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# the powers behind apartheid

by

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africa research group



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The Africa Research Group is a movement research and education project that focuses on analyzing the United States' imperialist penetration of Africa. The group hopes to promote a more informed concern with and protest against the role the US plays in the domination of Africa and to contribute to sharpening and extending an anti-imperialist and anti-racist consciousness within movements for social change. The group wants to hear from people or organizations with similar research interests. For a list of available publications including "Armed Struggle in Southern Africa" (20c) and "How Harvard Rules" (\$1), write P.O. Box 213, Cambridge, Mass. 02138,



The Republic of South Africa is the industrial giant of the African continent. South Africa produces 80% of the continent's coal output, generates and consumes double the electrical power of the rest of the continent and possesses half of Africa's motor vehicles. To South Africa go 1/3 of US exports to Africa and over 60% of American foreign investment on the continent. South Africa's economic prosperity benefits only a small minority of the country's population. The economic development of the Republic resulted not only from exploitation of the country's bountiful natural and mineral resources, but also through the exploitation and subjugation of the great majority of South Africans themselves. The 'European' (white) minority has achieved fantastic wealth at the expense of the African (and other non-white) majority.

The white population (19%) owns 87% of the land surface. The non-white majority (comprising 11 million Africans, 1 1/2 million 'Coloureds' and 500,000 Indians) owns the least productive sections of the land (the remaining 13%). White per capita income is approximately eleven times that of Africans. The effect of such discrepancies in economic status are reflected in other figures. White infant mortality is 27 per 1000; African infant mortality ranges from 100-200 per 1000 in the cities to 400 per 1000 in the rural areas. These inequities developed from the fountainhead of transplanted European capitalism and racism. From this developed the political and economic doctrine of apartheid... the institutionalization of white privilege and prosperity maintained through the subjugation and exploitation of the African majority.

Powers behind Apartheid examines the alignment of economic and political forces in the development of South African fascism. In a straightforward manner Fasulo analyses the economic and political positions of the two major groups in the economy: foreign or international capital and national-state capital. Though dated, Powers behind Apartheid provides a sound empirical and historical background to the political economy of South Africa.

The relationship between national capitalist development and the operations of international imperialism, briefly mentioned by Fasulo, is central to an understanding of South African economic development. Beginning in the 20's and consolidating after the victory of the Nationalist Party in 1948 in the general "elections", nationalist-state capital forged a working alliance with Western imperialist interests in the exploitation of the African majority. Once this relationship is recognised, apartheid (in theory and practice) takes on a broader meaning than the usual narrow definition that accompanies it. Rather than a doctrine peculiar to Afrikaner (Dutch) experience, its nationalist aspects can be demystified revealing its organic connection with the operations of international imperialism. In South Africa national-state capitalist development, based on white supremacy, was fostered by imperialism; in Tropical Africa such development along capitalist lines is prohibited by imperialist exploitation. Foreign capital joined local capital in a vertical and horizontal integration of South Africa's economic fabric: in Tropical Africa enforced economic balkanization, enclaves of mineral extraction and 'satellite' economies, remain the product of foreign economic penetration. An international 'master-servant' relationship is established; the economic

surplus is removed from the neo-colony in the form of corporate profits while the human and natural resources of the African states remain commodities in the possession of multinational corporations. For white South Africa this unequal relationship does not exist. As early as 1958 domestic dividend retention topped 64%...the exploitation of African labor resulting in super-profits to both local and international capitalism. In marked contrast 87% of net earnings from US investments in Tropical Africa are repatriated in the form of corporate profits. In South Africa the alliance between the white minority and international capitalism has seen the rapid industrialization of the country.

Beginning in the 50's and especially in the post-Sharpeville era (in March 1960 68 African men and women were massacred at Sharpeville), secondary manufacturing has come to replace mineral extraction as the major sector in the South African economy. It has been the US which has contributed most to the Republic's advanced industrialization. For example, the South African government selected motor vehicle manufacture and assembly as the instrument for achieving crucial industrial sophistication and growth in the coming decade when gold mining is expected to decline in significance. General Motors, Ford and Chrysler produce half of South Africa's motor vehicles and have invested \$300 million in this critical economic 'growth pole'. Such investments foster rapid industrial growth... there are now 196 local South African firms in automotive components manufacture. Furthermore, the massive injection of American capital and technical expertise is playing a major role in South African-American attempts to penetrate and capture the export markets of Tropical Africa. Though outside the scope of this reprint, American-backed South African expansionism forms the basis of the racist-imperialist attempt to stem the growing tide of revolutionary struggle in Southern Africa.

Neither of the two major economic groupings in South Africa envision the development of a multi-racial, democratic society. Super-profits and white privilege depend upon the maintenance of white domination and the continued exploitation of black (Africa) labor. The reformist thesis that economic rationality (need for an African consumer market etc) urges the polity beyond its racial ideology (apartheid) [an argument favored by apologists for American corporate investment in South Africa] does not recognise that in the process of industrialization countries have adopted not one, but three broad political forms: communism, fascism and liberal democracy. Needless to say neither communism nor liberal democracy characterise the South African state. The only possibility for the creation of a multi-racial democratic (not to be confused with 'liberal democracy') state lies in the power of the South African peoples themselves. The intransigence of the 'powers behind apartheid' has heightened the contradictions within the system. It is now clear that the road to South African freedom lies only in the armed struggle of the African people against the system that oppresses them.

That armed struggle against the white regime has been initiated in the entire Southern African region (South Africa, Rhodesia and the Portuguese territories). The struggle, embracing territories stretching from the Atlantic to the Indian Ocean, is being fought against the military and economic might of South Africa and her allies. We are part of the struggle in Southern Africa: let us show our solidarity. Organize, educate, act. Raise funds for the armed struggle. Demand US disengagement. The contradictions within South African society can and will be resolved only when the African peoples have themselves re-claimed that which is their own...All Power to the People...Amandla Ngawethu.

## The Mining Empires

It is well known that the Oppenheimer empire is very rich and powerful. It is more difficult to say just how rich and powerful Anglo-American is.

If we only look at the assets of the Anglo-American Corporation itself, we get a figure of about 50 million pounds. A clearer picture was given by *Newsweek* on November 24, 1958, in an article which said that Harry Oppenheimer "presides over an empire headed by De Beers Consolidated Mines, Anglo-American Investment Trust, and Anglo-American Corporation of South Africa... Through these corporations and a subsidiary web of interlocking partnerships the cartel has assets in the neighbourhood of 2.5 billion dollars (nearly £1000 million), reserves of 747 million dollars (about £270 million) and a 100 million dollars-a-year (£36 million) payroll of 20,000 Europeans and 136,000 Africans. The cartel controls almost all of the free world's diamonds, most of its gold, at least one third of Africa's copper, and one fifth of its coal. De Beers alone was able to turn a profit of 65 million dollars (£23 million) last year."

Sir Ernest Oppenheimer (father of Harry Oppenheimer) took over leadership and later control of the South African and world diamond industry during the first quarter of the twentieth century. By monopolising the world diamond market it has

been possible to guarantee enormous profits to De Beers Consolidated for decade after decade. This is one of the chief sources of Oppenheimer and South African capital. One of the main De Beers investments is in African Explosives and Chemical Industries (the other half of its shares are owned by Imperial Chemical Industries of Britain). A.E. and C.I. is the world's largest producer of mining explosives, a big producer of fertilisers and plastics and it is setting up munition works for the government.

During the First World War Sir Ernest Oppenheimer became convinced of the possibility of a gold mining industry outside the then known limits of the Witwatersrand gold field. He went to America and obtained the support of the J. P. Morgan group, the biggest capitalist group in the world. The Anglo-American Corporation was then set up and has grown into the largest of the mining houses. There is now little American capital in the group but strong links with Morgan have been retained. For example, Kennecott Copper, a Morgan firm, lent millions of dollars to help establish Orange Free State mines. Anglo-American pioneered the Free State field and invested 120 million pounds there.

Later the group began investing heavily in the Northern Rhodesia mines and in South African coal and base minerals, especially uranium and titanium. Through Tanganyika Concessions it is believed to have large

## South African Production of Critical Minerals.

MINERAL	S.A.% (of non-communist world production)
uranium	25% in 1974
asbestos:	
amosite	100% in 1966
crocidolite	90% in 1966
chromium	75% in 1970
vanadium	90% in 1969
antimony	38% in 1966
platinum	40% in 1966
diamonds:	
gem (include SWA)	43% in 1966
industrial	10% in 1966
gold	72% in 1966

investments in Katanga.

Reasons for the rapid growth of the group were enterprising and profitable management, large capital resources from De Beers and overseas sources and a policy of concentrating on mining and supporting industries and using science and technology fully. Strong foreign links are one of the most important features of Anglo-American. The group includes a merchant banking house called Union Acceptances (Zurich) A. G. set up in Switzerland. Between

1954 and 1957 the group raised 11 million pounds in Switzerland, £4<sup>1</sup>/<sub>4</sub> million in Germany and £2<sup>1</sup>/<sub>2</sub> million in Holland. The group has very good engineering, prospecting and research sections. For example they have just become the second group in the world to launch the manufacture of synthetic diamonds on a commercial scale.

According to a pamphlet entitled "Mining Enterprise in Southern Africa" published by Anglo-American, it produced in 1957, 25% of South

Africa's gold, 24% of her uranium, 43% of her coal, 51% of Northern Rhodesian copper and 41% of the value of total world diamond sales. In addition it had large share holdings in 20 other gold, 2 copper and 2 coal mines. The group also included 32 finance and investment companies of which it controlled 17.

It is believed that several other mining houses such as Anglo-Vaal are virtually controlled by Oppenheimer, Anglo-Vaal is only partly engaged in mining. It also controls a great many manufacturing companies. Anglo-American in partnership with the Union Corporation, another large mining house, British capital and the American Engelhard, took over the second biggest gold mining group, Central Mining, to prevent Nationalist capital getting hold of it. Today it is doubtful if any of the big mining houses is really independent of Oppenheimer and his foreign friends.

Oppenheimer's political and social influence has been exerted in a number of ways. Oppenheimer is an equal partner with the Tanganyika Government in the diamond mine there. In Swaziland he has large investments in timber and is promoting the big iron mine to export ore to Japan. The Oppenheimers used to finance the United Party (the "paper" opposition in Parliament) and the Torch Commando (a white organization founded soon after the Nationalists came to power, to defend the Constitution), but now Oppenheimer sup-

ports the Progressives, the party which upholds gradual reforms to bring non-whites into consultation with the Government. However he is also a member of the apartheid-whitewashing South African Foundation, along with Nationalist business men.

This ambiguous behaviour is due partly to a wish to make concessions in time but no more rapidly than necessary and without endangering capitalism. Another reason is that he is a "Pan-African" capitalist and he is influenced by the social developments and forces in the North.

### Foreign Capital

The March, 1962, Economic Newsletter issued by the South African Government's Information Service reported a speech by Mr. M. D. Banghart, vice-president of Newmont Mining Corporation of New York, who said that the economic advantages of South Africa are greater than the risk. An investment programme of 9 million pounds for Tsumb Corporation in South West Africa and 2½ million pounds for the O'okiep Copper Company in the Cape was decided upon. Both of these companies are administered by Newmont and financially controlled by Newmont and American Metal Climax Inc. with the Union Corporation having a finger in the pie. "We know the people and the Government and we back our conviction with our reputation and our dollars." Bang-

hart also pointed out that American firms that do business in South Africa make an average profit of 27% on their investments, much higher than the profits such companies could hope to make in America.

So long as the rate of profit remains high and the Government seems able to keep the people under control many foreign capitalists will continue to come to South Africa. However, although the working capitalists, who are often hard, robber-baron types, keep their eyes on the profits and do not scare easily, the soft ones, the conservative financiers and the small investors, took fright at Sharpeville in 1960 and at the departure of South Africa from the British Commonwealth in 1961. None of the capitalists on-the-spot seems to have withdrawn however. Engelhard, the precious metals king, for example, cannot give up his holdings in platinum and gold mining without losing control of a part of his raw material supplies, and many others have similar technical reasons for staying even if things get rough.

The loss of confidence of many overseas investors in the South African Government in 1960 and 1961 caused a major drain on the country's finances. This forced the Government to introduce a ban on the withdrawal of foreign shareholder's money which seriously damaged the credit of the government and business with private overseas investors. The economic strength of the government and the economy, however, is so

great that in every three month period during this time production was either maintained or increased.

In December 1961, the South African Reserve Bank published a supplement of their Quarterly Bulletin of Statistics entitled "The Foreign Liabilities and Assets of the Republic of South Africa 56-60." This gave the following figures for foreign capital invested in South Africa:

	end of 1956	end of 1960
Sterling Area (Britain, etc.)	£ 935 million	£ 886 million
Dollar Area (American, etc.)	£ 252 "	£ 312½ "
O.E.E.C. Area (West Europe)	£ 201 "	£ 234½ "
Other Areas	£ 8 "	£ 6½ "

No other figures are significant although Japan has begun to be important.

Foreign capital is concentrated in certain sectors of the economy. Banking and insurance are dominated by mainly British capital, and foreign capital is dominant in certain branches or industry. For example electrical engineering is dominated by American, British and Dutch firms. Transportation equipment, too, is foreign dominated: cars, tyres, petroleum and railway rolling stock. However the state-capitalist firms, Sasol and the South African Railways and Harbours (S.A.R. & H.), are becoming big producers. In mining there are large foreign holdings although South African capital is becoming much more important. The Reserve Bank's figures show a decline in total foreign investment in mining from £453½ million in 1956 to £435½ million in 1960 due to declines in British, American, and

"other" investments and despite a 13% increase in O.E.E.C. investment. In contrast, foreign investment in manufacturing, commerce and in financial organizations increased while it decreased in the remaining branches of the economy from 1956 to 1960. The distribution of foreign capital in 1960 was: mining £435½ million, manufacturing £349½ million, commerce £185½ million, finance £255½ million, "other" £90½ million.

Some idea of the policies being followed by foreign capital in South Africa can be gained by observing the behaviour of certain of its prominent representatives. Sir Francis de Guingand heads the South African Foundation and periodically brings his old chief, Field Marshal Montgomery, out to pronounce all things to be well. Engelhard in his annual reports to share holders mentions the need to adopt policies which shall be acceptable to the world, but is considered to be a good capitalist by the Nationalists and he brings capital into the country. He too is on the South African Foundation which strives to make the South African Government and its policies appear more attractive, especially in Britain, America and Western Europe.

In the meantime there is a rapid growth of cooperation between foreign firms and state capitalist enterprises—Sasol and Fisons for the production of fertilizers and chemicals, Vecor and Rubery Owen for the pro-

duction of car chassis and wheels, Vecor and Babcock and Wilcox for the production of boilers, Sasol and several tyre companies for the production of synthetic rubber, etc. This development is strengthening the cooperation between foreign capital and the Nationalists.

### The State-Supported Farmers

In most capitalist countries the farmers, that is the agricultural capitalists, are not a powerful monopolistic group within the capitalist class. In South Africa, because of their disproportionate political power, the white farmers have been able to organize themselves as a state-supported monopolistic group. Monopolies in the selling of agricultural produce have been established through the control boards. The position of farmers as buyers has been strengthened through the formation of co-operatives and the farmers have freed themselves of any great dependence on finance capital through the Land Bank, and a great variety of forms of state subsidies and assistance.

Government assistance to white farmers takes many forms. Railway rates are set so that farmers pay much less to transport their produce and supplies than do manufacturing or mining capitalists. High tariffs are charged to exclude various types of food imports. A great deal of irrigation, soil erosion control, agricultural education and research work is carried out by the government at

South African Gold Production as % of World  
(all excluding USSR)

1907 -- 32%

1947 -- 47%

1965 -- 73%

Gold output of Witwatersrand and Orange Free State 1887-1965 realized approx. £ 6622 million, while investments in gold mining companies by means of equity capital was about £ 726.7 million.

Over the period 1926-61 the rate of return on US Common Stocks was 6.9%, as compared with 11.7% in gold mines during the same period.

Wages paid to African mine workers averaged 67¢ per day in 1964.

the expense of all taxpayers and for the benefit of the farmers.

The most significant thing, however, has been the development of the Co-operatives and Control Boards. The first step was taken in 1924 (about the time that the Nationalists first came to power), when an Act of Parliament vested in the Kooperatiewe Wynbouwers Vereniging full control over the sale of all distilling—wine or spirits. As a result profits have been raised and stabilized, capital accumulated, and exports built up until today K.W.V. is the third largest supplier of sherry to Britain. In 1925 a Co-operative Societies Act was passed which provided for

the centralized sale of products in any area if 66% of the producers were in favour thereof and the Minister of Agriculture approved.

The protective tariff on sugar was raised from 4/- to 16/- per hundred pounds between 1926 to 1932. In 1936 a Sugar Industry Control Board was set up. One result was that in 1938 about half of South Africa's sugar production was exported to the United Kingdom where, after paying shipping and other charges, it was sold for less than the price charged to consumers in South Africa. Control of wheat and dairy products was set up in 1930, of maize in 1931, and of livestock in 1932.

Today all important agricultural products are controlled by Marketing Boards acting to exploit consumers for the benefit of the white farmers.

As a result of this system, it has been estimated that about half of all African babies born in large urban centres die within the first year of life, basically of starvation. Yet school feeding has been stopped by the Government and skim milk, bananas, and other fruits have been destroyed by the Control Boards to keep prices up and above what most Africans can pay. Vast tonnages of maize are persistently exported at a severe loss. This process is paid for by the high monopolistic price maintained within South Africa where the main consumers are the malnourished African people.

The farmers do not exploit the non-Europeans only as consumers. The way in which they exploit them as workers is even more important. Labour relations on the farms are the original source of the virulent race hatred and repression which poisons the whole of South African society. The forms of exploitation have been various: chattel slavery in the old Cape; labour tenancy—a form of serfdom—imposed on the conquered Africans, indentured Indian labour in the Natal sugar areas, farm jails both private and public, shanghai'd "volunteer" labour under the influx control legislation, compound labour as for example at Bethal, the tot system in the Cape whereby labourers are paid partly

in a ration of alcohol, etc. The relations in agriculture are still of decisive significance for three reasons. Firstly, one third of the African population lives on white farms, and conditions on the farms tend to set standards of living for the entire non-European population. Secondly, farm work was historically the first form and for a very long time the only form of work imposed on the original inhabitants of the country. Hence the attitudes and habits corresponding to such relations of production are the most deeply ingrained particularly in the customs and traditions of the Afrikaners. The farmers have always been the military backbone of white supremacy within South Africa and a motive force in the conquest of African lands.

Finally, agricultural relations are important because the farmers have used their political power to pass legislation, such as pass laws and influx control, to prevent people from escaping to the towns. Politically, farmers were the original basis of the Nationalist movement. Although this movement now includes large numbers of civil servants, dependents of state capital, Nationalist capitalists as well as reactionary white workers and urban middle class elements, the farmers are still probably the most influential section. The unusual monopolistic strength of the farmers in South Africa has enabled them to accumulate great wealth which provided the original

capital for institutions like the Volkskas Bank and the Sanlam Insurance Co. The increasing wealth of the farmers is shown by the rise in the number of tractors from 20,000 in 1946 to 110,000 in 1960, and by the rise in farm production of 5% per year (compared to a 2% rise in the population).

### State Capital

The role of the State is increasing in all capitalist countries as it is found increasingly difficult to run a modern economy on strictly private capitalist lines and as war becomes the leading form of activity. In South Africa state economic activity began very early, developed unusually widely and has been used by the Nationalists to implement special political aims to strengthen and to perpetuate the existing social system.

In the earliest period, state capitalist activity arose out of simple necessity. The first form of state ownership of productive resources was that of land and forests (Crown land). State postal services were set up and telegraphs, telephones and the Post Office Savings Bank were added later. The railways too were state owned because there was not enough sure profit in them to attract adequate private capital and similarly with the harbours, long distance road

transport and the airlines, and large-scale irrigation projects. Eventually broadcasting was taken over, and electric power through a nominally independent corporation, Escom. The water supplies to the main industrial and population centres are provided by the Rand Water Board. The National Roads Board plans and finances the national road system, the South African Reserve Bank controls the currency reserves and banking system of the country, and the Land and Agricultural Bank and the State Advances Office give white farmers financial help. The Public Works Department builds buildings and bridges for the central government and for some of the provincial administrations and public corporations. There is a government printing works and a mint, which undertook large scale arms and ammunition manufacture during the war. Under the control of local authorities and municipalities are many local bus services, power stations and other utilities.

State capital became even more powerful and took on a marked political character in the second period, the period of the first Nationalist Government, the Nationalist-Labour Pact Government, formed in 1924. It adopted protective tariffs in 1925 to encourage secondary industry and thereby won recognition as a pro-industrialization party within the ruling class. They also adopted the

“civilized labour policy” of industrial colour bar and highly paid jobs for poor whites at the expense of non-European workers. These policies were mainly implemented in the civil service, the Post Office and the Railways, and together with the Industrial Conciliation Act (which denied trade union registration and the right to strike to African unions and imposed apartheid in the trade union movement), the coming into industry of the Afrikaner and persistent Nationalist attempts to capture the trade unions, have succeeded in turning the white workers and especially the state employees into a most important social support for the Nationalist movement.

However, in relation to the development and nature of state capital, the most important thing that happened in this period was the struggle to establish Iscor, the state iron and steel monopoly. The bill was supported with Nationalist arguments about South African industrial independence and the jobs which Iscor would create for whites. It was bitterly opposed by the opposition on the grounds that business should be left to the capitalists (there were two small iron and steel works in private ownership then). The fear that it might cost the mines some money was also behind their opposition. The bill was finally forced through at an unprecedented Joint Session of both Houses of Parliament on March 30th, 1928.

This struggle made the Nationalists

the champions of state capital and made state capital the means for turning the poor whites into well-paid and influential Nationalist supporters.

Iscor soon swallowed up the two private firms Usco (Union Steel Co.) which had belonged to Lewis and Marks, the mining magnates, and Amcor (African Metals Corporation). It has also spawned a substantial number of other subsidiaries, including Vecor, by far the biggest engineering firm in the country, which in turn is building a subsidiary car parts factory in association with the British firm Rubery Owens in response to government measures to promote the eventual production of a South African car. Vecor has also taken over the South African boiler-making factory of Babcock and Wilcox.

With the depression came the Hertzog (Nationalist)—Smuts (mine-backed South African Party) coalition, and the “purified” (extreme) Nationalists went into opposition and began building up their basic network of organizations covering all aspects of Afrikaans life and working out and propagating their version of fascist ideology. A major role in this ideology was played by Mussolini’s corporate state idea. This says that class conflict can be eliminated by making the employers and the employees in a particular branch of industry co-operate in a fascist-dominated “Corporation.” These Corporations, covering the entire econo-

my, are then united with the State for the aggrandisement of the State and its empire. Inspired by these ideas the Nationalists set out to build up Nationalist capital and to capture the trade unions and to make use of state capital for their purposes as soon as they could gain power.

In the meantime the United Party controlled the State and the Second World War led to further extensions of state economic activity. Thus by the time the Nationalists came to power in 1948 state capital was already a major factor in the economy and the main prop for the white labour policy.

The Nationalists of the fourth period were a very different social force from what they had been in 1924 when they had first come into power. Then they had been an ordinary reactionary nationalistic party. In 1948 they were a totalitarian social movement, run by the Broederbond, a secret society saturated with fascist ideology, and embracing (1) "cultural" organizations like the F.A.K. (Federation of Afrikaans Cultural Organizations), (2) an economic wing which had fostered a small but aggressive group of Nationalist capitalist firms and captured a number of important trade unions, (3) an efficient and ruthless political party, (4) youth movements, (5) virtually the entire Afrikaans press and publishing industry, (6) the Dutch Reformed Church, (7) the Afrikaans medium universities and schools (8) professional organizations, etc. More-

over they had very clear ideas about the State. they promptly purged the army, the police and the civil service of anyone likely to interfere with their plans, promoted "broeders" and began using the State to enrich themselves. One of the main was the award of state contracts to Nationalist firms.

The important thing in the present context, however, is that the idea of autarky came to the fore during and after the war. This is the idea, popular with the Nazis, that "the nation" can and should be self-sufficient economically. As a result Sasol was founded to give South Africa "her own" gas, oil, and chemicals, Vecor was founded to give her "her own" heavy machinery, Foskor to give her "her own" superphosphate fertilizer supplies, the National Finance Corporation to give her "her own" short term money market, the Fisheries Development Corporation to give her "her own" modern fishing industry. At present plans are well advanced for developing the automobile industry, and the Board of Trade is investigating the possibility of establishing a tractor industry. State firms, especially the Industrial Development Corporation, and Nationalist capital have been particularly active, but many non-Nationalist capitalists have also benefited. Thus the support of an important section of capitalists had been maintained despite the wide-spread dislike of job reservation (which forces certain industries to employ only Whites, at

high wages), and certain other features of apartheid.

The size of the state capitalist sector is indicated below, the figu-

res being taken from the South African Financial Year Book 1962, the State of the Union 1962, and the Official Year Book No. 30, 1960.

<i>Type</i>	<i>Organization</i>	<i>Year</i> (million pounds)	<i>Assets</i>
Transport:	South African Railways and Harbours	1959-60	664.8
Communications:	Post Office	1960	?
	South African Broadcasting Company		?
	Escom (electric and pneumatic power)	1960	245.75
Utilities:	Rand Water Board	1959	23.75
Steel &	Iscor (iron and steel)	1961	172.25
Engineering:	Usco (Union Steel Co.)	1960	9.5
	Vecor (heavy engineering)	1961	11.1
	Amcor (African Metals Corp.)	1961	4.25
	Sasol (coal and oil)	1961	48
Chemicals:	Kop (Klipfontein Organic products)	1959	2.75
	Foscor (superphosphate fertilizers)	1961	3.2
	National Finance Corporation	1958	80.05
Financial:	Reserve Bank		1
	Land Bank	1961	133.25
	P. O. Savings Bank		?
	Industrial Development Corporation	1959	58.2
	Fisheries Development Corporation	1961	0.5

Despite the fact that the above figures are incomplete, the total reaches £1,458.35 million. For comparison, it may be remembered that the Oppenheimer empire is worth about £1,000 million. Thus state capital is already much the largest single centre of power in the economy. The to-

tal of foreign economy is greater (£1,538.5 million in 1960) but the largest single foreign investment, that of the British capitalists, was only £886 million in 1960 (now nearly £1,000 million).

State capital is one of the chief sources of Nationalist power, and

not economic power alone. Civil servants and employees of state capital probably number about one fifth of the white population, and together with their families are probably a near majority of the electorate. All the Nationalists have to do is keep the dependents of the State happy and they can remain in power indefinitely, so long as there is no major extension of the franchise.

Even more important, perhaps, is the fact that today the state firms are engaged in vast expansion schemes, whilst private investment has almost ceased. These schemes began to be announced not long after Sharpeville and it is clear that they are part of a successful effort to keep the economy going despite world disapproval of the Nationalists, and at the same time to strengthen the Nationalists' control of the economy.

Organization	Expansion expenditure	Period
Iscor	£ 270 m.	1960-72
Escom	80.2	1961
P.O. telephone services	50	1961-66
Orange River Scheme	225	1962-92
Sasol	30	1961-

In addition £ 78 million are now being spent annually on army, navy and air forces and this is acting as an important stimulus to pep up the economy. A most important bit of autarky is that South Africa is getting "her own" armaments industry.

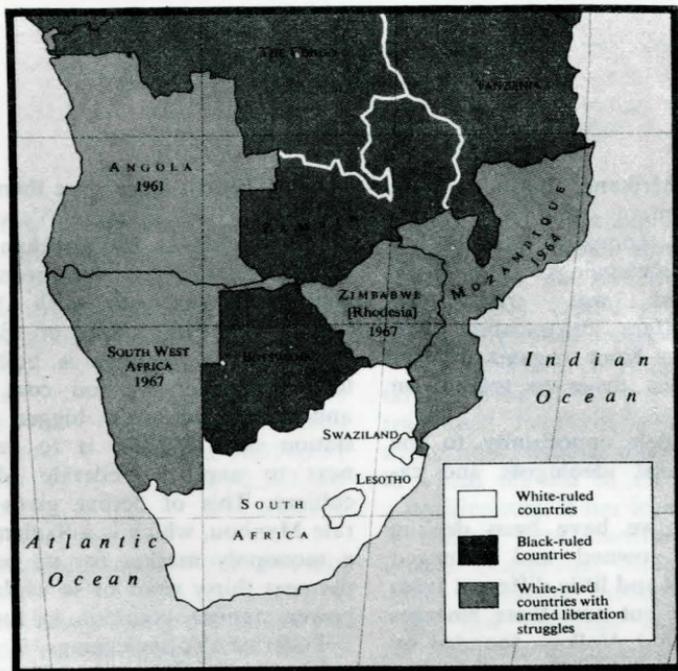
Probably the most significant recent development has been expenditure on Bantustan and "Border Area"

development. This may be the start of a new period of "separate development" in the life of state capital in South Africa.

The approaching exhaustion of the water resources of the Vaal River makes it necessary in any case to plan development in other river basins, and the Nationalists are taking the opportunity to plan the Orange River Scheme and the Tugela Basin on apartheid lines. There is no reason to doubt that the resources of the State and of state capital will be used to construct water, power and transport services to make "border area industry" developments on the edge of the Bantustans profitable, and once they are profitable all sorts of capitalists with Nationalist capital will move in. Already Escom and the I.D.C. are committed to these schemes and £ 38 million of the government's £ 57 million five-year Bantustan development plan has been allocated to building African urban housing in the reserves for peasants to be taken off the land and made into border industry workers.

### Nationalist Capital

Nationalist writers distinguish three successive "economic movements" in the "Afrikaner's economic struggle." In the first, prior to 1919 little occurred except appeals to oust the "English" from business. Only in 1918 were Ko-operatiewe Wynbouers Vereeniging, Sanlam and Santam



### SOUTHERN AFRICA

*Dates indicate year armed struggle began.*

founded. The latter insurance companies were founded as a result of appeals by the Dutch Reformed Church to open new avenues of employment for Afrikaners in the towns and so rescue the "poor whites" from poverty (and the possibility that they might lose their racialism and become militant).

During the period from 1918 to 1939 numbers of individual Afrikaners went into business, and in 1934 the Volkskas bank was founded by the Broederbond. This was the period of the spread of fascist ideas in the ranks of the new "purified" Nationalists and of the drive by the

Broederbond to organize all aspects of Afrikaans life under their control. In 1938 at the Centenary of the Great Trek, it was suggested that an important way of honouring the Trekkers was to rescue their descendants from poor whiteism. A good deal of money was raised and a welfare organization called the Reddingsdaadbond was set up.

"What weapons are available to the Afrikaner in this struggle? State power... Purchasing power... Capital power..." Dr. Verwoerd summed up the view of the Broeders. It was decided that money be collected from Afrikaners for a financial company

to finance Afrikaner business. Sanlam and Santam came forward to organize this company, named Federale Volksbeleggings. The Reddingsdaadbond was transformed from a welfare organization into the economic front organization of the Nationalist drive to totalitarian power.

All this spelt opportunity to the new Nationalist ideologists and capitalists.

Previously we have been dealing with capital owned and managed by Afrikaners and little different from other capital, but now there emerges National capital, Volksas founded by the Broederbund, and Federale Volksbeleggings which was intended to gain economic power for the fascistic new Nationalists as part of the building of the totalitarian social movement, are not ordinary businesses. They call to mind Volkswagen, the firm established by the Nazi Labour Front and the Hermann Goering Works.

Before 1948, only two of Verwoerd's three "weapons" were available. Purchasing power was mobilized by means of nationalistic campaigns to buy, bank and insure Afrikaans and of course not to trade with Indians, Jews or Jingoese. The fat wartime incomes of the farmers made this an important source of economic power. Capital power in the shape of the profits of the Nationalist capitalists' existing investments was also available.

This was greatly augmented when the resources of the State fell into Na-

tionalist hands. They give themselves contracts. For example Verwoerd's publishing houses (Dagbreekpers and Hayne and Gibson) have been given government contracts worth 1½ million since 1960. One of Escom's biggest power stations is built next to a Federale Mynbou coal mine, and a second even bigger power station near Ermelo is to be built next to another Federale Mynbou colliery. This of course gives Federale Mynbou, which is a Sanlam firm, a monopoly market for its coal for the next thirty years or so while these power stations continue to function.

Federale Volsbeleggings is to finance a synthetic rubber plant using raw materials from the state firm Sasol, and the rubber factory has full government backing to guarantee it a market. This assistance from public funds is made easier by the system of interlocking directorates which has been built up between Nationalist capital and state capital. For example, Dr. H. J. van Esk of the state firm I.D.C. is a director of Sanlam, and Dr. M. S. Louw of Sanlam has been appointed head of the Government's new Coloured Development Corporation. In addition, the state capitalist firms and state departments are used as a training ground for Nationalist business managers. An indication of how greatly this state aid assisted Nationalist capital is provided by Sanlam which had assets of £3½ million in 1939 and £18 million in 1949 which rocketed to £90 million by 1961.

An idea of the size of Nationalist capital can be gained from the magazine *Tegniek*, in July 1962, which lists the ten biggest Afrikaans financial institutions and their assets today as being:

Volksas	£ 99,490,590
Sanlam	£ 90,000,000
Trust Bank	£ 41,550,231
Saambou	£ 32,583,609
Santam	£ 12,650,500
Sentral Finans-	
Korporasie	£ 10,051,830
Bonuskor	£ 8,227,100
African Homes Trust	£ 7,935,346
Federale Volsbeleggings	£ 7,309,257
Federale Mynbou	£ 4,090,812

and having total assets of over £ 313½ million. All the firms listed except Volksas are in the Sanlam group, and co-operation between Sanlam and Volksas is extremely close. All the firms listed therefore are to be regarded as forming a single group: Nationalist capital. The total assets of the group are far greater than £ 313½ million since none of the industrial or commercial subsidiaries of the group are listed nor are the smaller financial undertakings in the group.

The size of the group is clearly still a good deal less than the Oppenheimer group with about £ 1,000 million, British capital with the same, and state capital with more than £ 1,500 million. On the other hand Nationalist capital is growing very

rapidly and it is strengthened by its close links with the other two economic bases of Nationalist power, namely state capital and state-supported, organized farmers' capital.

The structure of Nationalist capital has evolved on the basis of its traditional fields of experience: finance and farming, plus those fields in which the aid of the State plays a decisive role. It has invested heavily in fishing, farm machinery and fertilizers. Nationalist capital is to finance a synthetic rubber works using Sasol raw materials and promoted by the government as part of their drive to make South Africa economically self-sufficient. They are breaking into mining through coal mining with the help of big contracts with Escom.

Two important incidents in the history of Nationalist capital show how politically important and strong they are becoming. In 1957 they tried to take over Central Mining and Investments, the second largest mining house in South Africa. The combined efforts of Oppenheimer, Engelhard (backed by Wall Street's Dillon Read & Co.) and several of London's banks were required to defeat this takeover bid. Its defeat was followed by loud complaints by a number of prominent Nationalist politicians against foreign capital, and even talk of nationalization. Apparently as an appeasement gesture, Federale Mynbou was ad-

mitted as an investor in Anglo-American's Zandpan Gold Mine.

After Sharpeville many foreign investors withdrew their capital from South Africa. Prices fell heavily on the Stock Exchange and an economic crisis threatened the government and led to considerable dissatisfaction among businessmen. Sanlam (and the Old Mutual, which has Cabinet Minister Paul Sauer as a director but is not a Nationalist institution) then began buying shares, putting a huge portion of their new funds into the Stock market, and this was a major factor in stopping the fall in share prices.

Anton Rupert has built up a cigarette (Rembrandt, American Tobacco, Peter Stuyvesant, Rothman, etc.) and liquor (Villa Rosa, Oude Meester, etc.) empire worth £55 million. He was a protégé of the *Ekonomiese Komitee* set up after the *Ekonomiese Volkskongress*, but appears to be relatively independent and unpolitical by Nationalist standards (probably because the bulk of his business is overseas).

At the opposite, imbecile end of the Nationalist scale is the prospectus for Sabiker, a firm which intends to produce one or more newspapers "to educate the Bantu in the light of existing conditions in the political fields" and to establish border industries in Bantu areas. This prospectus stated: "We believe in our God, we believe in our Nations and in the future of South Africa... with the Bantu's eagerness to read, Sabi-

kor shares can pay off great dividends in the future." and it ended by quoting a verse of "Die Stem", the national anthem. God, reactionary politics and big profits all for the price of one.

### The Pattern of Power

There are thus two giant economic groupings in the South African economy. The mining houses are dominated by Oppenheimer's Anglo-American empire (£1,000 million) and are closely linked with foreign capital in South Africa (£1,538½ million); on the other side are ranged state-supported farmers' capital in close Nationalist-directed alliance with state capital (more than £1,458½ million).

Politically it is well known that the first grouping supports policies ranging from United Party to Progressive Party, while the second grouping is the economic base of the Nationalists. In the end both policies are white supremacist, but the differences between Nationalists and the United Party and Progressive Parties, especially the Progressive, are considerable. Political realists bear in mind at all times the importance of their opponents' divisions.

There are social and economic differences which underline the political differences between the big groupings. Mining and foreign capital have very strong links with the rest of Africa and overseas countries and they are strongly influenced by so-

cial and political developments there. Oppenheimer has indicated that he would like to end the migratory labour system for at least part of his labour force in order to obtain higher productivity from a settled working class. Concessions to the Africans are a necessary part of the economic and social policies of this grouping. They are confident of their ability to continue to rule through their wealth and influence, especially through the means of mass communication, even in a more democratic, bourgeois parliamentary system.

The second great monopolistic grouping cannot and will not consider any concessions. The farmers' production is based on the most vicious relations of production in the country such as the tot system, labour tenancy, farm jails, the compound system at Bethal, etc. Any democratic advancement by the non-white masses would completely disrupt these customs and relations, drastically decrease the degree of exploitation and no doubt lead to a major change in the ownership of the land. This is the reason why the farmers are the most reactionary force in the country and always have been.

Nationalist control of state capital and their use of it to enrich themselves depends upon the continuance of their monopoly of political power. Any significant concessions would immediately threaten this, and so the Nationalist capitalists and civil servants are another solidly reactionary

section of the population.

The political differences between the two groupings are real and deeply rooted and the possibility of making use of these differences must be borne in mind. No independent, progressive capitalist third force is possible. Only the very largest capitalist groups are strong enough to take a lead in the affairs of the rulers, and to make use of the major channels of propaganda, to propagate their views on a mass scale. There are no really giant groupings outside the mining and Nationalist groupings.

No real leader can arise from any small business men who might genuinely wish to see democracy in South Africa. The smaller businesses are also strongly dependent on the two big groupings. The Nationalists control state contracts and state aid which can make or break any smaller business. Mining and foreign capital have vast investments in secondary industry, provide the main market for much of industry and commerce and control most of the banking and insurance funds in the country. Any small business man who runs counter to the wishes of the two giants will be wiped out very quickly, and they all know it.

The pattern of economic power which the Nationalists have built in South Africa has advantages in the long run despite the fact that it constitutes one of the biggest obstacles on the road to democracy. A democratic government would immediately take over the whole of state capi-

tal and the economic activities of the government departments. This will give a democratic government control of most of heavy industry, the whole of the transport system and a great deal of other industry. Through the control boards and co-operatives it will have a great deal of power in agriculture. It will also take over some experienced economic planning bodies such as those which have planned the Orange River Project, the Tugela Valley Development Scheme, border industry development, the Iscor and other expansions. This planning machinery can be used to draw up plans based on quite different progressive and democratic ideas and designed to help the poor and oppressed sections of the population to emerge from poverty, ignorance and disease and not, like the present plans, to make the rich richer and the poor poorer. The financial resources of the state and the technical resources of state capital will be available to carry out these plans.

It seems certain that the political struggles leading to democracy will involve some nationalization as well and so increase the economic power of a democratic government. It will be impossible to break the power of the Nationalists without removing all three of the economic bases: Nationalist capital and farmers' capital as well as state capital. Moreover, because all state posts are filled by Whites, sabotage or simple desertion as in the Congo are likely to be encountered on a wide scale.

The fact that South Africa has a modern industrial economy and a structure which favours planning means that the achievement of democracy is also a very long step towards socialism. It will be possible to solve the problems of housing, feeding and clothing the people here much more rapidly than anywhere else in Africa or Asia. This is one prospect to inspire the liberation movement in the dark hours of the present.

G. FASULO

## CHART 1

## INTERLOCKING DIRECTORATES AT THE HUB OF THE MINERAL INDUSTRY OF SOUTHERN AFRICA\*

Societe Generale de Belgique	Union Miniere du Haut Katanga	TANGANYIKA Concessions	British South Africa Company	Anglo American Corp. of S. A.	De Beers Cons. Mines	Johannesburg Cons. Invest.	Rhokana Corporation	Mufulira Copper Mines	Rhodesian Selection Trust	American Metal Climax, Inc.
Gillet	Gillet	Oppenheimer, H.	Oppenheimer, H.	Oppenheimer, H.	Oppenheimer, H.	Oppenheimer, H.	Oppenheimer, H.	Oppenheimer, H.	Hochschild, W.	Hochschild, W.
Van der Straeten	Van der Straeten	Van der Straeten	Wilson, A.	Wilson, A.	Wilson, A.	Blair	Rowlandson	Hochschild, H.	Hochschild, H.	Hochschild, H.
Devillez	Waterhouse	Waterhouse	Acutt	Acutt	Watson	Watson	Seys	Bradford	Bradford	Bradford
Bonvoisin	Selborne	Selborne	Annan	Clark	Clark		Clark	Clark	Moore	Dean
Robiliart	Robiliart	Robiliart	Emrys-Evans	Emrys-Evans	Joel	Joel	Newson	Newson	Coolbaugh	Coolbaugh
Dubois-Pelerin	Guillaume	Guillaume	d'Erlanger	Hagart	Hagart	Hagart	Taylor	Taylor	Finn	Childs
de Spirlet		de Spirlet	Berry	Wilson, W.			Wilson, W.	Gaudie	Gaudie	Gaudie
Marthoz	Marthoz	Hudson	Grenfell	Oppenheimer, P.	Oppenheimer, P.	Findlay		Lascelles	Lascelles	Bunker
De Merre	Paulus	Hutchison	Malvern	Albu	Compton	Richardson	Richardson	Richardson	Irwin	Irwin
Wallef	Wallef	Strachan	Hambro	Coulter	Rudd	Frost		Prain	Prain	Burden
Smits	Blaise	Cochran	Robson	Beckingham			Beckingham	Beckingham	Kirkpatrick	Mudd
Nakin	Terwagne	Dickinson	Crawford	Brownrigg			Brownrigg	Peterson	Thomson	Reed
Lampert	Alexander	Alexander		Smith	Forsyth	Harrison		Murphy	Murphy	de Neufville
Renders	Sengier	Pinto Basto		Koch	McHardy	Kissane		Maclaren	Maclaren	Loeb
	Cousin	Turner		Harrison	Leeper	Thomas		Buch	Buch	MacGregor
	Gorlia			Baring	de Villiers	Christie		Tucker		Searls
				Rush	Crokaert	Harris				Szold
				Brown	Rothschild	Egeland				Thompson
				Engelhard						Vuillequez
										Beatty

\*Data as of 1962.

from "The African Mineral Industry," by Alvin W. Wolfe, in Social Problems, #2, 1963.