.6

(Source: Industrial Census - Western Cape: magisterial districts of Cape Town, Bellville, Wynberg, Simons- town, Somerset West, Stellenbosch, Paarl, Wellington, Malmesbury, Southern Transvaal: Witwatersrand, Pretoria, Vereeniging).

TABLE 4  
Racial Composition of Urban Population in Four Industrial  
Areas, 1946

<u>Area</u>	<u>Whites</u>	<u>Africans</u>	<u>Asiatics</u>	<u>Coloureds</u>	<u>Total</u>
	%	%	%	%	%
1:Western Cape	46.3	7.6	1.3	44.8	100.0
2:Southern Transvaal	40.1	55.8	1.5	2.6	100.0
3:Durban/ Pinetown	34.6	31.4	31.0	3.0	100.0
4:Port Elizabeth	42.5	32.7	2.2	22.6	100.0

TABLE 5  
Employment in South Africa and Principal Industrial Areas,  
Manufacturing Industry, 1947/48; Racial Composition and  
Total No. Employees

<u>Area</u>	<u>Whites</u>		<u>Africans</u>		<u>Asiatics</u>		<u>Coloureds</u>		<u>Total</u>	
		%		%		%		%		%
1.	33038	32.6	22768	22.4	209	0.2	45428	44.8	101443	100
2.	99289	36.4	164802	60.4	1058	0.4	7614	2.8	272763	100
3.	18851	27.7	34262	50.4	12197	17.9	2649	3.9	67959	100
4.	13967	44.7	10670	34.2	239	0.8	6385	20.4	31241	100
Union	210355		308080		18812		74795		612042	

(Source of data for above tables: Industrial Census)

TABLE 6

Racial Composition of Total No. Employees in Manufacturing Industry, by Industrial Areas, 1932/33-1947/48

<u>Year</u>	<u>Whites</u>	<u>Afri-</u> <u>cans</u>	<u>Asia-</u> <u>tics</u>	<u>Col'd</u>	<u>Whites</u>	<u>Afri-</u> <u>cans</u>	<u>Asia-</u> <u>tics</u>	<u>Col'd</u>
	<u>1: Western Cape</u>				<u>2: Southern Transvaal</u>			
	%	%	%	%	%	%	%	%
1932-33	47.6	10.3	0.8	41.3	46.3	51.7	0.3	1.7
1938-39	43.6	13.9	0.2	42.3	41.1	57.1	0.3	1.5
1944-45	33.0	21.3	0.2	45.5	36.2	60.4	0.4	3.0
1947-48	32.6	22.4	0.2	44.8	36.4	60.4	0.4	2.8
	<u>3: Durban/Pinetown</u>				<u>4: Port Elizabeth</u>			
	%	%	%	%	%	%	%	%
1932-33	39.5	35.6	20.6	4.2	60.5	22.4	1.0	16.1
1938-39	34.6	41.5	20.4	3.6	57.3	24.2	0.5	18.0
1944-45	26.4	49.9	20.0	3.8	46.6	31.2	0.9	21.3
1947-48	27.7	50.4	17.9	3.9	44.7	34.2	0.8	20.4

(Source: Industrial Census)

The trend of these figures is evident. Urbanization was proceeding among all racial groups and had gone furthest with that group, whose educational and cultural attainments interacted with the specialization of labour characteristic of increased marketability - that is, the Whites. With nearly three-quarters of the White population already urbanized by 1946 and heavily concentrated in the industrial region of the Southern Transvaal, the honey-pot of profits in Southern Africa, the co-operant labour of all other groups would necessarily follow a related flow of urbanization. The Asiatics virtually confined to Natal were pulled into Durban-Pinetown; the Cape Coloureds gravitated from their regional birthplaces into Greater Cape Town; the Africans were pushed and pulled into the urban workshops in all four major industrial regions but especially into the Southern Transvaal.

By 1946, some three-fifths of the labour force of manufacturing industry in the Southern Transvaal was already African. No less significant was the rapid percentage increase of the African proportion of industrial labour from about 10 per cent in 1932/33 to more than 22 per cent in 1947/48 in the Western Cape, where the Cape Coloureds were steadily becoming the operatives of more and more mechanized manufacturing.

It was the restructuring of skill by such mechanized manufacturing which, from the Second World War onwards, launched South Africa into its own industrial revolution. The pre-war, small-scale, under-capitalized work-premises using a high-cost combination of journeyman skills at collective-bargaining wage-rates comparable to North American standards and of wholly un-schooled, totally untrained, unskilled workers steadily gave way to the post-war, expanded-scale, adequately-capitalized factories employing increasing numbers of operatives on modern, mechanized plant. From 1924 to 1940, fixed capital per employees grew negligibly, if not negatively in some years.

From 1939 to 1944, it grew at an annual rate of 5.01 per cent, from 1948 to 1953 at 10.79 per cent, in the next industrial census years of 1953/54 to 1954/55 at 14.47 per cent.

Process-simplification and job-reclassification, the potentialities of which were dramatically demonstrated by the Cott war-time scheme of artisan-training, was management's response to the rigid, increasingly non-functional apprenticeship-journeyman system of the craft unions. In the Western Cape, particularly, food- and clothing-manufacturing rapidly expanded the employment of semi-skilled Cape Coloureds, including large numbers of women. Textile manufacturing, one of the major industries of post-war capital investment, was developed with semi-automatic plant utilizing African and Coloured and Asiatic operative labour. Generally South African manufacturing, which from 1945 employed an entirely new magnitude of capital available both from a high rate of domestic capital-formation and foreign investment in South African subsidiaries, equipped itself with plant designed for operative labour. An industrial council agreement for the important metal industry negotiated in 1944 on a national scale, which allowed for more flexible job-classifications utilizing operative-class labour and incentive payments, facilitated the growth of metallurgical and engineering manufacture in place of the pre-war engineering repair-shops and jobbing foundries.

Consumer-goods manufacturing, greatly encouraged by the Government's policy of forced-industrialization, provided exceptional employment potential for non-Whites. The total number of workers in eleven such industries, more particularly textiles, clothing, footwear, food, canning and furniture, increased from 44,769 in 1935 to 190,529 in 1959 - the number of White employees grew from 25,296 to 36,091, whereas the increase in non-Whites was from 19,473 to 154,438.

Apartheid, which saw in the permanent urbanization of the Africans so mortal a 'threat to the survival of Afrikanerdom', was equally apprehensive at this restructuring of labour.<sup>33</sup> It was another manifestation of economic change which Afrikanerdom felt bound to subject to the over-riding control of the polity. The Industrial Conciliation Act No.28 of 1956, ostensibly a consolidating measure to improve the machinery of the industrial council collective-bargaining system and provide for a greater measure of co-ordinated national labour policy, was the legal instrument.<sup>34</sup> This Act, its key provisions in total contradiction to the evidence of almost all employer- and employee-organizations to the preliminary Industrial Legislation Commission of Enquiry,<sup>35</sup> was passed against bitter parliamentary and extra-parliamentary opposition after two years of debate and select-committee analysis. The Minister of Labour, Senator de Klerk, in fact made no concession of political principle in respect of its racial clauses.

The Act removed all hitherto legal doubts by absolutely excluding 'Native' from the definition of 'employee' in terms of the Industrial Conciliation Act so that Africans may not belong to a registered trade union nor take part in industrial council or conciliation board proceedings. The Native Labour (Settlement of Disputes) Act of 1953 had prohibited Africans from any kind of strike action. Though Africans are therefore not covered by nor may participate in collective bargaining machinery, industrial council agreements can still be declared binding on African workers to prevent circumvention of such agreements.

In respect of recognition of registered trade unions, the Act introduced the vital new principle of compulsory racial segregation as between 'White' and 'Coloured' persons. After the Act's commencement, no trade union could be registered (a) in respect of both White persons and Coloured persons; or (b)

if membership of such union is open to both White persons and Coloured persons. Existing trade unions with a mixed membership, the so-termed 'mixed-unions', must provide for separate branches of White and Coloured persons to be established with separate meetings and the executive committee of the mixed trade union shall consist of White persons only. No member of one racial branch (other than an official) may attend a meeting of the other racial branch; no Coloured member of the trade union will be allowed to attend the executive meeting of the mixed union except for interrogation or explanation.<sup>36</sup> Subsequent amendments to the 1956 Act further restricted the extension of the area of the operations of mixed-unions and facilitated the registration of small-break-away White unions for particular trades and areas.

The compulsory separation of trade unions followed on the activities of the National Council of Trustees to promote Afrikaner labour organizations and the Council's major success was the capture of the powerful Mineworkers Union.<sup>37</sup> The splintering confusion introduced into the trade union movement with its consequent five major co-ordinating bodies, ranging from the 'right' to the 'left', may have weakened the over-all effectiveness of collective bargaining by organized trade unionism.<sup>38</sup>

On the other hand, the power of certain all-White unions to secure Government action on the job-reservation clause 77 of the 1956 Industrial Conciliation Act has doubtless been strengthened. The total exclusion of Africans from registered trade unions and the substantial derogation of status of Coloureds in organized, recognized trade unionism clearly extended the potential coercive power of White trade unionism. It was, however, the job-reservation clause 77 of the 1956 Act that gave legal sanction to the polity to impose a virtually limitless colour bar on all categories of employment.

The relevant clause 77, as amended, provides that the Minister of Labour may instruct his appointed Industrial Tribunal, to investigate any undertaking, industry, trade or occupation or class of work and for any area for the purpose of a job reservation determination. Normally the Minister must gazette such instruction but, if in his opinion such public notification is unnecessary, he may inform by letter those whom in his opinion should be consulted.

The Minister may then issue any terms of reference he so wishes, not being bound by the gazetted notice, to the Industrial Tribunal and shall appoint assessors or not at his discretion. After consideration of any representations and consultations with industrial councils, registered employer and employee organizations and the Central Native Labour Board,<sup>39</sup> the Industrial Tribunal may issue a recommended determination, which the Minister of Labour, after consultation with the Minister of Economic Affairs, may or may not gazette as the legal determination under clause 77 of the Industrial Conciliation Act (though he cannot vary the Industrial Tribunal recommendations, which includes recommendations for exemptions).

A job reservation order may reserve wholly or to the extent detailed the reservation of work or any specified class of work or work other than a specified class of work in the undertaking, industry, trade or occupation or any portion thereof for persons of a specified race (or for persons belonging to a specified class of such persons or for such persons other than a specified class of persons). The order then prohibits the performance of such work by any other persons.

The order may then provide for the minimum, maximum, or average number or percentage of persons of a specified race employed by an employer generally or for any time-period, in proportion to the total number of employees or the total number of a particular race.

The order may then relate these specified numbers or percentages to work generally or any class of work in the undertaking, industry, trade or occupation. The order may prohibit the replacement by an employer of employees of a specified race by employees of another race. The order may prohibit the employment of a smaller percentage of a particular race-group than the percentage which existed or may exist.

The clause further provides that the powers of the Industrial Tribunal to make a recommended job reservation order shall not be affected in any way by the extent to which persons of any race are presently employed or available for employment or are likely to become available for employment.

It will be appreciated that this legislation gives total powers of arbitrary decision to the Minister of Labour. This no doubt was necessitated by the very fact of theoretical limitless substitution and combination of work-persons, work-categories and labour-capital structure. The polity must take totalitarian powers over the labour market because the mechanism of market-price co-ordination has virtually infinite adaptability. Indeed if such a wholly arbitrary measure was to be put into force in any instance, its very arbitrariness compelled the giving of unrestricted powers to the Minister to grant exemptions from all or any provisions of a job reservation order so that he might escape from his own arbitrariness.

Nevertheless, even if the technical compulsion of such total authority is acknowledged, legally private contractual rights in respect of employment in South Africa have been abrogated. The objective of the Government in introducing its job reservation powers for labour-quota allocation may be, as the official statement declares:

work reservation is merely the maintenance of the traditional labour pattern which progressively developed between different racial groups in South Africa according to and based on their

respective standards of living, background and spheres of employment.<sup>40</sup>

In order, however, to achieve that purpose of the polity, the labour market had to come under the authority of potential ministerial allocation of every single job in the economy.

The legal implication of private contractual rights applied not only to one race group but to all race groups, not only to employees but to employers, not only to one category of employers and employees but to each individual employer and employee.

Such a legal reality ipso facto becomes a legal unreality. This is reflected in the actual work reservation orders promulgated.

Job reservation No. 1 reserved for Whites all except the lowest-paid jobs in the clothing industry throughout South Africa. From 1938/39 to 1952/53, according to the Industrial Tribunal's own report submitted to the Minister, the number of clothing factories had increased from 280 to 566. The total number of workers in that period had increased from 18,250 to 45,837 and the value of articles manufactured at current prices from £5,866,000 to £49,182,000. During that time, the number of male White workers had increased absolutely from 1,620 to 2,998 and female White workers from 9,494 to 10,085. But total employment of all races having grown from 18,250 to 45,837, the percentage of White workers had fallen from 60.9 to 28.5.

The interpretation placed upon these figures was not that an expanding industry had expanded employment so substantially for non-Whites as to maintain a constant work-force of White females and increased work-force of White males. The interpretation was that there had been a replacement of White workers by non-White workers, despite evidence submitted that White

workers were simply not available having accepted more favourable, alternative employment opportunities in a growing economy.

Since the ministerial order would have closed down the entire clothing industry of the Western Cape, in which Coloured workers supplied most - indeed almost the total - work-force in the reserved jobs, a blanket exemption was accorded to the Western Cape. This particular registration ran into certain legal invalidities which led to an amendment to the Act and a revised order was promulgated in May 1960. By then, the total number of workers had increased to about 50,000 and gross output to about £66,000,000 while the percentage of White workers seemed to have fallen below 20 per cent.

The new order broadly froze the percentage distribution of workers by racial groups for each category of designated employment.<sup>41</sup> But different percentages are provided for different areas, while in the so-called uncontrolled or border-areas to the Native Reserves a totally different wage-structure prevails. The job reservation order could not control the movement of a factory from one area to another nor the investment decision in establishing new factories.

What originated in a party-political campaign to help a separate small group of White clothing workers in Germiston split the multi-racial Garment Workers Union<sup>42</sup> and ended in a nation-wide job reservation order to maintain the particular employment of those White worker-voters. This produced an unworkable set of regulations. It also produced a steady shift of clothing manufacture out of Germiston to other locations.

Another kind of tradition was responsible for determination No. 2. This reserved the occupation of motor vehicle driving in the cleansing department of the Durban municipality for Whites, the Industrial Tribunal Report establishing inter alia that the removal of a yearly 2,000,000 pails of 'night

Necessarily the labour-structure changed in relationship to the capital-structure, technological process and, of course, the labour market. At the beginning so-termed 'civilized-labour' of unskilled and semi-skilled Whites were employed in plants located at Port Elizabeth, as the import-port and area of a large Poor White problem. With changing domestic-content of the assembled car, location of assembly plants responded to

soil' from the African locations being by custom a White man's job.

Other determinations reserving work have applied to window-manufacturing, traffic constables, fire brigade and ambulance services, lift attendants, electrical-goods manufacture, the building industry, motor transport driving, the wholesale meat trade and the liquor and catering trade.

A recent work-reservation has a special significance for the production-function of a major industry of large-scale capitalization in specific plant-motor-vehicle assembly and manufacturing. This industry has shown a typical South African development pattern. Originally completely assembled motor vehicles, packed in boxes, were imported. The first-stage tariff protection encouraged importation of unassembled components so that progressively shipments of 'completely-knocked-down' components were assembled in South African assembly plants. Extended tariff protection favoured domestic manufacture of components. Then from 1960 an import-replacement programme to increase the 'local content' of a 'South African-made car', by way of import-permit allocation that would in time virtually eliminate from the local market any car with a less than 55 per cent by weight 'local content', became a major feature of official forced-industrialization policy.

The capital-structure of motor assembly and component manufacture changed accordingly. Non-specific warehouses of relatively small-scale gave way to purpose-designed layouts of medium-capitalization. In the period since 1961, the declared intention by such world-wide companies as General Motors, Ford, British Motor Corporation, Chrysler and other European and Japanese organizations provides for multi-million rand investments in highly specific manufacturing plants.

The interpretation placed upon these figures by the Industrial Tribunal Report was to note the absolute increase in employment in each racial group but to concentrate its conclusions on the percentage drop of the number of Whites to total number of employees. By excluding from the total number of workers in all categories of employment those employed either as administrative office staff or as labourers, the Industrial Tribunal found that for the remaining production workers the Whites were only 34.2 per cent of this last category as compared with 41.7 per cent of total employees.

	<u>All Employees</u>	<u>Production Workers</u>
Whites	41.7%	34.2%
Coloureds	40.6%	49.0%
Africans	17.7%	16.8%

The Tribunal Report therefore concluded that job-reservation in respect of the category of production workers was desirable and so recommended. It noted and accepted employers' assurances that administrative work was exclusively White and found no problem in the category of labouring work in which the 'physical strength' of the African was necessary.

Work reservation Determination No. 16 accordingly reserved for the Republic as a whole, excepting the area of Blackheath, for Whites only supervisory and control work and welding work; throughout South Africa no replacement of a White worker currently employed by a non-White worker and no replacement of a Coloured worker by an African worker. Furthermore, in addition to the just-mentioned reservations, the minimum percentage of White workers to total workers was fixed at 45 per cent for Bellville in the Western Province, 45 per cent for Port Elizabeth, 65 per cent for Uitenhage, 25 per cent for East London, 20 per cent for Durban and 25 per cent for the Witwatersrand. The particular area of Blackheath, where the

British Motor Car Corporation had established a plant employing Coloured, was in effect excluded from these provisions except that no Coloured worker could be replaced by an African. A motor-assembly plant for Japanese vehicles, a joint venture of Japanese and Afrikaner capital, established as a so-called border area industry at Rosslyn near Pretoria, was exempt from the job restraints on African workers.

This example of job reservation has been elaborated for its patent implications of the minutiae of an administrative decision affecting the development of an industry of major importance to the Government's vision of the economic development of South Africa.

Motor vehicle manufacture and assembly is the Government's chosen instrument for achieving the crucial sophistication of industrialization in South Africa over the next decade, when gold-mining is expected to decline in significance.<sup>44</sup> An import-control technique was perfected to ensure that the great car-manufacturing companies of America, Britain and Europe either abandoned their existing investments in South Africa or made additional investments probably exceeding R100,000,000 in the immediate future in an expansionist programme of increased local manufacture.

With this vast capital-expenditure programme committed, a White trade union unrecognized by the employers but registered by the Government instigates a job-reservation enquiry. The Tribunal ignores the factual figures of a growth in total employment, from 1949 to 1963, of 2,891 to 13,616 workers of all races, and of 2,370 White workers to 5,675 White workers but finds evidence of 'replacement' of White workers in certain grades as in conflict with early employment practice of the industry. It further ignores that White workers have been upgraded and that in the year 1963, in which 'there was a serious drop of over 10 per cent' in the percentage of White workers,

an industry achieving a record level of sales from its capital investment completed (and planning much greater future investments) had found additional White workers for production categories unobtainable at current wage-rates.

A work-reservation determination, despite the critical importance of flexibility and interchangeability of workers to keep mass-assembly production lines operational, provides for rigidities of non-replacement by one racial group by another and fixes percentages, varying from one area to another, of employment by a minimum White quota. One of the major plants employing Coloured workers is in effect excluded. There is no reference in the Report, i.e. no inclusion in the Determination Order, to planned investments by Japanese-Afrikaner finance in assembly of Japanese vehicles at a plant-location conforming to the Government's border-area policy, which policy provides for state-aided finance and tax-concessions and comes under a differential wage-agreement highly favourable to work-simplification of processes performed by Africans.

The practical significance, immediate and ultimate, of job reservation as an instrument of control over the labour market is not readily assessed. In theory it eliminates entirely the market-price mechanism or market-wages as the basis of allocation of labour resources in the production function. Choice of labour, of categories and as individuals, by the employer in accordance with its combined productivity potential with any given capital structure is no longer determined or determinable by its marginal productivity. Choice of job by the worker is no longer a response to comparative evaluation of competitive wage and opportunity. Private contractual freedom in the labour market, by both employer and employee, becomes in theory entirely subject to administrative direction and discretion.

The general belief is that managements' real-life decisions in respect of labour have been made without taking into

account the restrictions either on the geographical mobility of African labour by way of influx-controls or on the occupational mobility of racial categories of White, Coloured and African labour by way of job-reservation orders. Concessions and exemptions in respect of such controls and orders may be assumed before decision-taking and resource-allocation, and hence such controls disregarded from the outset.

On the other hand, the practical importance of such far-reaching controls on the labour market may go largely uncomprehended even by practical management as distinct from economic analysis. Location of factory-site and choice of factory-plant may well be made in anticipation of the probable response of the Labour Department to the consequential implications for geographical and occupational labour controls.<sup>45</sup> There are a number of instances where it is public or private knowledge that major capital investments have been made only after obtaining advance rulings of Government reaction.<sup>46</sup>

The opportunity costs involved in administrative-linkage in place of market-price co-ordination are necessarily incalculable, since the foregone opportunities cannot be assessed. From the side of labour, the quantum of lost-opportunities is even more a question-mark. How much total productivity has been and is lost through restraints on the geographical and occupational mobility of millions of non-Whites? Even the most confident econometrician might balk at a calculation.

If lost opportunities and concomitant costs of Apartheid policies cannot be computed, only the official data of continuing trends in urbanization and employment categories can be offered. Some relevant figures are given in the final chapter.

In 1948 the Afrikaner polity took over parliamentary power to implement its institutionalized culture, which it identified with Apartheid. It eliminated all direct repre-

sentation of the African peoples in the sovereign Parliament and the Cape Coloureds from the common electoral roll - and hence from any political influence. It introduced the most comprehensive measures of actual and symbolic separation between different groups of colour. It repeatedly and emphatically denied the validity of 'economic considerations and motivations' in decisions and matters of policy affecting 'the survival of White civilization in South Africa'. It declared that the ultimate ideal must be 'total separation of the races' so that 'each might be free to develop separately to the maximum of its potential'. Nothing could or should be allowed to stand in the way of the realization of that ideal - other than 'because government is the "art of putting into execution that which is practicable" the Government's Apartheid policy cannot at any given moment be the precise embodiment of the Afrikaner's Apartheid idea', vide Dr. D.F. Malan, the man who achieved the 'miracle' of the Nationalist Party victory in the 1948 General Election.<sup>47</sup>

In 1958, ten years later, the Viljoen Commission into South Africa's industrialization policy was to write:

The development of secondary industry in South Africa has been greatly facilitated by the existence of a large and elastic supply of labour, and international comparisons would seem to show that the number of people drawn into this sphere since the cessation of hostilities has, with the exception of Western Germany, been proportionally greater in the Union than in any other major western industrial country.<sup>48</sup>

For Germany as a whole and for South Africa as a whole, the barriers set up by the polity somehow were overcome by the market economy. Africans escaping from tribal collectivism, like Eastern Germans from their collectivism, preferred to choose with their feet.

CHAPTER 19

SPRINGS OF DEVELOPMENT

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Economic development is patently a process of social interaction. A favourable conjunction of capital, labour, resources technology and entrepreneurship starts the expansion. Schumpeter identifies the source of the dynamic with the initiating-innovating entrepreneurs. But the inspiration of individual effort clearly needs a social framework.<sup>1</sup> The argument then turns on whether the constitution of order or the constitution of liberty, as the conditioning political environment, provides the more propitious framework.

South African economic development, as observed in the introduction, is not unique but it has certain special features of interest. This is particularly true of its social framework. In this social framework, the constitution of order has always taken precedence over the constitution of liberty. Furthermore as the structure of economic development has grown more capitalistic, that is in the sense of both the intensification and sophistication of capital employed in production, so the constitution of order has appeared to the White polity to be the overwhelming priority in the social system. Freedom of choice extended to the non-Whites in general, and the Africans in particular, however intrinsic to the constitution of liberty, identified with one man, one vote, seemed incompatible with the continuation of order, identified with White control into the foreseeable future, and therefore of progressive economic development.

The constitution of order may appear to be reflected in the administered economy and the constitution of liberty in the market economy. But the proper constitution of liberty may well be elusive, for the continuation of order and the conscious perfection of the market economy may equally be basic to the

continued optimization of resource-allocation and -utilization. Both Hayek in the Constitution of Liberty and von Mises in Human Action provide insights into the economy of individual initiative that will perhaps yet have to be re-learned by those who see a superior achievement in collectivist compulsion. The South African record, as previously elaborated, has been increasingly to subordinate economic development to the polity as the defender of the Whites' institutionalized culture.

The constitution of order in South African experience has been manifested in an increasing bureaucratization of the direction of economic resources. This stamp of the administered economy is the more real expression of the White South African's will, however strikingly Apartheid has evinced the avowed purpose of Afrikanerdom. The opportunity cost of the administered economy is the foregone choices of market co-ordination of economic development; the opportunity cost of the imposition of order is the foregone emerging consensus for the continuation of order.

As at 1870, despite or because of the attempts of the imperial factor to impose a federated South Africa,<sup>2</sup> no single social system had come into being and no signs of self-generating economic development in any part of the country. South Africa exhibited the characteristic institutional and structural framework of a dormant economy, which Henry J. Bruton<sup>3</sup> describes as becoming so alien to growth that the social organization is a more fundamental obstacle to the process of development than simply a low rate of capital accumulation. The shock, which introduces a vitalizing change into one sector of the economy so that henceforth it grows more rapidly than others was of course the impact of the mineral discoveries, first at Kimberley and then on the Witwatersrand.

As Bruton notes, several writers<sup>4</sup> have emphasized that periods of sustained growth are normally dominated by one or a

very few industries exhibiting a rate of growth greatly in excess of that of the whole economy. It is the performance and behaviour of the rapidly growing sector which begins to exert its influence on the more slowly growing sectors until their rate of development begins to catch up. It was in the South African gold-mining industry that the uncharacteristic institutional and structural changes began so that an intensity of integration of the South African social system brought about not only the Union of South Africa but a new complexity of inter-relationships between White and non-White, between the men of Europe and the men of Africa. Performance and behaviour in the mining industry, which first dragged and then pushed other sectors of the economy into sustained activity, became the determining influence.

The Rand gold-mining industry served both as geographic and economic frontier in South African economic development. It yielded increasing returns both to capital and to labour with contemporaneous techniques and population as well as increasing returns which changing techniques and population. Dynamic changes, coming from the time of the proclamation of the Witwatersrand goldfields in 1886 have yielded increasing returns from and in the Witwatersrand for generation after generation. Mining technology and the periodic decisive gold-price increases ensured the exploitation of an expanding frontier, with its productive shifts of labour and capital from old, settled areas of geography and occupation, that constitute continuing national economic development.<sup>5</sup>

It was in the gold-mining industry, however, that market choices of labour-allocation aroused the most powerful ideological resistance and where the acceptance of the administered direction of labour-utilization became most complete. From the 1924 accession to power of the Nationalist-Labour Pact Government, as related earlier, the Chamber of Mines ceased

to press for a least-cost substitution of labour organization and concentrated its influence to secure the co-operation of the State in the administered wage- and working-structure of its essential, unskilled labour force. The wage- and working-structure of its unskilled labour force had been throughout the key factor in the mining industry's production function. After the 1922 Rand Strike when it was made clear beyond further challenge that organized White mining labour would dictate job-demarcation and -reservation, the optimization of profit and maximization of output became critically dependent on the administered direction of the quantum of unskilled labour.

A theoretical and pragmatically formidable case can be made that this last factor became the strategic variable in the development of the gold-mining industry and, hence, of the South African economy as a whole.

The financing of a prospective gold-mine and the cost-structure of a producing mine, i.e. the capital structure of very large monetary sums in highly specific and fixed assets of uncertain earning life, place a premium on maximum utilization of the mining plant. Optimum exploitation of the whole body of mining ore of the Witwatersrand goldfields depended on such critical unknowns as the extent and grade of ore bodies and the future price of gold. Future finance for profitable ore-bodies, consequent on new discoveries or favourable changes in the unknowns, was largely dependent on successful redemption of past equity investment. This was pragmatically important since the provision of share capital for risk-taking in gold-mining had been shown by experience to come from a limited number of 'specialists' in such risk-investments. All these factors made the availability of the optimum complement of the co-operant factor of labour the vital consideration of mining management.<sup>6</sup>

It might consequently have been expected that market determinants would have evolved a highly stabilized labour force of appropriate structure of skilled and unskilled.

In respect of both skilled and unskilled labour, however, cultural and institutional influences were resistant to such market determinants. Earlier chapters have elaborated the problems of attracting skilled (White or European) immigrants and unskilled (African) immigrants. Both groups were subject to a high degree of labour turnover. Among the skilled, the high incidence of destructive occupational disease and in the early period the lack of family life contributed to a 'restlessness' that was the subject of repeated comment by commissions of enquiry into industrial relations and labour troubles. Among the unskilled, tribal traditions in respect of land and marriage-custom similarly operated against permanency in the labour force.

Superimposed on the contemporary realities of skilled and unskilled labour supply, the wants and wishes of White skilled labour secured the support of the unchallengeable authority of the polity. It became from the viewpoint of mining management, that is the Chamber of Mines, the undeniable reality that the skilled labour would have to be White; and if such White labour was to be available without disruptive strikes, its stability would have to be ensured by collective bargaining arrangements judiciously acknowledged.

The availability of the co-operant unskilled African labour also became subject to the overriding authority and power of the polity rather than to the market. There was, firstly, the absolute racial demarcation of job-evaluation and work-organization imposed by the White skilled workers in their trade unions, entrenched beyond even dissent from 1924 onwards, and, secondly, the whole weight of White 'feeling'. Such opinion, reflected in the early 'Black Peril' agitation over

sexual assaults in mining areas, was totally opposed to a permanently urbanized mine-labour force of many tens of thousands of Africans.

This labour force would necessarily have had to be recruited initially from tribal societies throughout Southern Africa - not only inhabitants from 'British' South Africa but from East and Central Africa. It may have been that in the course of time a resident, family-based African labour force could and would have been called into being by market factors, more particularly market wages. But the White polity was absolutely resistant to the implications of progressive integration of primitive Africans, including great numbers of foreign-born Africans. Furthermore, it would have taken much time and effort in skilled human management (at a time when industrial relations was not even a discipline) to have persuaded tribal Africans to have abandoned all tribal links to land rights through bringing marriage-partners out of the tribal lands, and thereby destroying all claims to such land-rights.

Though the resistance of Africans to the process of permanent, urbanized wage-employment and consequent detribalization has patently been exaggerated by White opinion, it was certainly a real factor which mining management would have had to overcome. Moreover in overcoming it, mining management would have had to raise the additional capital for the more costly family accommodation housing in place of the bachelor-compounds of minimum amenities.<sup>7</sup> Alternatively wage-rates would have had to reflect the supply-price of Africans accepting the higher opportunity costs of detribalization of themselves and their families. Finally, there was the major problem of silicosis - the extremely costly occupational disease of mining. Legal-provision for silicosis-compensation to Whites was a substantial operating cost but said to be unnecessary in the case of Africans. As short-term, contract workers, the latter's non-

permanence in mining employment and their frequent return to tribal environment allegedly reduced their incidence to this destructive disease. The system of migrant, unskilled workers provided the 'excuse' for not extending to Black men the silicosis cost-obligations legally demanded for White men.<sup>8</sup>

The availability of White skilled labour involved acceptance of its polity-backed, unionized collective bargaining power by the Chamber of Mines. The availability of African unskilled labour involved (a) centralized recruitment of a never-permanent, migratory tribal labour force which, though subject to an almost continuous turnover of its individuals, would nonetheless be stabilized as a total complement of ever higher numbers, and (b) the monopsonistic wages and working conditions applied to that labour force.

Finally, when the Chamber won the fight but lost the battle for the elimination of the legal-customary colour bar during the 'minor civil war' of the 1922 Rand Strike, the future pattern of the migratory labour system of African workers was rigidified by the Chamber of Mines as much as by the authority of the White polity itself. This is fully reflected in the evidence of the Chamber of Mines to the Lansdown Commission.

After armed-intervention ended a one day strike in 1942 by African mine-workers in protest against war-time price increases and unadjusted wages, the Witwatersrand Mine Natives' Wages Commission<sup>9</sup> was appointed under the chairmanship of Justice Lansdown to investigate the wage- and working-conditions of African gold-mining workers. The Lansdown Commission was particularly concerned to emphasize the continuing crucial importance of the gold-mining industry to the South African economy in the face of contemporary estimates of its diminishing role and what it regarded as uncritical over-estimation of the potential of manufacturing industry.<sup>10</sup>

Partly as an act of deliberate high policy and on American insistence, the South African Government and the Chamber of Mines had accepted a virtually static production of gold during the Second World War. Nonetheless the Lansdown Commission stressed that payments by the gold-mining industry to all its beneficiaries, i.e. workers, suppliers, shareholders and Government for the year 1942 amounted to £115 millions. Even to the casual reader, said the Commission's Report, these figures could not fail to indicate the enormous importance to the Union of an industry which had since the year 1884 produced gold to the value of over £2,000,000,000.

This steady flow of wealth from the Witwatersrand has spread over the whole of the Union, of which it would be hard to find any corner unaffected thereby ... many urban communities of the Witwatersrand are almost entirely dependent for the continuance of a prosperous existence upon the operations of mines in the vicinity.<sup>11</sup>

The functional relationship of African unskilled manual labour to gold output and profitability was expressed by the Lansdown Commission in these terms:

The goldmining industry of the Witwatersrand has indeed been fortunate in have secured, for its unskilled labour, native peasants who have been prepared to come to the Witwatersrand for periods of labour at comparatively low rates of pay. But for this fortunate circumstance, the industry could never have reached the present stage of development - some mines would never have opened up, many low grade mines would have been unable to work with any prospect of profit; in the case of the richer mines, large bodies of ore, the milling of which has been brought within the limits of payability, could never have been worked, with the result that the lives of the mines would have been considerably reduced.

That the results accruing from this cheap native labour supply have had a profoundly beneficial influence on the general economic

development of the Union is a matter that needs no demonstration. Not only has the earth yielded up a great body of wealth which would have remained unexploited, but vast amounts of money have been paid away in wages and put into circulation for the acquiring of equipment and stores necessary for the working of the mines and this, in turn, has had the beneficial effect upon the development of secondary industries.<sup>12</sup>

The significance of 'unlimited' supplies of labour to economic development, which Arthur Lewis analyzed,<sup>13</sup> has already been referred to. Although Lewis was highly critical of those imperialist policies in Africa, which had deliberately impoverished the subsistence tribal economies to maintain the 'unlimited' labour supply forced into the capitalist sector by negligible, nil or negative marginal tribal productivity, he unequivocally identified the developmental contribution of the resultant profits accruing to the capitalist sector.

In actual fact, writes Lewis, the record of every imperial power in Africa in modern times is one of impoverishing the subsistence economy either by taking away the people's land, or by demanding forced labour in the capitalist sector or by imposing taxes to drive people to work for capitalist employers.<sup>14</sup> This may not be literally true of every colonial authority in Africa but it is supported in broad generalization in South African experience, at least until very recent times when a recognizable and definitive effort in terms of capital and expertise has been made by the Government at encouraging productivity in tribal agriculture. Lewis, too, does not in this article perhaps give due acknowledgement to the real practical difficulties in overcoming traditional agricultural practices among primitive pastoral-nomadic peoples.

Since the process of capital accumulation must begin somehow, somewhere in the system before the progressive increase in output per head can be generated, it is critical that profits

be generated out of which savings can be made. In a system under total bureaucratic direction, that is under totalitarian collectivism, the state itself will ensure the forced or compulsory savings by the appropriate real wage policy of restricted wage- or consumer-goods. In a system of private capitalism, the source of savings must be primarily private profits. The share of current national income must be altered in favour of the saving capitalists and against the spending workers. Only in this manner is capital accumulation, which is indispensable to increasing total productivity, achievable in any significant measure.

It is, says Lewis, the inequality which goes with profits that favours capital accumulation and the central fact of economic development is that the distribution of income should be in favour of the saving class. Hence, since the major source of profits is savings, the share of profits in the national income must increase for capital accumulation to increase.

In the Lewis model of 'unlimited' supplies of tribal-peasant labour from a subsistence economy, the assumption is:

that practically the whole benefit of capital accumulation and of technical progress goes into the (capitalist) surplus; because real wages are constant, all that the workers get out of the expansion is that more of them are employed at a wage above subsistence earnings. The model says, in effect, that if unlimited supplies of labour are available at a constant real wage, and if any part of profits is re-invested in productive capacity, profits will grow continuously relatively to the national income, and capital formation will also grow relatively to the national income.<sup>15</sup>

The monopsonistic recruitment and contractual employment of tribal African labour within the gold-mining industry of South Africa together with the appropriate legislation prohibiting (a) individual desertion of service and (b) collective with-

drawal of labour, as well as Government support for treaty-arrangements to obtain additional tribal labour from East and Central Africa, ensured constant money - and probably real - wages for such labour for nearly half a century. Unchanging wages of African mine-workers with increasing supplies of such labour over the decades underwrote the profitability of the gold-mining industry.

Whether re-invested as undistributed profits by the mining-finance houses or re-invested as unspent dividends by the small class of mining shareholders,<sup>16</sup> the annual flow of mining profits was the source of the capital accumulation that maintained and then expanded South African economic development. From 1911 to 1940, the working profits of the gold-mines amounted to about £538,000,000 and more than half of this was earned during the period 1933-40 following the increased gold price and during which highly prosperous seven years, the 'unlimited' supply of African labour continued at virtually unchanged wages.

The Mine Natives' Wages or Lansdown Commission of 1944 found that ninety-nine per cent of the unskilled workers on the Witwatersrand mines were tribal Africans 'who, for the most part, have their lands and stock left in charge of their families, while they are away at work on the mines'.<sup>17</sup> Only less than ten per cent of the total African labour force, employed as clerks and related categories, were detribalized. Conditions in the 1890's, which resulted in average wages of Africans being bid up as high as 63s. a month, had been made subject increasingly to the controls of an administered rather than a market economy.

The labour force which averaged 68,000 in 1898 reached a figure of over 370,000 in 1942.<sup>18</sup> Whereas, said the Lansdown Report, the Native in the Reserves, either on account of higher productivity of his lands or because of his simpler tastes, was reluctant to leave his home, he is today forced by economic

pressure to seek employment which will enable him to support his wife and family, and this pressure is so great that the gold-mining industry is able, in spite of the competition due to increased demands of secondary industries, to recruit native labour for underground work at a cash wage of 2s. per shift.<sup>19</sup>

The cash wages of African mineworkers in 1943 are reflected in the table on page 341 from the Lansdown Report.<sup>20</sup> Apart from a small number of long-service and supervisory workers, the mean cash remuneration was 2s. to 2s.3d. per shift with 300 shifts per year. This gave annual cash earnings of between £26. 15s. 6d. to £30. 12s. 0d.

Although the Low Grade Mines Commission of 1920 had reported that the 'maximum average' clause, condemned by the 1914 Native Grievances Enquiry Commission, had been amended so as not to be 'open to the same serious objection as previously', the Lansdown Commission of 1944 found that in fact the maximum average or ceiling to earnings - originally applied to piece-workers - was now general over the average earnings of all African labourers.<sup>21</sup> The maximum average, fixed up to the end of 1942 at 2s. 3d. was increased to 2s. 3½d. per shift in 1943. In addition to cash earnings, the remuneration in kind coming under (i) rations (ii) quarters and (iii) medical treatment was valued by the Lansdown Commission at 1s. 1½d. per worker per shift.

Distribution of Wage Rates over Native Labour Force -

	<u>1943</u>		
	<u>Surface</u>	<u>Under-ground</u>	<u>Total</u>
Numbers earning less than			
1/9d. a shift	4,658	-	4,658
1/9d. to 1/11d.	30,360	-	30,060
2/0	17,488	107,690	125,178
2/0 to 2/3	7,993	61,648	69,641
2/4 to 2/6	5,742	26,247	32,169
2/7 to 2/9	1,922	12,026	13,948
2/10 to 3/0	1,562	5,741	7,303
3/1 to 4/0	2,003	6,541	8,544
4/1 to 6/0	1,402	5,258	6,660
6/0 and over	135	1,181	1,316
	<u>73,265</u>	<u>226,512</u>	<u>299,777</u>

The case for the African mineworkers was that there had been no significant increases in wages in the course of thirty years since 1914, despite an increased cost of living including the increased costs of their families in the tribal Reserves and the decreased income from the lands on the Reserves. The case against any increase in wages made by the Chamber of Mines was the adequacy of the existing cash wage, having regard to remuneration in kind, the additional means of subsistence available from the migratory labourer's Reserve-income, the cost-price structure of the industry at a time when inflation was steadily encroaching on marginality of ore.

Significantly, reported the Lansdown Commission,

the Chamber of Mines has based its case very largely on the argument that, in fixing the wages of the mine labourers and in determining whether the wages so fixed are adequate, it is entitled to take cognizance of the full subsistence which a native is able to

obtain from his holding in the Reserve.<sup>22</sup>

The Chamber of Mines contended that the average stay of the tribal migrant worker at his home in the Reserves was something over twelve months with fourteen-month contract working-periods at the mines. The Commission found the average Reserve home-living to be between seven to eight months, and in the case of perhaps 16 per cent of the labour force three months or less.

The Commission put the value of the Reserve income (1943) at £17. 15s. 2d. per year, cash earnings for the mine surface worker at £26. 15s. 6d. per year and for the underground worker at £30. 12s. 0d. per year against a family budget for a tribal family of five (with man at work) of £57. 12s. 0d. per year. Based on an 18-month mine-work and 6-month Reserve-home period, a surface worker's estimated needs exceeded his income by £34. 1s. 2d. and an underground worker's by £32. 11s. 11d. for a two-year period.<sup>23</sup>

The evidence for the Arthur Lewis argument that wage-payments by the capitalist sector will be a function of subsistence in the tribal economy is underlined by the statement of the Chamber of Mines to the Mine Native Wages Commission:

The basis of employment of native labour by the mines is in complete accord with the balanced South African native policy laid down practically unanimously by Parliament after thorough investigation and discussion in 1936-7, and embodied in legislation (in particular the Native Trust and Land Act, 1936, and the 1937 amendment to the Urban areas Act) and re-affirmed by the Minister of Native Affairs in the House of Assembly on February 26, 1943. In brief, that policy is the enlargement and planned development and improvement of the Native Reserves and the concurrent restriction on the number of natives permitted in the towns, coupled with the proper housing of those so permitted. It aims at the preservation of the economic and social structure

of the native people in native areas where that structure can be sheltered and developed. The policy is a coherent whole, and is the antithesis of the policy of assimilation and encouragement of a black proletariat in the towns, divorced from its tribal heritage.

The ability of the mines to maintain their native labour force by means of tribal natives from the Reserves at rates of pay, which are adequate for this migratory class of labour but inadequate in practice for the detribalized urban native is a fundamental factor in the economy of the Gold Mining Industry.<sup>24</sup>

The implications, commented the Commission, of the Chamber's interpretation of South African Government land-labour policy were, firstly, that the Native Reserves should be kept at just such a stage as not to prevent tribal Africans from seeking employment because they had too much land or the land was too productive and, secondly, that if the Reserves could afford the African family an extra subsistence then the mining industry would be justified in reducing the African worker's wage still further.

It was the further submission of the Chamber of Mines which established the extent to which political rationalization had replaced economic rationality. The Chamber did not raise before the Lansdown Commission any reference to legal or customary restrictions on the employment categories of Africans, the critical issue of least-cost labour utilization or the 'colour bar', which had led to the 1922 Strike.<sup>25</sup> But the Chamber's representative, Mr. W. Gemmill, took up and answered the argument that the position of the tribal African 'in enjoyment of Reserve subsistence income from his lands' was similar to that of a White worker with a private income and that the wages of both should be determined without reference to their 'reserves' - that is, by market competition:

This argument ignores the fact that the ability of the native to earn a Reserve's income is largely due to the fact that he is granted by

the Union Government land to cultivate, and pasturage, with practically free occupation of both; in effect he receives in this way a substantial subsidy from the Government which enables him to come out to work in the intermittent fashion which suits him and which accords with his historic background and tribal circumstances. The subsidization of the tribal native by way of free land is a basic factor in the economy of the Union and in any estimate of the economic requirements of that class of native, and I submit that it comes into account under the Commission's terms of reference as a provision made apart from wages materially related to the tribal needs of the native.<sup>26</sup>

This assertion by the spokesman of the gold-mining industry perhaps as much as any other obiter dicta ever expressed by 'White South Africa', establishes the inter-connections between land and labour in South African economic history and the crucial significance of such land-labour inter-connections to the economic development of South Africa. It also establishes the continuing reality of White control of the social system as a political economy.

Though the Commission made no specific comment on the historical accuracy of this version of land-distribution as between the Whites and the Africans, its own estimate of the Reserve annual income of a tribal family was, in 1943, between £16. 18s. 6d. and £17. 7s. 8d. against the £30 estimate of the Native Affairs Commission and submitted by the Chamber of Mines. The Lansdown Commission's final recommendation was a minimum wage for surface workers of 2s. 2d. per shift and for underground workers of 2s. 5d. per shift, yielding a cash income of £36. 19s. 6d. and £42. 6s. 7d. respectively.<sup>27</sup>

But the emphatic conclusion of the Commission was that the migratory labour system could not be replaced by a permanent body of unskilled labour - 'any other policy would bring about a catastrophic dislocation of the industry and consequent prejudice to the whole economic structure of the Union ...'

Economic theory and empirical evidence seem, then, to demonstrate beyond denial that, firstly, the economic development of South Africa was above and beyond all else a function of the profitability of gold-mining investment, and, secondly, that such profitability was a function of the migratory labour system applied to unskilled, tribal African labour.

If the first point is conceded to economic theory and empirical evidence, is the second point equally unchallengeable?

It is unchallengeable only on two assumptions of political realities of power. The first assumption is that White mining workers, supported by the White polity, would always impose their colour bar differentials on labour-utilization and -substitution in the mining industry (i.e. an unalterable political parameter in the production function of gold-mining in South Africa). The second assumption is that the White polity would never accept that employers of mine labour (individual mine managements even more than the employer-organization of the Chamber of Mines) be allowed to bid competitively for unskilled labour beyond the territorial limits of South Africa.

Had the gold-mining industry been permitted to 'import' its unskilled labour, without political restraints, from the whole geographical area of Southern and Central Africa, i.e. the territory of which the gold-mines of the Witwatersrand was the economic heart, then it is possible that the market-wages of such labour would not in fact have significantly diverged from the monopsonistic-wage established. It is arguable that the monopsonistic-labour policy was 'forced' on the Chamber of Mines because the several mining companies were not free (a) to attract labour from all possible 'natural' sources of supply and (b) to train Africans to higher productivity because of the rigidities of colour-bar work-organization.

Not only did the diamond- and gold-mining industries greatly stimulate the whole scale of autonomous and subsequent induced capital investment, first within and then without mining,

but they inspired and then accomplished the transformation of a hitherto subsistence economy into a market or exchange economy for South Africa. This essential condition <sup>28</sup> for economic development beyond a primitive level emerged with the resource-exploitation by capital and by technology of mineral wealth. But the political factor resisted and restrained the shifts and specialization of the population, which are the essence of a market or exchange economy.

Afrikanerdom had, as previously elaborated, always identified itself with the land. Its cultural no less than its political roots, its spiritual no less than its material strength, were at least down until after the Second World War emotively linked to farming as the 'only' way of life. When excessively optimistic expectations of agricultural exports were repeatedly disappointed by world market realities, except in war-time demand schedules, parliamentary power was more and more deployed to extend the authority of the administered economy to maintain Afrikaners on the land rather than accept the mobilities of the market economy.

The philosophy and practice of administered marketing by the official Department of Agriculture, culminating in the Marketing Act of 1937, conceived the maintenance of White numbers on the land as an end in itself. It was held to justify, apart from the subsidized transportation in the form of below marginal-cost railway rates, a state expenditure of £25,000,000 in the ten years from 1931/32 to 1940/41 in direct financial assistance to White farmers and price-raising measures to consumers, estimated at an excess consumer-cost of over £6½ millions in respect of sugar, wheat, maize, butter and cheese and leaf tobacco for the year 1939-40. Furthermore, the massive state-aid was primarily for labour-intensive agriculture rather than livestock farming.

At the outset of the Second World War in 1940, hence, the Van Eck Commission claimed that, taking into account casual farm labour and non-White farming, almost two-thirds of the South African population engaged in farming was producing only one-eighth of the national income. Even if some 1,750,000 Africans over the age of 10 in the Native Reserves and about 750,000 non-Whites undertaking casual farm labour were assumed not to share in the farming income, one-third of the remainder of the South African population permanently on the land were producing only one-eighth of the national income.

Despite the extensive drift to the towns, the residential population permanently dependent upon farming and the number of casual farm labourers are, therefore, far in excess of the proportion warranted by the unimpressive contribution of this industry to the national income. This feature of the occupational distribution of the Union's population is indicative of a major maladjustment in the economic structure.<sup>29</sup>

Within the mining industry and within the farming industry, the productivity of the great majority of the country's African population was massively inhibited by the actions of the White polity. Such inhibitions on specialization were intensified by the Native Land Acts which by their barriers to additional land-ownership among Africans and prohibition of private (White) investment capital in the Native Reserves, aggravated the diminishing returns of self-subsistent tribal agriculture.

Given that the absolute priority of the White polity was to ensure that economic development did not 'undermine the White man's supremacy', i.e. alter White-Black relationships advantageously to the politico-social status of the non-Whites and disadvantageously/<sup>to</sup>the politico-social status of the Whites by narrowing the economic differentials, a low-level trap of under-consumption and massive disguised unemployment could not

readily be evaded. There was an absolute political bar or institutional barrier on the development of the country's resources of its non-White peoples within mining and agriculture.

With such far-reaching rigidities imposed on four-fifths of the South African labour force, the aggregate demand of the non-White peoples was institutionally inhibited with increasing restraints from the time of Union - from when the White polity took charge of a unified economy to promote a rate of economic development 'to guarantee White civilization in South Africa'. Dominant economic philosophy and policy in South Africa was, until the Second World War, not only pre-Keynesian but held fast in the lump-of-labour conviction. The short-term existence of a work-fund, in which every non-White employed was one job less for a White unemployed, gained in the appearance of reality because the key-income determinants of full employment were so obstructed from exerting the reality of their appearance in the long-run.

A fundamental, and increasingly ideological, master-servant viewpoint of contact-relationships between White master and Black servant, imposed critically limiting conditions on the production function. Nowhere were such conditions more critical and more limiting than on the production function of gold-mining, which South African academic economists almost without exception identified as the key determinant of the country's overall level of activity. It was indeed beyond question that gold-mining as the main source of capital investment and wage-payments, as well as being the major producer of exports and foreign-exchange earnings, made a contribution to the quantum of employment so strategically important that any policy diminishing the profitability of gold-mining seemed logically indefensible.

Yet, despite the secular increases in the gold price which 'uncovered' more and more unprofitable earth to transform it into profitable ore, gold-mining was and is an 'extraction'

industry. It was and is for South Africans an industry that must 'exhaust' itself, so that the day comes when it makes a diminishing and ultimately nil contribution to income and income-generation. Hence opinion remained concerned with promoting alternative sources of income and income-generation.

The comparative costs argument of the benefits from international trade seemed most undeniable in the case of a country like South Africa, whose economic emergence from stagnation is so patently identifiable with mineral discoveries and whose drive towards economic maturity is also so readily related to the increasing rate <sup>30</sup> of mineral-resource discovery.

The facts of South African economic growth appeared so self-evident that continuous political pressure and industrialists' agitation for the tariff protection of so-called secondary or manufacturing industry seemed the most obviously unjustifiable and unjustified arguments of self-interest. The classical case for free trade has rarely seemed to be more irresistibly demonstrated than in the history of South African economic development. The comparative advantages of resource-investment in the gold mines made it undeniably the country's primary industry, which made any diversionary investments - that increased mining costs unnecessarily or artificially - subtractions from gross national product.

Yet were the 'practical' manufacturers, who argued their case for the tariff protection of their struggling factories against foreign competition, so demonstrably wrong? Their self-interest in opposing free trade hardly needs refutation - but the self-interest of the Chamber of Mines in supporting free trade also needs no demonstration. Myrdal <sup>31</sup> has been most critical of the classical international trade theory to explain the realities of economic development and under-development. His theory of circular causation, more especially related to White prejudice and low Negro standards in his American Dilemma,

argues that the cumulative process of interaction will cause any change in one factor to be continuously supported by the reaction of the other factor in a circular way.

As applied to regional economic development, the cumulative process of interaction might result in a continuous improvement in the measures of development (i.e. output per head or standards of living) in the entire region or it might reproduce the vicious circle of disparate stagnation. While assumptions of perfect mobility of resources (implicit in classical international trade theory) would ensure that the gains of growth from a widening division of labour in extending markets are diffused throughout, there are unquestioned awkward historical realities of population shifts, capital movements and trade which have operated 'with a fundamental bias in favour of the richer and progressive regions against the other regions'.<sup>32</sup>

In South African experience, too, for nearly half-a-century after the proclamation of the Witwatersrand goldfields, the continuation if not aggravation of poverty among the Poor Whites and the Poor Blacks in rural South Africa alongside the advancing prosperity of the gold-mining regions affords confirmation of Myrdal's general thesis. Persistence of regional and sectoral underdevelopment outside the gold-mining industry for decade after decade may indeed have been due more to non-economic inhibitions on social and geographical mobility rather than to defective arguments in the comparative costs theory of inter-regional economic activity.

The under-consumption and under-employment trap was, however, a reality of South African life. The political factor of Afrikanerdom was dedicated to breaking out of the vicious circle on behalf of the 'boerevolk' (i.e. the 'original' Afrikaans-speaking inhabitants of the land) and it was not to

be convinced by any economic analysis of the spread-effects of gold-mining prosperity. The Nationalist Party was increasingly won over to support of State interventionism - the more so since it identified itself with the State and the State exclusively with the Volksparty.

Forced industrialization, whether by way of tariff protection for manufacturing industry or by direct and indirect state ownership of 'key' industries, was to be the solution for the Afrikaner rural poor. In its pre-1939 phase, the concern of the polity was exclusively with the Poor Whites and not the Poor Blacks. The widening opportunities of industrial employment were to be reserved for 'civilized labour'. Partly because of this policy with its related high-cost inflexibilities but perhaps even more because of the barriers, economic and non-economic, to the realization of the 'external economies' of large-scale industrialization in South Africa, pre-1939 state encouragement of manufacturing industry could not be realistically be said to have either diversified the South African economy or achieved a self-sustaining, dynamic stage of industrial growth.

This whole pre-1939 phase of 'forced' industrialization was as related in an earlier chapter, only incidentally a contribution to increased mobility of resources. The almost religious fervour, with which Afrikaner identification with the land was regarded as the source of its spiritual strength and the related conviction that 'civilized labour' in urban employment was the preserve of White men and women, imposed inflexibilities which when weighed in the balance against the mobilities induced by industrialization may or may not have produced a shift.

The Second World War contributed the 'Big Push',<sup>33</sup> both in technical economic development and in social system change.

The record of industrialization in South Africa from 1940 strikingly confirms the indivisibilities-arguments of Rosenstein-Rodan.<sup>34</sup> The virtual guarantee of the home market, through diminution and ultimate disappearance of foreign competitive supplies, provided the critical assurance of demand. The elimination of uncertainty in investment-decisions in domestic-manufacturing was further underwritten by the general use of cost-plus contracts in mounting government purchases and price-control legislation which permitted increased costs to be passed on.

With only brief interruptions, during which industrial investments altered, this elimination of uncertainty in market-absorption of output has exhilarated industrial investment from 1940 onwards in South Africa. It has probably been the crucial condition for the excessive but not grossly exaggerated assertion that:

in no other country has there, within the brief compass of 25 years, been a more complete metamorphosis of the economy and a more spectacular development of its industries, with such an absence of industrial disturbance<sup>35</sup> by way of labour strikes, than in South Africa.

The Second World War years not only removed all risk-taking from consumer-goods manufacture but, perhaps even more importantly, removed the market-risks in the more technologically-advanced-goods manufacture. This was especially the case for the strategically-significant metal-industries. Until 1939 the gold-mining companies, despite their large and continuously increasing consumption of metals-engineering, gave no encouragement to the domestic metals-engineering industry. Engineering was almost entirely a service-and-repair industry but with the outbreak of the War, and almost total deprivation of imported supplies, the mining industry and munitions-manufacture assured the demand for specialized metals-manufactures of continuing

diversification and sophistication.

The end of the War in a world starved of peace-time metal-goods brought no resumption of imports of competitive significance. The introduction and operation of exchange-import control from 1948 contemporaneously with the massive development stage of the great Free State goldfield, in a capital-concentration expenditure programme unique in mining investment, ensured a text-book example of risk-eliminating complementarity of demand. A sustained investment programme in the sophistication of capital-intensive engineering plants was consequentially undertaken by private entrepreneurship. The scale of this investment by private initiative was of the strategic lump-sum magnitude, which some economic-development models would attribute only to the potentialities of government-enterprise and state-financing.

It not only made a related contribution to gross national income but accomplished the critical changes in inputs-outputs within the engineering industry, which may be regarded as the restructuring of the economy in the key phase of the drive towards maturity. In the pre-1939 period this industry was largely restricted to jobbing shops, serving as adjuncts to the gold mines. During the Second World War, the complete dependence of the mines on locally made and repaired plant and equipment began the transformation, which after the introduction of import-exchange controls in 1948 might be described as a minor revolution in development.

In 1943, the total number of workers in the metal industries (steel, engineering, constructional and consumer-goods) had risen to 70,000 with a total wage bill of R29,000,000. Twenty years later, in 1963, this had become 225,000 workers with a wage-salary bill of R250,000,000 and a gross output of R950,000,000. The metal industries currently comprise raw materials manufacture: ferrous (iron and steel), and non-

ferrous (copper, brass, zinc, aluminium); heavy engineering; constructional engineering; foundry industry; electrical and electronics, heavy and light; light engineering; light fabricating and consumer goods.

Heavy engineering by 1965 had reached the stage where, apart from turbines and specialized machine tools of limited demand, it was able to undertake the manufacture of almost every type of plant and machinery. Electric locomotives are a current manufacture. The constructional engineering industry meets South African needs from power stations to mining plants. Railway wagons and coaching stock for the SAR Administration are entirely locally produced, and small ocean-going craft are fabricated. The foundry industry, iron, steel, and non-ferrous, produces general castings up to twenty tons. Rolling-stock wheels and all the heavy castings necessary to rolling stock and locomotives are locally made. At the other end of the range, components and consumer goods, plumbers' requisites and all cast articles suited to production methods are regularly made.

Light engineering products range from rock-drills to automotive components, brass-ware to small-tool manufacture; on the fabricating side a wide range from agricultural implements to steel windows.

In the quarter-century since the outbreak of the Second World War, the backward linkage from consumer-goods manufacture progressed steadily. Basic and intermediate material processing industries were established in range and depth so that industrial development has achieved the growth stage of supplying inter-industry demand. Iscor, the publicly-controlled iron and steel industry, in 1938 was producing at a rate of 344,300 tons of ingot steel a year. By the end of the War in 1945 a production figure of 503,000 ingot tons was established. In

1946 a second fully-integrated steel works was planned and by 1951, Iscor's two works had a capacity of 1 million ingot tons. The continuously rising demand for steel products led in 1956 to a further expansion project with a target of 2,350,000 ingot tons and, before its completion, in 1960 yet another increase was planned - the largest expansion scheme in Iscor's history at an estimated cost of R506,000,000. The envisaged goal for 1969/70 is 4.5 million ingot tons.

The gross value of the output of South Africa's metal and engineering sector for the calendar year 1965 was estimated at about R1,550,000,000. Although in the case of many industrially underdeveloped countries the textile industry begins at an early stage, South African experience was different. The make-up end or clothing manufacture was one of the first consumer-goods industries to be given tariff protection in the 1925 customs tariff - mainly because it was labour-intensive and at that time the employment of 'civilized labour' was the quid pro quo for the protective duties on imports. As clothing manufacture - including army clothing - greatly increased in the period of the Second World War and subsequent years, the cost of textile imports rose to a volume and value which was one of the immediate bills responsible for the introduction of import-exchange controls in 1948.

In addition to the aim of reducing the import-bill for textiles by encouragement of local manufacture, a major post-1948 expansion of a South African textile industry became a key instrument of the new Nationalist Government's race relations policy. It was seen as the most suitable for mass-employment of Africans with mills located in proximity to the Native Reserves or Bantu homelands or Bantustans, as these areas came to be named in accordance with changing semantic fashion, and perhaps constitutional significance.

The policy of partial state financing and decentralization of the textile industry as a growth-industry for African employment was in point of time introduced by the United Party Government, which preceded the Nationalist Party victory of 1948. As a state industrial banker, the Industrial Development Corporation was in fact the brain-child of General Smuts. Established by the Industrial Development Act of 1940, the IDC has from the beginning taken a major initiating role in textile manufacturing in South Africa. The War resulted in a vast stock-accumulation of grease wool awaiting shipping space, while urgent large-scale demands for South African army blankets required related material-supplies of scoured and mixed wool. The first IDC-financed and -managed venture was in wool scouring and mixing. Subsequently in technical and financial partnership with British firms, a cotton spinning and doubling plant was shipped out, worsted manufacture was begun at Fine Wool Products in Uitenhage in the Eastern Cape and South Africa's first integrated spinning, weaving and finishing mill for cotton fabrics was started at Kingwilliamstown also in the Eastern Cape.

Apart from such state-financing, textile development was encouraged by an import-substitution policy progressively programmed to increase the domestic manufactured share of a rapidly expanding market. Whereas in 1939, a few wool processors, blanket makers and underwear-hosiery knitting mills represented the oddments of this industry of bewildering specialization, range and variety of product, by the middle of the 1950's the industry was making medium-price, mass production lines of increasing range and moving into double jersey cloth, nylon hosiery, stretch nylon socks, warp knitted fabrics. By the early 1960's, the industry was producing plain fabrics and spreading into the specialities of fancy cloths for the makers-up in the clothing industry. In the mid-sixties, expansion

was proceeding both in increasing capacity of medium-price piece-goods and higher-price quality ranges.

Backward linkage has resulted in mills for industrial textiles for tyre manufacture, a nylon spinning plant, plans for polyester yarns and a rayon fabrics mill. From 1940 when the share of the domestic mills of the domestic market was less than 5 per cent, this share is currently in the mid-sixties estimated at 45 per cent of market demand. Domestic textile production in the mid-sixties has a gross output of R180 millions but, significantly, the concurrent textile import bill remains at the high figure of £150 millions.

The textile industry illustrates many of the possibilities and problems of the varying strategies for promoting development. State finance has been effectively used for large-scale, capital-intensive plants. Apart from such a source of finance capital, foreign expertise and capital has been encouraged to participate in joint-owned enterprises by the foreknowledge that the IDC-equity interest and personal contacts of IDC directors with the Cabinet and civil servants of key influence could underwrite appropriate import-protection as required. But effective protection to promote import-substitution is complicated in the case of textiles by the almost limitless product-substitutability.

Tariff categories and definitions for protective duties of specific items of domestic manufacture are easily evaded by modifications of specifications through collaboration between foreign exporter and domestic importer to evade the categories and definitions, and thereby escape duty. In consequence, tariff protection is progressively extended by ever more comprehensive category-definitions which then include whole ranges of textiles not locally manufactured at all.

Expanded protection for the intermediate or materials-

supply industry clearly increases costs in the finishing industry. In consequence, rising costs of clothing manufacture in South Africa either make imported clothing more price-competitive or compel higher tariff duties on imported clothing. Both alternatives tend to raise clothing prices with a tendency to curtail demand for clothing, and in consequence for the textile materials-supplies from domestic mills. It has been established that clothing demand shows a significant degree of income elasticity, becoming more marked at the low-income categories. A study of African household expenditure shows that the percentage of income spent on clothing rises from 5½ per cent for the lowest income group to 12 per cent for the highest income group. The textile industry is a growth industry in that real consumption per capita rises with a growing proportion of the increase in national income accruing to non-Whites. But expansion of textile manufacturing may be checked by higher clothing prices.

The underdeveloped economy gives substance to Say's Law in that production does create its own demand. Among the Africans (moving out of marginal, nil or negative productivity in their diminishing-return peasant, pastoral and agricultural lands - subject to legal prohibition on their enlargement - into industrial employment in, for instance, textile mills) greater capacity to produce provides its own greater capacity to buy. Greater capacity to buy clothing provides the demand for increased supplies of textiles, and also growing employment potential for Africans in textile mills. The development strategy should work but its effectiveness may be inhibited by higher-priced clothing consequent on higher-cost textile-supplies.

The problem can be illustrated from contemporary experience of the newest Industrial Development Corporation venture. Shirt manufacture was one of the earliest sections of clothing

manufacture to be started in South Africa and, following moderate tariff protection, the shirt-making factories greatly expanded to ensure one hundred per cent capacity for the domestic market - a market steadily expanding with the growing demand from African males entering wage-employment in industry generally. Imports of shirting-poplins grew in step until the Board of Trade and Industries in its import-substitution studies clearly identified domestic shirting-poplin manufacture as 'particularly promising'.

The Nationalist Government also saw the establishment of a poplin-producing mill as the demonstrative example of a border-area industrial policy, which would provide Africans with employment-opportunities adjacent to their tribal lands instead of in the 'White' cities. The special inducements devised for border-area factories together with IDC capital participation persuaded a well-known British Lancashire cotton-textile industrialist (conveniently the recipient of the British Government's benefit-payments for elimination of excess, out-dated mill capacity in Lancashire) to 'ship' his poplin mill to a site near East London. This site, although within twelve miles of the 'White' city of East London, was nonetheless designated as qualifying for the benefits of border-area decentralization in accordance with the canons of Apartheid.

Anticipating the imposition of tariffs on their poplin-shirtings, the shirt-manufacturers stockpiled great yardages of imported poplins. This in turn resulted in financial difficulties for the under-capacity operations of the new poplin mill. Furthermore intense opposition to a scheme of specially-exclusive protection (by way of rebates) for this particular IDC poplin mill from other potential poplin manufacturers (with existing vast interests in the textile industry and also supporters of decentralized, border-area Government policy but in

other border areas) created embarrassment. The requisite protection on poplin-shirtings, to safeguard both the IDC investment in the new mill and the prestige-showplace of Government border-area industrial policy in race relations, will assuredly be forthcoming. Nonetheless shirt manufacturers foresee that high-cost poplins will mean higher-priced shirts (or increased non-polin shirts) for their customers among the Africans.

Despite some of the complexities and niceties of such forced industrialization, the facts of achievement are impressive and not readily denied. There has been a significant structural change in the South African economy in the last twenty-five years, when an increasing share of the domestic market has been secured to domestic manufacturers as a deliberate objective of state policy. The instruments employed - ranging from tariff-duty protection at higher rates, advance guarantees of tariff protection to induce large-scale, otherwise high-risk investments, import-controls to compel foreign manufacturer-exporters to franchise or participate in South African plants, state finance and other inducement-aids for strategic, import-substitution, heavily-capitalized enterprises - have helped industrialize the country.

There has been a sophistication of South African manufacturing industry. Consumer-goods manufacture has grown in categories and capacity to the point where more than ninety per cent of counter-goods bought and sold in the mass-price multiple stores are 'Made in South Africa'. Oil refining, where foreign capital and advanced technology are the critical inputs, has in 1966 a total fuel products output of about 5,000,000 a day - virtually the total demand for the country's petroleum fuels. The state-financed South African Coal, Oil and Gas Corporation Ltd. or Sasol <sup>36</sup> produces oil-from-coal and, together with other private enterprise projects, has enabled a substantial petro-chemical industry to be brought into being. All the

major activities in the petrochemical field - fertilizers and detergents, surface coatings and solvents, and the sector of the high polymers, including plastics and resin, synthetic fibres and synthetic rubber - are actually or prospectively under way.<sup>37</sup>

The transformation of the institutional and structural framework of a dormant economy, as noted at the beginning of this chapter, was launched by and through the gold-mining industry. It was revolutionized by and through manufacturing industry. This seems a fair claim to make for the policy of forced industrialization. What of capital formation - that other fundamental vitalizing instrument for economic development?

The manner in which foreign capital was attracted to exploit the mineral discoveries has already been related, and also the extent to which re-investment of profits and development-finance through the mining-finance group system ensured that lack of capital was only a temporary obstacle. One of the objections raised against the 'artificial stimulation' of manufacturing industry was that not only would it mean increased costs and reduced profitability in gold-mining, thereby inhibiting it as a source of capital formation, but that it would 'divert' scarce capital away from mineral exploitation to industrial development.

But it is doubtful, certainly in South African experience, whether capital is or has been so non-specific and so mobile as the 'diversion' argument implies. Much of mining capital came from a specialist class of investor-speculators, who were not at that historical stage interested in supplying capital for manufacturing industry. By the reverse token, manufacturing-industrialists were much more disposed to invest accumulated capital from their own earlier manufacturing activities

in expansion and diversification of manufacturing rather than mining ventures.

In respect of South African manufacturing or so-called secondary industries, the initial smallness of the market-demand could not be overcome so long as the polity's traditional and legally entrenched land-labour policies imposed near-immobility on the great mass of the population, the non-Whites. The enlargement of the market through the rise in productivity, which as discussed by Ragnar Nurske in his Problems of Capital Formation in Underdeveloped Countries,<sup>38</sup> would result from increased capital-intensity of production, was inhibited by the constraints on the market down until the outbreak of the Second World War. The War not only reduced immobilities by the de facto breaches in the colour bar in employment and in the contrived scarcities of work-categories, it also ensured Nurske's key consideration 'that composition of the increased consumable output should correspond to the pattern of consumers' demands'.<sup>39</sup>

Not only did Say's Law work but Alfred Marshall's external economies took on the wider significance of an enlargement of the total size of the market, following a wave of simultaneous investments in a whole range of complementary industries 'to break the bonds of the stationary equilibrium'.<sup>40</sup> Until the war-time expansion of manufacturing industry following on the erosion of the colour bar on employment, and the consequent increased geographical and social mobility of the non-Whites generally and the Africans particularly, very little capital formation took place within manufacturing industry itself. But from then on, even many small under-capitalized manufacturers attained rates of profitability which served as a source of re-invested capital. Non-distribution of profits was encouraged by the operation of the excess profits duty, while the war-time non-availability of consumer-durables did not facilitate conspicuous expenditure by the nouveau riche among

industrialists and farmers.

Inflationary gains and earnings were channeled into the flood of new industrial equities, beginning as a trickle in 1940 but continuing as a wave from 1945. Institutional finance - especially the insurance companies easily selling millions of new policies in an inflationary situation - became a large source of capital formation, more readily available perhaps to the public sector and for housing-mortgages than to the private sector of industrial enterprise. Import-exchange control after 1948 and a conscious, concentrated programme of import-substitution after the 1961 declaration of the Republic (and increased United Nations threats of boycotts) significantly promoted a flow of foreign capital. Where such capital was forthcoming from foreign companies to enlarge or establish South African factories to make within the domestic market what had hitherto been exported by such foreign firms, the capital was available only for the very specific purpose of such manufacturing activity. It was not capital available for investment in mining or other alternatives - in that respect it was not a diversion of capital. Much industrial capital is available for industrial enterprises only and a policy of protection of 'forced industrialization' does not necessarily or merely divert scarce capital from higher marginal returns in, say, mining.

The psychological effect of inflation on the investment climate is to stimulate the so-called cult of the equity. A growing volume of investment funds, both from institutional sources and a widening number of private savers of middle-incomes, is readily available for public company ordinary shares. The 'reverse-yield gap' between government-gilt-edge stocks and ordinary shares also encourages public flotation of private companies, while the characteristic Johannesburg share market periods of speculative excitement that favoured capital-

raising for the mining industry spread from 1945 into industrial shares. The table below is self-explanatory and reveals the extent of public interest in industrialization.

Data Relating to Company Capital - Johannesburg

Share Market

	Mining Cos.No. (I)	Non-mining Cos.No. (II)	Total Market Value (I) Rm.	Total Market Value (II) Rm.
Sept. 1939	142	93	450	338
Sept. 1945	124	172	972	754
Sept. 1950	158	459	1,484	1,362
Sept. 1955	144	544	2,056	1,712
Sept. 1960	146	511	2,262	1,810
Mar. 1965	131	521	3,664	5,399
Sept. 1965	130	525	3,531	5,038

Profit retention as a source of capital formation has already been noted, more especially in relation to mining investment.<sup>41-43</sup> By 1949 (when the return to power of the Nationalist Government and other factors ended for a period the post-war boom) industrialization was sufficiently mature to generate an important volume of self-financing for capital formation and consequent continued growth.

The strategic variable of capital formation for economic development was also examined by the Viljoen Commission on Policy Relating to the Protection of Industry of 1958. It reported that one of the outstanding features of South Africa's post-1948 economic development had been the high rate of capital formation. It found that for the period 1946 to 1957, total gross domestic capital formation amounted to about £4,319 million, representing about 26 per cent of Gross National Product of the related period. Allowing for price changes, the

value of gross capital formation increased by about 54 per cent between 1946 and 1957.<sup>44</sup>

There are two other aspects of capital accumulation for economic development that merit brief comment - the sophistication of financial institutions and the relationship of domestic to foreign capital.

It might be fairly said that a money-market in the narrow sense marks an advanced stage of economic maturity. This money-market of merchant banks and discount houses, related to the central bank and the commercial banks, performs the task of optimizing the liquidity of the total money market of finance-capitalism. It mobilizes temporary idle funds at the short-end of the market, which in turn gives more economic deployment of funds at the long-end of the market. The money-market in the narrow sense, which developed in South Africa from 1955, depended much on the borrowed expertise of the City of London, and had by 1965 achieved all the sophistication of the City's famed money-mechanism.<sup>45</sup>

In earlier chapters, the indispensable, distinctive part played by foreign capital investment in launching South Africa into economic development has been emphasized. Without such aid, the great mining wealth would never have come to fruition nor been fructified decade after decade. If the exploitation of mineral wealth was fundamental to the emergence of the economy from the stagnation of under-development, then the availability of foreign capital was cardinal as a strategic variable. Although domestic capital formation acquired an entirely new order of importance from about the time of the Second World War and played a growing role, it was only after the crucial decision to declare South Africa a Republic outside the Commonwealth in 1961 that the future role of foreign capital investment became highly problematical.

The break with the Commonwealth was followed within weeks by the break with the City of London. The official controls on capital movements, announced by the Minister of Finance Dr. Dönges on 17 June, 1961, severed the vital interconnections between the Johannesburg share market and the London share market by no longer permitting the unrestricted transferability of scrip between the two markets. This was a highly damaging but not yet mortal blow to further foreign capital investment in South Africa. A continued investment of foreign funds had not only to overcome the technical disruption between the two share markets but the great and growing hostility towards South Africa and its Apartheid, engendered or engineered in the United Nations.

The instrument used by the South African Government was the import-exchange control system itself. From the introduction of import-exchange controls in 1948, foreign firms had been faced with the alternative of further investment of funds in South African manufacturing facilities or withdrawing from the South African market. Many foreign firms with long-established market positions in South Africa, either by way of exporting from their home-based plants or from subsidiary manufacturing facilities already set up inside South Africa, elected to expand in South Africa. Some of these firms took advantage of liquid capital market-conditions in South Africa to use South African capital for financing their development projects, but others - often including the great names of British and American industry - were prepared to invest substantial additional funds from their own resources.

The scale of foreign investment fluctuated from year to year from 1948 onwards. After the tragedy of Sharpeville and the withdrawal from the Commonwealth, the haemorrhage of the capital flight was stopped by the 1961 capital-movement controls. The political squeeze on foreign enterprises was now

intensified by an import-substitution programme, fanned with all the propaganda and fervour of economic nationalism. The method and its foreign-capital inducement significance is exemplified on its most significant scale in the motor-automotive industry, as partly recounted in the previous chapter. The bigger the existing scale of investment and hence commitment of resources, the stronger the compulsion to further investment in order to protect the commitment.

Although the major motor-assembly plants chose to present their massive post-1963 capital investment projects as 'justified' by the volume of sales-potential of the South African market, a far more potent form of persuasion was the new mechanism of import-permits for the automotive industry that the Board of Trade and Industries announced in 1961. In effect it 'lifted' import control in respect of what was defined as a 'South African-made car'; while allowing such derisory import permits to cars that could not come within this definition as to mean the latter's virtual total disappearance from the market. A car assembled in a South African plant qualified as a car made in a South African factory, provided a prescribed, upward-revised, minimum weight-content of the final car was of South African manufacture.

Although the early assembly facilities were established as far back as 1923 by Ford Motor Company and by 1926 by General Motors, as late as 1961 the imported content of cars assembled on South African lines was no less than 82 per cent by value or 87.5 per cent by weight. After 1961, the prescribed minimum weight-content ensured a substantial expansion of component-part manufacture by South African factories but these accessories or 'hang-on parts' did not necessarily involve the increase in South African weight-content to the critical minimum of the new import-exchange permit policy. This critical minimum depended on local engine manufacturing - the more complex,

expensive, primary parts of the vehicle - by the foreign, parent company itself. Hence Ford, General Motors, SAMAD (in effect Mercedes-Volkswagen), British Motor Corporation - the Big Four plus subsequently Chrysler, Renault, Fiat and others - had to introduce their own, foreign capital on a massive scale.

Foreign capital investment in excess of an estimated R100 millions was required to meet the July 1964 import control formula. By that formula, a car model to be declared 'manufactured' in South Africa, and hence exempt from import control permits, had from a starting point of 45 per cent local content to guarantee that, within  $3\frac{1}{2}$  years from declaration of intent, the model would reach 55 per cent South African content by weight.<sup>46</sup>

The automotive industry is perhaps the most significant in terms of the scale of foreign investment that can be and was induced by Government policy, which in essence guarantees the industrialist a critical share of the domestic market. Indirectly the example gives substance to the theoretical proposition that market-demand is the key determinant for bringing about the crucial shift from economic underdevelopment to economic development. Although the example underlines that protection can secure co-operant (foreign) capital for underemployed (domestic) resources of labour, it must be stressed that the car manufacturers - and the Board of Trade itself - have justified their greatly expanded scale of production by projections of the growth of the demand for cars, which explicitly envisages a steady, substantial increase in car ownership by Africans. At very least, the new car market rate of absorption will require rising numbers of African buyers of second-hand cars.

It is also significant that the greatly enlarged plants of the major car assembler-manufacturers considerably expanded

their employment of initially unskilled Africans. Appropriate revision of job categories and job specifications enabled an increasing range of assembly-line jobs to be brought within the competence of rapidly-trained African workers. The extent and possibilities of such work re-organization led, as previously detailed in an earlier chapter, to successful pressure by White trade unionists on the Industrial Tribunal to introduce job-reservation into the industry.

A complete study of import-exchange control in South Africa from 1948, though lengthy, would be necessary to bring out the full subtleties and extent to which such controls can induce capital investment through market-guarantees. Another interesting example is in respect of paper manufacture. Paper and especially newsprint was a large consumer of foreign exchange. In a significant diversification beyond gold-mining, one of the major mining groups, Union Corporation, established South African Pulp and Paper Industries (Sappi) to utilize considerable resources of home-grown timber for paper manufacture, including newsprint. Paper and newsprint manufacture is exceptionally capital-intensive and the scale of capital investment will, from the investor's viewpoint, give mandatory importance to the certainty of future market demand.

In this instance war and post-war limitations on newsprint-usage by the newspaper publishers, at that stage entirely dependent on foreign-imported newsprint, provided a business incentive to such publishers to help in launching domestic newsprint-manufacture. Such publishers consequently co-operated with the import control authorities in an undertaking to take up the current output from Sappi before requesting import permits. The import control authorities, as output from Sappi mills was extended both of newsprint and all other types of paper, would not issue import permits to any end-users of paper (including a rapidly growing packaging industry) until the full, available

output of the Sappi mills had been absorbed. Furthermore, any planned increases in capacity by Sappi - in accordance with paper-manufacturing technology requiring lump-sum jumps in scale of output and in inputs of capital - could be undertaken by the company in the certainty that foreign competition would be excluded as such plant-extensions came on stream.

From 1961 onwards, after the initial collapse of confidence by domestic and foreign investors following Sharpeville and the declaration of the Republic, the re-establishment of such confidence was accomplished to a degree surprising to contemporary observers. The instrument of the polity was not only an appeal to 'patriotism', which became increasingly effective as United Nations' pressures and the threat of armed intervention by the rest of Africa became more vociferous and unrestrained, but a general notification that import permits would not be available until importers had 'assured' themselves that no South African supplies of similar or satisfactory substitute materials were available. Import control authorities insisted on positive evidence that potential South African suppliers had been fully resourced before import permits were granted, and this technique was applied not only to consumer-goods imports but no less to intermediate industrial materials and capital goods.

The Industrial Development Corporation, IDC, took full advantage of this method of applying import-substitution in its programme of helping establish 'strategic' industries, more particularly in negotiations with foreign industrialists to supply both the capital and the no less important know-how technology for South African plants. In some instances IDC co-operation was with domestic capital - particularly Afrikaner finance houses - and in other instances with foreign capital; sometimes domestic and foreign capital were linked. Thus the Synthetic Rubber Company to produce synthetic rubber (styrene-butadiene rubber from Sasol raw materials) brought together

South African capital and foreign capital, the latter coming from the tyre-manufacturers. An IDC link with foreign capital only - the Phillips Petroleum of the United States - enabled a carbon black plant to be set up.<sup>47</sup>

It has already been remarked that foreign capital investment was crucial to mining development and has undoubtedly been strategic to manufacturing development. The customary debate, both responsibly economic and irresponsibly chauvanistic, over the 'proper' role of foreign capital investment has for a number<sup>of</sup>/years been conducted in South Africa. At times when the country came under particularly strong external criticism of its race relations policies, patriotism has tended to insist that South Africans could save for themselves all the capital that could be effectively employed for the country's economic development. Other experienced and objective entrepreneurs have insisted that dependence on substantial foreign capital investment will continue for the foreseeable future.<sup>48</sup> Recurrent crises in the balance-of-payments suggest the validity of the latter's arguments.

Ever since 1948 and no less markedly since 1961, when the Union became the Republic of South Africa, either an actual withdrawal of foreign investments or a diminished inflow of foreign capital has brought about such a diminution in foreign exchange reserves as to threaten a curtailment of the rate of economic development. Without doubt, domestical capital formation will enable some rate of economic development to continue.<sup>49</sup> A higher rate of economic development is achievable with continuing foreign capital investment but economic growth is not the programming of econometric variables. The evidence of reality, for South Africa as for every society, is overwhelmingly that the interactions of the total social system are the significant determinants.

CHAPTER 20

REPUBLICAN HERITAGE

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In May, 1961, an Act of Parliament buried the Union of South Africa and brought into being the Republic of South Africa. Afrikanerdom had triumphed.<sup>1</sup> The political factor had after more than a century vanquished the imperial factor. The sovereignty of the polity was constitutionally unchallengeable<sup>2</sup> and the Africans, numbering at the 1960 census almost 11,000,000 out of a total population of 16,000,000, had no representation whatsoever in the Parliament of the Republic. The Asiatics were similarly unrepresented and the Coloureds, more rapidly increasing than any other section, had lost their century-old franchise rights on the common roll and were reduced to electing three members of Parliament of White skin.

Politically, the 'volkswil' was in total control of the polity. The unchanging objective of the political factor - the unalterable control of South African society in general and the South African economy in particular by its White peoples, as represented by Afrikanerdom - had been accomplished. The status relationships of White and Black, which the ethos of some Afrikaners believed to be pre-ordained, had been made determinate in so far as the economy could be legally subjugated to the polity.

Afrikanerdom believed passionately that it had constituted order in South Africa and in so doing, world opinion to the contrary, had secured the liberty of all its peoples, White and non-White. Though Afrikanerdom denied any right whatsoever to world opinion to interfere in South Africa, it did not refuse to acknowledge that the world, and Africa, had changed. In relation to South Africa, Dr. Verwoerd, as Minister of Native Affairs even before he inevitably became Prime Minister, had recognized that Smuts's old concept of trusteeship for the

Natives was dead, that Hertzogite and Malanite ideas of segregation were being over-run by economic development, and that the realpolitik of Strijdom's baasskap<sup>3</sup> was, however much the harsh reality of the South African social system, a potentially disastrous defiance of world, and African, forces.

A constitution of new order and a concomitant re-orientation of the country's economic development was, in the ideals and ideologies of Afrikaner intellectuals under the inspiration of Dr. Verwoerd as newly appointed Minister of Native Affairs and his academic colleague Dr. W.W.M. Eiselen, newly summoned Secretary for Native Affairs, vital. Almost ten years before the proclamation of the Republic, Dr. Verwoerd and Dr. Eiselen had appointed The Commission for the Socio-Economic Development of the Bantu Areas within the Union of South Africa. The Commission under the chairmanship of Professor F.R. Tomlinson, and known as the Tomlinson Commission, was

to conduct an exhaustive inquiry into and to report on a comprehensive scheme for the rehabilitation of the Native Areas with a view to developing within them a social structure in keeping with the culture of the Native and based on effective socio-economic planning.

The Tomlinson Commission was, in effect, to traverse once more the paths of a dozen of its predecessors but above all to refute the cardinal findings of the Fagan Commission: that the ideas of total segregation is utterly impracticable and that the movement from country to town has a background of economic necessity ... that cannot be stopped or turned in the opposite direction ... and that in our urban areas there are not only Native migrant labourers but there is also a settled, permanent Native population.

The labours of the Tomlinson Commission were herculean.<sup>4</sup> Almost four years of exhaustive evidence produced a Report of 51 chapters comprising 3,755 pages, 598 tables, and an atlas of

66 large-scale maps. So formidable was the cost of printing this Report in both official languages and, apparently, so improbable that anyone would read the unabridged version, that the full Report was never printed for general readership. Instead the Commission prepared an abridged Tomlinson Report, U.G. 61-1955, which is the one for general reference.

The Tomlinson Report was to provide the heritage for the Republic, pregnant in the Nationalist Party victory-consummation of the 1948 General Election. The Report looked into the demographic future.<sup>5</sup> On its Projection A, that the four population groups of Whites, Africans (Bantu), Coloureds and Asiatics would continue to grow from 1946 at the respective rates of increase prevailing from 1936 to 1946 but that additionally the Whites would be supplemented by an annual number of 5,000 net immigrants, there would be 6,150,000 Whites, 16,337,000 Africans, 2,560,000 Coloureds and 1,120,000 Asiatics living in South Africa by the year 2,000. An alternative extrapolation, Projection B, providing for steady declines in birth- and death-rates and no White immigration, gave the probable population at 2,000 as: 4,588,000 Whites, 21,361,000 Africans, 3,917,000 Coloureds and 1,382,000 Asiatics - a total of 31,248,000 persons.<sup>6</sup>

On the critical trend of urbanization of the Africans, the Report said that in the absence of government policy to check the tempo more than 10,000,000 of the estimated 21,000,000 Africans would be established in urban areas in the non-Bantu areas, that is in

White South Africa's cities. This figure might readily rise to 15,000,000 if the present absorbent capacity of the Bantu areas, European farms and other rural areas is not raised ...

The Report also anticipated that 'the vast majority of these Bantu will be concentrated at the four existing industrial complexes'.<sup>7</sup>

These trends - the growth in numbers and the rising rate of urbanization - the Report recognized as the pattern of economic development of underdeveloped peoples.

Patently to the Tomlinson Commission the only possible solution to such a degree of integration of the Africans into White South Africa was the socio-economic development of the Native Reserves or, as they were now re-named, the Bantu Homelands.<sup>8</sup> It examined in exhaustive detail the environmental facts of these Bantu Homelands of some 260 separate areas, chiefly situated in the eastern parts of South Africa 'which, taken together form a rough horseshoe in shape, curving round the Orange Free State and the Transvaal'. The total extent of these Areas, always subject to the fact of final acquisition at some date in South African history of the additional land provided for in the 1936 Native Trust and Land Act (in itself intended to 'implement' the promises of the 1913 Act), would represent 13.7 per cent of the whole area of the Union. The Report found that this indefensible proportion would become more justifiable if the Protectorates of Basutoland, Swaziland, and Bechuanaland ('essentially Bantu Areas of Greater South Africa') were also included in the proportionate distribution of land-ownership between Europeans and Africans in Greater South Africa. In that event 45 per cent of the land of 'South Africa' would belong to the Bantu.<sup>9</sup>

According to the Report, the south-eastern sector of the Bantu Areas is very favourably situated as regards water sources but in the north-western sector, arid and even desert-like conditions are encountered. It claimed that in regard to the country's sources of power, coal and electricity, the Bantu Areas are relatively favourably situated; that though the Union's four chief minerals of gold, diamonds, coal and copper fell outside the Areas, there were present less important minerals; that the principal economic activities of commerce

and industry were concentrated outside the Bantu Areas and 'as far as industries are concerned, the Bantu areas are in fact a desert ...' Finally, the transport network of the Union, especially the railways, by-passed the Bantu Homelands.<sup>10</sup>

As at 1951, the Bantu Areas with 3.6 million Africans were the most densely populated section of South Africa, apart from the major cities. The Commission believed that to the 1951 census de facto population of 3.6 millions, there were 569,000 Africans temporarily absent from their 'Homelands' giving a de jure total of 4,202,000. More than half the indigenous Bantu of the Union, the Tomlinson Report claimed, regard the Bantu Areas as their home.<sup>11</sup>

The Tomlinson Commission accepted, as almost all 'White' historical opinion believes, that it was only the good faith of the Europeans which had secured the Bantu their homelands rather than that of the White polity had imposed the territorial division on an unrepresented African population. It recognized that the agricultural development of these Areas had received a minimum of State aid. In 1945, it noted only £90,000 had been made available for technical agricultural services but by 1953 this had increased to £1,385,000. It found that current land settlement policy with its communal ownership and other traditional practices was in no way alleviating the agricultural poverty of the Africans:<sup>12</sup>

The present system thus fails entirely to bring into being an efficient, self-supporting agricultural community in the Reserves; it will have to be changed for a system in which the farming allotments on completed betterment areas can supply the families occupying them, with all their reasonable requirements.

Progressive deterioration could only be stopped and reversed either by enlarging the Bantu Areas commensurate with the livestock they carry, or by limiting the human and farm animal popu-

lation of the Areas. Though the Africans in their Areas cultivated some 23 per cent of the Union's total crop-area in 1949-50, the Bantu Area production was only about 10 per cent of the Union's total crop products in that year. And although the Commission estimated that agriculture contributed at least 62 per cent of the income of the Bantu Areas, no more than 25 per cent of the agricultural products of the Reserves were sold. The Bantu Areas remained essentially a subsistence economy, some 95 per cent of the agricultural and 60 per cent of the live-stock being home-consumed. The development of marketing had by the middle of the twentieth century hardly begun in these Territories.<sup>13</sup>

In brief, the major economic product of the Native Reserves or Bantu Homelands was the export of labour into the White Man's economy. The Report calculated that within the Bantu Areas, the Bantu man was economically active for a total of only 42 per cent of his working life and 'actually occupied in wage-earning employment for only 38 per cent of it'.<sup>14</sup>

The Commission attempted to establish data for Bantu Area 'national income' and personal incomes. It calculated that in 1950-51, the Bantu Areas provided only 3.7 per cent of the total geographic income ('adjusted') of the Union and that per capita production of the Bantu Areas of £12.9 contrasted with £99.4 for the Union as a whole. Though geographic income of the Areas had, calculated at ruling prices, risen, the share of the generation of the Union's national income had 'declined considerably'. 'Real' income produced in the Reserves had remained unchanged from 1936 to the 1950's, while per capita income had fallen.

There was not the slightest doubt, therefore, in the Commission's view, that the politico-economic realities made the intensive development of the Bantu areas essential. Furthermore, it was equally essential that such development should be

planned. It was, however, a basic principle that the development of the Bantu Areas should be linked up with that of the Union as a whole:

It is essential that the economic unity of the country, and the free participation of the Bantu Areas in the total economic activity of the Union, should be preserved; moreover, economic barriers or divergent directions of development would not promote development, while different price structures, or a division of the national market area by customs barriers, would be unthinkable ...<sup>16</sup>

It was a further basic principle that the Africans and their institutions should be regarded as the principal instruments for development; but as the chief source of the organizing ability, technical knowledge and capital required for initiating development as well as maintaining it for a considerable time, the participation of the Whites would be essential.<sup>17</sup>

What then should be the lines of development? The Commission's investigations had shown conclusively that the Bantu Areas cannot carry their present population as full-time farmers'.<sup>18</sup> In trying to determine the size of farm-income in relation to the size of farming unit, the Report calculated that if £120 (as at 1951) was to be adopted as the standard, 'then at least 80 per cent of the present number of families in the Bantu Areas would have to be removed from the land'.<sup>19</sup> Such a population-shift would be impossible to carry out so the Commission adopted a figure of £60 gross income per farm-unit at 1951/52 prices. On that basis and other agro-economic assumptions, 'the Bantu Areas can carry about 307,000 farming families or about 51 per cent of the (Area's) population as recorded in the 1951 census'.<sup>20</sup>

The necessity for the development of other income-earning activities needed no emphasis. Although the Commission held out hopes for sugar-cane planting, fibre and timber production

and mining, the development of manufacturing industries was identified as clearly of the greatest significance. A programme of industrial development would, it said, therefore, occupy a central position in the general programme of development of the Bantu Areas.

The fundamental objective of the Nationalist Government, and the recently appointed Minister of Native Affairs Dr. Verwoerd, was to prove that the process of integration of the Africans into the South African social system was not irreversible and that the 'ultimate ideal of complete segregation' could reasonably and realistically be pursued. Since it was never envisaged that the 1913 division of land, as amended in 1936, as between White and Black should be altered from its proportion of 86.3 per cent in perpetuity for White ownership and 13.7 per cent for Black ownership, it became the key task of the Tomlinson Commission to establish the 'carrying capacity' of the Bantu Homelands.<sup>21</sup>

The Commission calculated that its programme of intensive development with its major dynamic of industrialization and urbanization within the Bantu Homelands might, after 25-30 years, achieve a carrying capacity of about 8 million people based on the employment opportunities provided by the Bantu Areas themselves. The residential carrying capacity might be an additional 1.5 millions of dependants and retired, maintained by breadwinning working outside the Areas. Adding again another half-million migratory workers, the final de jure potential population of the Bantu Homelands after a 25-30 years development programme would be 10,000,000.<sup>22</sup>

For the first ten years of the development programme, the Commission estimated the financial requirements to be £104.486 millions i.e. for the complete ten-year period. About £55,256,000 of this sum 'would be of a private economic nature, which will be a paying concern and which will be recoverable;

and expenditure of £49,230,000 which is of a socio-economic nature'.<sup>23</sup>

At the Commission's planned rate of development, it believed that the Bantu Areas would accommodate about 60 per cent of the African or Bantu population of South Africa by 1981, and about 70 per cent by the year 2,000. The Commission thinks that as far as possible the tempo in future plans of development ought even to be raised. The ideal should be that the non-Bantu areas house a swiftly shrinking portion of the total Bantu population'.<sup>24</sup>

The 'ideal' thus to be sought and accomplished was Apartheid or Separate Development or, even, Separate Freedoms as the intellectuals of Afrikanerdom named the policy of the White Man's polity towards the Black Man. Was the policy magic or myth? Perhaps Ernst Cassirer in The Myth of the State<sup>25</sup> provides the insight:

[This] description of the role of magic and mythology in primitive society applies equally well to highly advanced stages of man's political life ... if modern man no longer believes in a natural magic, he has by no means given up the belief in a sort of 'social magic'. If a collective wish is felt in its whole strength and intensity, people can easily be persuaded that it only needs the right man to satisfy it ... It has been reserved for the twentieth century, our own great technical age, to develop a new technique of myth. Henceforth myths can be manufactured ... the first step that had to be taken was a change in the function of language ... If we study our modern political myths and the use that has been made of them we find in them, to our great surprise, not only a transformation of all ethical values but also a transformation of human speech. The magic word takes the precedence of the semantic word ... New words have been coined; and even the old ones are used in a new sense; they have undergone a deep change of meaning ... Our ordinary words are charged with meanings; but these new-fangled words are charged with feelings and violent passions ...

However strikingly Apartheid has evinced the avowed purpose of Afrikanerdom, the real expression of White South Africa's will has been an expanding bureaucratization of the direction of economic resources. African labour at least as much as gold has been the country's major economic resource and in respect of the direction of African labour by the White polity, the process of state control has approached totalitarianism. Such exercise of bureaucratic authority over the utilization of African labour has not in fact aimed at Apartheid in the sense of 'separate development'. The fundamental motivation of the policy in administering this labour market has been to preserve status relationships between the different racial groups, and more particularly a permanent superiority of White status.

This contention - that the entrenchment of status relationships and not separate development of viable Bantu sovereignties in their own Homelands is the reality of social process in the Republic of South Africa as it was in the Union of South Africa - emerges from the Tomlinson Commission Report itself. More precisely, it emerges from the manner of implementation by the Republican Government of the Tomlinson recommendations.

The Commission said it wished to emphasize that while the economy of South Africa is essentially a single whole with interdependent and complementary parts, it was of great importance to create diversified means of livelihood within the Bantu Areas.<sup>26</sup> It consequentially examined two key policy issues in regard to industrialization of the Bantu Areas - the participation of White entrepreneurship and capital, and the actual location of industrial plants.

On the conclusive evidence that the necessary entrepreneurial abilities were not currently available among the Bantus and that capital formation by the Bantu themselves was far too meagre to launch enterprises of any scale, the Commission re-

ported that 'Europeans, either individually, or through Government action, will have to play a considerable part in providing the necessary stimulus to development'.<sup>27</sup> As far as possible 'the development of industry should be undertaken by private enterprise' but 'European entrepreneurs must aim at allowing the Bantu to participate progressively in the management of, as well as in investment in undertakings'.

The Commission then turned briefly to the question whether industrial development inside the Bantu Areas or in European areas adjacent to Bantu Areas should receive preference. The latter, known as border or perimeter areas, were defined as development in a European area situated so closely to the Bantu Areas, that families of Bantu employees engaged in that development could lead a full family life inside the Bantu area.

Industrial development of such border areas could be viewed as part of the general decentralization of industry with the standard arguments in favour of decentralization and, in addition, that such border-industries would serve as growth points for urbanization and related tertiary occupations inside the Bantu Area adjacent. The tendency for the Africans to

proceed to distant European areas will be counteracted, and, if the development of border areas is sufficiently extensive, the flow of immigrants from the Bantu Areas, may be reversed, with a corresponding alleviation of the social and political problems which arise as a result of the presence of the Bantu in the distant European industrial centres.<sup>28</sup>

But the Commission also noted the 'serious disadvantages'. It would not remove the 'ceiling' for the Bantu - the limitations in the industrial sphere, which apply to them in all other European areas, will also be in force here, and under such circumstances it will be particularly difficult to create a class of skilled workers and entrepreneurs among the Bantu.

Furthermore, continued the Commission, the population of the Bantu Areas will tend to congregate increasingly on the boundaries near the Europeans 'which will give rise to the feeling that they are an appendage of the European community' and 'in itself does not necessarily stem the tide of integration with the Europeans'.<sup>29</sup>

Industrial development inside the Bantu Areas, the Commission insisted, was necessary

because it is an integral part of an economic structure which wishes to achieve the maximum socio-economic development for the people, to provide the largest possible Bantu population in these Areas with a lasting livelihood, and to remove the 'ceiling' over its head in all spheres of social life ... Moreover, a class of Bantu skilled workers and entrepreneurs will only have the opportunity of developing fully if there are industries in the Bantu Areas, since there alone all restrictions on such development will be removed ...

Apart from the broad advantages it has for the Bantu residents in these Areas, inside development has particular advantages for the entrepreneur, and the most important of these is the fact that the potential abilities of the Bantu population can be fully utilized for industrial purposes. They can also be freely employed in technical and administrative posts of all grades ...<sup>30</sup>

The Commission is clear, if circumspect. A more fundamental and forthright observation is pertinent.

The White electorate, the governing Nationalist Party insisted, had again and again given its endorsement to the policy of Apartheid and a mandate for 'separate development'. Mr. M.D.C. de Wet Nel, as Minister of Bantu Administration and Development in introducing the second reading of the Promotion of Bantu Self-Government Bill (Act No.46 of 1959), elaborated Government policy and Afrikanerdom's philosophy:

Mr. Speaker, I want to say frankly that I believe in the existence of nationalism on the

part of the Bantu population groups. We cannot deny it; it is there ... I grant them that nationalism ... Moreover, nationalism is one of the forces which puts into motion the best things in the spirit of the human being. Nationalism is one of the forces which has led to the most beautiful deeds of idealism and sacrifice and inspiration. Should the Bantu not have it? ... It is my honest conviction that these Bantu population groups can best be guided on the road to progress if their whole development is Bantu orientated, which means that all the administrative bodies from the highest to the lowest should be linked up and the whole of the Bantu population should be concerned in them ...

But the most important consideration is that this Bill makes it possible for the [Government] to transfer [its] legislative powers systematically to those Territorial Authorities ... If we extend the present system [of Bantu representation in Parliament] ... it would create a racial hatred which South Africa simply cannot afford, because, in the course of years, we would then have a bitter struggle on the part of the White man to ensure that he is not ploughed under politically by the non-White groups of the population ...<sup>31</sup>

This Act, together with the Bantu Investment Corporation Act No. 34 of 1958, and the Bantu Homelands Development Corporation Act No. 86 of 1965, were to give legislative structure to the recommendations of the Tomlinson Commission Report.<sup>32</sup>

The Promotion of Bantu Self-Government Act of 1959 aimed to provide

for the gradual development of self-governing Bantu national units and for direct consultation between the Government of the Union and the said national units in matters affecting the interests of such national units.

Whereas, said the preamble, the Bantu peoples of the Union of South Africa do not constitute a homogeneous people, but form

separate national units on the basis of language and culture and whereas it is desirable ... to afford recognition to the various national units and to provide for their gradual development within their own areas to self-governing units on the basis of Bantu systems of government ..., the Act divides the Bantu population into eight national units. These separate national units are (a) North Sotho (b) South Sotho (c) Swazi (d) Tsonga (e) Tswana (f) Venda (g) Xhosa and (h) Zulu.

Although the Government's Information Department has publicly stated that this Act 'contains an unequivocal assurance of the South African Government's intention to create self-governing Bantu national units', the Act in fact confers no significant powers of sovereign rights at all but

for the gradual development [with] the tempo ... determined on the one hand by the inherent vigour of the young Bantu communities and on the other hand depends upon responsible guidance by the White guardian who will gradually withdraw from his trusteeship.<sup>33</sup>

A territorial authority for the national unit may be established to which strictly limited, specific powers may be transferred. The first such territorial authority established the Transkeian Legislative Assembly in 1963.

This Transkei Legislative Assembly, together with the State President of the Republic, may legislate on all matters entrusted to the Transkei and which have not been reserved for the Government of the Republic of South Africa. Currently the responsibility for legislation on matters such as defence, foreign affairs, postal affairs, internal security, railways, national roads and harbours is retained by the Government of the Republic. Apart from these cardinal aspects of sovereignty for which constitutional authority is withheld from the Transkei Assembly, such Assembly may not legislate to obtain external capital investment or external technical aid. No investment of private

capital, whether from Whites in South Africa or from other non-South African sources, is permitted; nor has the Transkei Assembly authority to invite immigrants to enter its 'national territory'.

The Promotion of Bantu Self-Government Act confers no self-determination rights in regard to economic development on these Bantu national units. Such powers and authority for economic development are the legislative prerogative of the White polity. The Bantu Investment Corporation Act No. 34 of 1959 established a Bantu Investment Corporation with a field of operation confined exclusively to Bantu persons and Bantu undertakings in the Bantu Areas. The objects of the Corporation are to promote and encourage the economic development of Bantu persons in the Bantu Areas through capital-technical aid, encouragement of industrial financial and other undertakings, the promotion and planning of capital accumulation by the Bantu.

The directors of the Corporation are appointed by the Minister of Bantu Administration and Development and the share capital of £500,000 (or R1m) is provided by the Government of the Republic. All the shareholding is allotted to the South African Native Trust, originally established by the Hertzogite Acts of 1936, and this government-appointed Native Trust alone is capable of becoming a shareholder in the Bantu Investment Corporation. The Minister has the sole authority to increase the share capital to such extent as he deems expedient.

While this Investment Corporation, capitalized at R1 million, was intended to promote the economic development of the Bantu Areas as a whole, the Bantu Homelands Development Corporation Act No. 86 of 1965 provides for a development corporation to be established at the discretion of the Minister of Bantu Administration and Development in respect of a particular Bantu Homeland, i.e. a Homeland being a portion of the Bantu Areas

occupied by one of the eight national units, created by the Bantu Promotion of Self-Government Act of 1959. The Corporation established under the Homelands Development Act of 1965 shall confine its activities to the particular Bantu Homeland and to Bantu persons and economic activities within such national unit. The objects of the Corporation are 'to plan and to promote in all spheres the economic development of the Bantu Homeland in respect of which it has been established' and its tasks include the determination of the general economic position and methods for acceleration of economic growth, of the nature and extent of the natural resources, the planning and carrying out of development projects, the envisaging and promotion of industrial, financial and other undertakings, giving technical and expert assistance, training Bantu persons in industrial business and financial fields.

The Bantu Homeland Corporation has powers to acquire undertakings from non-Bantu persons in the Homeland and sell such to Bantu persons, to establish or help existing Bantu companies for industrial, business or financial purposes, and to provide capital. The Corporation's directors are appointed by the Minister of Bantu Administration and Development and the share capital of the Corporation shall consist of a sum of money determined by the Minister in consultation with the Minister of Finance. As in the case of the Bantu Investment Corporation, the shares of the Bantu Homeland Development Corporation may be held exclusively by the South African (Native) Trust.

Over the decades the economic deterioration of the tribal territories of the Africans or Bantu or Natives has been the subject of repeated examination and dire warnings of disaster, as evidenced in the numerous official commissions. Modern economic development theory and modern sociological analysis would have no difficulty in accounting for the decline of the tribal economy and the disintegration of the tribal social

system. In briefest outline, once the extensive land-use by nomadic peoples under communal land-tenure has been halted partly by the endogenous obstructions of such an organizational pattern and, more decisively, by the exogenous land-containment prohibitions imposed by the White polity, a population shift became an inevitable social process. This process was given enormous impetus by economic growth outside the original tribal-land-areas, more especially the great and continuing input of capital into mining the diamonds and gold of the hitherto barren veldt. Export of labour from its declining productivity in the tribal land-areas was encouraged by taxes imposed by the White polity. Such imposts compelled self-sufficient, non-monetary minded tribesmen to enter the exchange economy, dominated by the White polity, to obtain the monetary cash to discharge tax-obligations.

As the exchange-economy inspired by the mineral discoveries increasingly developed the characteristic specialisation of market-orientated, resource-utilization, so the hitherto stagnant land-use by White land-occupiers came under capitalistic compulsions. These simultaneously intensified the demands for African labour on the White-owned farms and the pressures to exclude and expel African tenant-farmers, not contributing appropriate labour-dues, from the White-owned farms.

Foreign capital investment and domestic capital formation took economic growth a further stage forwards, after the worldwide gold-price increase in the early 1930's added a new dimension of profitability to gold-mining with its spread effects on industrialization and urbanization. The Second World War and its aftermath extended industrialization to a point of structural change, while a soaring gold output financed a tremendous increase in imports.

This whole process of economic expansion centred on the

four major industrial regions, which attracted the overwhelming proportion of capital investment and re-investment. The gap between the opportunities of capital- and labour-employment in these industrial, urban centres and the capital-starved, fixed territorial land of the old Native Reserves (or new Bantu Areas) had of human necessity to be bridged by the influx of Poor Blacks into the towns, just as it had been at another stage by the trek of the Poor Whites away from their rural poverty.

The data on urbanizing trends down until the 1960 census lend conviction to the Fagan Commission contention 'that the movement from country to town has a background of economic necessity ... that cannot be stopped or turned in the opposite direction' rather than to the socio-economic planning aspirations of the Tomlinson Commission to start a counter-migration back to the Homelands.

These are the figures of geographical mobility which, in the case of South Africa are also the figures of that occupational shift from nil, or even negative, productivity in agrarian sterility to positive productivity in mining-industrial, expanding urbanization. They mark the trend of genuine economic development of the population as a whole and of each racial group separately. They also underline the complementarity of racial employment in a growth economy in disproof of alleged destructive racial competition for a share in an unchanging work-fund.

No. of Africans in Regional Areas - Census 1911 to 1960

<u>Regional Area</u>	<u>(1,000's)</u>					
	<u>1960</u>	<u>1951</u>	<u>1946</u>	<u>1936</u>	<u>1921</u>	<u>1911</u>
South Africa	10,927.9	8,560.0	7,830.5	6,595.6	4,697.3	4,018.8
Transkei	1,407.8	1,269.3	1,250.8	1,154.0	939.0	871.6
Ciskei	424.4	335.0	322.4	292.4	240.9	245.0
Zululand	550.2	409.3	387.2	353.8	250.8	215.0
Witwatersrand	1,296.5	1,008.3	870.9	611.4	297.7	274.6
O.F.S. Goldfield	121.7	34.1	-	-	-	0

Population in Urban Areas as Percentage of Total -

<u>South Africa by Racial Groups</u>						
<u>1960</u>	<u>1951</u>	<u>1946</u>	<u>1936</u>	<u>1921</u>	<u>1911</u>	<u>1904</u>
			<u>All Races</u>			
46.7	43.4	39.3	33.6	28.2	25.9	23.6
			<u>Whites</u>			
83.6	79.1	75.6	68.2	59.7	53.0	53.6
			<u>Coloureds</u>			
68.3	66.2	62.5	58.0	52.4	50.4	49.2
			<u>Asiatics</u>			
83.2	77.6	72.8	69.5	60.4	52.8	36.5
			<u>Africans</u>			
31.8	27.9	24.3	19.0	14.0	13.0	10.4

Population of Principal Urban Areas - 1960 and 1951

	<u>1960</u>			<u>1951</u>		
	<u>All Races</u>	<u>Whites</u>	<u>Africans</u>	<u>All Races</u>	<u>Whites</u>	<u>Africans</u>
Jo'burg	1,152,525	413,153	650,912	918,700	365,657	491,818
Cape Town	807,211	305,155	75,200	632,013	266,715	59,937
Durban	681,492	196,398	221,535	498,047	152,859	162,120
Pretoria	422,590	207,202	199,890	285,379	151,100	122,407
P/Elizabeth	290,693	94,931	123,183	199,201	79,328	70,082

The Nationalist Party came back to power in 1948 on the old cry of 'Segregation' and from the assumption of office proclaimed the Government's absolute determination to reverse the tide of African influx into the 'White' cities and the 'White' areas. From 1951 to 1960, the tide had clearly not been stemmed let alone reversed. But the table below, more than perhaps any other set of figures, reveals that socio-economic process was not to be denied by legislative assertions.

Urban Population by Size Groups, All Races, 1960

<u>Size Groups</u>	<u>No. of Centres</u>	<u>Total Pop.</u>	<u>Whites</u>	<u>Africans</u>
500,000 & over	3	2,641,228	914,706	947,647
200,000-499,999	3	927,676	388,447	444,569
100,000-199,999	5	672,660	232,615	379,571
50,000- 99,999	8	645,690	220,820	395,185
20,000- 49,999	24	770,016	261,099	406,649
10,000- 19,999	34	461,298	154,190	232,914
5,000- 9,999	63	450,097	138,547	234,971
2,000- 4,999	202	610,850	173,248	300,493
1,000- 1,999	130	189,498	58,423	83,163
500- 999	116	85,024	27,555	34,785
200- 499	68	25,921	11,222	11,139

In every category of urban area from the major city to the village or dorp with some form of local authority, the Whites were outnumbered by the Africans. The above two tables do not give data for the other non-White groups of Coloureds and Asiatics but it is clear that in every category the non-Whites substantially outnumbered the Whites.

It was, of course, the contention of the Tomlinson Commission, repeated and emphasized by the Cabinet, that the flow of the Africans into the White cities and regions would necessarily continue for a time until the new administrative measures of influx controls and more basic separate development policies could reverse the stream of Black Bantu out of White South Africa. The precise turning-date was put at 1978. The Prime Minister, Dr. Verwoerd, told Parliament that

with mechanization and automation, it was expected that by 1978 a decreasing number of Bantu would be required in industries situated in and around White urban areas. If the number of Bantu in White areas continued to increase in the White areas in the meantime, it was not in conflict with the Nationalist Party's ultimate goal of turning the flow back to Bantu homelands.<sup>34</sup>

Dr. Verwoerd's Government had rejected, however, those Tomlinson recommendations, which were cardinal to the technical strategy of economic development of the Homelands.

Private White capital and entrepreneurship was absolutely excluded from the Bantu Homelands.<sup>35</sup> The Minister of Finance, Dr. Dönges, explained to Parliament that if the Government did not refuse to allow 'White capital' into the Bantu Homelands for their development, the Government would be accused 'of the economic colonization of the Bantu Homelands'. The way of Government help, said Dr. Dönges, was through assistance by the Bantu Investment Corporation.<sup>36</sup>

A similar theme, with its stylized vocabulary, had been the

subject of a speech by Dr. Verwoerd, when opening the Transvaal Congress of the Nationalist Party in September, 1964:

The South African Government would not allow interference in the Transkei, nor would it allow, as had recently been suggested, White investors to invest money in the Transkei and take profits from the territory in the period that the Bantu were still unable fully to do so themselves. South Africa helped the Transkei as a guardian. If industrialists were allowed to exploit the Bantu areas, the Bantu would resent it all the more when they realized what had been taken from them.

Opposed to this South African policy was the Oppenheimer Capitalist Policy. Mr. Oppenheimer mixes his Progressive Party political policies with his financial policies and advocates what amounts to international colonial capitalism, when he says that White capitalists should be allowed to operate in the Bantu areas ...<sup>37</sup>

The Minister of Bantu Administration and Development, Mr. de Wet Nel, took the opportunity, when addressing the Transkei Assembly, to warn against the 'White wolves of capitalists'.

The economic development theorist might question what development could be accomplished in industry and tertiary diversification by a capital sum of £500,000 or R1,000,000, voted for the state-owned Bantu Investment Corporation. This was not, of course, the total amount of Government endorsement of the Tomlinson development expenditure proposals of some £104.5 or R209 millions for the first ten years of creative financing of the Homelands. It is not easy to get a clear or accurate statement of what sums have been voted and spent by the Government in relation to this Tomlinson sum. But the short-fall is certainly enormous.

Reporting in 1965, Dr. J. Adendorff, general manager of the Bantu Investment Corporation, said that since the Corporation's establishment, it had investigated 2,900 applications for

financial aid and 442 loans amounting to R1,450,000 had been granted; in early 1966 Dr. Adendorff claimed an increased tempo with 182 loans amounting to R1,040,000. But these figures taken from the official Ministry of Information, South African Digest, appear to be confused - the figure reported in its issue of 14 January 1966 apparently re-capitulating the figure reported a year earlier in its issue of 26 February 1965.

The Minister, Mr. de Wet Nel, claimed that the first five-year plan for the development of the Bantu Areas to end in April 1966 had achieved: from 1960 to December 1964, 950,000 acres of land had been bought for the Bantu by the S.A. Native Trust Fund (with 3,905,000 acres still to be bought in accordance with the 1936 legislation); one-third of the land previously destroyed by over-cropping had already been saved; plantations covering 130,000 acres of timberland had produced R16 m. in 1963; annual income for Bantu from fibre projects had reached R300,000. Furthermore, the Minister (March, 1965) said 'His Department was engaged in the planning and development of 94 Bantu towns in Bantu Areas ... of which 37 were wholly or partly inhabited [with] phenomenal success'.<sup>38</sup>

No reference to any achievements in establishing industrial enterprises was made by the Minister, at least within the Bantu Homelands. If the 'White wolves' of capitalism were to be rigidly excluded from the Homelands, they received an open-handed invitation to join in the industrial development of the border areas - a programme which received much more enthusiastic Government support.

Indeed it is clear that Government policy had decisively, if not totally, rejected the Tomlinson Commission's strongly-expressed preference for industrial development within the Homelands rather than on the borders of these Homelands. It will be recollected that the Tomlinson Commission had reported that only internal development placed 'no ceilings' on the

Bantu, whereas border-area industrialization still brought the Bantu workers within the orbit of all the restrictive industrial legislation and job-reservations policies.

Textile industry development, particularly in the border areas, was allocated a capital sum of R45,000,000 through a vote to the IDC, the Industrial Development Corporation. The IDC proposed to spend R20m. on erection of border-area factories to be rented to textile industrialists who would have the option to purchase, and the remaining R25m. was to be available for helping such industrialists in financing machinery and equipment. The capital assistance was to be available to both local and foreign investors.

A Report of the Permanent Committee for the Location of Industry and Border Area Development (March, 1965) claimed that more than R65m. had been invested in areas bordering on Bantu Homelands during the past  $4\frac{1}{2}$  years, representing the cost of establishing 60 new manufacturing enterprises with extensions to 33 existing undertakings. Through these undertakings, an additional 24,000 persons including 19,000 Bantu had found employment. Financial assistance in the form of loans, share capital and factory installations had reached a total figure of R22.5 m., of which R13m. had been offered to industrialists in 1964.

A later Report from the same source (March, 1966) said 91 new projects had been established since the inception of the Border Areas Development Scheme only five years ago with 52 old-established firms extending activities. Capital in excess of R60m. was invested in 1965 alone and border-area industrialization had created jobs for 41,000 non-Whites, the great majority being Bantu.

Such development projects are significant, though a Dr. Rautenbach, the director of the Natural Resources Development

Council, was perhaps a little excessive in his expressed view that the border industrial development had a moral and philosophical basis as sound and unimpeachable as any that human thoughts and reasoning had devised and crystallized for practical application.<sup>39</sup>

Border industrial encouragement had, in addition to its 'moral and philosophical basis', a highly attractive capitalistic set of incentives offered to South African and foreign industrialists. Such industrialists were given capital grants, loans, cheap finance, guarantees against loss, tax-reductions, rented factories and, not least, substantially lower wage-rates for African workers than prescribed by the relevant industrial-wage legislation for such categories of jobs (even when performed by urban Africans) in the main (White) industrial regions.<sup>40</sup> In 1964 to speed up the rate of development of these border area industries, further concessions including doubling of the allowance on machinery, exclusion of the capital cost of water supply services from water-rates charged, low-interest funds for shunting-railway sidings, special road transport exemptions, an additional 10 per cent tax rebate on the cost of power, water and transport in the case of new undertakings to be deducted for a minimum period of five years from the taxable income of companies concerned.

New industrialists were to be allowed accelerated write-off provisions - the investment allowance to be increased to 25 per cent on factory buildings and 35 per cent on machinery. The 20 per cent direct-grant refund of the cost of building a border-area factory was extended to buildings erected by the IDC, which is permitted to pass this on to industrialists hiring or buying such buildings. To encourage the border-area of the Ciskei, industrial products manufactured in that particular area and consigned to destinations outside would qualify for a 10 per cent rebate on rail-road charges.<sup>41</sup>

The counterpart of such induced decentralization can be found in the experience of a number of countries. The theory is that such inducements off-set the hidden social costs, falling on the state, from 'excessive centralization' of economic activities. In respect of South Africa, it is by no means certain that the centralization of economic activities in the four major industrial-regions is 'uneconomic'. It may indeed be doubted whether the case would have such ardent supporters of decentralization, if all workers were White. It is difficult to credit, for instance, that it is 'economic' to allow industrialists putting up a new plant on a border-area site to write-off - or capitalize - twice the difference between what it actually costs to produce their goods in the border-area factory than what it would have cost in their existing urban-area site.<sup>42</sup>

The presentation of the case, and particularly official propaganda by the Ministry of Information, for border-area industrialization argues that it is an essential part of the policy of Apartheid or Separate Development, or, even, of sovereign Bantu national units. The objective facts give little support for such contentions.

Where are the major border-area industrial centres located in relation not <sup>to</sup> the Bantu Homelands but to the White urbanized complexes? The industrial township of Rosslyn, heavily financed by IDC, is 12 miles from the Republic's administrative capital of Pretoria. A larger industrial estate, also heavily backed by IDC-finance, known as the Elangeni Industrial Estate at Hammarsdale lies midway between Durban and Martizburg within 20 miles from exclusive White residential suburbia. Rosslyn is in fact within a couple of miles of a major concentration of 'White' industry at Pretoria West; Hammarsdale similarly is a few miles from the old industrial region of Pine-town. The much-proclaimed Cyril Lord textile mill - demon-

stration-model of a border-area industry - is located within the 'stamping-ground' of the Border (or Eastern Province) Rugby Football Union.

In a public address,<sup>43</sup> Dr. S.P. du T. Viljoen, chairman of the Board of Trade with special responsibility for implementing border-area industrialization, spoke of the Government's attempts to decentralize economic activity so as to form smaller concentrations to compete effectively with existing metropolitan centres for industrial locations. He described one of these types of 'smaller concentrations' as extensions of the existing metropolitan areas

such as Rosslyn, to the north of Pretoria, or Rustenburg, to the north of Johannesburg, which are natural extensions of the Southern Transvaal industrial complex. In Natal, again, Hammarsdale and even Pietermaritzburg are natural extensions of the Durban-Pinetown complex to the west, Tongaat to the north, and Umbogint-<sup>43</sup>winini, Umkomaas and other centres to the south.

Dr. Viljoen went on:

These border areas have the advantages of deriving all the external economies generated by the metropolitan centres of which they are the natural extensions, but, because the Bantu live in their own homelands, the concomitant economies and social disadvantages are largely eliminated.

In the words of the Tomlinson Commission, which for that very reason had favoured the socio-economic development through industrialization within the Bantu Homelands, such border-areas are the 'appendages' of the White areas. In sociological terminology, such border-area industrialization is an integral part of a single social system of White and Black South Africa. Indeed no instance of individual enterprise so mirrors the pattern of overall growth in South Africa - the combination of foreign capital and foreign management and imported skilled

workers with unskilled migrant African workers at low wage-costs - than the Cyril Lord cotton-textile project.

This poplin-mill with dismantled Lancashire machinery valued at R4m. and new plant from Britain and Germany, initially employed 300 immigrant skilled workers from Lancashire alongside 1,000 unskilled African workers, who migrate daily from their Bantu Homeland into the environs of East London. It is the old-established structural relationships of White and Black. It differs in no fundamental from the manner of development of mining and manufacturing industry in the rest of South Africa from the last quarter of the nineteenth century. Only the minutiae vary in that in this instance of 'pioneering' enterprise, the massive help of the State, and tax-payers' money, has been provided through capital cost contributions, a state-financed training school for the Bantu operative labour, state financial aid for the Lancashire immigrants, the full complement of cost concessions and tax-incentives for border-area enterprises and the presence in person of the Minister of Economic Affairs, supported by a civic luncheon for 300 White dignitaries, 'to press a button to start the first Bantu border area factory'.<sup>44</sup>

While border-area industrialization is the continuation of the integrating process of economic growth, its highly publicized ventures tend to obscure the rapidly rising tempo of that process of economic growth in 'White South Africa' and the indissoluble integrating consequences of such expanding industrialization.

Gold-mining output grew year by year: 1952 R294.3m; 1953 R295.1m; 1954 R329.4m; 1955 R365.5m; 1956 R397.0m; 1957 R425.2 m; 1958 R440.1m; 1959 R500.3m; 1960 R536.0m; 1961 R574.9m; 1962 R636.6m; 1963 R686.3m; 1964 R731.1m. Concomitantly the labour force of African mineworkers grew to a new peak of nearly 400,000 of which a major part - some 60 per

cent - was labour coming from without the borders of the Republic. The old problem of labour relationship and labour reservation between White and Black on the mining industry, as costs once more mounted against the fixed gold-price, yet again caused unrest and inquiry, as related below.

From 1948 to 1964, the gross value of output of manufacturing industry increased from about R600,000,000m. to an estimated R3,600,000,000 - all but a fraction from the 'White' industrial regions. In the last quarter-century in which net national income increased seven-fold to an estimated current R5,600m. a year, the contribution attributed to manufacturing industry now is as much as mining and agriculture combined.

There is no doubt as to where the overwhelming weight of capital generation and capital investment is made - in 'White' South Africa or the Bantu Homelands. The value of building plans approved in 1964 for 18 principal municipalities and 45 principal towns, all in 'White' South Africa, reached R344m., an increase of R110m. over the previous year. The Orange River Project, a vast irrigation-reclamation project with an envisaged capital investment of R450m. over thirty years, was launched to irrigate and reclaim a million acres of semi-desert land in White South Africa. This great scheme is to be in six phases with a first phase of R85m. capital expenditure already under way.

A single centre-city redevelopment project in Johannesburg, announced in December 1965, comprising an office tower, international class hotel and shopping centre known as Carlton Centre and financed as part of a diversification programme by Anglo-American Corporation and South African Breweries at a capital cost of R50m., will exceed the real amount of capital invested in the Bantu Homelands during the ten years following the Tomlinson Commission Report.

The Government itself has given the full weight of legislative and administrative compulsion and encouragement to the massive rehousing of Africans employed in Johannesburg. In 19 years, from 1945, a 26 square mile complex, known as the South-Western Bantu Townships, houses almost half-a-million Africans. More than R60.5m. has been spent by the Johannesburg City Council on services and nearly 60,000 houses built.

This by far the largest African-inhabited city in South Africa started as Orlando Township, when the influx of tens of thousands of Africans into war-time factories began. The squatters' camps of corrugated iron and sacking proliferated out of control with 1947 as the year of potential breakdown of all social order. A tentative Smuts-Government plan was vigorously pursued by the incoming Nationalist Government. The key measure was the passage of the Native Building Workers Act No.27 of 1951, which provided for training and registration of African building workers, for the regulation of their conditions of employment and for their employment in building houses for occupation by Africans. This Act, subsequently more liberally amended by Act No.38 of 1953 and No.60 of 1955, made a breach in the hitherto complete job-reservation, job-restriction applied by White building trade unions. This - perhaps the most indefensible example of restrictive practice - had insisted that all building workers, other than unskilled labourers should be Whites.<sup>46</sup> In consequence, houses for Africans, financed from public funds, had to be built even in African townships by White artisans paid at wage-rates some five to seven times as much as the wage-rates of the African-occupiers of such housing. No artisan-training or even employment as erectors of industrial-type, prefabricated housing units was open to Africans. After fierce trade union opposition, the Government passed the legislation of 1951 that opened the way to employment of African building artisans on strictly-defined

African housing.

This change, together with the Native Services Levy Act No.64 of 1952 that provided for contributions by employers of per African-employee levies towards the cost of certain services for the health, safety and transport of such employees, enabled the physical task and financial cost of African slum-clearance and re-housing to be pursued with energetic success. On the other side, all Africans who had enjoyed freehold-ownership rights in Sophiatown and Alexandra Township were deprived of such rights. While undoubtedly there has been much improvement in African urban housing as compared to the squatters' camps, all ownership rights have been forfeited and the vast mass-housing projects have a dreariness of drab uniformity that seem highly likely to produce their own brand of social problems in the future.

Outside these African townships, job reservation restricting artisan work in the building trades to Whites (with certain exemptions for Coloureds in the Cape) was extended. The critical point is, however, that the South-Western Bantu Township of Johannesburg ('the largest housing scheme of its kind in the world', according to the Ministry of Information Digest of August 21, 1964) and similar schemes in other metropolitan centres is vastly greater than any effort, or capital, applied in the Bantu Homelands.

Such housing is the de facto recognition by the Nationalist Government of the permanence of the African urbanized-industrialized population in 'White' South Africa. It is the reality of the Fagan Commission as against the aspirant dreams of the Tomlinson Commission. Indeed, the Republic's Secretary of the Interior announced that during 1964 the labour authority of the Bantu Homeland of the Transkei

has had to cope with an almost phenomenal expansion in the past year ... latest figures show that during that period 15,000 Bantu were placed in employment throughout the Republic by the Labour Bureau - against 6,500 in 1963, which was then an all-time record.

These figures related only to some of the official recruiting labour organizations. The total number of workseekers, from this one Homeland, for work in 'White' South Africa probably exceeded 100,000 and a majority of these were for the Western Cape, which official Government policy had declared to be a region in which the Cape Coloureds would have preferential employment opportunities.

This process of African migration from rural-agriculture is similarly reflected in the continuing movement of the White population from the 'Platteland', the farms and villages of the country-side. The White population on the Platteland has declined absolutely by 200,000 between 1939 and 1964. The largest decline occurred from 1943-5 to the end of the Second World War. In the mid-sixties, it is estimated that the total White rural population was 496,000 out of a total White population of 4,000,000. The number of Whites occupationally engaged in agriculture decreased from 179,000 in 1936 to 118,000 in 1960 with an anticipated further decline to 94,000 in 1968 from a 1963 figure of 106,000. Yet, despite mechanization of White farming, the number of non-Whites employed on or resident on White farms has been absolutely increasing.

According to a 1964 breakdown of the geographical distribution of the African population, 42 per cent were domiciled in the Homelands, 34 per cent on farms in White areas and 24 per cent in White urban areas. The total output of the (White) farm industry increased by some 75 per cent from 1940 to 1965 - White farmers are estimated at about 100,000 and non-

White farm workers at about 1,500,000 in the mid-sixties. Whether or not South African farming can double its output during the years to 2000 so as to provide the food and raw materials of the estimated population at that date,<sup>47</sup> what seems unquestionable is that almost the entire farm-working force (as distinct from farm ownership) will be non-White and predominantly African.

What degree of reality attaches to Apartheid or Separate Development in a social system in which the Whites' food and agricultural raw materials are produced almost entirely by a non-White labour force employed on White-owned farms?

It is true that Dr. Verwoerd at an early stage of his policy-thinking, when Minister of Native Affairs, declared that there was no need to apply Apartheid to farming - on the farms there was no 'mixing' of the races. This, probably unconscious, revelation that the functional purpose of Apartheid is not 'separation of the races' but of the preservation of status relationships between White and Black has been emphasized more than ever by the course of the Republic's political economy since 1961.

After the June 1961 shock of capital-controls to business confidence, Government policy swung into the most concentrated, contrived boom. It was instrumented by a cheap-money, liberal-credit, capital-expansionist, public expenditure, forced industrialization programme unparalleled in South African history. With capital locked-in and the constitution of order overruling every aspect of personal liberties of the Africans, capital investment had every inducement. This was especially marked, as previously related, in the case of manufacturing industry, whose gross output rose from about R1,051 m. in 1959-60 to R1,800m. in 1965. Such a rate of contrived growth could not be maintained without balance-of-payments problems. Imports increased by about 60 per cent from R1,127m. in 1960 to

R1,800 in 1965.

The most pronounced impact of this expansionist phase was on the labour market. White labour became scarce in all categories of skill and semi-skill with earnings reaching levels not previously attained. The Government gave enthusiastic support to state-aided (White) immigration, although the Nationalist Party had opposed all such immigration as evilly-intentioned 'to plough under the Afrikaner' until the Republic was achieved. The actual numbers of Africans entering the main urban-industrial centres were at an unexceeded rate, while job-reclassification overtly and tacitly expanded job-opportunities for Africans.

The Government's attitude to this last aspect was expressed by the Deputy Minister of Labour, Mr. Marais Viljoen in these terms:

The present agitation for the removal of the colour bar in industry would fail, just as previous attempts had failed, for the simple reason that the Government was determined to maintain the traditional way of life in this country ... We are determined to continue maintaining order in the labour field. We are not prepared to create chaos just to satisfy a handful of un-South African fanatics.

This attitude did not mean that no non-Whites would be employed in jobs previously filled by Whites. Such an attitude would be totally unrealistic and nonsensical. Anyone who looks round him in the industrial field will see non-Whites doing work today that was done by Whites 10 or 20 years ago. It was for this reason that Mr. Schoeman [Minister of Railways] had remarked as a result of the employment of 40 Bantu as locomotive cleaners, that it was nothing new - it happens from time to time that non-Whites are used to take over certain types of work previously done by Whites.<sup>48</sup>

The 'traditional way of life' was to make certain that non-

White, and African, labour was available to take on those jobs which the Whites were relinquishing for better rewards as economic development continued its expansionist career.

During these hectic years of contrived development, with even soberminded commentators claiming world-leadership for the Republic's growth-rate, only the rare, dedicated Afrikaner leader-writer questioned the implications. Die Burger was moved to write:

And now it is strange but true that one important aspect of South Africa's prosperity may itself become the worm in the apple. If prosperity means that the Whites are making themselves irrevocably more and more dependent on Black labour in the White territory, then doubt about the future would grow with the development ...

What many people, unfortunately, do not realize equally well is that increasing dependence on Black labour carries its own germ of destruction. ... For a process which on the one hand strengthens the Black urge to 'break into' the power structure of the Whites, and is on the other hand constantly increasing the Whites' resistance to it, is a terrible and near evil, whatever ephemeral economic advantages it may bring.

It is necessary that especially supporters of the Government should understand the nature of the problem, and that each one will in his own circle do his utmost to limit the proportions of it. Otherwise we are still going to see the day when we will curse our highly-praised prosperity.

And well might another leader-writer, J.P. Scholtz of the Prime Minister's own Die Transvaler piteously cry: Where are the sacrifices of Apartheid?

CHAPTER 21

AN ANALYTICAL APPRAISAL

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This thesis set out to account for South African economic change from about 1870. The period covers the emergence of a capitalistic, urbanized, industrialized and integrating society from pre-capitalist, largely self-subsistent, nomadic, cattle-grazing communities. Such an account implies more than a record of event but rather an interpretation of a changing social order.

The nature of such sociological argument is evaluated by Percy C. Cohen in his Modern Social Theory, to which the theoretical substance of this section is primarily indebted.<sup>1</sup> Facts, he writes, are nothing more than statements which have occurred, while theories are not meant to be about particular events but whole categories of events. Sociological argument comes within the classification of metaphysical or programmatic theory in being not strictly testable but nonetheless subject to rational appraisal.

Such theories, says Cohen, may delineate a field in which more precise formulations can be made or they may sensitize an observer to the kind of factors which are relevant in explaining particular phenomena. The 'meta-theory' for the more concrete speculations of this thesis about South African economic development is Parsonian social system or action theory. What is examined is the contribution made by various social processes to the evolving total system in the manner of a cybernetic model with its interactive feedback. As such there is positive and negative feedback, function and dysfunction - processes and developments yielding a new, more adaptive state of equilibrium or, on the other side, disrupting equilibrium or cancelling or off-setting other changes.

Parsonian, as of course, Marxist, analysis accepts social

stratification as part of virtually every complex, and particularly industrial, society. Parsons however does not give stratification the particular Marxist aspect of revolutionary role and Parsonian functionalism would give greater weight to the consensus rather than the conflict elements in the social system. For Parsons every social system must cope with four sets of problems: that of allocating its material, human and cultural resources in certain ways; that of defining and sustaining the pursuit of certain fundamental goals; that of maintaining solidarity; and that of sustaining the motivations of the actors and of repairing any damage to these which arises out of the performance of required social roles.

In Parsonian terminology these are known as the problems of adaptation, goal-orientation, integration and pattern-maintenance. Respectively these are the 'tasks' of specialized institutional sectors - the economy, the polity and the ethos or cultural norms. It is not part of the Parsonian theory to insist that all aspects of social life are completely consistent or compatible with one another. There are 'strains' from incompatibility and the different requirements of a modern, complex social system will promote tensions.

These tensions and incompatibilities are not, however, the irreconcilable class conflicts of the Marxist critique of capitalism. Coercion and domination, the attributes of power, are not - as Marxist analysis would insist - inherent in the capitalistic process itself.<sup>2</sup> Power might have other origins and reinforcements than in the economic process. It might develop exogeneously in relation to the institutionalized culture, which would then in cybernetic behaviour feedback through the economy.

The 'total' social system of interaction has neither beginning nor end. Nor does this circularity always exhibit the intended consequences of action.

History is not generally the record of conscious plan and formulated intent. Social reality is as often the unintended as the intended consequences of action. Social phenomena are not necessarily the direct product of men's deliberate intentions - such phenomena are produced by the interaction of minds. These unintended, unforeseen and unforeseeable manifestations enhance the significance of power to control the unintended, the unforeseen and unforeseeable. Power will be sought, entrenched and defended by the elite of the stratified society. Such power may operate in Lockwood's 'dark world of conflicting interests', which is not demolished by the erection of a normative system upon it.

It may also be conceded to the Marxists that the normative system of a country's institutionalized culture, reflecting the value-orientations of its power-elite, operates or functions to contain, limit and direct the pursuit of those interests derived increasingly from the conditions of the distribution of material resources. Power may become part of the infra-structural process of the society but it is also a resource for maintaining an institutionalized set of value-orientations and for guiding changes within that context. It is as much an extra-economic resource as it is a manifestation of the Marxist class system of industrial capitalism.

The particular analysis offered in this account of the relationship between the political factor of Afrikanerdom and the economic development of South Africa, as it transforms itself into a modern exchange-economy, attributes little to the Marxist model. That model gives a central, and ultimately determinist, role to the economic relationships of class and to class conflict over the surplus value created by the workers and expropriated by the capitalist-employers. Nor does this account of South African economic history identify imperialism and neo-colonialism as decisive political forces in class war-

fare. Rather this thesis argues that South African economic development takes place within a social system of Parsonian interaction, in which beliefs and norms about race and White-non-White roles become institutionalized under the control of the polity.

Economic change and the introduction of the characteristic capitalistic methods of economic organization begin with the unplanned, unprogrammed and largely unforeseen mineral discoveries of the 1870's. Subsequent economic development is a conjunction of Schumpeterian entrepreneurship, 'unlimited' supplies of unskilled labour and sustained capital re-investment. Contemporaneously the South African social system exhibits these realities.

Power is the exclusive prerogative of a White polity that is bureaucratically directing an administered economy towards its (White) goals. The rate of economic expansion as measured by the arithmetic of gross national product is exceptionally high. There is large-scale continuous investment of domestically-generated and foreign savings, much of it derived from and attracted to favourable profit-margins. Multiplier-accelerator effects from demand-investment impetus stimulate labour market mobility. This intensified mobility breaks through intensified administrative restraints, which latter express concretely the White polity's resistance to the threat from such economic change to its institutionalized culture.

There are patent conflicts and "contradictions" in this society of industrialized, urbanized capitalism and agrarian self-subsistent triablism. The conflicts are the confused, sometimes latent and inconsistent, pursuit and preservation of sectional interests and traditional norms. They are not to be neatly categorized into a capitalist-worker class struggle over "surplus'value". In the self-subsistent sector of communally-

owned ~~tribl~~ land no question of "surplus value" arises. Profits emerge with entrepreneurial capitalism, in mining and then in trading and manufacturing, bringing together the productive co-operation of foreign and, subsequent, domestic savings with unskilled African labour and supervisory White workers. Economic development moves through successive stages of maturity and increasing sophistication of manufacturing activities that require more flexible and more skilled inputs of labour. Higher rates of profit are both the source of investment and attract capital at a rate critical to self-sustaining growth. The interaction process stimulates demands for more labour and for changing combinations of skill-categories.

There is an incipient barrier to the sale of the total output of the profit-making productive system to the society's wage-earners. But the barrier is the deliberately raised obstacle to optimizing the productivity of non-White, and especially African, workers. The barrier is not the "contradiction" of the profit-making productive system yielding a rising volume of output that cannot be sold to the wage-earning class, who alone are said to create the value of the output but whose wages because of employers' "expropriation" are thus inherently insufficient to purchase the total expanding output. There is not a self-defeating, inevitable climacteric to the profit-making, capitalistic South African economy. There is, rather, a continuing interaction in which rapid economic development exerts critical changes in the social roles of Whites and non-Whites that challenge the traditional culture of Afrikanerdom, which exerts all its political authority to contain and structure the processes of economic change.

The predication is that the social order of South Africa - the persistence of its forms, the co-operating exchanges of its economic working, the restraint on disruptive, destructive behaviour, the expectation of consistency in societal relation-

ships - is rationally appraised within the Parsonian 'boundary-maintaining system'. The historical account given in this text has attempted to record the evolution of the interchanges and interactions between the polity, the economy and the institutionalized culture of South Africa. If the Parsonian model has an elucidating reference-frame, then such programmatic theorizing should be sustained by the culminating events of the most recent period.

The continuing objective of the Government of the Republic, as it had been of previous governments of the Union of South Africa, was to exercise political control over the employment of African labour. For a hundred years at least, positive measures had been exercised to increase the supply of African workers as agricultural labourers, domestic servants, mine workers, unskilled labour in industry, commerce, government and local authority services despite political declarations on diminishing the dependence on such Black labour. Thus border-area industries, which remain entirely within the legislative and administrative dominance of the White polity, can hardly be interpreted as any other economic strategy but that of continued White control of the economy.

Alongside Keynesian multiplier-acceleration techniques and sophisticated variations of economic nationalism to stimulate economic growth to new records, the White Polity's control over the market for African labour was brought to the ultimate, legally-unchallengeable direction of such labour. The Bantu Laws Amendment Act No.42 of 1964<sup>\*</sup> supplements and extends the p 565

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\* This Act is of an almost unique complexity. It amends the Native Labour Regulation, 1911; repeals the Native Services Contract Act, 1932; amends the Native Trust and Land Act, 1936, the Natives (Urban Areas) Consolidation Act, 1945; the Bantu Authorities Act, 1951; the Native Services Levy Act, 1952; the

\* - Continued.

Natives (Abolition of Passes and Co-ordination of Documents) Act, 1952; the Natives (Prohibition of Interdicts) Act, 1956; the Native Transport Services Act, 1957; the Bantu Beer Act, 1962; and the Better Administration of Designated Areas Act, 1963; and substitutes the word 'native' and derivatives thereof in all laws.

Although the Government took the unusual step of publishing an interpretative White Paper W.P.9 - '63 in an attempt to relate the amendments to the original Acts, the further complication for the commentator was introduced in that the White paper refers to a Bill introduced in 1963. This aroused such a storm of protest against the reduction of the human status of the African worker to a 'labour unit' that this 1963 Bill was withdrawn. The legislation was then passed in two sections, one in an Act of 1963 and the other in Act 38 of 1964. The White Paper's identifications of clause, sub-clause, section and sub-section no longer relate to the numbering of clauses, sub-clauses, sections and sub-sections of the 1964 Act.

It is virtually impossible, in consequence to guarantee the absolute accuracy of the interpretations of the changes introduced by the new legislation, as made in the text that follows. Every effort to ascertain the facts of the legal position has however been made.

detailed control by the polity of the African labour market, as provided for in the urban areas legislation.

Under the Bantu Laws Amendment Act of 1964 (and also Act No. 76 of 1963) the definition of 'workseeker' is deleted so that the regulations governing the movement of Bantu persons apply to all Bantu persons and not only to 'workseekers', while the geographical range of movement is all movement except movement within the Bantu Homelands. For the control of such Bantu, a series of labour bureaux are provided. There is a local labour bureau for 'every prescribed area' or, in other words every urban area or municipality, under the authority of the municipal labour officer; a district labour bureau for every magisterial district and the jurisdictional district of every Bantu affairs commissioner, managed by a regional labour commissioner; a central labour bureau in the office of the Director of Bantu labour. These labour bureaux cover the entire country with subtly complicated demarcations of jurisdiction. The labour bureaux will be the only machinery to control all aspects of Bantu employment outside the Bantu areas.

The labour bureau grants or refuses permission to a Bantu, in terms of the Urban Areas Act No.25 of 1945, to be in a prescribed or, in other words, urban area. The labour bureau may refuse to sanction the employment or continued employment of any Bantu in its area and, by written notice to the employer concerned, cancel any contract of employment entered into with such Bantu, if the labour officer is satisfied (1) the contract of service is not bona fide or (2) that the Bantu is not permitted under any law to be in the area or, in other words, has not obtained permission to take up employment in the area or (3) when the Bantu has not been released from a previous service or labour contract or (4) when the Bantu has not obtained the necessary permission to take up employment or (5) when the Bantu is not certified as medically fit or refuses to submit

himself to a medical examination or (6) when the labour bureau is of the opinion that it is not in the public interest that the contract of employment should be entered into or that it should be allowed to continue and the Secretary for Bantu Administration agrees or (7) when an order of removal has been made under any law.

Any Bantu refused permission to take up or be in employment or whose employment has been terminated by the labour bureau may be referred to an 'aid centre' (the name substituted in the new version of the Act for the depot in which the Bantu might be ordered to be detained in the original version) and the official in charge

may offer such Bantu suitable work either in his area or in any other area or may, with due regard to the family ties or other obligations or commitments of such Bantu, require such Bantu and his dependants to leave such area within a period determined

by that official.

The Bantu Administration Act also attempted to legislate for the old stubborn problem of farm labour tenancy. No owner of land shall allow Bantu to congregate or reside on his land, except with the written approval of the Secretary for Bantu Administration who may at any time withdraw his approval. No Bantu shall congregate or reside on such land. These prohibitions do not apply to bona fide Bantu farm workers nor registered labour tenants nor registered squatters and the wives and dependants of such permitted persons. Bantu unlawfully occupying land may be ejected and removed elsewhere.

Once any particular land is free of farm labour tenants, no such tenants may subsequently be registered in respect of such land, while the Minister of Bantu Administration may if he considers it in the public interest abolish the labour tenant system in specified areas. The Minister may establish a Bantu

labour tenants control board and a Bantu labour control board, apparently with interchangeable membership and authority. Such control boards may, or shall at the request of one owner of land or a labour liaison officer, make an inquiry into and a determination in respect of the appropriate number of Bantu labour or labour tenants required by a land-owner. It is an offence to retain any excess number after a stipulated period not to exceed twelve months.

Every Bantu affairs commissioner is required to keep a register of squatters resident in his area and prescribed fees are payable in respect of each licensed squatter. The fee per squatter rises from an initial R2 to R32 in the ninth year. This licence shall be issued by the Bantu affairs commissioner each year on payment of the increasing fee but no licence shall be renewed after the expiration of fifteen years.

There are general provisions tightening up the reporting to the Bantu affairs commissioner or the labour control or labour tenants' control board details of numbers and names of all Bantu residing on the owner's land, with penalties imposed on the owner for negligence or failure to make accurate returns. No labour tenant contract may be entered into for a period in excess of three years. An employer land-owner may terminate a labour tenant contract, if the Bantu tenant is absent from the land without permission when called upon to perform such labour service.

A new land-owner employer may within three months of assuming ownership of the land bought by him terminate a labour tenant contract on giving three months' notice. The labour tenant may also on such transfer of ownership of the land terminate his contract with the new owner. Whenever two or more Bantu belonging to the same household or family are bound under any labour tenant contract, entered into by them or on their behalf, to render service to any one employer, a failure of any

such Bantu to fulfill any of his obligations under such contract, which entitles the employer to terminate such contract as against that one Bantu, also entitles the employer to terminate the contract against all or any of the Bantu labour tenants concerned.

The Minister is empowered, if, in his opinion, the congregation of any Bantu on any land or the situation of the accommodation provided for Bantu on any land or the presence of Bantu in any area traversed by them for the purpose of congregating upon any land is causing a nuisance to persons resident in the vicinity, or it is undesirable - having regard to the locality of any land - that Bantu should congregate on such land, to prohibit the owner of the land from allowing such congregation of Bantu.

Under another section, the Minister may prohibit what are known as labour farms i.e. a farm or portion of farm exclusively or primarily used for the accommodation or housing of Bantu and not for bona fide farming operations.

It is clear that the Act makes a determined attempt to reduce the numbers of Africans residing on non-urban land in White ownership, and to limit such numbers to full-time, wage-remunerated farm labourers. Much more drastic extension of governmental-administrative powers over the de jure rights of White land-owners is provided for than in the many previous measures to cope with the 'problem' of Bantu labour tenants and squatters. As White agriculture becomes more capital-intensive and market-conscious, the incentives to use cash-remunerated labour are keener. Nonetheless every time a major drought such as in 1965, starkly reveals the precarious profitability of a large section of under-capitalized, state-aided, non-scientific farming, the advantages from the land-owner-farmer's viewpoint of a substantial reserve of available Africans on his own lands for no-cash labour service reappear.

This Bantu Laws Act of 1964 confirms in more rigid terms that only a labour bureau may place a Bantu, including a Bantu born in the area concerned, in employment. No employer may bring in a Bantu from outside the prescribed area, the introduction of such worker being the prerogative of the labour bureau. Any Bantu illegally in the prescribed or urban area may be removed, together with his dependants. The Act amends section 28 of the Urban Areas Act No. 25 of 1945 in such manner that the Minister may order the removal of 'redundant Bantu' from a prescribed or urban area when he is satisfied, from statistics maintained by the labour bureaux and having regard to a labour quota, that the number of Bantu in the area or a portion thereof exceeds the reasonable requirements of that area.

Idle or undesirable Bantu (defined as capable of being employed but normally unemployed or who because of misconduct or default fail to provide for their own support) may on the unfettered authority of a Bantu affairs commissioner be deported or detained for not more than two years compulsory labour in a farm prison. The powers of the Bantu affairs commissioner include permanent exclusion for life from a specified area (i.e. the place from which he is deported even though his birth-place) with no right of return, except with the written permission of the Secretary for Bantu Administration. Finally, no Bantu may unless he has obtained the required permission carry on in any prescribed area any trade or business including that of hawker or pedlar.

The justification of this Bantu Law Amendment Act, offered by the Government, is that no Bantu has any citizenship rights in 'White' South Africa because he is free to enjoy all such rights in his own Bantu Homelands.

From 1966, ministerial speeches and statements repeatedly proclaimed the cardinal objective of the Government was to

counter and reverse the economic integration of the African population in 'White' South Africa. Thus Mr. Blaar Coetzee, deputy-minister of Bantu Administration and Development told the S.A. Brick Association in 1966: 'the point I wish to stress is that, in all industries, it is essential to replace labour by mechanization or, if that is impossible, to take the industry to labour, that is to border areas'.

In 1967, the Physical Planning and Utilization of Resources Bill was introduced. It empowered the Minister of Planning to grant, or to withhold, permission for the establishment of new and sub-division of existing industrial townships on any conditions he wishes. The power extends to the establishment or extension of factories by region and by class of industry. The critical legal definition of 'extension' means 'any increase in the number of Bantu workers employed in such factory'. The Act thus brought the industrial location and the individual firm's expansion under the authority of the Minister who, in the person of Dr. Carel de Wet, proclaimed (January 1968) that in every industrial region (other than the Natal region) the African labour complements of all existing factories were forthwith fixed at the figure existing as at January 19, 1968. Any increase in the number of African workers in any factory would henceforth require ministerial authority.

Administratively there were available three civil servants to exercise this complete industrial licensing system, according to the S.A. Financial Mail. The consternation of industry at such an imposition on their freedom of policy and operations was so ominous for future investment, that the Prime Minister's Economic Advisory Council instructed its economic adviser to examine and appraise this policy of decentralization. The Riekert Committee in mid-1971 produced its 'Riekert Plan'.

So-termed site-bound industries in the Witwatersrand-Pretoria-Vereeniging complex would be administratively exempt

from such industrial licensing but no definition of 'site-bound' was provided. For the next two years, existing non-sitebound companies (not industries) in the same Rand area will have to observe a ceiling of 2.5 African workers per White worker and this ratio will also apply as a limit to new companies. New companies that cannot observe this ratio limit will not be permitted to start up in the Witwatersrand-Pretoria-Vereeniging complex at all but will be expected to go to the border areas, the Homelands or other decentralized areas.

Established non-sitebound companies with a higher African-White ratio than 2.5:1 will presumably be compelled to reduce their African labour to this ratio in terms of section 3 of the Physical Planning Act. After June 1973, this permissible ratio falls to 2:1. The position in respect of other areas in the country has not been clarified at the time of writing but the legal authority of the Minister of Planning to put a total prohibition on industrial growth, defined as employing additional African workers, in White South Africa is virtually unfettered. The extraordinary nature of such authority clearly reflects the Government's concern that the very slow economic change in the Bantu Homelands was exercising no positive pull in structuring the African population towards separate development.

The evidence of the inability of these 260 scattered areas, known as the Homelands, to sustain even their own natural increase let alone move steadily towards viable nation-states spurred the Government to a 'final effort'. Indeed even at this date, some 35 years after General Hertzog's definitive legislation on African enfranchisement and land allocation and nearly sixty years after the original enactment bringing to an end 'free-traffic' in land as between Whites and Africans, the Bantu Trust had not yet completed the purchase of the promised 'released' lands for the Africans. About 1.5 million morgen remained to be bought.

The reluctance of industrialists to move to the border-areas and thereby contain the inexorable growth of the urbanized African population was to be overcome by a bigger stick and a bigger carrot. The Promotion of the Economic Development of Bantu Homelands Act of 1968 provides for the continuation and creation of Bantu Investment Corporations for the several Bantu Homelands. The Bantu Investment Corporation, as the key operational body of the old South African Bantu Trust of the 1936 legislation, may 'exercise any other power which the State President may consider necessary for the attainment of its objectives ...'.

This Act while primarily a consolidation of all legislation on Bantu economic development contains a new clause 23, marking a major policy change. The clause permits non-official White persons to invest and manage enterprises in the Bantustans. This is a clear breach with Verwoerd's absolute refusal to allow private White investments and operations in the Homelands and, a decade later, an acknowledgment of the validity of the Tomlinson Commission's judgment that White entrepreneurship and management would be indispensable to generate self-sustaining economic activity in these former African reserves.

By mid-1967 ministerial speeches were informing African leaders that White entrepreneurs would be invited 'to participate' with the official government bodies. No permanent property or freehold rights would be given to White capital in the Homelands or Bantustans but long-term leasehold agreements would 'allow' private enterprise to lend funds to the Bantu Investment Corporation with which to establish and operate assets as 'agents' of the Corporation. Such assets would revert to African ownership after the contractual White agency had been terminated with, if needs be, compensation. A subsequent sponsored train tour of the Transkei, the first Bantustan, for seventy senior White industrialists was introduced with a

departmental circular: Please regard yourself right from the start as one of a big, happy and adventurous family. But the major reported impression on the White businessmen seems to have been the total absence of intensive farming and the desperate need for agricultural improvement. There was 'utter astonishment' at the 'utter lack of change' in the first of the Homelands.

With average annual income of R53 per head estimated in the mid-sixties and half of this still coming from expatriate labour, the stagnation of the Bantustans revealed that progressive-minded Africans were continuing to become urbanized outside the pastoral tribal territories. Few signs of adaptability to factory work among rural Africans and particularly tribal women were evident.

The legislation detailed above and the regulations under other related legislation, together with the invitation to White entrepreneurship, mark the openly expressed view of Afrikanerdom's Establishment. This was that a 'last chance' effort would have to be made by the polity to halt a continuing, and perhaps irreversible, integration of the Africans in a dynamic and unifying economy of a single South African social system.

Once more external events, in particular the closure of the Suez Canal and the U.N. sanctions on Rhodesia, provided an exceptionally favourable stimulus to business activity in South Africa. Import- or exchange-controls were applied to give maximum market guarantees for strategic investment in oil refineries, chemical plants, timber plantations and paper-processing and, in particular, a determined transformation from motor assembly to vehicle manufacturing. Feverish speculative on the Johannesburg stock exchange attracted a vast sum of small savings and in April 1968 an all-time peak of 405.2 was reached

in the index of industrial share prices - only to collapse inevitably in a severe setback.

A massive constructional boom allied to official encouragement of import-substitution and sanction-defeating industrialization together with soaring defence budgets and public sector investment brought about a shortage of White labour that became the subject of almost daily reference in parliament and press.

The demand for African labour accordingly intensified throughout the 'White economy'. In the public service areas of the South African Railways and the Post Office (where Prime Minister Hertzog and Labour Minister Creswell in the old Pact Government that first brought Afrikanerdom into control of the polity had nearly fifty years before launched their 'civilized labour' policy to employ White unskilled workers) both the Minister of Transport and the Minister of Posts were compelled to open job categories to Africans to avoid a collapse of essential services.

Not only the Federated Chamber of Industries, the Association of Chambers of Commerce and English-speaking business clamoured for the end of 'job-reservation' but for the first time representative Afrikaans business organizations began publicly to question the rigidities of the 'economic colour bar'.

From 1948 to 1970 the gross national product at market prices rose from R2,037 million to an estimated R11,919 million; the real gross domestic product (at 1963 prices) increased from R3,321 million (1958) to R9,797 million in 1970. From 1960 to 1970 the increase in real gross domestic product (at 1963 prices) was from R5,551 million to R9,797 million and in the last quinquennium to 1970 the increase was of the order of 25 per cent for the period.<sup>3</sup>

No official statistics are available, but the very great increase in activity in the key sectoral areas of manufactur-

ing , distributive trading, finance, construction and mining was almost entirely in the urbanized complexes. The 1970 official census showed a total population of 21.4 millions with 3.8 million Whites, 15.0 million Africans, 2.0 million Coloureds and 0.6 million Asiatics. According to the census, of the total 15.0 million Africans, some 8.0 million were residing in the 'White' areas and 6.9 million in the 'Homelands'. But the statistical definition of 'urban' and 'rural' and thus 'White areas' and 'Homelands' in this 1970 census is not comparable with the definition of the previous censuses and the new 1970 classification cannot escape a charge of administrative interpretation to lend support for the Government's primary policy- or political-objective of achieving 'separate development'.

The growth-points of the economy selected by the Government's decentralized planning were the 'border areas'. Apart however, from the special instance of Phalaborwa with its extensive mineral deposits, all other growth points - Rosslyn, Hammarsdale, Kingwilliamstown, Pietermaritzburg - are the industrial suburbs or appendages of major White cities. Even in these areas, selected by Dr. Verwoerd for his original fiscal and other subventions and encouragements, the first seven years of border-area industrialization yielded less than 50,000 jobs for Africans. The 1971 Budget announced a set of additional incentives to promote the attractions of these border areas. 'Development allowances' or tax holidays to industrialists settling in the Homelands and border-areas were extended to 10 and 7 years respectively with such deductions against even non-industrial income. The development allowance or tax holiday could, in certain circumstances, be extended by the Minister of Finance and benefits might be transferred from wholly-owned subsidiaries to parent companies.

The old rebates on power and water costs, initial allowances on machinery cost, investment allowances of up to 25 per cent

on cost of factory buildings and up to 35 per cent on machinery cost, and the inclusion of moving cost of fixed capital for depreciation were continued. The rebate of road and rail tariffs on manufactures was increased to 15 per cent with a 25 per cent rebate on harbour-port charges. New price preferences of 5 per cent on finished products in government tenders were introduced and a housing grant of R12,500 per property made available for key White executives.

This highly attractive incentive-package was clearly evidence that with every year the functional and geographical 'inter-dependence', in the preferred term of government spokesmen, or the economic integration of South African society was growing. The reaction of the polity in the 1970s was to legislate to formalize its value-orientations and cultural norms. The role of the Africans was to be fixed for all time as migratory worker with every African, wherever born or however long-time resident in industrialized, urbanized South Africa legally linked to a Homeland.

The 1969 Bantu Homelands Citizenship legislation covered all Africans and declared that there shall be citizenship in respect of every Bantu territorial authority, where every African unless a prohibited immigrant shall exercise franchise and citizenship rights and obligations. The qualification for territorial authority citizenship is birth or domicile and

every Bantu person in the Republic speaking any Bantu language used by the Bantu population of that area, including every Bantu person belonging to any associated linguistic group ... and every other Bantu person in the Republic related to any member of the Bantu population of that area, or who has identified himself with any part of such population by virtue of his cultural or racial background.

Section 2(s) of this Bantu Homelands Citizenship Act temporarily safeguards any remaining resident rights of certain

urban Africans, who qualify by ten years in the service of one employer or fifteen years uninterrupted employment or residence in the area. But no new qualifications in terms of such employment or residence will be allowed by the Bantu Administration Boards Act of 1969, which establishes central government boards to take over from local authorities all their powers and duties in respect of African administration.

A virtual total prohibition was placed on new family residence in the urban areas of White South Africa and new urban housing is to be in the form of hostels for single Africans only.

The political factor of Afrikanerdom was giving definitive legal form to its belief-system of Apartheid. By way of 'separate development', the territorial area of South Africa was being distributed among a number of ethnic units with the African peoples allocated in accordance with the supreme sovereignty of the White polity to such pre-determined Bantustans or Homelands. No African would have citizenship or permanent residential rights except in his attributed Homeland. The economic viability of such Homelands would be encouraged by stringently controlled White enterprise, which would never however acquire permanent rights of ownership.

Economic development throughout White South Africa insofar as it involved African workers would be structured in accordance with the absolute authority of the Government over the movement and job-allocation of the African peoples. Such authority would be directed to enforcing the permanency of a migratory African labour population on the economy. To give legal and symbolic significance to this system, every African might be required once a year to return for some time-period to his Homeland before being re-admitted to his previous employment.

Influx control and job allocation would be exercised through labour bureaux within the Bantu Authorities and the establishment of Bantu Labour Boards outside the tribal territories. Work-seeking resident Africans come under the direct control of their tribal chiefs and those whose labour contracts outside their Homelands terminate must register with their local chiefs within a month of becoming unemployed. Permission to leave for or to seek work outside is dependent on the Bantu Authority concerned.

Having registered as work-seekers in particular categories such as labourer, factory worker or mineworker, they then have to await an appropriate 'requisition' from prospective employers and secure the approval of the application by the territorial labour authority. Such approval will be given on the basis of a service contract for a maximum of one year, after which the work-seeker must return immediately to his Homeland where he will be able to leave again only on another labour contract not exceeding twelve months.

A worker so recruited must live in single quarters in the urban location and no members of his family will be allowed to accompany him. To offset the wastage of experience and acquired skills, a 'call-in' card system will try to enable employers renew contracts with particular workers.

In due course, the statistics will almost certainly record these years of the Republic of South Africa, when the immobilization of the African peoples was given formal<sup>a</sup> codification, as the period in which the tempo of African urbanization and integration into the economy of White South Africa rose fastest. It was also the period when what is known as 'klein apartheid', the rigidities of separation in social life, was most completely clamped down. Africans were prohibited from attending as spectators at 'White' sporting events, the Cape Coloureds lost admission-rights to concert and theatrical performances and to

the hire of municipal halls for their own social occasions, mixed libraries were no longer allowed, almost every contact-relationship that implied an 'equality of status' between White and non-White was proscribed. The municipal franchise of the Cape Coloureds in Cape Town was ended by the central government.

Ministerial statements, and actions, acknowledge the economic realities. Mr. de Wet Nel, the Minister of Bantu Administration, told Parliament:

Millions of Bantu will still come here to work in the White areas. We will continue to make use of Bantu labour and, to a very large extent, they will supplement our own labour force in our economy.<sup>4</sup>

The Deputy Minister of Bantu Administration (from April 1966, the new Minister) stated:

In terms of our policy we say that Bantu may be present in the White areas to offer labour but not for the sake of enjoying all sorts of privileges such as citizenship rights, political rights, social integrations, etc.; we are adamant on that. And if the number of Bantu increase on this basis under our policy, their<sup>5</sup> presence will not constitute a danger to us.

The distinction between African employment in the White's economy and the economic integration of the Africans into White South Africa was elucidated by a Nationalist M.P. in debate:

The Bantu are not being incorporated in our economy. They will only have become integrated when they have a joint say in regard to the way in which our economy must be run, but so long as the Bantu are only allowed to sell their labour in the White area, they are not integrated in our economy ... All we are doing is to import labour into South Africa, and when those labourers have completed their work here, they return to their homeland, where they have their roots, where their future lies, where they can realise their ideals and where they can get their rights.

They only come here to supply labour. They are only supplying a commodity; the commodity of labour ... As soon as the Opposition understands this principle that it is labour we are importing and not labourers as individuals, the question of numbers will not worry them either. As far as principle is concerned, it makes no difference whether one or 5,000 or 5 million Bantu come here to supply labour and then return to their homeland again.<sup>6</sup>

Units of labour are not integrated, as a Deputy Minister of Bantu Administration and Development (presently Minister) explained:

[Economic integration would mean that the Bantu] is potentially equal and will gradually become increasingly more equal to the Whites in that same economy. In other words, those Bantu should not just do unskilled work; they must be able to become apprentices in a trade, and when they have completed their apprenticeship they must be able to become artisans, and then must be able to make progress and become foremen and managers ... Then, because it will be dishonest to throw down the boom at managership, you must allow him to become an entrepreneur ... The ownership of land is intimately linked with this economic integration ... because the man who becomes an apprentice and then becomes an artisan and a manager will, if he becomes an entrepreneur, surely want to own the land on which his factory is built. Surely it is logical that he should want to own the land on which the factory of his company is built. That is denied to the Bantu here. It cannot happen here. All this is part of the chain constituting economic integration.<sup>7</sup>

As the economic boom of the Republic generated higher and higher rates of investment, private and public, and larger and larger earnings for consumers, so the economy's demand for labour grew. It expanded in numbers and in functional differentiation. The economy wanted more manpower and changing combinations of manpower, more skills and more subdivisions of

*The post was expanded  
to deal with the  
arrangement*

semi-skills. It wanted a maximum of flexibility.

The Government strove to manage the tensions, while maintaining the patterns of the past. White workers' associations agreed to the release of 'inferior' gradings of jobs, subject to rigid rules of social separation at work places and undertakings of the 'temporary' concessions. In the building industry, as in others, exemptions from job-reservation determinations were granted by the Minister of Labour. In the building industry, also, attempts were made to extend the range of pre-fabricated parts and equipment items assembled in factories where job reservations did not apply - Africans were employed in such assembly lines in place of White craftsmen in 'reserved occupations' on the building sites.

In the engineering industry, considerable dilution of skilled-category jobs was achieved by management so that substantial numbers of Africans were taken on for rapid training as operative class workers. The non-existence of trade unions among the Africans minimised the training problems and the flexibility with which management could apply working arrangements. White trade unionism presented a more complicated problem, compounded by the Industrial Conciliation Act with its encouragement of rival unions. The Trade Union Council of South Africa with affiliated recognized White, Coloured and Indian unions and a few non-recognized African unions opposed job reservation but favoured 'equal pay for equal work', in its own way hardly less of a colour bar to African job-opportunities than legal colour bars. The South African Confederation of Labour, representative almost exclusively of White trade unionists, adopted in January 1965 the following resolution:

That reservation of work is essential to preserve industrial peace and equity, and supports the application of work reservation determinations as flexible measures which are subject to adjustment whenever the circumstances demand; that

fragmentation of work should not be permitted unless agreed to by the trade union representing the workers or industry concerned; that such fragmentation should be associated with rates of pay commensurate with the responsibility and requirements of the work.<sup>8</sup>

As White political attitudes in South Africa reacted to the growing troubles in Central Africa, the tendency has been for the multi-racial Trade Union Council to lose some of its most powerful affiliating organizations. Yet in manufacturing industry generally, the technical factors in the production function were not entirely frustrated by White trade-union politics from changing combinations which increased the contribution of the non-Whites. Resistance to new and modified production techniques with consequential dilution of skills has not stultified South African manufacturing during the recent years of rapid economic development. It has been in the gold-mining industry that tradition-bound White trade-unionism allied to the most deep-rooted political-racial norms has proved completely unyielding - though even here some leading trade unionists have shown a willingness to change.

Early in 1964 the Gold Producers' Committee of the Chamber of Mines began a highly discreet move to bring about a change in the minutiae of mine-work regulations, which had been the immediate cause of the 1922 Rand Strike. It will be recollected that the Chamber of Mines for a brief year or two modified the regulations that (a) reduced the effective working-time of the African work-force by more than one-third of the time actually spent underground and (b) compelled White supervisory-miners to be paid at pay-rates twelve or more times as large as the Africans for certain supervisory jobs often, tacitly and illegally, actually performed by the Africans. Then came the Nationalist Party victory in the 1964 General Election and the reversion to the absolute rigidities of the old colour-bar regulations.

Forty years later, when once again the profit marginality had been squeezed by inflationary working costs and a continued American refusal to increase the world gold-price, another effort was made. The 1964 Gold Producers' Committee reported:

A joint committee (with the Mine Workers' Union) was appointed to examine the details and to discuss with the Government Mining Engineer exemption from certain regulations to enable the proposals to be tested on certain mines on an experimental basis. Under temporary exemptions granted by the Government Mining Engineer a reorganisation of work has been undertaken on certain mines as an experiment. Miners engaged in this experiment are not relieved of any responsibility but the amount of physical supervision previously required of them under the Mining Regulations has been decreased by the allocation of trained Bantu, still under their charge, to certain supervisory tasks. The experiments are to continue until the end of June, 1965, when the results will be closely examined.

This experiment was, as noted, an attempt to revive the work-procedures of the 1922-24 inter-regnum, when the 1911 Mines and Works Regulations were declared invalid and then reimposed by the incoming Pact Government of Nationalista and Labour Party. It provided for African 'boss-boys', re-named in 1965 Competent Non-Scheduled Persons (CNSP's), to undertake preliminary work-safety inspections so that labouring operations by the African mine-workers might begin without waiting the regulation pre-shift visit by the White supervisor, and subsequent visits by the latter for checking that again caused considerable idle time by labour gangs.

With labour gangs working at distances apart and on different levels, the overall supervisory function compulsorily carried out by the White supervisor meant major lost-time. In recent years, apart from the extra labour costs involved, supervision problems have been aggravated by difficulties in finding Whites willing to work underground. In the 1960's, mining no

longer represented the 'aristocracy' of White employment in South Africa as it had in decades past. Sons no longer follow fathers into mining and alternative job-opportunities are more attractive.

The experiment had the strong support of the official leadership of the Mineworker's Union, more particularly its General Secretary, as it promised that daily-paid White miners would become monthly salaried personnel with additional fringe-benefits. Higher earnings for CNSP's, or boss-boys, would also follow. Their fitness to discharge the duties of work-safety supervision had already been evidenced at the beginning of the century, so that this aspect of the 'experiment' was not especially adventurous or experimental.

Despite these favourable conditions and despite the official blessing of the Government Mining Inspector, it was probably naive of the Chamber of Mines to believe that the politicians would not hasten to exacerbate an old sore-spot. In due course, a Nationalist Party member embarrassed the Minister of Mines by asking questions. The Minister disclaimed knowledge of the experiment - or at least government approval for an experiment which the Government Mining Engineer had seemingly not told his Minister about; and when a breakaway, dissident group opposed the official Union leadership threatening both strikes and personal violence, the Minister instructed the Industrial Tribunal to investigate and report.

The Mine Inquiry was 'to examine the matter from a much wider point of view than merely according to financial benefits or safety factors'. The Inquiry Commission concluded that 'there is no doubt that any reorganization which is aimed at the more efficient use of manpower will be to the direct advantage of the industry'. But it also concluded:

If this experiment is an attempt to solve the problem of labour shortage, it must necessarily serve as an encouragement to other industries,

some of which have more serious labour problems than the mining industry, to conduct similar experiments.

The question-begging nature of this observation hardly merits comment. Apart from all relevant considerations of cost-reductions to improve marginal profitability of declining ore-reserves, of increased benefits for White miners and increased wages for a small group of African miners, the Government had repeatedly allowed work-reorganization in manufacturing industries and in its own controlled-enterprises to extend operative and semi-skilled jobs for non-Whites in the absence of Whites to fill vacancies. Nevertheless the Government shied away from this most explosive of all industrial-relations issues in South African experience and ordered the discontinuation of the mining-industry experiment 'in view of the detrimental implications involved'.<sup>9</sup>

Despite the undoubted broadening of the country's economic activities, maximum gold output remains of strategic importance to the country's balance-of-payments and thus to its continued rate of economic growth. The Government could not totally ignore the private warnings from the Chamber of Mines of major loss of potential earnings in consequence of contemporary inflation of costs. Furthermore, this 'job-experiment' promised substantially improved wages and other benefits to White miners. They would achieve the status of monthly salaried employees and would not in fact be required to hand over to the Africans any task or responsibility associated with blasting operations or explosives-handling but only the 'seeing-in' of working groups of African labourers where no blasting was taking place. Some White miners therefore pressed for acceptance of the 'experiment'.

From 1966 the 'experiment' precipitated a major struggle for control of the all-White Mine Workers' Union, the M.W.U.,

between a Mr. Grundling, the general secretary who was in favour and a Dr. Ras Beyers, who as legal adviser led the violent opposition of an Action Committee that raised the old rallying cry that the Chamber of Mines was trying to force White miners out of their jobs and replace them with low-paid Blacks. This Action Committee coupled a total rejection of the experiment with demands for a doubling of the basic pay scales and a statutory twenty-years underground working life for Whites before substantially increased retirement pensions.

Again the emotive appeals and denunciations revealed old value-orientations that exerted their conflicting forces within Afrikanerdom itself. Dr. Beyers, declaring that four generations of his family 'had fought the English' and his 'hate of those Anglo-Jewish capitalists who control the mining industry', and his rebel executive took possession of the Mine Workers Union's offices. The official General Secretary was forced to withdraw and the new executive was sworn in with an oath to keep 'Kaffirs, Moors and Indians out of White man's work ... so help me God and my strong sword arm'. Beyers was elected a permanent legal adviser with complete advisory powers. A Court order, however, forced the exclusion of Beyers and his associates and a compromise new M.W.U. executive appears to have reached an agreement with the Chamber of Mines.

A characteristic discretion on disclosure makes it difficult to establish the facts on this agreement, but contemporary economic data for the gold-mining industry can be pieced together.

Although the 1967 presidential address to the Chamber of Mines noted that for nine out of the past ten years the gold-mining industry had achieved a record annual production, by 1965 the most sustained rise ever in South African gold production was beginning to level off. Despite rumours and hopes of a major official rise in world gold-price (that carried the Johannesburg stock exchange to an unprecedented speculative frenzy with subsequent collapse), the Chamber was seriously

concerned at the unchecked inflationary working cost increases. The record gold production from the mid-fifties was obtained through the great upsurge of the scale of operations in the new goldfields of the Orange Free State, the Far West Rand, Klerksdorp and Evander and also, more ominously, through the deliberate raising of the grade of ore mined. This latter aspect of increased output to counter rising costs involved the growing abandonment of low-grade ore and thus a serious diminution in future gold output.

At about this time the Chamber made a major submission to the Government on the future outlook for the gold-mining industry. Of 49 mines in the Transvaal and the Free State, seven were making huge profits, five were making a loss and the profits of the remaining 37 were small and threatened by any continuation of the inflationary costs increases which, after rising until 1964 by about 3 per cent a year, rose by  $4\frac{1}{2}$  per cent in 1965 and 6 per cent in 1966.

A 4 per cent increase is the equivalent of an additional 25 cents per ton and for every such 25 cents per ton increase in working costs, R200,000,000 worth of gold - and foreign exchange - has to be abandoned. In 1967 the break-even grade of an operating mine was seven dwts a ton against only two and a half dwts a ton forty years ago, while to develop a new mine an ore-grade of at least ten dwts per ton would have to be relied on against about four dwts in the 1920s.

As at 1967 the gold-mining industry employed 17,000 White underground miners and 22,000 officials. The underground miners work 26 eight-hour shifts a month. About one-quarter or 25 per cent of the White miners are rock-breakers or developers, engaged on a contract basis, with earnings related to the amount of rock broken. These are the 'big earners'. With a basic wage rate of from R5.21 to R5.49 a shift (under ten to over 20 years service), and a guaranteed contract earnings of not less

than R1.35 a shift, a rock breaker with 15 years service would earn a minimum of R176 a month. Miners allocated a 'good' area averaged between R300 to R800 a month with an occasional, exceptional, R1,000 a month.

Such arduous rock-breaking work with its occupational hazard of pneumoconiosis means that after 12 to 15 years, the miner goes on to ordinary 'day-pay' work. The rate of pay for such day-work is from R5.81 per shift (under ten years service) to R6.09 (over 20 years service) with a monthly bonus varying from R10 to R100 a month so that a day worker with 15 years service might earn an average R206 a month. In 1967, according to a published statement of the Chamber of Mines, the industry's 5,200 rock-breakers (about half of all the White gold miners) earned an average R350 a month, while day-pay workers averaged £230 a month (the figures in fact appear to relate to the year 1964). Comparatively to the rock-breakers R75 a week in the mining industry, (White) mechanics in the engineering industry averaged R60 a week, machinists and operators R50 a week and building artisans R54 a week.

Sporadic unofficial strikes on the mines led to the Government appointing a three-man mediation committee. An agreement in respect of coal mining, though not initially applicable to the more turbulent gold miners, provided a White coal miner with a minimum starting monthly pay of R260 rising, after 20 years, to R300 a month plus overtime and bonus. In terms of this agreement on the coal mines, Africans might assist with blasting by making up primers, charging drill-holes and locking-up explosives. African labour gangs might also start work in an area which has previously been made safe, even if no White miner had yet come down to the mine. Where an area has been blasted, African labour gangs need no longer wait at the 'waiting-place' until a White miner has completed his inspection of every section and once this section had been made safe, African

miners might start work.

These minutiae of operations illustrate not only the details of industrial practice, but the norms of 'White man's work' and the related role relationships of Whites and Africans that had come into being almost from the start of mining activity in South Africa in the last quarter of the nineteenth century. Apart from the brief period of 1922-24 when the Chamber of Mines, facing a disastrous price-cost squeeze, had forced some flexibilities, it was only in the late 1960s that significant change was accepted by the White miners.

This change that began in the coal mines was gradually and without publicity taken over into the gold mines. The Mine Workers Union were satisfied, not only by guarantees against redundancy, but by assurances of minimum monthly rates to offset potential high bonus earnings from the traditional contract arrangement for rock-breaking. By 1970 a White gold rock-breaker appears to have secured a minimum of R500 a month with exceptional earnings of up to R800 to R900 a month. At the same time, a new pay scale for African miners provided average cash earnings of R16 a month plus food and quarters. The basic wage appears to have been raised to 60 cents a shift.

Dr. Wilson, writing in the S.A. Financial Mail (May 10, 1968) and using 1938 as a base year, suggested that the cash wages of the African gold-mining worker in 1968 were no higher and possibly lower than in 1911. The gap between the White and the Black miner had widened rapidly to a ratio of 16:1. Before 1939 the African worker in mining and manufacturing earned much the same wage; by 1968, however, an African steel worker's wage was R1.52 for an 8-hour day and the average African gold miner was (cash) only 58 cents for a longer day.

Significantly, the number of African miners recruited from outside the boundaries of South Africa was steadily increased.

The non-South African quota on the mines rose from about 48 per cent in the 1940s to 66 per cent in the late 1960s. There was thus a continuation of the original strategic policy of avoiding the demand of the mines for a great mass of unskilled African labouring energy pushing up the cash wage above a monopsonistic 'maximum-average' on the mines, and the consequential competitive spread of higher wages throughout non-mining activities was held in check by a major input of extra-South African labour into the mines. Nonetheless the rate of economic growth in the Republic, under inflationary pulls and pushes, was such that in 1970 the presidential address to the Chamber of Mines reported for almost the first time in a generation a serious shortfall in the number of Africans offering themselves for mining work.

These same inflationary pressures threatened the closure of a significant number of marginal mines and a government subsidy scheme was introduced to prolong mining in a number of such marginal mines and secure their critical foreign exchange contribution - partly in the hope of a rise in the official gold price. Though a form of productivity bargaining had finally come to the gold-mining industry to secure some modification of the generations-old underemployment of its vast African labour force, the power of the White miners and their political support in Afrikanerdom was as potent as ever.

When no Whites could be found for certain jobs as ventilation recorders, samplers and surveyors, Africans with a secondary school certificate were trained for the duties subject to the approval of White miners and underground officials. A member of Parliament requested a job-reservation order claiming that 'people with a capitalist's mentality are tampering with the foundations of our industrial well-being and stability and peace, quiet and order'. The Minister of Labour declared that White miners were becoming irritated that a Black man is 'now

being thought fit to measure the amount of rock he (the White miner) blasts in a shift' and he told the Chamber of Mines not to continue the practice.

A much more searching question was raised by the establishment of the government body, the Bantu Mining Development Corporation, to promote mining development in the Homelands. Would Africans be allowed to carry out every type of mining skilled job on the mines in their own 'sovereign territories' in which areas alone they could claim citizenship rights, or would the effective veto of the M.W.U. operate extra-territorially? In the case of the Impala platinum mine coming just within the territorial boundary of the Tswana Homeland, the Minister in face of M.W.U. pressure agreed (May, 1968) that White miners should not be replaced by non-Whites on the grounds that the Impala mine is 'so near' the White town of Rustenburg.

In October, 1970 the Minister of Mines (and Planning), Dr. de Wet ruled that the Mines and Works Act and its colour-bar regulations applied to mining in the Homelands and to the new prospective mines that might be opened up by the mining-finance houses. No African 'Homeland' miner would be permitted to replace a White miner, have authority over a White mine-worker and do the same work on the same mine except on separate shifts or separate sections of the mine. Exemption from the Mines and Works regulations would not be granted to Homeland mining generally but only to individual mines. The question of who would control the mines and mine labour policy in the Homelands when they attain their 'sovereignty' has not yet been answered.

The adaptionist impact of economic dynamism and the compulsions of least-cost productivity were being felt throughout industry and commerce. In the case of the important steel and engineering industry, SEIFSA (the employers' joint-negotiating body) struck the kind of bargain that illustrates the South African realities of a Parsonian rather than a Marxist model of the

social system.

A previous wage agreement had telescoped sixteen job categories into eleven. The great and sustained investment in the metals-industries brought about a massive demand for additional labour which, despite attempts to attract White immigrants, meant a major job reclassification that would permit a substantial proportionate increase in unskilled and operative jobs to be carried out by Africans. A new agreement was sought.

Africans, who are legally denied trade union recognition, were represented by the Central Bantu Labour Board officials; the White workers by the National Liaison Committee of the eight negotiating trade unions; SEIFSA represented 32 employer associations. Prolonged negotiation resulted in a new agreement. In return for job fragmentation that opened up previously restricted jobs to Africans, a closed shop was conceded in the four top pay grades to be open only to registered trade union members (i.e. non-Africans) at guaranteed minimum wages. These four top grades were conceded increases of just under R1 or 100 cents per hour and the increase in the African job-categories were from one-half to one cent.

The original categories one to seven became A, B, C, D reserved for registered (White) trade unionists at rates ranging from 96 cents to 81 cents per hour; the remaining categories were classified into DD to H with the great majority of jobs grouped as unskilled paid from 19 to 27 cents per hour. Actual earnings of top-graded categories substantially exceeded agreed minima but job re-classification permitted some jobs previously commanding between 70 to 80 cents an hour for Whites to be done by Africans operating automatic equipment at from 20 to 30 cents per hour.

The ratio of skilled i.e. White wage-rates to unskilled i.e. African wage-rates in the steel and engineering industries was

thus five to one. In a major negotiating session the represented White trade unionists bargained for and obtained increases of nearly 100 cents against an increase of half to one cent for the non-unionist Africans, represented by government officials. While not invoking the official job-reservation machinery of the Industrial Conciliation Act, the agreement nevertheless imposes a complete exclusion of Africans from all higher grade and paid categories of labour. A measure of flexibility in working arrangements, however, has important cost-reduction benefits to the industry.

At the same time, the Minister of Labour was determined to ensure the elimination of all trade unions that admitted Whites and non-Whites as fellow members. He introduced in April, 1966 a bill to amend section 78 of the Industrial Conciliation Act, which would allow compulsory deduction by employers of union dues by order of the Minister of Labour who can invoke the order for any registered trade union. The Minister stated he would invoke such an order only in respect of trade unions whose constitutions limit membership exclusively to Whites or to Coloureds. The amendment was patently aimed at TUCSA, which allowed non-registered trade unions, that is African unions, to its Council membership.

The Trades Union Council of South Africa, TUCSA, had come into being in 1954 after the 250,000 strong Trades and Labour Council had split into the all-White Confederation of Labour, TUCSA, and a left-wing Congress of Trade Unions. TUCSA was substantially the largest of the three but with the withdrawal over the years of such major unions as the Amalgamated Engineers, the Typographical Union and the Electrical Workers Association, TUCSA faced disintegration. The last remaining non-registered African Engineering Workers Union with 450 members refused to 'resign' from TUCSA, which force majeure in 1969 conceded to the Minister of Labour his insistence on the exclu-

sion of all non-registered (African) unions and total separation of White and Coloured unions.

The significance of the severance of this almost final contact-relationship implying common status in the South African social system (only the English churches remaining) was purely symbolical. What was real was the power of the polity, exercised through the exclusively White parliament, organized business and labour associations to determine the socio-economic stratification of South African society.

The ultimate statutory power appears to be section 11 of the Bantu Laws Amendment Act (1969) that adds to section 20 of the Bantu Labour Act: notwithstanding anything to the contrary contained in any law, the Minister may by notice in the government gazette prohibit the performance of work by, or the employment or continued employment of, a Bantu in a specified area, in a specified class of employment, in a specified trade, in the service of a specified employer or class of employers. A prohibition of a specified class of employment may be applied either in a specified area or generally.

In May 1969 in terms of these powers the Deputy-Minister of Bantu Administration, Dr. Koornhof, announced an immediate prohibition of Africans from working as a telephonist, switchboard operator, receptionist, typist, clerk, cashier, counter-assistant or salesman excepting only those Africans working as government employees or in the Bantu Homelands or certain border areas.

Government policy on job-reservation appears to extend to border area factories and the Minister of Labour in mid-1970 refused to answer questions relating to limits on employment opportunities for Africans in border-area industry. Mr. Harry Oppenheimer, as the country's greatest entrepreneur, was publicly and personally warned by the Minister of Mine and Planning to

accept and implement government policy on separate development, Bantu Homelands, border industries and the Physical Planning Act or 'become acquainted with government policy in a tangible way'.

It probably defies econometric calculation to establish even an estimate of the past, present, and future consequences to South African economic development of the imposed immobilities of African labour. A total barrier has been placed on vertical mobility as between White and Black. During the course of legislation and administration from the formation of the Union, and with rising rigidity from the establishment of the Republic, the political factor has striven to ensure that no White man should fall in status below a Black man and that no Black man should rise in status above a White man. But economic forces, more precisely the development of capitalism, have brought about in South Africa the decay of a largely self-subsistent, agrarian economy as they did in medieval Europe. Even the Land Act of 1911, that led to a concentration of land ownership in fewer and fewer White hands (as market-demand added its values to unutilized resources), might from a broad standpoint be interpreted as similar in ultimate significance as the enclosure of the commons in Britain. Thus, in due course, sheep and maize-farming did come to yield - especially after the 1940's - large profits, that became a key source of capital formation among the Afrikaners and over the decades forced mobility on the Africans.

The total barrier to the extension of land ownership among tribal Africans, and the legal restraints on labour tenancy in White agriculture, slowly broke up the undivided African family and opened up outside the agrarian society the incentives that come from individualization of effort and reward. In the Native Reserves or Bantustans or Homelands, high birth rates

were off-set by high death rates; there was no technological progress and no resource discovery, no capital accumulation and no net savings. There was, in the terms of Higgins,<sup>10</sup> a truly stagnant economy. The migration of labour from these tribal territories in search of monetary rewards as wage-paid workers in mining and in manufacturing industry began a vital move. Mining discoveries at Kimberley and on the Witwatersrand favoured private capital investment and hence the whole scale of autonomous, as distinct from induced, investment.

Furthermore, world technological progress from after the Second World War provided new technical plant in industry that greatly favoured operative-class or semi-skilled labour. The non-Whites of South Africa were a very large supply of such labour and more than any other change, this increased the geographical and social mobility of the non-Whites. Though denied any place or real promise (other than in a separate development) of leadership, such constraints on the non-Whites have not in fact prevented economic change. So long as vertical mobility was possible within at least White South Africa, the fact that the Whites represented one-fifth of the country's total population was perhaps sufficient to maintain fresh leadership for the whole society.<sup>11</sup>

Within the White population, there has indeed been an almost complete absence of class or social distinction to inhibit abilities or capitalistic mores and drives. White supremacy has, moreover, guaranteed political security for capital. In the context of an increasingly turbulent Africa, the Republic has preserved capitalism from arbitrary despoliation by communism, socialism or even excessively regressive taxation systems'. At least the security has seemed to be for the time-span, which an ebullient class of capitalists has interpreted as within their life-times. Après mois, le déluge has comforted the White profit-makers of South Africa no less than the Bourbons.

Yet labour does remain a limiting factor in economic development. White immigration merely increased the demands for non-White labour and for non-White labour of rising grades of skill. The immobilities imposed on the non-Whites were the real bottle-neck to economic growth and not the 'dearth' of White skills. It is in the nature of macro-economic planning to treat labour as a 'resource' or 'magnitude'. In the case of the Republic of South Africa, the African is at once a 'unit of labour' in relation to his rights to participate in the economic activities of the country and Africans are an 'aggregate of labour' in establishing economic development programmes for a society, in which they have no political rights.

The absence of such rights has unquestionably entrenched the differentials in earnings and incomes between White and non-Whites, and more particularly between Whites and Africans.

Economically Active Population, Males only, Republic of South Africa by Some Categories - Official Census 1960

	<u>Total</u>	<u>Whites</u>	<u>Coloureds</u>	<u>Asiatics</u>	<u>Africans</u>
Professional, technical, related *	116,576	81,901	7,297	3,909	23,469
Administrative executive, managerial	59,871	51,714	1,129	2,410	4,528
Clerical	167,793	135,346	6,026	7,867	18,554
Farm workers	1,096,103	11,643	109,675	9,241	965,541
Miner, quarryman	558,676	31,563	3,237	182	523,694
Transport:					
Driver, fireman(Rly)	11,398	11,398	-	-	-
Driver (road)	66,270	18,483	12,472	6,025	29,290

\* In respect of the non-Whites, this classification consists overwhelmingly of teachers and nurses. As at 1960, no African and indeed no non-Whites appeared as architects, engineers, surveyors, veterinarians, scientists or even as medical doctors. This last, however, seems an error as there are known to be Coloured and Asiatic doctors and a few Africans in training.

When the further breakdown of the classification of 'Craftsman, production worker, labourer' is made, the status relationships emerge in even starker contrast.

	<u>All Races</u>	<u>Whites</u>	<u>Coloured</u>	<u>Asiatic</u>	<u>Africans</u>
Craftsman, production, labourer	1,147,591	254,381	155,421	33,766	704,023
Fitter/turner/ boilermaker	33,775	32,628	1,147	-	-
Mechanic (non- electrical)	31,112	28,615	1,849	648	-
Plumber, steel metal worker	10,275	8,677	1,598	-	-
Other metal worker	16,276	15,189	1,087	-	-
Electrician	28,218	27,294	924	-	-
Carpenter	36,425	23,028	8,000	1,757	3,640
Painter	20,897	7,982	7,703	836	4,376
Bricklayer, plasterer	10,505	7,258	2,094	1,153	-
Labourer	758,721	14,119	90,631	10,386	643,585

Forty years later, when once again the profit marginality had been squeezed by inflationary working costs and a continued American refusal to increase the world gold-price, another effort was made. The 1964 Gold Producers' Committee reported:

A joint committee (with the Mine Workers' Union) was appointed to examine the details and to discuss with the Government Mining Engineer exemption from certain regulations to enable the proposals to be tested on certain mines on an experimental basis. Under temporary exemptions granted by the Government Mining Engineer a reorganisation of work has been undertaken on certain mines as an experiment. Miners engaged in this experiment are not relieved of any responsibility but the amount of physical supervision previously required of them under the Mining Regulations has been decreased by the allocation of trained Bantu, still under their charge, to certain supervisory tasks. The experiments are to continue until the end of June, 1965, when the results will be closely examined.

This experiment was, as noted, an attempt to revive the work-procedures of the 1922-24 inter-regnum, when the 1911 Mines and Works Regulations were declared invalid and then reimposed by the incoming Pact Government of Nationalista and Labour Party. It provided for African 'boss-boys', re-named in 1965 Competent Non-Scheduled Persons (CNSP's), to undertake preliminary work-safety inspections so that labouring operations by the African mine-workers might begin without waiting the regulation pre-shift visit by the White supervisor, and subsequent visits by the latter for checking that again caused considerable idle time by labour gangs.

With labour gangs working at distances apart and on different levels, the overall supervisory function compulsorily carried out by the White supervisor meant major lost-time. In recent years, apart from the extra labour costs involved, supervision problems have been aggravated by difficulties in finding Whites willing to work underground. In the 1960's, mining no

Income Groups, 1960, Whites and Coloureds - Male/Female

(1964 Year Book)

<u>Annual Income: in Rands</u>	<u>White male</u>	<u>White female</u>	<u>Annual Income in Rands</u>	<u>Coloureds male</u>	<u>Coloured female</u>
No income*	627,034	1,132,288	No income	400,377	578,785
Under 200	18,065	29,533	Under 200	147,484	114,544
200-	47,313	73,376	200-	92,207	27,790
400-	37,966	44,600	400-	40,561	16,448
600-	57,447	74,829	600-	22,231	5,871
800-	47,862	52,221	800-	11,912	1,727
1,000-	51,785	38,532	1,000 -	8,293	696
1,200-	116,729	43,904	1,200 -	8,907	332
1,600-	153,517	18,206	1,600 -	4,228	247
2,000-	213,838	14,118	2,000 -	1,577	-
3,000-	65,535	4,178	3,000 +	261	-
4,000-	31,085	1,840			
5,000-	14,630	791			
6,000-	14,719	862			
8,000-	6,554	311			
10,000-	5,893	352			
15,000+	3,751	290			
No return	15,380	19,158	No return	12,794	11,986
	<u>1,539,103</u>	<u>1,549,389</u>		<u>750,832</u>	<u>758,426</u>

(\* No income group would be mainly children and elderly persons)

The economic colour barriers, and consequential social stratification, are reflected in earnings and income structure. The tables above give income group classifications for Whites and Coloureds from the official statistical year book of 1964. No figures for Africans are published but African incomes are known to be substantially less than those for Coloured. The

longer represented the 'aristocracy' of White employment in South Africa as it had in decades past. Sons no longer follow fathers into mining and alternative job-opportunities are more attractive.

The experiment had the strong support of the official leadership of the Mineworker's Union, more particularly its General Secretary, as it promised that daily-paid White miners would become monthly salaried personnel with additional fringe-benefits. Higher earnings for CNSP's, or boss-boys, would also follow. Their fitness to discharge the duties of work-safety supervision had already been evidenced at the beginning of the century, so that this aspect of the 'experiment' was not especially adventurous or experimental.

Despite these favourable conditions and despite the official blessing of the Government Mining Inspector, it was probably naive of the Chamber of Mines to believe that the politicians would not hasten to exacerbate an old sore-spot. In due course, a Nationalist Party member embarrassed the Minister of Mines by asking questions. The Minister disclaimed knowledge of the experiment - or at least government approval for an experiment which the Government Mining Engineer had seemingly not told his Minister about; and when a breakaway, dissident group opposed the official Union leadership threatening both strikes and personal violence, the Minister instructed the Industrial Tribunal to investigate and report.

The Mine Inquiry was 'to examine the matter from a much wider point of view than merely according to financial benefits or safety factors'. The Inquiry Commission concluded that 'there is no doubt that any reorganization which is aimed at the more efficient use of manpower will be to the direct advantage of the industry'. But it also concluded:

If this experiment is an attempt to solve the problem of labour shortage, it must necessarily serve as an encouragement to other industries,

Bureau of Statistics published (April 1969) the table below of average monthly earnings (including for Whites overtime, commission and bonuses):

	<u>Whites</u>	<u>Africans</u>
Manufacturing	R256	R49
Mining	R304	R17
Construction	R273	R46
Public Authorities	R210	R36
SA Railways	R217	R41

A paper by a Mr. Langschmidt of the Bureau of Market Research estimated that, in 1968, 13 million Africans (67.9 per cent of the population) obtained 18.8 percent of the nation's personal cash income and three million Whites (19.3 per cent of the population) obtained 73.3 per cent of the nation's personal cash incomes. His figures for total annual incomes (1968) were:

Whites	R4,143,000,000	Average R97 per month
Africans	R1,063,000,000	Average R 7 per month
Coloureds	R 306,000,000	
Asiatics	R 236,000,000	

The average annual African income in the Homelands was said to have remained static at R53 a year, of which half comes from expatriate labour.

Both the country's economic development and the stratification of South African society have, according to this thesis, been critically determined by the political factor of Afrikanerdom. The Africans and the Coloureds were disenfranchised. English-speaking South Africa showed increasing indifference to the political processes of the social system. Afrikanerdom, insofar as it is identified with the governing Nationalist Party, secured ever-growing support from the White electorate.

<u>General Election</u>	<u>Nationalist</u>		<u>United</u>		<u>Progressive/Other</u>	
	<u>Seats</u>	<u>% Vote</u>	<u>Seats</u>	<u>% Vote</u>	<u>Seats</u>	<u>% Vote</u>
1958	103	48	53	51		
1961	105	57	49	34	1	5
1966	126	60	39	36	1	2½
1970	117		47		1	

Afrikanerdom, as a political factor, expressed a deeply-held set of values that more and more structures the country's economic life.

In the opening chapter of his The Afrikaner's Interpretation of South African History, van Jaarsveld writes that the belief of the Afrikaner people, that they have been assigned a place in the southern corner of Africa for a 'purpose' and to 'fulfill a mission', lies deep-rooted in South African history. Further, he says, the idea of divine election, purpose or calling has ties with the process of self-assertion of the Afrikaner and with his nationalism.<sup>12</sup> The Afrikaner, with Old Testament inspiration and Calvinistic conviction, saw himself 'Sheltered by God; bringing light to the benighted'.

The threat of 'equalization' to 'self-preservation' moved the editor of Die Transvaler to a passionate defence:

Here, at the southern point of Africa, just over 3,000,000 Whites are acting in a way that incurs the censure of a very large portion of the rest of the world ... Not only do the detractors believe that no such thing as racial differences exist, but they also hold the view when it comes to politics, matters such as differences in culture and civilization should not be taken into account. The question here concerns one of the most important manifestations of the great process of equalization which is threatening to engulf the world. Attempting to check this process is a task demanding superhuman exertion. Yet this is exactly what the Whites of the Republic will have to do ... The wise Creator has endowed every living organism, however, small

or weak, with the urge for self-preservation. An animal threatened with death will fight to the last ... It finds expression also in a nation ... In this period of equalization, to which everything must be sacrificed the people of South Africa are now faced with a challenge ... The people know that if they were to yield to the ultimatum, it would be their end.

Every nation has a life philosophy of its own. This life philosophy is based primarily on certain principles which for a particular nation are life itself. It is these principles - and not the skin colour - which in the past have induced nations to fight to the bitter end for the maintenance of their life philosophy, their principles, their culture and their civilization ...

The handful of Whites know that if they were to yield to the pressures from abroad and start with a process of equalization, they would have to sacrifice everything that had made life worth living for them. As the position is at present, the process of equalization will not result in the uncivilized non-Whites (who are in the majority) being raised to the level of the Whites; the latter will be forced down to the level of the non-Whites. And this is a level where all the big principles of life - principles with which the Whites can manage as little as fish can do without water - are not recognized. <sup>13</sup>

But Afrikanerdom faced not only world forces of equalization. It faced a rapid rate of economic development generated from within. A dynamic capitalism was in the long run no less an integrating force of equalitarianism. In the years when Afrikanerdom was in political opposition, in the decades past when it fought the Imperial Factor, it saw no less clearly the dangers from capitalistic growth and conceived the answer in Apartheid - in separate development. But when Afrikanerdom came to power, it determined to welcome and promote economic development - not least because only a powerful economy might offer successful resistance to those external forces of equalization.

What mattered was political power and the crux of Apartheid became political separation. Territorial separation was downgraded to secondary significance, while the increasing use of African labour in the White man's economic domain no longer constituted integration. Dr. Verwoerd had pronounced:

The crux of the policy of separation is political separation. The basic standpoint is that the Bantu and the Whites will have their political future apart from one another ... Territorial separation is not the crux of the policy of separation. Territorial separation is important in the sense that the further one can develop it, the greater are the chances of having good relations and of avoiding conflict ... While the territorial separation is not complete, while many Bantu are still in our midst and work here - we admit this will be the position for a long time still - care should be taken that the other forms of separation are maintained here. These forms of separation are residential separation, educational separation and social separation in all spheres, including sport and amusement ...

The next allegation is that prosperity is the result of accelerated integration ... we always stated very clearly that there was a difference between the presence of people and the employment of workers on the one hand and the integration or incorporation with your nation and its life on the other.

Integration in respect of the Bantu exists in the economic sphere only when ... one accepts him everywhere as equal in the economic sphere ... They would then be able to become skilled workers and rise to any level, equal to that of the Whites, and they would be able to compete on an equal basis with the Whites, and they would be able to have White apprentices under them if they were more highly skilled. If such a total absorption of the Bantu on a basis of equalism comes about in the industrial sphere, then integration takes place there. But the policy of the Nationalist Party does not allow of that. According to our policy there is in fact employment, and therefore the presence, of the non-Whites, but then all the principles of separation in industry (as elsewhere) come into operation.<sup>14</sup>

Yet no economy can abandon the pursuit of productivity and remain dynamic; and a dynamic economy impels its own interactions. The Prime Minister, Mr. Vorster, acknowledged, after a visit to the Homelands that even if the Bantustans attain full independence, Whites and Blacks would be economically dependent upon each other. As an African leader in response expressed the Parsonian idiom: the one hand will wash the other.