

ECONOMIC BACKGROUNDS IN SOUTH AFRICA

By L. HOTZ

TWO world wars launched South Africa on a flood-tide of industrial development almost as fateful in its results as the great mining discoveries of an earlier day. The story and implications of this the most recent chapter in the South African evolution cannot be read properly, however, without a glance at the historic setting.

First diamonds and then gold, in the last quarter of the 19th Century transformed South Africa, after more than 200 years of White settlement, from an economically placid and, on the whole, backward pastoral and agricultural community into a complex capitalist society. Men and money flowed on an undreamt-of scale to bring the magic touch to the forbidding wastes of the Kimberley fields and the vast gold-bearing massif of the Witwatersrand plateau. Restless and adventurous spirits, many plain and simple fortune hunters, others with the true stuff of the pioneer nation-builder and empire-maker in them, came by the thousands to revolutionize a land whose typical figures were the unsophisticated and god-fearing Boer farmer and the primitive Black man. The vision and energy of a Cecil Rhodes drove South Africa relentlessly forward to its new destinies, and the rugged personality of a Paul Kruger, symbol of the old order, could not halt the tide. Wealth poured into South Africa and across the seas from the holes in the ground and the scientifically-planned mine shafts which left in their wake a trail of eerie sand dumps. In return there rose a vitalizing stream of commerce and the beginnings of bold industrial enterprises to supply the wants of the mines, the expanding railway network and the steadily growing population.

The two most explosive episodes of this period—the Anglo-Boer War and the creation of the Union—were incidental to the economic metamorphosis. Historians and patriots will argue till doomsday whether the war that was largely a civil war was necessary or avoidable. In the total picture of the economic unity that is South Africa today—the unity more formally expressed in the Act of Union consummated on May 31, 1910—it seems hard to doubt that this tragic catalyst of nationhood could scarcely have been averted. It is certain that in the 50 years since the end of the Boer War, notwithstanding all the later heartsearchings about the political expediency of closer

union, South Africa has advanced at a pace which would have been unthinkable in a sub-continent disrupted into two crown colonies and two republics, all pulling different ways. The material harvest of the mineral discoveries and exploitations could not have been reaped to the full until the trade and other economic barriers were swept away and a central direction appeared.

All this came with Union. But something else came—a human and social transformation which in a few decades changed the face of South Africa. In the couple of centuries from the first White settlement at the Cape of Good Hope to the dawn of the diamond and gold era, the boundaries between White and Black had gradually been drawn more or less clearly. “Kaffir wars”, the generic name for the armed clashes between the two, were not unknown then or later; but in time they had become the exceptions. They were the closing phases of a long struggle between the advancing Western culture and an indigenous tribal society, or composite of tribal societies, drawing upon their reserves in the African hinterland and fighting a hard battle for survival. The battle was not wholly lost, for in the upshot it was the Black man as well as the White man who survived, and it was the social systems of both that remained to face each other when the next stage in the drama opened.

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ACROSS the dividing lines between the tribal kraals and reservations the Natives had drifted over the years into the service of the White farmer, business-man and householder in the small urban communities which dotted the countryside. But their numbers were strictly limited both by the operation of the law and by the restricted needs of the White man’s economy, which determined the pressures on the Black man as well as his opportunities for gainful employment. Gold and diamonds were to change the scene beyond recognition. Parallel with the White immigration, augmented of course by the incessant trek of Whites to the mining and other towns (in two generations the urban White population rose from 35 to 78 per cent of the total), a violent process of economic upheaval began in the settled Native reservations. Young men who would otherwise have passed their lives as warriors, hunters, herdsmen or primitive tillers of the soil in their tribal lands became the diggers for the White man’s treasure or the unskilled labourers who helped to work the White man’s farms,

to build his cities and run his factories. Government taxes and the activities of labour recruiting agents who worked hand in glove with the tribal chiefs sped the movement of tens of thousands of Blacks who forsook the ways of their fathers. The mines themselves developed a system of housing compounds and comparatively short-term labour contracts which permitted their Native workers to return to their tribal homes at intervals without being cut off entirely from their own institutions and customs. Under that system a large proportion of the mine workers came from the Native territories outside South Africa, and the majority did not take root in the mining centres of the Rand and Kimberley. But the same control was impossible for those who flocked to work for the White men elsewhere than on the mines. It was not long before the social and economic problem of the detribalized and permanently urbanized Native, the crux of the interracial conflict in South Africa today, emerged in all its complexity. The significance of this became more and more apparent with the continuous concentration of Native labour in the industrialized urban areas since the 1914-18 war. In a matter of 30 years the Native population in the towns and cities has been quadrupled from 600,000 to nearly 2½ millions, and it has risen at a considerably faster rate than that of the White population. Notable, too, is the fact that Native women, who formerly remained in the kraals while their men went to work, have streamed in large numbers into the towns, establishing families and permanent homes.

In the midst of this population and economic ferment the mines, which needed an uninterrupted flow of mass production and a broad base of relatively cheap labour to support it, adapted to their use the traditional South African distinction between "Kaffir work" and "White man's work." The mining industry enforced an economic colour bar, first on a voluntary and conventional basis and afterwards by statutory enactment. Certain jobs were rigidly reserved for the upper tenth who comprised the White mine employees and who were paid accordingly, and the rest, classed as unskilled work, was left to be done by the large sub-stratum of Natives. A whole body of regulations and practices was evolved to prevent the slightest trespassing by the one group into the other, and a formula was devised to keep a delicate ratio between the upper and lower strata of the labour pyramid, with a corresponding balance between the respective earnings. Over the years a proportion varying between 10 and 8 to 1 in the numbers of Black and White workers, with the proportions reversed for the wages paid,

have been maintained on the gold mines. The most ferocious industrial struggle in South African history, which came near to being a revolutionary movement, was precipitated 30 years ago when industries were forced by post-war disinflation to bring down the ratio between White and Black labour and in effect to cut their wage bill. Conditions established then have remained fundamentally unchanged to this day. The basic economic structure of the gold mines continues to be one of high wages and high standards of living for the White minority of workers (their average wage today is in the vicinity of £700 a year), coupled with comparatively low money wages and substantial social services for the vastly preponderant Black labour force, whose average earnings are about £65 a year.

In the past few years a significant development has manifested itself. On the new goldfields in the Orange Free State, whose potentialities were first proved after patient exploration by the rich values disclosed in 1945 and 1946, a gigantic industry is being built up which promises to rival, in time, that of the Witwatersrand. Hamlets like Odendaalsrus and Virginia are growing rapidly into modern towns, and new towns like Welkom and Allanridge, in the heart of the goldfields, have blossomed out on the map, to carefully planned designs by the mining corporations who are sinking great capital sums in the new fields. A new labour pattern is also beginning to take shape. Some of the most powerful and most enlightened of the mining groups interested in the Orange Free State are moving away from the traditional plan of using migratory Native labour herded together in compounds without the amenities of family life. Instead, they are aiming at the establishment of settled Native townships with accommodation for families under reasonably good housing conditions. Side by side with this novel departure there have been suggestions that the rigidities of the economic colour bar should be relaxed to allow for a more efficient use of the country's Native Labour resources. It seems unlikely that the pace will be forced, in view of the potential political dynamite inherent in anything that can be construed as an attack on the White man's standards and privileges.

Yet there is a palpable anomaly, which to many thinking South Africans is nothing short of grotesque, that the valuable human material represented by the 8½ million Natives in the Union of South Africa should be indefinitely limited in its full development through restraints imposed by law and custom. In South Africa today there is an over-all shortage of labour.

It has been accentuated by the slowing down of White immigration and a marked outflow of Whites into Rhodesia after the general election of May, 1948, which brought into power the present Nationalist Government of Dr. Daniel Francois Malan. The manpower scarcities have been felt all along the line—in public administration, in industry, in mining and on the farms, where the competition from the better-paid town jobs has steadily denuded the land of its White and Black workers alike. By their intensive methods of recruitment, the mines have managed to avoid a critical challenge to their working capacity, though they, too, are feeling the pinch; but it is questionable how long they will be able to satisfy their labour requirements without running into difficulties with their development programmes. The dangers have been stressed by the opening up of the new gold mines in the Orange Free State and the Far West Rand, the start of uranium mining, the more extensive production of base minerals especially for the American market, and large-sized new projects like the oil-from-coal plant at Coalbrook in the Orange Free State. Should the price of gold go up—a consummation devoutly wished by South Africa—lower-grade gold production would receive a big fillip, but the labour problem would become worse. Partly recersing its original policy of restricted immigration, the Nationalist Government has lately opened the doors more widely to skilled labour from Europe and Britain, with the emphasis on Holland, Germany and Scandinavia. But the influx of a few more hundreds of technicians does not by any means answer the basic problem of providing an adequate supply of semi-skilled and more efficient unskilled men for industry. The Whites in Africa might lose their country because they were unable to find enough labour to run the country, was the blunt warning given recently by J. G. Gilbertson, chairman of the Natal Employers' Association.

There is no doubt in many South African minds that more White persons could be trained for industry and should acquire better methods of productive output, though the possibilities of this are extremely limited in a country with no more than 2½ million White people. There is just as little doubt that the future of the country lies in the more effective industrial employment of its Native peoples. It is true that the extractive industries remain the basic element in the South African economy today, with the production of food and raw materials as their indispensable auxiliaries. What is also true—and the fact is underlined by the statistical evidence—is that manufacturing

industry is today playing an increasingly important role in South Africa's productive economy. In 1951 industry contributed £269 million to the national income, agriculture and forestry £213 million, commerce £176 million and all types of mining £159 million. Latest census returns show that some 720,000 men and women of all colours are working in secondary industry, compared with little more than two-thirds that number in mining.

South Africa's industrial revolution went off to a flying start in World War I, when this country was thrown largely on its own resources both for consumer goods and for the products of heavy industry, hitherto almost exclusively imported from overseas. Textile and leather factories, food processing and engineering and motor assembly plants were among the most important that sprang up in profusion throughout the country during and after the war. A deliberate policy of high protection, fostered in the late twenties under a strong urge towards economic nationalism though partly modified by imperial preferences, was followed by the erection of the first nationalized steel works known as Iscor. Manufacturing industry, which by that time had developed a modest export trade, mainly in the neighbouring African territories, was given a further impetus after 1939. It was then much better equipped than 25 years before to respond to the demand for more domestic production to fill the gap left by the severing of many trade links with Britain and North America, the principal sources of imported goods.

In spite of its greater self-reliance and the strongly nationalistic sentiment underlying the country's industrial policy, South Africa is still a considerable market for overseas exporters, and it is in fact one of the largest customers of Britain. In the foreign trade balance, with more than £100 million worth of gold as the most important single balancing factor, wool and base minerals have usually bulked large. Rather sharp differences of opinion have emerged lately, however, on the question whether a higher proportion of these products should not be retained for South African processing instead of being sent out in the raw and brought back at higher prices as the finished articles. The limiting factors in any further calculated steps towards industrialization, besides the need for earning dollars and other foreign exchange, are the perennial problems of labour and capital.

The labour difficulties have already been stated. For South African secondary industries the question of expanding

the volume and efficiency of the Native labour force assumes a particular significance. It is not merely a matter of finding enough hands to keep the machines going but also of increasing the potential internal market for South African products by enlarging the number of consumers able to pay remunerative prices. South African industrialists, by and large, favour more liberal wage policies. Industry can bear or pass on the additional costs, and at the same time stands to gain from the increased purchasing power of the industrial populations, who are the backbone of its local markets. About 500,000 men and women of Native, Indian and mixed race are employed in the factories. South African industry prides itself on its 2 to 1 ratio between its non-White and White labour force, indeed a high proportion of White workers by South African standards. But today some 6 per cent of the skilled workers in industry are Natives, and industrialists would not be averse to seeing more Natives being trained and employed in skilled jobs at higher than they are getting now. For that matter Native earnings in industry are higher than the general average in the primary industries. In the 10 years since just before the last war the average Native wage in factories has risen from £45 to £103 a year, compared with a White average increase from £235 to £436. The disparity between the wage levels in industry and those in other sectors of the South African economy has already become a bone of contention. Farmers especially complain that they are losing their Native labour by the magnetic attraction of the higher money wages in industry, and farm wages are in fact slowly rising under the impact of the competition with urban wages. The mines, for their part, are haunted by the spectre of a rising cost structure, which would be directly affected by an upward trend in Native wage scales and indirectly—and perhaps more immediately—by the greater cost of supplies. The steadily mounting cost of living index, which has risen by about 30 per cent in the past five years to practically double the pre-war level, confirms the fears of the mining industry. Its argument is strengthened by the fact that gold is a commodity with a fixed world price, which has only been partially offset by the sale of portion of the South African gold production in the free market. Any substantial increase in costs inevitably puts out of the region of payability a further slice of the lower-grade gold propositions—and at the moment there are signs that inflationary tendencies are being halted in South Africa.

Yet even in the gold industry, as has been noted above,

there are influential sections who believe that a more skilled and more efficiently employed Native labour force, presumably earning more, would be a productive asset of the highest value. A Native population better fed, better housed and with more opportunities for progressive employment in industry generally could hardly fail to mitigate the present racial tensions in South Africa. It would also ease the burden on the minority of White taxpayers who are forced, because of Native poverty, to finance education, health and housing services for the Natives in the urban areas. The considerable Native criminal elements who add to the insecurity of life and property in the great industrial centres where they congregate are recruited from the detribalized Natives who live in noisome slums, with all the further frustrations of restrictive and discriminatory laws.

The most persistent obstacle to any fundamental economic change affecting the Native population is the operation of Government policy. This is not the place to discuss the full political and social implications of the present Government's "Apartheid" (racial separation) policies. Apartheid has been the burning issue in South African public affairs in the past five years, though the principle of segregation itself has a much longer history. On its economic side the apartheid theory—for in essential details of principle and practice it is still a theory—has led to some peculiar developments in thinking.

It has been argued in the most eminent apartheid quarters that the time has come when a halt ought to be called to the present rate of industrial progress partly because of the skilled labour and capital shortages but partly also because of the unremitting flow of Natives for employment in the "White areas". Apartheid idealists have gone still farther, and urged that even if it were necessary to reverse the trend of economic development in order to attain the goal of territorial and economic separation it would be worth the sacrifice for the sake of retaining the White man's supremacy in "his own domain." Less extreme than these desperate remedies, though closely linked with them, are proposals aiming at the economic building-up of the Native reservations to provide a "national home" for the Natives.

For the last couple of years a Government Commission has been stolidly ploughing its way through a mass of testimony to discover how these plans could be carried out. Fully 40 per cent of the Native population is still in the reservations, living

off their patrimony of poorly cultivated and badly eroded land. It is the considered opinion of experts that even with more efficient methods of cultivation and cattle breeding, as well as with much more effective consideration of the soil, these Native lands could not provide a proper living for the present inhabitants, let alone the extra millions which present Government policy assumes must eventually be returned there under the apartheid ideology. The Government offers one answer to this objection. It contends that the surplus Natives now in the reservations, and those who must be siphoned out of the White areas, must find an outlet in great industrial projects established for their special benefit in or near their own areas where they could work without coming into direct contact or competition with the Whites. We thus have the singular paradox that some of the people who are suggesting a slackening off in the general industrial development because of the Native "menace" are at the same time thinking of giving a stimulus to the creation of industries for the specific purpose of employing the Native and training him in the responsibilities of industrial management. So far the only factory of this type, exclusively Native hands, is a small cotton plant established near a Native area in the Cape Province by the previous Government, which had no illusions about apartheid theories but wished to find more opportunities for Natives and to prove their capacity as industrial operatives.

Apart from any other considerations, the capital requirements for the Government's scheme would be on an enormous scale, and this at a time when the present and potential demands for existing development programmes in the so-called "White areas" have outstripped the supplies by a long way. Apartheid visionaries, though normally averse to foreign influences, have thrown out the hint that American capital, under some variation of the Point Four policy, might be persuaded to come to the aid of the future plans for the reservations. Even American benevolence, however, can hardly be expected to run to the lengths of financing nebulous ideological projects which would be very dubious business risks.

The capital hunger in South Africa was partly allayed after the windfall of the sterling devaluation in 1949, which boosted gold production and various industries for a time. Today it is still acute, and Mr. N. C. Havenga, the Minister of Finance, has made it his task during several official trips overseas to tap British, American and Swiss capital sources. He has been successful up to a point in raising a couple of small loans

in Switzerland. From the United States more substantial sums have come as a direct contribution for the construction of the oil from coal project in the Orange Free State. Above all, American and British capital has been forthcoming for the exploitation of the uranium reserves known to be present as a residual by-product of the Transvaal and Orange Free State goldfields. Indications are that at least 17 mines figure in the programme of uranium production and that more than £40 million will go into the building of the necessary plant. The highest hopes are entertained that the value of the uranium output will ultimately exceed that of the parent gold industry.

The advent of the uranium era in South Africa, like the fresh gold discoveries and the promise of extensive chemical industries in the wake of the oil conversion plant, illustrates the solid basis of South Africa's economic structure, in spite of temporary handicaps. It is not the material factors that present the greatest challenge to South African statesmanship but the adjustment of the human relations in a multiracial situation of more than ordinary complexity.