

THE APARTHEID ECONOMY TODAY

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SOUTH AFRICA'S ECONOMY has been going through what is claimed to be an unprecedented boom over the past two and a half years. The gross national income, which measures the value of the total output of goods and services, is estimated to have risen by an annual rate of 10 per cent since 1962. New private investment in plant and equipment as well as in construction went up by 12 per cent in 1963. Manufacturing production also rose by 12 per cent last year. The domestic expansion has been accompanied by a considerable measure of price stability and with little or no pressure on the country's balance of payments or on the reserves of gold and foreign exchange.

This economic performance has taken place against a background of increasing political difficulties and crisis for the Verwoerd regime. The threats of complete isolation, including all-embracing international sanctions, have markedly increased. Inside the country the resistance of the people has been intensified and as a measure of this resistance, the authorities have instituted the most far-reaching measures of repression on the liberation movement.

In ordinary circumstances these difficulties and crises would have further shaken the confidence of the country's capitalists, forcing them into policies of economic retrenchment, and to try to remove their capital to some haven of refuge abroad. Indeed, these were precisely the courses which South Africa's businessmen took after Sharpeville, and which precipitated the slump in the economy at the time. However, this has not happened now. Rather, the economy seems to have displayed what is variously described as an 'impressive resilience' to political crises; it has been expanding at rates higher than in previous post-war periods of boom, and most certainly higher than the rates of growth in most other capitalist countries in recent years. It is this experience which has given cause to Western commentators and other apologists of apartheid to draw exaggerated and superficial conclusions about the strength of the apartheid economy and to declare as one recent report put it, 'the great strength of the state and the growing strength of the economy will help to keep trouble under control'. (*Guardian*, March 25, 1964).

FOLLOWING THE NAZI MODEL

The South African boom, however impressive the official statistics, is by no means the outcome of any autonomous resurgence in economic activity following the post-Sharpeville slump. Rather, the recent economic expansion has been forced upon an otherwise ailing economy by the purposeful pursuit of economic policies not very different in content to those employed by Hitler in the 1930's to reconstruct and organise the German economy along fascist lines. Like Hitler, Verwoerd has imposed the most far-reaching controls and regimentation on the country's labour force: today virtually every aspect of African life and labour is subject to the severest control and direction; the little bargaining power which the African worker possessed has been systematically wittled away by the virtual destruction of organised trade unionism among the African working class.

Next, the authorities have extended and intensified the scope of state-private monopoly co-operation over a large and growing field of industry and trade, aiming in this way to secure a degree of national economic self-sufficiency. While this is the direct result of growing international movements for sanctions against South Africa, it is significant that the main imperialist interests abroad have joined with the Verwoerd regime to develop the South African apartheid economy by pumping in fresh capital and in other ways. All this bears a striking parallel to developments in Hitlerite Germany: the Nazi monopolies joined with interests in the United States and Britain to create giant international cartels and trusts which gave added economic strength and support to German fascism and Hitler's aggressive war policies and aims.

Pursuing the Nazi parallel further, the Verwoerd regime has placed South Africa in an iron framework of tight controls over the whole gamut of foreign trade, exchange and the movement of capital. By freezing the outflow of funds from the country, the authorities have forced into local employment and investment the big pool of idle and funk capital which has been trying to get abroad. But these controls have not impeded the inflow of new capital from the imperialist countries, for, as the South African Reserve Bank has pointed out recently, 'there is no evidence to suggest that the new restrictions on the outflow of capital had, in themselves, significantly discouraged new foreign investments'.

By far the most significant of the factors explaining the boom is the new emphasis on the South African *Wehrwirtschaft*—the war economy. The large and growing programme of armaments expenditure is proving to be a decisive factor in the current economic expansion, changing the country's industrial structure, adding new industries to the overall

industrial complex and giving new impetus to the growing concentration of economic power in the engineering and heavy industries. The *Wehrwirtschaft* has added a new dimension to the scope and scale of state-private capital co-operation. The war economy is also absorbing an ever-larger proportion of European man-power in the war industries, the armed services, the police and Special Branch and in the bloated bureaucracy of the apartheid state.

That these economic policies should be based on the Nazi pattern is no accident. Nor is it surprising. For in its present condition of deepening contradiction and crisis, only by a fuller-scale use of the fascist techniques of economic control and direction is it now possible for the Verwoerd regime to maintain untrammelled the vast system of colonial-type exploitation that goes by the name of apartheid. These techniques have their necessary complement in the political field: the heavy machinery of the police state for the repression of the African resistance movement and all opponents of apartheid. The South African state has in the process become more overtly and explicitly an instrument of the big mining and industrial monopolies, who with the farming and foreign imperialist interests combine to secure the maximum profits and wealth out of the exploitation of the African labouring masses. Thus, the deep and profound contradictions besetting the apartheid economy are only being temporarily resolved by its resorting to the economic and political instruments fashioned by the Nazis; it is this which for the moment provides the conditions for the current boom. This is not a sign of 'economic strength'. Rather, it reflects a deepening of the all-round crisis in the country.

LABOUR REGIMENTATION AND AFRICAN POVERTY

The contradictions and conflicts between the colonialist type of economy which the policies of apartheid are designed to sustain in the interests of the white exploiters and the general process of capitalist accumulation in the current phase of the South African boom is nowhere more clearly revealed than in the continued poverty of African incomes and living standards. The many laws controlling the movement and employment of African labour culminating in the 1964 Bantu Laws Amendment Act all have the purpose of freezing this poverty at levels providing the maximum rates of exploitation—a necessary requirement for the apartheid economy.

The regulation and control of African labour has been basic to the South African economy ever since gold was discovered on the Rand in the 1880's. The Pass Laws have for long provided the apparatus for this purpose. But with each new economic crisis, these laws were superseded by other measures, regulating more tightly the flow and movement of labour from the reservoirs of the unemployed and desti-

tute peasants confined as they have conveniently been in the little pockets of 'reserves' or 'Bantustans' (as they have been more recently described) strewn in different parts of the country. The Native Laws Amendment Act of 1952, which instituted the policy of 'influx control' on African labour, arose out of the crises caused in apartheid economy by the war and early post-war integration of the African people in the industrial and urban life of the country. This integration not only threatened to undermine the system of cheap labour that was maintained in the interests of the gold mining monopolies and the white farmers, but created the conditions for the rapid development of a cohesive and organised African working class taking a leading place in the movement for national liberation and freedom.

Now, as a new critical situation opens for the apartheid economy, the further regimentation and control of the African people finds its expression in the Bantu Laws Amendment Act, adopted this year. This law codifies some eleven previous Acts. Under its provisions, the Minister of 'Bantu Administration and Development' becomes the supreme dictator over the use of African labour. He determines the areas from which Africans will be recruited, the number of Africans who may be employed in any defined area, the location of industries in which they may be employed and the employers for whom they may work. He will have the power to create labour camps to which displaced and unemployed Africans will be sent. His 'labour bureaux' will detain unemployed Africans and move them about the country *ad lib* or expel them back to the reserves. Youth camps for Africans under the age of 21 years will be created from which a new pool of labour will be built up for the needs of the industrial and agricultural apartheid economy. This slave system calls for every contract of service for Africans to be officially registered. And to administer this system the Department of 'Bantu' Administration will now spend some £15 million with a staff of over one thousand. In 1948, the old Department of Native Affairs had a budget of £3 million and a staff of no more than 150.

That this latest apartheid measure should be adopted at the present time is itself significant. This law is certainly part of Verwoerd's grand design to make permanent the rule of white supremacy through what is euphemistically called 'separate development'. But it also possesses considerable importance for the apartheid economy in its present condition and for Verwoerd's economic aims. At a time of growing outside boycotts and difficulties, the main sources of domestic capital accumulation require to be consolidated and strengthened. And the most vital and central of such sources is the African working population. With aims of securing greater national economic self-

sufficiency under white rule, where and how else can the apartheid economy obtain the necessary surplus for financing capital development at the present time other than by draining from the African people the last drop of the economic values created by their labour? Thus the system of enforced African poverty through arbitrary laws and decrees, requires to be intensified. This is certainly among the purposes of the 'Bantu Laws Amendment Act'.

In a more indirect but no less real sense, the maintenance of African poverty is made necessary also by the large armaments and other economically unproductive expenditure being engaged in by the Verwoerd regime. For these expenditures can only be met from the forced savings generated through maintaining low and virtually subsistence living standards for the non-white masses.¹

The available statistics clearly reflect the policy of enforced poverty for the African people. The Minister of Labour was content last year to declare that unemployment had been reduced to the bare minimum of 1½-2 per cent of the labour force, including the African working population (that is, outside the reserves). This rate of unemployment he regarded as 'reasonable' and as evidence of the expansion of employment arising from the revival of the economy. But there is a vast disparity between the statement of the so-called 'registered' unemployment rate and the degree of non-white unemployment suggested by the population census statistics. According to the 1960 census of population, the unemployment rate was as high as 8-9 per cent for the African working population and as much as 18 per cent for the Asian and Coloured communities in 1963. Earlier last year, the Government's Froneman Commission, investigating the employment of 'foreign' Africans in the Republic, reported that some 500,000 Africans of South African nationality were unemployed (compared to the 'registered' unemployed figure of 33,000). African unemployment calculated on the basis of the census statistics at the time was 334,000. In Durban, the University of Natal, found in a survey that some 26 per cent of the Indian labour force was unemployed. And unemployment is one way of keeping wages and incomes down.

¹ The apologists of apartheid argue that the main source of government revenue comes from taxation and that the bulk of this is paid by the mining industry, capitalist enterprises and the white population. Tax is levied primarily on incomes—profits in the case of the mines and firms, and earnings in other cases. But the primary and more fundamental relationship between government revenue and African poverty arises from the fact that this poverty accounts for the current level of profits and white earnings which the apartheid laws are designed to protect. The greater the rate of African exploitation, the higher is the level of profits and earnings of the privileged class; a proportion of these incomes go to the state in taxation.

While the national income has been steadily rising over much of the post-war years, as also have profits and the earnings of the privileged white population, the earnings of the non-white people have changed little. Indeed, in the mining industry which employs some 400,000 workers, the real earnings of the African workers have actually fallen by some 7 per cent in the period since 1945. In the same period annual cash earnings of white workers (at 1959 prices) rose by over 40 per cent. And in this period the output of gold more than doubled as have the profits of the mining industry.

**Average Cash Earnings in the South African Mining Industry
and Total Production at 1959 Prices**

		<i>£ annually</i>		<i>£ million</i>
		<i>Whites</i>	<i>Non-Whites</i>	<i>Value of Total Mining Production</i>
		—————	—————	—————
1944	790	75	113
1954	1023	71	250
1960	1150	70	428
1961	1200	70	460

Source: 'The Bantu Wage Problem'—South African Journal of Economics June 1962, and Annual Report—Government Mining Engineer, 1962.

And now after some twenty years of wage stagnation—indeed, of decline—for the African mine workers, the Chamber of Mines has announced its intention to grant a wage increase averaging 10 per cent on existing levels. In fact, this increase does little more than offset the decline in real cash earnings that has taken place. The African mine workers will be no better off than before, and their level of cash wages at around £70 a year will continue to reflect the poverty conditions being perpetuated by the mining monopolies. In the meantime mining profits, which reached a record level of £156 million in 1963 (for gold and uranium production alone), have been rising at about 7 per cent a year over the past ten years. And despite this, the South African authorities have announced in their last Budget that State loans and grants, in addition to certain tax concessions, are to be made to the mining industry.

In manufacturing industry, the wage pattern is little different, despite the immense growth of manufacturing production and its important place in the South African economy. There are today some 441,000 Africans employed in private industry. This is more than twice the

number of European industrial workers. According to one estimate,¹ African earnings in industry (calculated at 1959 prices) rose from an annual level of £158 in 1950 to £180 in 1962, or by about 17 per cent. In this period, the value of manufacturing output, as indeed the national income, more than doubled. Even the rise in African earnings in industry calculated at current prices does not match the growth in total incomes in the country. On the other hand the rise in European earnings in manufacturing industry increased by well over one-third in this period. Over a more recent period—the three years between 1959-61—wage disparities became more marked. Compared to the 17 per cent increase in real African earnings over the thirteen years between 1950 and 1962, the rate amounted to less than 11 per cent over the three years from 1959. Over the latter period European earnings maintained the general long-term rate of increase of over 30 per cent. Today the ratio of African to European earnings in private industry is well below what it was in 1925.

White and Non-White Earnings in Private Industry—Annually in £

	(1) Whites	(2) Non-Whites	(2) as a % of (1)
1925-26	205	50	24.6
1938-39	232	56	23.9
1944-45	364	107	29.3
1959-60	957	202	21.1
1960-61	1000	212	21.1

Source: The Economics of the Colour Bar—W. H. Hutt.

The policy of perpetuating African poverty finds dramatic expression in the living conditions of African families in the urban areas as shown in numerous recent surveys. A survey by the University of Natal in 1963 showed that the average income of African families was about three-fifths of the minimum monthly expenditure required for the term 'acceptable' living. Mrs. H. Suzman, the Progressive Party member of Parliament, pointed out in the House of Assembly that while the University of South Africa had disclosed from a survey that £23 was the minimum essential monthly income needed to provide a family of five with the ordinary requirements of life, the average monthly income of Africans was no more than £15. In the Durban area, some 60 per cent of the African families investigated by the University had no breakfast at all while a large number of African school children investigated had nothing to eat whatever until supper time. The poverty of our people is thus not only reflected by the current levels of wages

¹ See Houghton—*The South African Economy*.

and incomes; it reflects itself in widespread malnutrition and disease and in the lack of education and the other basic amenities of life. Instead of living standards rising *pari passu* with the expansion of the country's national income and economy, the labouring African masses have become progressively impoverished and destitute. This is the hallmark of the apartheid economy; for the policy of African regimentation and poverty is the main basis on which the apartheid economy creates its economic surplus and wealth and which now shows a semblance of economic virility.

STATE—BIG BUSINESS PARTNERSHIP

In the past, the South African State was content to leave the main economic decisions concerning the country's industrial development to private capital. Governmental control over investment, the location of industry and its own participation in direct economic activity was kept to the barest minimum. The celebrated war-time reports of the Industrial and Agricultural Requirements Commission (the 'van Eck Commission') pointing out the paucity of official intervention in the economy, recommended that any official economic policy should only allow manufacturing industry to develop as a complement and not in competition to the gold mining and farm industries. And accordingly these reports outlined proposals for more governmental direction in matters of resource allocation but always on the condition that manufacturing production and gold mining should remain 'non-competitive', that is, that they should not compete with each other, for labour and capital. The most that the authorities attempted at the time was to administer and organize tariff protection for a range of South Africa's infant industries. Instead, the authorities concentrated their attention towards creating a super-structure of race segregation which was to ensure the stability of the cheap labour system and strengthen the base of white power (i.e. mining and farming) over the country's labour and other resources. Hence, in so far as previous South African governments possessed an economic policy, this was largely manifested in the vast body of legislation over non-white employment and mobility and in non-white ownership of land and other economic rights. The Government's direct participation in economic activity was limited to running the service and transport industries and in initiating the development of the iron and steel industry.

The role of the apartheid state in the national economy has changed sharply in the past decade. Today, the state is more and more in evidence, not only in directing and controlling the locations and employment of capital but in assisting and participating with private capital in a whole variety of new industries. The Verwoerd Government has

created several giant public corporations to manage and run industries, to join with private capital in starting new ones and generally to create the partnership between the state and big business that characterizes several important sectors of the economy. In 1956 when the new economic policy was commenced the proportion of the Government's (including that of Public Corporations) contribution to total capital formation was about one-third. In 1963, the proportion rose to just under one-half. In 1956 the public corporations alone invested a total of £29 million. In 1963 their rate of investment rose to £61 million. Of this well over £40 million was absorbed in investment in new machinery, plant and equipment. The apartheid state has now become a factor of decisive importance in the economy at large.

The collusion between these public corporations and big business is suggested by the recent example of the Palabora copper mining project in the Eastern Transvaal. The plans for this project involve a capital investment of £37 million—a formidable figure in any context. The capital structure provides for the participation not only of local private capital, but of capital from the South African government and the main imperialist countries abroad. The equity or ordinary share capital is to be divided between the British Rio-Tinto group (of Katanga fame), two American monopolies, Newmont Mining and American Metal Climax, the British Selection Trust and the South African Union Corporation. Together, their capital contribution would amount to about £15 million. From West Germany's semi-state owned Kreditanstalt fur Wiederaufbau comes a fixed interest loan of £9.6 million. Further capital is contributed by the official South African Industrial Development Corporation, and by such well-known apartheid supporting institutions as SANLAM and Volkskas.

Indeed in virtually all the major investment projects undertaken in the past year, as part of what the *Economist* recently described as 'South Africa's second industrial revolution', some state participation or capital investment is planned. This is true of the major new steel undertakings being planned near Witbank (Transvaal) by the Anglo-American Corporation and the new gold mine at Kinross, being established by the Gold Fields Group. The cotton textile plant with a capacity of 30 million yards a year near East London financed largely by British capital has received considerable assistance from the state.

One striking consequence of this development is the gradual demise of the small firm. As big business moves in with the government's blessing and assistance, so has the concentration of economic power increased in the hands of the monopolies. Further, the banks and the mining industry, like the state, are becoming more and more closely associated with South Africa's manufacturing industry. All the old

conflicts between the mines and secondary industry have been effectively reduced by what has been described as the new 'planning' system inaugurated by the Verwoerd regime. A new 'Ministry of Planning' is now to be established along the lines of Hitler's Ministry of Economic Co-ordination. Hitherto, this co-ordination was organized by the Prime Minister's Economic Advisory Council. Slowly but effectively the small firm and business unit is being pushed out and swallowed up as the industrial and commercial complex becomes dominated by the big monopolies. The last annual report of the Anglo-American Corporation reveals this all too clearly: under the heading, 'expansion and development', the report reviews the steady absorption of several small enterprises over several fields of industry, ranging from hard metals to breweries, and in this way shows up the process of vertical integration that is overtaking the economy.

THE WAR ECONOMY AND EXPANSION

South Africa's armaments expenditure which is now running at some £105 million a year amounts to 5 per cent of the total national income and just under 20 per cent of the total expenditure by the public authorities. Apart from this, the expenditure on the police force has gone up sharply and in the last Budget, the Government announced the creation of two special 'funds', one of £10 million for 'Special Defence Equipment' and the other of £7.5 million to cover, with private capital, the development and production of what is termed 'strategic materials', including oil.

These expenditures are having a marked expansionary effect on the economy. Some £17 million has already been invested, again in co-operation with private capital, for the setting up of a munitions industry. Under official encouragement and assistance, foreign firms are setting up plants in South Africa to produce military aircraft, tanks, military vehicles and several other items of military importance. The growth of an armaments industry has given rise to the increased application of science in industry and to large-scale industrial research, apart from the development of industries providing machine tools and components for armaments. These state expenditures have also led to the absorption of a rising proportion of the white working population in the armed services, the armaments industries and the state bureaucracy.

The cumulative effect of expenditures of this kind on the economy at large are well known. They inject a new category of demand which multiplies itself as secondary incomes and profits rise. The years since 1960, when the armaments programme started have also been the years of economic revival and the expansion of the economy.

THE CRISIS PERSISTS

No economic policy based on apartheid can in fact succeed. The policy of intensified labour regimentation and African poverty designed to increase the rate of profits and of wealth accumulation for the privileged class generates contradictions which are already beginning to reveal themselves. The laws imposing 'influx control' and the dictatorial direction of African labour are creating severe bottlenecks in South African industry. This is now threatening to cut short the boom. Businessmen are beginning to complain that the supply of cheap African labour is being held up by these laws; that the system of enforced poverty and the absence of industrial and educational training for the African masses has created considerable shortages of skilled labour which the inflow of white immigrants cannot satisfy. In any case, businessmen find it cheaper and more profitable to employ Africans in greater number in the present phase of the boom. Very little new development has occurred in the much vaunted 'border areas' surrounding the enclaves of the African reserves or 'Bantustans', and South Africa's capitalists are instead directing their interest in setting up industries in or near the market, which necessarily requires a larger stabilized labour force in the urban areas. Thus, while the bulk of South Africa's capitalist class depend on apartheid for their profits and privileges, they are beginning to see, at least in the context of the current boom, that apartheid narrows and limits their own expansion and impedes the growth of their wealth. This is reflected in the agitation of several capitalist interests for some relaxation in the control of African labour. The Editor of the South African *Financial Mail* recently called for the 'removal of the shackles restricting labour utilization' and suggests that opportunities should be given for non-whites to enter skilled occupations. The chairman of the Cape Midland Chamber of Industries has gone so far as to recommend policies to break what he calls the 'poverty barrier' and suggests that African wages in industry should be stepped up 'by fifty per cent in five stages'.

Another aspect of the contradiction arises from the fact, increasingly appreciated by the capitalist class in secondary industry, that the current depths of African poverty severely limit the process of domestic commodity circulation, and that this insufficiency of so-called 'African purchasing power' tends to put a ceiling not only to the expansion of manufacturing industry as a whole but to the private accumulation of capital. On the other hand while businessmen in general appreciate this fact, they do not themselves take any important initiatives to raise wages or take direct steps to break the 'poverty barrier'. But the contradiction remains. For the moment, the heavy increase in government expenditures as well as the sharp rise in business and public invest-

ment have created the necessary market conditions for the general economic boom to develop. But the objective trend towards overproduction is nevertheless present. This will become sharper as the boom spends itself out. Such a crisis of overproduction, as has happened in the past, will be the result of the official policies of maintaining African poverty.

Another contradiction already visible in the economy is that price stability is giving place to inflationary conditions and that bottlenecks in production are forcing prices up. In the first instance, the shortage of skilled white labour is giving rise to extraordinary pressures for an upward movement in the level of white wages. This is being immediately passed on in price increases. In the second instance, despite the tight controls over trade, the rising volume of overall domestic demand is spilling over into higher imports and this is once again disturbing the fine balance recently achieved in the country's external payments. The current account surplus on the balance of payments fell sharply between the third and fourth quarters of 1963 and there are signs that a deficit is emerging for the first half of 1964. Such a tendency will most certainly lead to a fall in the foreign exchange and gold reserves in the coming months and year.

But these are difficulties of a short-term and not very fundamental nature. More basic is the explosive fact that the South African economy rests on apartheid: a system of ruthless exploitation and oppression of the greater majority of the population—the twelve million non-whites. No firm or lasting economic stability can come from such a system. On the contrary, it can and will erupt at any time and bring the whole apartheid economy crashing to the ground. South Africa's capitalist class realise and understand this at times. Following Sharpeville they were realistic enough to rapidly convert their assets into ready money and to repatriate as much as possible of this abroad. Now, however, under the stimuli of the Hitlerite economic policies of the Verwoerd regime, some semblance of economic stability and expansion has been brought about, masking the deepening political and economic crisis in the country. Subjected to intense exchange controls and attracted by the demands created through the growing volume of overseas investment as well as of the war economy, South Africa's ruling capitalists have again joined with the Verwoerd regime to intensify the rate of African exploitation with all its explosive political and other consequences. But not even the employment of Hitler's techniques of economic control and organization can stop the explosion of the South African crisis. On the contrary, it will hasten it.