

bring about: each section fearful that the other will break away and collar part of the accumulated funds and assets of the organisation; each contemplating running to see the Minister to try and get him to reserve certain classes of skilled work for "their own" racial group. What a sorry spectacle!

Yet it could all be ended overnight if the majority of unions would wake up to the true function of their organisations, would realise that a worker is a worker and the only hope in standing together, would reach out a helping hand to organise the myriads of unorganised African fellow-workers, would join hands in a common resolve to **refuse to work the I.C. Act.**

That is why it would be a major tragedy for the working class if the T.U.C. and other co-ordinating bodies refuse to accept the invitation to join in convening this conference and if their affiliated organisations stand aside from it. For the icy breath of the world crisis of the capitalist system has already reached this country; already in the clothing and other industries unemployment is spreading fast. And how are the workers to meet this crisis if they continue divided into water-tight race compartments, White, Coloured, Indian and African workers jostling and fighting over the few crumbs that fall from the rich man's table?

The true strength of the workers lies not in a scrap of Government paper—the registration certificate—but in the unconquerable unity of men and women of every race and colour, in factory, shop and mine, expressed through powerful industrial trade unions embracing every employee in each industry, from the labourer, the machine-minder and the operative to the skilled journeyman or artisan.

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# THE CAPITALIST CRISIS AND SOUTH AFRICA

(Part 2)

By "ECONOMIST"

The first part of this article appeared in the June issue of **LIBERATION**. We regret that owing to printing difficulties and delays in the appearance of the magazine it was not possible to print this article complete at the time it was written—now some months ago. The writer predicted various trends which have now developed along the lines he indicated.

**I**F crisis is latent in America, it is much closer in Britain. But here the problem is inflation, not deflation—too few goods to meet the demand, not too many. The contradictions of Britain's economy express themselves in what is known as "the balance of payments" problem—the problem of paying for essential imports with a lesser total of

exports. (For reasons for this, see R. P. Dutt: Crisis of Britain and the British Empire.) Traditionally, these payments have been met from the additional income obtained from colonial exploitation, as well as by the export of capital. Today this "solution" becomes more difficult; many of the best foreign investments have been lost to British capital, taken over by Britain's American "partner," who takes eager advantage of every British weakness. British capitalists have attempted to overcome these difficulties by increasing still further their exploitation of the colonial lands that remain. This is the reality that lies beneath the talk of "welfare" and "development schemes." And yet it is not enough. Britain is today unable to pay for vital imports.

This perpetual dilemma of British capitalism grows more acute as new factors come into play. The United States economy has expanded rapidly, and Germany and Japan have reappeared as serious competitors of Britain on the world markets, with especially fierce rivalry in textiles, machinery and motor-cars. Consequently, Britain's share of world trade has been declining for the past five years, and is now less than it was before the war. In addition there is what is politely called the "unfavourable movement in terms of trade"—meaning that the colonial countries, after centuries of exploitation as producers of primary products, are beginning to insist on and obtain higher prices for their raw materials. Britain's despairing reaction to events in the Middle East which presage the day when Britain's oil will have to be bought from the Arabs where formerly it was extorted by the oil monopolies, symbolises the process. Added to these troubles there is a continual inflationary process internally, which has reduced the purchasing value of the 1938 pound to less than 7s. 6d. today.

## **COLD WAR**

Such a position, bad enough in itself, has been aggravated by the senseless policy—self-imposed under heavy pressure from the United States—which prevents trade between Britain and the countries of Socialism. Thus, while there is unemployment in Britain's motor industry, China seeks to place an order for almost a million and a half tractors, but American-inspired "embargo" policy prevents its acceptance. **But the main aggravating factor in Britain's crisis is the £1,500 million which is being spent each year on armaments production and "overseas military expenditure"—colonial wars, and colonial military bases.**

Though all classes, even a section of the capitalist class itself, are awakening to the reality that war production and preparation is producing a state of chronic crisis, the Tory Government are attempting to meet the crisis not by a change in policy, but by making the working class meet the deficit. In February, 1955, Butler first raised the Bank Rate to 4½ per cent; but the step proved completely ineffective, for imports continued to rise more rapidly than exports. There followed the autumn budget; still no good. Butler gave way to Macmillan; and in February 1956, the Bank Rate was again raised, this time to 5½ per cent; subsidies to keep food prices down were reduced; expenditure on

nationalised industry was reduced; rents were increased; purchase tax on many goods was increased; expenditure on school and house building was reduced.

Clearly these are measures aimed at reducing the standard of living of the working population. Imports are too high; so the Tory solution is to lower working class incomes and thus reduce the demand. They have begun to talk about a "pool" of 800,000 unemployed as a means to "restore mobility and flexibility to the labour market,"—or in simpler English, as a means towards the lowering of wages and the breaking of trade-union standards. Already the middle classes, especially those with fixed monthly incomes, have been severely hit by inflation; this is reflected in the unusual militancy now being shown by such normally respectable groups as bank and insurance clerks, and by school teachers. While the Tories are attempting to reduce inflation at the expense of the working people, there is serious danger that they will only aggravate still further the factors that are driving Britain towards depression. The first indications are already present in the motor, electrical goods and furniture industries, in all of which workers were already being dismissed or placed on "short-time." Toryism feeds on Britain's economic crisis but cannot solve it. That solution needs drastic and radical measures to change the basis of Britain's economy; and such measures can and will be taken only by a working class government.

## **REFLECTIONS IN SOUTH AFRICA**

How do such critical conditions as those now current in Britain and the U.S.A. (see Part I of this article, 'Liberation' June issue) affect the economy of South Africa? It is clear that a crisis of the economy of Britain and America cannot fail to cause severe shocks in South Africa, no matter how apparently stable and secure are the purely internal foundations of our economy. It is fruitful to compare the present position with that of 1929, when the New York Stock Exchange crash took place in October. This crash began a catastrophic decline in production, in employment and in income from which overseas capitalism never really recovered until World War II. In South Africa, prices of farm produce began to fall early in 1929; and in August the Reserve Bank raised its discount rate. In 1931, Britain abandoned the Gold Standard, but in South Africa the ruling Nationalist Party decided to remain on gold. This meant that the South African pound was artificially kept at too high a level.

The depression in South Africa lasted till 1932 and was marked by the following features; a continuous fall in the value and the quantity of our exports of farm produce; the collapse of the diamond market; a loss of capital estimated at approximately £15 million; depression in industry, reflecting the reduced purchasing power of the farming community; an unrealistic Government policy which not only failed to act to relieve the depression, but actually took measures which accentuated it. In December 1932, South Africa was eventually forced off the Gold Standard. Immediately this had the effect of raising the price of gold (as in the devaluation of 1949) and setting in motion a

speculative boom in gold mining, which lifted the whole economy out of depression and led to the renewed expansion of industry.

But in today's position there are significant differences. The depth and severity of the overseas crisis is likely to be substantially less than in 1929. (While we have argued above that a crisis is inevitable, it seems probable that Government expenditure will prevent any prolonged period of depression; but here a great deal depends on the strength and actions of organised labour in Britain and the U.S.A.) In addition, the South African Government of today is better equipped to understand its own economic problems, and is unlikely to repeat the errors of the past; but this factor is qualified by the possibility that Nationalist insistence on apparent "independence from Britain" could well lead to wrong and unsound decisions. Then again, the importance of agriculture in South Africa's economy has declined since 1929 as a result of the extensive development of secondary industry. From this fact it is sometimes argued that South Africa will, this time, be completely unaffected by an overseas crisis. But this is not tenable. Though their share has been reduced, farmers still form a large part of the total consumption, and in 1954, agriculture accounted for some £260 million or 20 per cent of our national income.

It seems apparent that the effects of an overseas depression cannot but be felt through our imports and exports, and through the flow of capital. How would these factors operate? The following tables\* compare the composition and direction of South African exports and imports in 1954.

### 1. COMPOSITION.

<b>Imports</b>	<b>Percentage of imports</b>	<b>Exports</b>	<b>Percentage of exports</b>
Food and Raw materials	14%	Agricultural produce .....	19%
Oils and Petrol .....	15%	Wool .....	14%
Textiles and Piece goods	21%	Diamonds and Base	
Machinery, Vehicles, and other manufactured items	50%	metals .....	9%
		Manufactured goods .....	18%
		Gold and Uranium .....	40%
	<hr/> 100% <hr/>		<hr/> 100% <hr/>

### 2. DIRECTION.

	<b>Percentage of imports</b>	<b>Percentage of exports (excluding gold)</b>
United Kingdom .....	35%	34%
Rest of Commonwealth	17%	29%
United States .....	20%	9%
Europe .....	20%	25%
Others: Asia, Mid. E. etc.	8%	3%
	<hr/> 100% <hr/>	<hr/> 100% <hr/>

\* Source: "The Commonwealth and the Sterling Area. 75th Statistical Abstract."

The second table shows the extent to which we are dependent upon the United Kingdom and other countries of the Commonwealth. But more important is the first table, which reveals the vulnerable character of our exports. **Over 40 per cent of our exports consist of primary (i.e. raw material) products, whereas imports are predominantly manufactured articles—over 70 per cent of the total imports. It is an invariable characteristic of depressions that the prices of primary products such as wool, diamonds etc., fall much more than the prices of manufactured goods. Thus it must be expected that, with the onset of a depression, there will be a sharp fall in the income we derive from our export trade. Here we have the first danger spot.**

## **GOLD AND PROSPERITY**

There is, however, the possibility of a rise in the price of gold. At the moment, the Americans, with whom the decision on this matter rests, adamantly refuse to agree to any increase in price; the effect of such an increase, it is argued, would be highly inflationary in the United States. In times of depression, however, this argument loses much of its force, and an increase in the price of the gold at such a time is quite possible, even likely. Much as the Union Government spokesmen might argue about the necessity for such an increased price, it would not offset the loss of income which depression brings to the agriculturists, since the increased profits of the gold mines would accrue to a very small portion of the population—the shareholders.

But insofar as a higher gold price increases the profitability of production, it will have a beneficial effect on the rest of the economy; it can, accordingly, lessen both the impact and the duration of the depression in South Africa.

Finally, there is the question of the inflow of foreign capital. Although domestic savings are higher now than in 1929, South Africa is still greatly dependent on the inflow of capital from abroad. Yet in 1955, the nett inflow of capital into the Union fell to the low level of £8 million. Much of the inflow was in the form of Government loans; but in the field of private capital enterprise, the outflow of capital actually exceeded the inflow by £3 million. The explanation for this must be sought in the unfavourable reaction of investors to the present South African Government and the uncertainty as to the future in South Africa; in the high level of interest rates in England, and in the operation of the "credit squeeze" on the London capital market. This trend if it continues, cannot but be extremely dangerous for the future, since a drying-up of capital from abroad will impede and restrict the development of South Africa's economy. The main source of overseas capital is still Britain; but there have been significant increases in American investment in the Union. A depression in either of these countries is likely to lead to a sharp reduction in their export of capital. In the depression of the 'thirties, for example, British capital subscribed to Overseas Loans fell sharply from £59 million in 1930 to £14 million the following year; and by 1932, the flow was completely reversed, with £11 million flowing back to Britain in excess of the amount of new

loans.\* There is no reason to believe that another and similar depression would not have similar results. And here then, in the threat to our economic expansion, lies the second danger sign.

As we stated in the first part of this article, it is not the function of this article to prophesy, but rather to assess the facts. And the facts are clear. A crisis is patently developing in the economies of the great citadels of capitalism overseas. From that crisis, the capitalist world is passing into a period of depression which may well be severe, but whose duration and depth will be determined in part by political action against armament drives, cold-wars and military adventures, and by political action to ensure large-scale measures of social welfare and the expansion of East-West trade. South Africa, cushioned though it may be by the gold mining industry, assisted though it may be by a rise in the price of gold, cannot fail to be affected by such a depression. And those who will feel its effects most sharply in South Africa will be, as always, the unorganised sections of the working class, who are least able to protect their own interests.

If there are morals to be drawn then, they are these. Capitalism in the year 1956 is unable to control the great genie of industrial and economic might which it has developed. A change in the social order is on the agenda everywhere in the capitalist world, South Africa included. But until that change is made, let the working people look to their own organisation, to their trade union solidarity and strength. For that is their only defence against the cold winds of depression that are beginning to blow. The writing is on the wall!

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\* Sir Robert Kindersley: "British Overseas Investment." Economic Journal 1935.

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# **GOLD COAST INDEPENDENCE**

**By KOFI BATSA (Gold Coast)**

**O**N April 20, 1956, the Gold Coast Government issued a White Paper which "embodies the proposals of the Gold Coast Government on the final constitutional arrangements to be made to enable the Gold Coast to achieve its independence."

The Gold Coast Government envisages the following legal measures:

"(a) An order in council removing the Governor's reserve and discretionary powers;

(b) an act of the United Kingdom Parliament conferring upon the Gold Coast Legislature law-making powers which cannot be conferred by order in council;

(c) Letters Patent creating the office of Governor-General; and