SOUTH AFRICA: The Crisis in Britain and the Apartheid Economy

"We felt the spirit and the strength of internationalism in our struggle"

Dorcas Good & Michael Williams

Foreign Investment in South Africa: A Discussion Series

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South Africa: The Crisis in Britain and the Apartheid Economy by Dorcas Good and Michael Williams, is the first in a new series of papers commissioned by the Anti-Apartheid Movement as a contribution to the debate on the role of foreign investment in South Africa.

The authors examine the relationship between British and South African wage rates, rates of profit on capital and their influence on the flow of British capital to South Africa, and thus on the evolution of the South African apartheid economy.

The AAM wishes to record its appreciation to the authors for preparing this paper. The views expressed are the authors' and do not necessarily reflect those of the Anti-Apartheid Movement.

September 1976

The South African Government is aware that it cannot afford another Sharpeville and the resultant massive haemorrhaging in its foreign capital inflows.

The Banker, September 1975

The wave of civil disturbance which has swept through the South African black township of Soweto . . . is a sorry event . . . it has come at a time when the London market in Southern African shares was showing signs that it had almost recovered from the severe body blow it was dealt earlier this year by the events in Angola.

Financial Times, 19 June 1976

The economic implications of the recent riots are going to depend chiefly on the reaction of overseas investors. Without substantial foreign money—at least R1,000 million a year— South Africa cannot finance its traditional current account deficits nor achieve the economic growth rates needed to maintain employment.

Financial Mail, 2 July 1976

Senator Owen Horwood, the South African finance minister, is to meet London bankers this week to try to allay their fears after the Soweto riots.

The Times, 6 July 1976

The economic impact of the rioting is less than in 1960 (the time of Sharpeville). Analysts have interpreted the modest impact in a variety of ways. J J Cloete, chief economist for Barclays Bank, suggested that widespread rioting elsewhere in the world had inured investors. A broker, though personally appalled by the police gunfire, said that it had a positive economic effect by demonstrating the power and resolve of the Government.

New York Times, 12 July 1976

South Africa has received "firm assurances" from commercial banks on the bulk of the Rand 320 million (about $280 m) worth of foreign currency loans it hopes to raise from them during the current financial year, Senator Owen Horwood, the South African Finance Minister, said in London yesterday.

Financial Times, 15 July 1976

Introduction

The British economy is in a deep recession, the most severe since the early thirties. Investment is declining, factories are standing empty and bankruptcies are at record levels. The rate of unemployment is increasing throughout the country, and in some parts it is as high as 8 per cent. The rise in average earnings, as shown by the Department of Employment figures (21/3/76), is lagging further behind the increase in prices. Massive cuts in public spending have been announced, and these are to fall on almost every aspect of ordinary life—fares, housing, rents, schools, food prices, hospitals and health and social services.

Faced with a crisis of profitability at home, and an economic recession which shows no sign of abating, the export of capital by British companies is assuming increasing significance as greater profits are to be earned elsewhere, notably in South Africa.

South Africa is an eager recipient of British capital, since the apartheid economy is heavily dependent on foreign funds for its maintenance and growth. The South African government has made no attempt to conceal this fact. The Reserve Bank, which performs South Africa's central banking functions, began its quarterly economic review with the following observation: "Economic developments in South Africa are influenced materially by the economic situation in the rest of the world. . .because South Africa still depends to a large extent on foreign capital to utilise its vast resources." (December 1975)

The average rate of return on capital invested in South Africa is well in excess of that invested in Britain. The overwhelming majority of those who produce South Africa's wealth, the black workers, are without basic democratic rights —the right to vote, the right to free collective bargaining and the right to organise in independent trade unions. This brutal suppression of the black South African workers has made possible the maintenance of an unorganised workforce and the creation of a large pool of unemployed, kept in misery in order to be always at the disposal of the employer. So while the South African economy is growing at a comparatively fast rate, the position of the working people is worsening. As the *Financial Mail* announced in a front-page editorial: "There is a time bomb ticking on every factory floor. And each day the fuse is getting shorter. African discontent is spreading as their wage packets are eaten away by inflation. Real incomes—in many cases already pitifully low—are rapidly declining again." (*FM*, 5 April 1974)

In Britain the economy is stagnating, while in South Africa it continues to expand. Funds are flowing from the former to the latter and in both the level of real incomes is falling. These factors are not unrelated. They form part of an indissoluble whole, and it is the purpose of this paper to examine their relation. In the process we shall show the following:

1) It is not the export of capital that is the cause of the decline in the profitability of British industry but, on the contrary, it is the decline in the profitability of British industry that is the cause of the export of capital.

2) The fall in the rate of profit has arisen not because the workers are less exploited; not because their wages have increased at the expense of profits, but because they are more exploited. The labour movement is therefore in no way responsible for the transfer of funds to countries where higher profits are to be made.

3) It is the low rate of return on investment in Britain that has prompted the corporations for so long to seek out greater profits abroad. As a result, investment in Britain is slowed down and there is a further deepening of the recession. The export of capital to South Africa, however, influences and greatly accelerates the expansion of the apartheid economy. The gathering unemployment crisis in Britain and the maintenance of white supremacy in South Africa are thus different aspects of the same process.

4) As long as the British economy stays tied to the narrow standard of profitability, an increase in the level of investment will not alleviate unemployment. On the contrary, a rise in redundancies and a further reduction in living standards will remain the precondition for the profitable employment of capital in Britain and, consequently, for the modernisation of British industry.

5) It is the corporations, and not the British workers, who benefit from the export of capital. The fact that there is greater scope for investment in South Africa than in Britain can always be used against the workers in their conflicts with the corporations. The high rate of return on foreign investment in South Africa thus hangs as a threat over the labour movement. As the *Financial Mail* recently reported: "Chrysler officials just back in Detroit from Ricardo's last visit to Harold Wilson say contingency plans are ready to shut plants in Britain in less than a fortnight's notice. . . One pressure on Ricardo, the officials say, is that he feels he has spent enough time trying to salvage a losing operation when there are areas—and South Africa was cited—where profits are to be made." (5 December 1975)

6) For British capital invested in South Africa to find a profitable outlet in Britain, a large increase in unemployment and an even greater reduction in living standards would be required. But the export of capital to South Africa serves to strengthen the power of British companies over British workers. It is therefore in the immediate interests of the workers in Britain that they fight in solidarity with the workers in South Africa.

This paper is also concerned with bringing home to the British workers the realities of apartheid. In the face of rising working-class militancy in South Africa, and in response to the activities of the anti-apartheid movement abroad, the foreign investors would have us believe that they have a progressive role to play in promoting democratic change in South Africa. Firstly, they argue that apartheid is incompatible with a modern economy, that is, the more the economy grows, the more the apartheid system will be eroded. Secondly, and arising from the above, they argue that the more capital they invest in South Africa the better they can ensure that change takes place in the right direction.

These arguments are not new. As early as the turn of the century economists held that discrimination on the economic front served only to interfere with the free play of market forces, "on which alone a true and lasting solution of South Africa's problems must depend". Although racism was deemed abhorrent, the "inexorable" laws of supply and demand would at some point "urge" the country beyond its racist ideology.[1]

Over the years it became apparent that these inexorable laws were not doing too well. Indeed, the more the economy grew the more the apartheid system was strengthened, as was evidenced by the rise of pass law "offences" and the mass removals of the population taking place under the Group Areas Act. A new line of argument clearly had to be developed. It ran as follows: although South Africa would be a better place if the laws of the market were followed, these laws have been prevented from operating because of the nasty racists who are more interested in the petty privileges of apartheid than in the overall benefits of a sound and robust economy. The foreign investor could now take issue with racism without questioning its exploitative character.

We reject what is implicit in this line of reasoning. We unreservedly state that a system which is directed not towards people's needs but towards production for profit is inherently contradictory; that, where such a system is allowed free reign, the lot of the people will not improve but will worsen; and that the destiny of the masses in South Africa will be decided by the masses themselves, not by the multinationals.

British workers know from their own experience that the ability to win a living wage is inherent both in the building of the labour movement and in the struggle for the right to organise, a struggle opposed by the British corporations. The attack on the British working class—exemplified by the campaign to reduce the workers' living standards through the 4½ per cent pay policy—exposes the real nature of the corporation's "concern" for the South African workers.

It is only when the multinationals fall out with one another that the true story of the foreign investor begins to emerge. As the *Financial Times* has conceded, the recent Chrysler affair "should cause us both to treat multinational penetration of our own industrial system in much more circumspect fashion in future and encourage us to take a much greater interest in complaints about the way in which it exploits the third world".(18 December 1975) Perhaps the *Financial Times* might now consider the following: how is it that a multinational company can act in "democratic" Britain with open and callous disregard for the needs of the people, while in fascist South Africa it can serve as a "force for progress"? You pays your money and takes your dividend.

This paper is concerned with questions which were raised in June 1975 at a seminar organised by the Anti-Apartheid Movement, centring on the relationship between British and South African wage rates, the economic crisis, the flow of British capital to South Africa and the evolution of the apartheid economy. The clarification of these questions is of the utmost urgency for those concerned with the real debate—how best to assist the masses in South Africa who are presently waging their own struggles against oppression.

I. The Common Exploitation of Black Workers in South Africa

A) The division of the spoils

The black workers in South Africa are cruelly exploited and deprived of all democratic rights. There is a complete absence of collective bargaining and the State has both the power and the right to move labour where it wants and when it wants. Not surprisingly there is considerable diversity among the corporations over salary and wage policies, leave provisions, overtime practice, bonus payments, transport service, employee amenities and recreation, pension benefits, etc. This has given rise to the illusion that exploitation in South Africa, while having its base in the apartheid system, is also a function of the relationship between the individual employer and those he employs.

It is necessary for us, therefore, to begin by examining the class basis of exploitation, in order to show how *all* employers, by virtue of their class position, distribute among themselves the profits produced by *all* workers. To do this we will use a simple example involving two South African firms—AE & CI, which is capital-intensive in all its operations, and General Mining, which is relatively labour-intensive.

Let us assume that AE & CI and General Mining each start with an initial annual investment of £10 million. AE & CI spends £8 million on machinery, raw materials, fuel, etc, and £2 million on labour. General Mining, on the other hand, spends £2 million on the former and £8 million on the latter. We shall also assume that similar wage rates are paid in both companies and that the labourers work half of the working day for themselves and the other half for their employer, that is, the rate of exploitation is 100 per cent. At the end of the year we get the following picture:

Table I

	machinery etc	wages	profits	Total value
AE & CI	£8 million	+ £2m	+ £2m	= £12m
General Mining	£2 million	+ £8m	+ £8m	= £18m
				£30m

AE & CI

$$\text{rate of exploitation} = \frac{\text{profits}}{\text{wages}} = \frac{2}{2} = 100\%$$

$$\text{rate of profit} = \frac{\text{profits}}{\text{total investment}} = \frac{2}{10} = 20\ \%$$

General Mining

$$\text{rate of exploitation} = \frac{\text{profits}}{\text{wages}} = \frac{8}{8} = 100\ \%$$

$$\text{rate of profit} = \frac{\text{profits}}{\text{total investment}} = \frac{8}{10} = 80\ \%$$

(total investment = machinery etc plus wages)

If the above products were sold at their real value, General Mining would earn a higher rate of profit than AE & CI, notwithstanding the fact that the degree of exploitation of the workers in both industries is the same. In the real world, however, competition would adjust the prices in the different industries so that the price of one commodity would be raised above, and that of the other depressed below, their respective values. In other words, it is not the value of the commodities but their *cost price*, that is, the expenses they contain plus the *average* rate of profit, around which competition forces the market-prices in the different industries to rotate.

In our example, capitalists would invest more in General Mining and less in AE & CI, until the rate of return on investments in both industries tended to equalise. Given the movement of capital from one industry to the other, the following picture would emerge:

Table II

	machinery etc	wages	average profits	Cost price
AE & CI	£8 million	+ £2m	+ £5m	= £15m (£3m above real value)
General Mining	£2 million	+ £8m	+ £5m	= £15m (£3m below real value)
				£30 m

AE & CI and General Mining
rate of exploitation = 100 per cent
rate of profit = 50 per cent

We see then that the employers *do not* secure the profit created in their own industries. Rather, they share among themselves, in accordance with their total capital outlay, the profits originating in *all* industries. So all those with a stake in South Africa's apartheid economy, regardless of their good or evil intentions, are, so far as profits are concerned, just so many shareholders in one large company.

Of course, the formation of a *general* rate of profit (around which individual profit rates may fluctuate) requires a high level of economic development. This is certainly the case in South Africa, where the interdependence of different sectors of the economy and the interpenetration of different "capitals"—State, local (both English and Afrikaans-speaking) as well as foreign—is now so complete that it is no longer possible to single out any branch which stands outside the equalisation process. The chart (over) makes this clear.

B) The interdependence of production-units

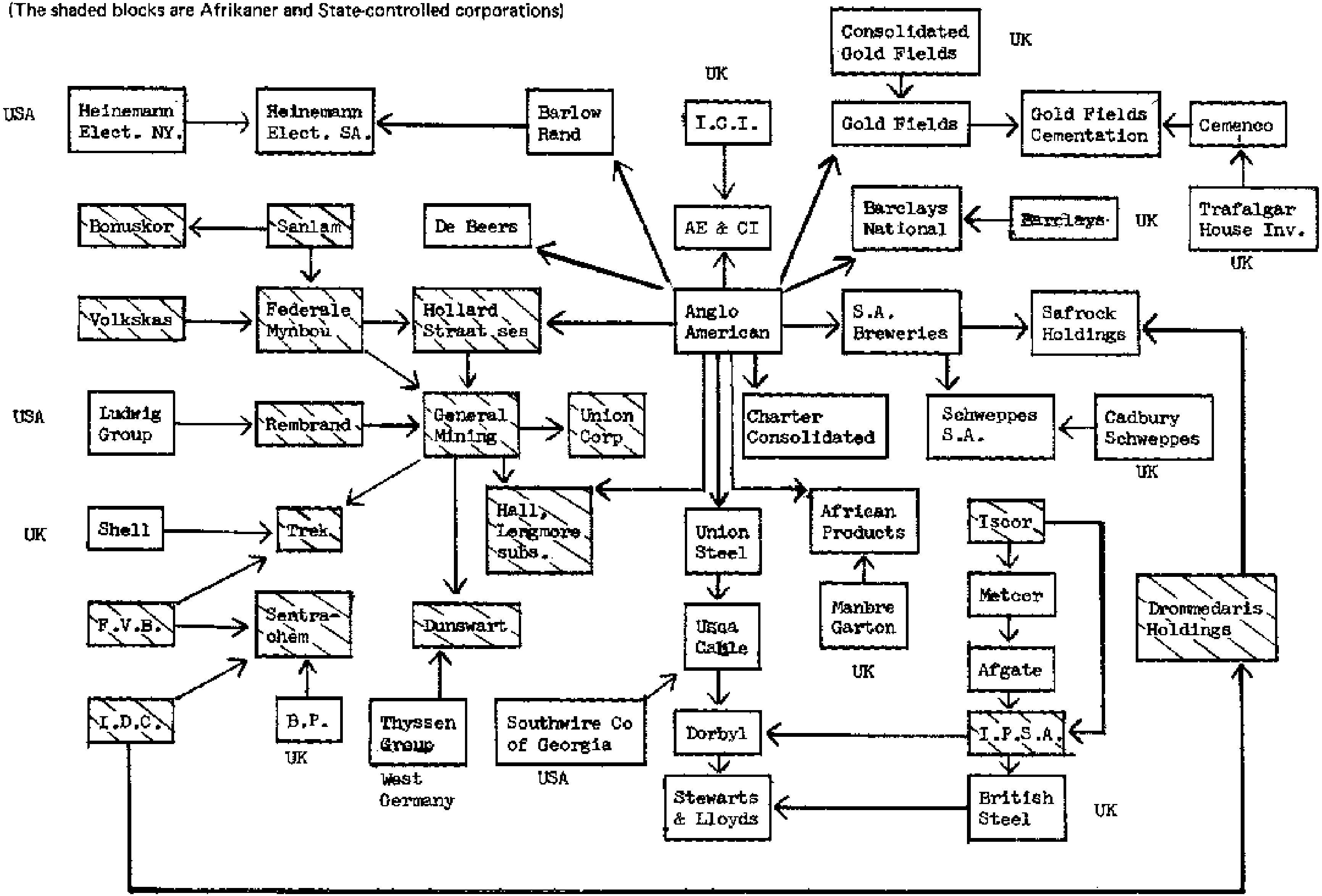
However much the day to day conditions of the workers may differ, we should not lose sight of the fact that the various production units in South Africa form part of an interdependent whole. The output of one industry forms the input of another, and vice versa. It is thus a false posing of the problem to single out the good employer from the bad.

For example, in March 1974 the *Financial Mail* carried an article on the House of Commons Expenditure Committee's report on British firms in South Africa. The report listed a number of South African companies, together with their British associates, which were paying workers starvation wages. The *FM* branded these firms "laggards". Then, in April 1974 the *FM*, in a special survey on AE & CI (in which ICI holds 42% of the issued share capital) opened with the following: "AE & CI, the largest [private] industrial company in South Africa, bestrides key sectors of the economy like a Colossus. . . If AE & CI shut down tomorrow, the repercussions to South Africa would be far more serious than those of the recent coal-miners' strike in Britain. All mining and much of industry would come to a standstill; agricultural output would dwindle miserably. If the shut-down continued for long, we'd be in danger of starvation." (The "we", of course, referring to white South Africans, since black South Africans are already starving.)

The *Financial Mail* expressed its unconcealed delight that this handsome Colossus had "escaped the wrath of the British Trades Union Congress and the House of Commons". It is, after all, an honourable company with "good intentions" and, more importantly, "a better-than-average employer of Black labour" (*FM*, 11 April 1974).

AE & CI has a 49 per cent stake in Triomf Fertiliser Investments, an industry headed by Louis Luyt (the Afrikaner who

A PARTIAL LOOK AT THE SOUTH AFRICAN COMPANY SCENE
(The shaded blocks are Afrikaner and State-controlled corporations)



recently made a bid for South Africa's liberal press). Triomf has derived much of its funds from the Industrial Development Corporation (IDC), a state-owned company designed to stimulate the industrial growth of the country. The IDC has a 51 per cent hold over Drommedaries, which in turn controls 51 per cent of Safmarine. Safmarine owns 27 per cent of the equity of Unicorn Shipping, in which Union Corporation has a 28 per cent interest. Union Corporation is under the virtual control of General Mining, a South African-based, Afrikaner controlled multinational, responsible for some 34 per cent of the national coal output and employing labour under barbarous conditions. General Mining provides AE & CI with coal.

If AE & CI has escaped the wrath of the British Trades Union Congress, it is because the rank and file trade unionists of this country have not been confronted with the following question: how would you respond if coal supplied to Britain was produced in Wales under conditions approaching slavery? The answer is a foregone conclusion.

The importance to the South African economy of raw materials and industrial hardware which are priced below the world average has not escaped the attention of the United Nations Commission on South Africa's economic performance. It concluded that "the cheapness of African labour directly or indirectly, ie through cheap coal, has been one very favourable factor for the South African steel industry, and in fact the manufacturing sector as a whole" (Economic Survey of Africa, E/CN.14/370, p 189).

Coal mine wages, productivity and prices: South Africa and UK

	South Africa	UK
Average weekly wages ($) 1958	8	44
Output per man shift (short tons) 1958	3.3	2.9
Average pithead price ($ short ton) July 1960	1.68	12.46

(SA in the Sixties, p 105)

Relative iron and steel prices charged in South Africa and other countries (around 1960)
(South Africa = 100)

	Pig iron	Steel billets
South Africa	100	100
United Kingdom	140	122
United States	165	151

(A J Norval, *A Quarter of a Century of Industrial Progress*, p 19)

Coal Mining Industry of South Africa — 1974

	Blacks	Whites
Employment	65,576	7,276
Average Weekly Wage	$7.30	$139.73

(FM, 20 September 1974)

Nor has this escaped the attention of the *Financial Mail* which, in a more mercenary mood, wrote:

> ". . . when it comes to getting nearer to raw materials, or exploiting cheap and abundant manpower, or benefitting from cheap coal, steel and electricity, South Africa has much to offer and, in fact, is fairly high on the list of countries that (foreign) firms are likely to consider."
> *(FM*, 4 October 1974)

Least of all has it escaped the attention of the South African Government. As the *Financial Mail* reported:

> "Following the report of the South African government's 1972 economic mission to Austria and Germany, led by Dr P E Rousseau, it was decided to second a Department of Industries representative to South Africa's embassy in Cologne to give German industrialists on-the-spot advice about investing in the Republic. . . The first such representative to be appointed is Carel van der Merwe, ex-IDC, who has been in Cologne since March last year. . . *And he has tried to single out those companies to which South Africa can offer special advantages, such as cheap labour, proximity to raw materials, etc."*
> *(ibid)*

It must further be pointed out that any attempt to distinguish between the "laggards" and "progressives" among South Africa's tightly-knit cluster of companies obscures the essential workings of one of the pillars of the apartheid system—the pass laws. In contrast to Britain, South Africa has a phenomenally high labour turnover, which in some instances exceeds 100 per cent per annum. It is meaningless, therefore, to single out workers employed by individual firms. Thanks to the pass laws, a worker can work one week for AE & CI, the second week for ISCOR, and in the third week be sent to some barren wasteland called "home". For the African workers the pass laws are indiscriminate in their oppression.

It is vital that we bring to the workers in this country a sense of the common oppression under which *all* black workers suffer, and from which *all* firms benefit. Any attempt to highlight specific firms, be they locally owned, controlled from abroad, or run by the State, must always be linked to the basic demands—free collective bargaining and full democratic rights for all.

II. National Differences of Wage and Profit Rates

The comparison of one economy with another is a difficult task. It is rendered all the more difficult by two factors:

1) the distinction between the rate of exploitation and the rate of profit, which we have already touched on; and
2) the dual nature of the wage, ie the distinction between its relative aspect (expressed in the ratio of wages to profits) and its absolute aspect (expressed in the amount of use-values the wage will buy).

Taking these two factors together, it is possible for: (1) the standard of living to improve, (2) the rate of exploitation to rise, while at the same time (3) the rate of profit falls.

Let us assume that a capitalist starts two shoe factories, one with an initial annual investment of £30 million in an advanced capitalist country, and the other with an initial annual investment of £10 million in an underdeveloped neo-colony. Let us further assume that 6,000 workers are employed in the former and 8,000 in the latter (where little machinery is used) and that the firms produce 9 million and 1.4 million shoes respectively. Let 4 : 1 be the capital–labour ratio in the advanced capitalist country and 1 : 4 in the neo-colony; and let 100 per cent be the rate of exploitation in the former and 50 per cent in the latter. Then we have the following calculation:

Table III

	machinery etc	+	wages	+	average profits	=	cost price	no of shoes
Advanced country	£24 m	+	£6 m	+	£6 m	=	£36m	9 m
Neo-colony	£2 m	+	£8 m	+	£4 m	=	£14m	1.4m

	Advanced country	Neo-colony
1. rate of exploitation	100%	50%
2. rate of profit	20%	40%
3. average wage	£1000	£1000
4. price per shoe	£4	£10
5. amount of shoes produced per worker	1500	175
6. amount of shoes each worker's wages can purchase	250	100

The rate of profit in the advanced capitalist country is thus one-half that of the underdeveloped country, although the rate of exploitation in the former is twice that of the latter.

Furthermore, although the workers each receive an annual wage of £1,000 the workers in the advanced capitalist country are able to purchase more than twice the number of shoes than workers in the neo-colony. So while the workers in the advanced country are better off in absolute terms (in terms of the use-values they consume) they are worse off in relative terms (in terms of the amount of profits they provide the capitalist in relation to their wage). It must not be imagined, therefore, that because in one country the workers have a low standard of living, they are more exploited than workers in another.

A) Wage rates and living standards

The question arises: who is worse off, the workers in the advanced capitalist country who are more exploited but receive in return more use values, or the workers in the neo-colony who are less exploited but receive less use-values?

In the neo-colony the "enlightened" employer is often heard to argue that wages should be sufficient to enable the workers to maintain themselves in a healthy state. Yet these same "enlightened" employers, who in the neo-colony do not want the workers to have too little, in the advanced capitalist country complain that the workers have too much. Wages thus enter into the employer's calculation on the same footing as the fuel for engines or the feed for cattle.

To those who regard the use-value aspect of the wage as all important it must therefore be said that the position of the classes to one another depends more on relative wages than on the absolute amount of wages. On the other hand, to those who regard the rate of exploitation as all important it must be said that the workers do not stand outside nature, but have real needs which must be met.

The controversy over relative wages versus absolute wages serves little purpose. The correct approach must be to consider the workers in their entirety, ignoring neither their real needs nor their position in society as social beings.

This is not to suggest that the distinction between relative and absolute wages is unnecessary. We need to distinguish between the two in order to understand the process of capital accumulation and how this process relates to the competitive struggle between workers and employers.

The productive power of labour is constantly being heightened within the accumulation process. Faster and more powerful machines must be introduced on a regular basis if a corporation is to survive alongside its competitors. But a rise in the productivity of labour reduces the labour-time necessary for the production of commodities. This in turn reduces the labour-time necessary for the reproduction of labour-power itself, that special commodity sold by the workers in return for their wage. In the same measure, therefore, as capital accumulates the relative wage falls. Short of the full socialisation of the means of production this is not something the workers can prevent. Absolute wages, on the other hand, are directly related to the competitive struggle between workers and employers and can move independently of relative wages.

For example, let us assume an increase in the productivity of labour, with the value of the worker's means of subsistence falling from £40 to £30. £30 will now purchase the same amount of use-values as did £40 previously. The relative position of the workers will have worsened although absolutely their position will remain unchanged. However, if in consequence of the struggle for a higher standard of living the wage falls only to £35, living standards will have risen, although relatively speaking the workers will still be worse off than when earning £40. As capital accumulates further, the value of the worker's means of subsistence may fall from £35 to £25, although the wage may possibly not fall below £30. Again, standards of living will have risen although relatively the position of the workers will have deteriorated.[2] We see then, that the workers themselves, although they cannot prevent a reduction in the value of their labour-power, and consequently in their relative wage, will not permit a reduction in their living standards. On the contrary, the struggle to improve their condition enables them to share, to a certain extent, in the general growth of wealth.

The degree to which the workers are able to participate in this growth of wealth depends ultimately on the strength of the workers themselves.

B) The competitive struggle in Britain and South Africa

The scales of the competitive struggle in South Africa are heavily weighted against the workers. The absence of elementary bargaining rights has resulted in a working class whose position fluctuates wildly from day to day. South Africa is a highly industrialised country. The process of mechanisation has continued unabated throughout all sectors of the economy, leading to enormous redundancies, notwithstanding the absolute increase in the size of the workforce. Unemployment amongst the African population has been estimated as high as 2 million and this in a country with a total population half that of the UK. The Industrial process in South Africa in the 20th century mirrors Britain in the 19th. This finds its expression in the creation of that monstrosity, an industrial reserve army of labour consisting of entirely pauperised people. The apartheid system ensures that South Africa's reserve army is kept in uncertainty so as always to be at the beck and call of the employer.

Given the advanced character of industrial development in South Africa, together with the barbaric treatment of those who operate industry, we can expect both a lower standard of living *and* a more rapid growth in the rate of exploitation than in Britain. This certainly is the case in mining and, in recent months, with the adverse impact of the world crisis on Britain, this could become the case in industry as well.

Output per head
(1970 = 100)

	Manufacturing		Mining	
	UK	South Africa	UK	South Africa (excl gold)
1970	100.0	100	100.0	100.0
1971	103.0	100.2	102.9	105.5
1972	109.2	102.1	90.6	107.5
1973	117.7	105.9	105.9	110.0
1974	114.3	106.9	98.0	113.5
1975[a]	113.5	107.9	107.6[a]	124.2
1975[b]	109.6	110.7		

(a) first quarter; (b) second quarter

(*Monthly Digest of Statistics*, November 1975, p 52)
(*SARB*, December 1975, 5-82)

The increase in the productive power of labour and the absence of trade union rights has led to a decline in wages and salaries as a share of the national income.

Distribution of Net National Income %
(South Africa)

	Employees: wages and salaries	Income from property and corporate savings	Direct taxes on Corp and income from property by Government
1971	68.6	26.1	8.5
1972	66.5	28.9	8.3
1973	62.6	29.2	10.3
1974	61.4	29.6	11.8

(s.71 *SARB*, December 1975)

The above table includes as "employees' those who have nothing to do with the creation of wealth; the police, the army, the administrators of apartheid. It also includes white "workers" who in many instances are workers in name only and whose sole function is of a supervisory nature. The table, moreover, says nothing about the distribution of wealth according to race. While the position of the white worker has continually improved, the position of the black worker has worsened, both in relative and absolute terms.

The following table reveals just how glaring is the income gap between black and white South Africans.

Distribution of Income—1973

	Black	White	Total
Economically active population	81.5%	18.5%	8.8 million
Income from property	1.9%	98.1%	R3.2 billion
Disposable personal income..........	26.1%	73.9%	R12.2 billion
Transfers from Government.....	30.2%	69.9%	R418 million
Salaries and wages...	31.8%	68.2%	R9.6 billion

(Salaries and wages include earnings in kind. Transfers from Government are largely pensions. Disposable personal income includes salaries, property income, transfers from both Government and from the rest of the world, less direct taxes. Sources: *FM*, 14 & 21 February 1975; Dept of Statistics; Senbank.)

Over the years the absolute income gap between the races has widened. In 1970 the average white household had R362 *more* to spend each month than the average African household. By 1975 this had increased to R596 (*Financial Mail*, 13 February 1976).

The table below, relating to Consolidated Gold Fields of South Africa, highlights both the exploitative and racist character of South Africa's apartheid economy.

Gold Mines managed by Gold Fields of South Africa
(year ending June — £ million)

	1973	1974	1975	%change 1973-1975
Taxation	45.0	101.2	106.7	+137
Distributions to shareholders	32.1	74.9	93.0	+190
Profits	94.7	212.9	219.2	+131
Gross Profits	171.8	389.0	418.9	+144
Total Wage Bill	34.9	46.6	54.6	+57
Profit/Wage gap	136.9	342.4	364.3	+266

Gold Mines managed by Gold Fields of South Africa
Average wages—Rand per month

	1973	1974	1975
White workers	557	650	701
Black workers	32	47	77
Wage gap	525	603	624

(Figures obtained from *Consolidated Goldfields Limited: A Review of Activities and Issues*, Christian Concern for Southern Africa)

Despite the astronomic rise in the price of gold in 1973-75, the wage bill of Consolidated Gold Fields increased by a mere 57 per cent. Over the same period distributions to shareholders rose by 190 per cent, taxes 137 per cent, and profits 131 per cent. Although African wages doubled—rising from an insignificant R32 to a paltry R77—the increase in white wages alone amounted to nearly R150. As the *Financial Mail* noted: "The main beneficiaries have been Government, White Unions and shareholders." (*FM*, 12 December 1975).

The South African government is currently spreading the lie that, under its patronage, living standards of the black workers have improved. The Annual Report of the South African Reserve Bank had the effrontery to write: "In accordance with government policy to reduce the gap between salaries and wages paid to Whites and Non-Whites, the average remuneration of Non-Whites increased substantially faster during the past year than that of Whites." (1974)
It then published figures showing how over the past four years the average annual wage for "non-whites" increased at the rate of 6.4 per cent per annum in *real* terms (which would make it one of the fastest growth rates, if not the fastest, in the world) while that of whites increased at a mere 2.5 per cent. This is a non-starter.

It is meaningless and deceitful to speak of an increase in real living standards *while refusing to publish unemployment figures.* When it suits the government the "Africans" are members of a "tribe". But when it comes to calculating their living standards they are individuals, and the devil may take the rest of their so-called tribe—the unemployed, the aged, the sick, the women and children languishing in the reserves.

Not for a moment would the workers in this country tolerate the refusal of the government to publish unemployment figures of workers from Wales on the grounds that they were "temporary sojourners" in England.

British workers must ask themselves this: is it conceivable that with the creation of "labour reserves" in Britain, with unemployment four times its present level, with the workers' everyday movements monitored and controlled, and with the right of the government to ban union activities and to detain and arrest union activists—is it concievable, given this situation, that the workers' standards of living would improve?

Until the South African government makes available all facts and figures, workers in this country are justified in assuming the worst.

C) Rates of profit

As pointed out, there is a tendency in this society for the value of labour-power to fall as the productive power of labour rises. This is brought about by the substitution of capital for labour, enabling the employer to cheapen the commodities he sells back to the worker. A decrease in the value of the worker's means of subsistence increases the *rate of exploitation* (that is, the ratio of profits to wages), but at the same time it leads to a decline in the *rate of profit*. The reason for this paradox is two-fold. Firstly, all profits are derived from labour. Profits do not come from machinery, fuel, raw materials, etc, that is, from past accumulated labour, but from living labour alone. Secondly, the rate of profit is determined by the ratio of profits to *total* capital outlay (that is, wages *plus* machinery, etc), and not only by the ratio of profits to wages. So the more capital is substituted for labour the more productivity rises. The more productivity rises the more the worker is exploited. And the more the worker is exploited the more the rate of profit tends to fall. This is illustrated in Table III, which shows how the rate of profit and the rate of exploitation move in opposite directions (see p 8). While the *mass* of profit has increased in the advanced capitalist countries, the ratio of this mass to the total capital outlay has declined. In other words, the rate of profit falls, not because labour becomes less productive but because it becomes more productive; not because the workers are less exploited but because they are more exploited.

Every worker on the shop floor knows that with the introduction of new plant and machinery operations are speeded up, work is intensified and productivity bargains are struck in the employer's favour. It would seem that the workers can never really produce enough, since the more they produce the more the employers will want, in an attempt to hold back the tendency of the rate of profit to fall. Far from labour-saving machinery decreasing the load of the workers, in this society their load increases further.

The tendency of the rate of profit to fall has been widely analysed by economists, politicians, and men of business and finance, but in most cases to the detriment of the workers. Not accidentally, the first attempt at an analysis was made in Britain, the birthplace of modern industrial capitalism. As early as the 18th century Adam Smith argued that there is a tendency in capitalist society for wages to rise at the expense of profits. Both he and his followers thus attributed declining profits to the "excessive" wage demands of the workers. This was, and to this day remains, a very convenient theory for the employer, for it may then be argued that, if only the workers were to accept a cut in their living standards, more would be available for accumulation. What Adam Smith failed to grasp is that it is the *profit system* itself which places a limit on the expansion of wealth, and *not* the inability or the unwillingness of the workers to produce sufficient surplus.

An alternative to Smith's analysis was advanced by Malthus. He argued that low wages make profits possible, but at the same time they make profits impossible because they reduce the demand for goods. Unless the employer is able to find additional markets his profits will decline. The way out of this dilemma, according to Malthus, is to raise the income of those who play no part in the production of wealth—the landlords and other feudal remnants—thus providing the employer with the markets he requires.

Contrary to the views expressed by Malthus, the impoverishment of the workers can never be the *cause* of the crisis. Even if measures were adopted which raised the level of consumption, this would not alter the fundamental dilemma facing the employer: how to increase the amount of capital per worker, and consequently the rate of exploitation itself, without decreasing the rate of profit.

A fall in the rate of profit poses a serious threat to the owners of capital. Their aim is always to obtain the highest rate they can and they will do anything possible to prevent its decline. There are a number of ways in which falling profit rates can be delayed and held in check. Capital can be sent to countries where the capital-labour ratio is lower and where the workers are subject to greater control. As for capital which is invested at home, the labourers themselves can be cheapened, not by raising the productivity of labour but by reducing the living standards of the workers. The crisis of profitability finally drives the employers to seek solutions at the expense of the oppressed countries abroad and the workers at home.

D) The competitive struggle in South Africa and Britain

One of the most important factors checking the tendency of the rate of profit to fall is the reduction of wages below the value of labour-power. Although the corporations may concede a rise in the workers' living standards (so long as relative wages are falling) inevitably there comes a time when living standards must be reduced if profitability is to be maintained. The attack on the living standards of the workers in an advanced country like Britain is no mean feat. Here the working class, formed in a more favourable climate, won for themselves basic democratic rights which prevent the same kind of control being exercised as is now exercised in South Africa. These hard won rights must ultimately be taken away if the attack which is currently being waged against living standards is to be made effective.

In the meantime, Britain and other countries are investing heavily in South Africa, there to reap the rewards of the exploitation of a working-class restricted and bound. Later we shall examine the extent to which foreign capital is involved in South African industrial intrigue. Here it is sufficient to ask the following: why is it that capital continues to flow to a country where the general conditions of underdevelopment are not being maintained, but where industry is developing at a rapid rate and where the rate of mechanisation is as fast, if not faster, than in Britain? We can only conclude that the relatively high rate of profit in South Africa is more a function of the high rate of exploitation than of low capital-labour ratios.

Gross Fixed Capital Formation per worker—manufacturing (1970 = 100)

	South Africa	United Kingdom
Amount in 1970	£224	£239
1970	100.0	100.0
1973	151.8	129.8

(*UK: Monthly Digest of Statistics*, November 1975; *SA: SARB*, September 1975)

The law of the tendency of the rate of profit to fall has not been suspended in South Africa. It has been delayed by the ruthless imposition of barbaric rule aimed at maintaining the privileges of a few while at the same time sustaining the rapid growth of profitable industry.

We have so far covered a fair amount of theoretical ground and in the process have examined a number of important practical issues relating to wages and profits. We are now in a position to turn to the actual evolution of South Africa's apartheid economy, and to explain how South Africa was able to reach its present high level of industrial development.

III. The Industrialisation of South Africa and the Imperial Connection

A) The economic crisis in Britain and the export of capital

Throughout the greater part of the last century Britain's economy was the most dynamic in the world. As leader in the use and development of new technology her industrial greatness seemed secure. Then, in the early 1870s, the rate of return on industrial investment began to decline. Added to this was the emergence of modern large-scale industry in Europe and the USA which posed a serious challenge to Britain's trading supremacy. Faced with falling profit margins at home and increasingly severe competition from abroad, businessmen turned away from industry and retreated into finance.

Banking and finance institutions grew in abundance. The City of London emerged as the greatest financial force in the world, and the centre of an empire that stretched across the globe. Large sums were concentrated in the hands of few financiers and there seemed no limit to their power. In their search for an escape they transferred their funds to the colonial or underdeveloped countries where greater profits were to be made. By the end of the 19th century approximately one half of all British savings was being invested abroad.

Growth of Foreign Investments of Leading Capital Exporting Countries
(in millions of US dollars to the nearest $100 million)

	1870	1885	1900	% of total 1900
United Kingdom	4,900	7,800	12,100	50.6
France	2,500	3,300	5,200	21.7
Germany	. . .	1,900	4,800	20.2
Netherlands	500	1,000	1,100	4.6
USA	100	400	700	2.9
	8,000	14,400	23,900	100.0

(Source: Woodruff, Table IV/i)

The movement of British capital to other lands did not solve Britain's economic problems. The competitiveness of industry declined and the gap between imports and exports widened. The working class movement was gaining in strength, thus limiting the extent to which the crisis could be resolved at its expense, that is, by reducing living standards. Financiers continued investing abroad, and so the vicious cycle began.

South Africa became a part of that cycle as diamond and gold mining offered lucrative outlets for British finance-capital. But high profitability was not all that South Africa had to offer.

The supremacy of British credit had come to rest on the slender foundation of the gold standard. City financiers, however, considered Britain's available gold reserves entirely inadequate to sustain the weight of Britain's financial empire. A loss of confidence in sterling was sufficient to trigger a stampede to gold which might easily bring the growth of Britain's money market to a halt. In 1891, G J Goschen, then Chancellor of the Exchequer, addressed the Leeds Chamber of Commerce:

> "We are the great gold market of the world, and at the same time our available stock for use, for sale, for immediate purposes, is extraordinarily small as compared with the stock of gold held by other countries. We being the country on whom all can rush for the immediate purpose of getting gold, our stock—our available stock I mean—is nevertheless smaller to an extraordinary extent than that of any of the great continental countries.
>
> "Our system is built up on gold. For good or evil, the immense liabilities of this country would have to be discharged, if need there were, in gold. . . Any large amount, withdrawn from such a comparatively narrow base for the weight of so enormous a pyramid, will have an effect quite disproportionate to the extent to which gold is withdrawn or the reserve diminished."
> (28 January 1891; quoted in Trewhela, 1970.)

To prevent a financial catastrophe, a "second reserve" of gold was needed—and gold was in abundance in South Africa.

As the 19th century drew to a close, South Africa was able to offer what no other country could provide—both a profitable outlet for Britain's finance-capital and a seemingly unlimited supply of gold. All that was required was the availability of plentiful and cheap labour.

B) Exploitation on the diamond and gold fields

Following the diamond discoveries in 1869-70, Cecil Rhodes, an Englishman by conviction and a South African by convenience, went to South Africa and formed the De Beers Mining Company. Nine years later he gathered together all the existing companies and formed De Beers Consolidated Mines Ltd, one of the most powerful mining-finance companies in the world. The final consolidation involved a sum well in excess of £5 million, supplied mainly by British and French capital.

De Beers was now the employer of some 20,000 workers, 90 per cent of whom were Africans. Conditions of work bordered on slavery. African mineworkers were imprisoned within compounds for the duration of their contract, policed by armed squads of overseers, searchers and guards, and herded from the compounds to the mining areas through tunnels and closed pathways like cattle at the stockyards. The most foul techniques were devised to determine at the end of the worker's contract whether he had swallowed any diamonds. Africans were purged with castor oil and stewed dried fruit and confined in a room under strict supervision until the guards could ferret about their excrement in search of diamonds.

It was illegal for workers to leave their place of work and those who escaped were tracked down and sometimes shot (*Morning Leader*, 17 December 1900). All strikes and union activities were outlawed and wages were pitifully low. In 1891 a popular British newspaper cynically reported that De Beers "was lucky to have black labour handy. No white would stand this sort of thing for any wages under the sun" (*Pall Mall Gazette*).

This brutal suppression of the black workers had as its single objective the amassing of great fortunes for the mine-owners. As one commentator noted, with the introduction of the compound system investors "found their yields wonderfully increased" (Chilvers, 1939, p 39).

With the discovery of gold in the 1880s, the City financiers turned their attention to the Witwatersrand, only to repeat the horrors of the diamond days on an even grander scale. Capital was required from abroad in great quantities, and in great quantities it came, notably from Britain, Germany and France. Hobson, a keen and critical observer of South Africa, wrote:

> "Nowhere in the world has there ever existed so concentrated a form of capitalism as that represented by the financial power of the mining houses in South Africa. . . The newness of the country and the absence of any earlier growth of strong vested interests have enabled these financiers, drawn from all the European countries, to develop the latent powers of pure finance more logically than elsewhere. . ." (Hobson, 1965, p 276)

British Investment in Africa—1914
($ — millions)

South Africa	Rest of Africa
1,550	900

(Source: Woodruff, Table IV/3)

Gold is no ordinary commodity. In its capacity as world money it can go through doors which import controls and tariff barriers close to other commodities. Production in South Africa could be extended to the limit without regard for the size of the market. If by chance more was produced than was immediately needed, it could always serve as a store of value. There was no need, therefore, for the mining companies to enter into competition with one another; instead they could form one large monopoly organisation for the purposes of working out common policy and of dividing among themselves the available supply of African labour. Once labour could be acquired cheaply and its supply guaranteed, there would be little drive to introduce labour-saving machinery.

It mattered little if labour productivity in the gold mines lagged behind other industries. As the money commodity, gold does not enter into the subsistence requirements of the workers. An increase in the productive power of labour through investment in machinery would not cheapen the worker's means of subsistence. There was no compulsion therefore to mechanise underground operations to any great extent, and so a high labour content of gold could be maintained. And the higher the labour content of gold, the greater its value. Of course, large amounts of capital would be needed to run a mine—even in those days it cost at least £500,000 to sink a mine shaft. But this could be balanced by employing large quantities of cheap black labour, thus maintaining the desired ratio between the amount of capital invested and the size of the workforce. The tendency of the rate of profit to fall could thereby be held in check.

To take maximum advantage of the special features of gold mining would require strict control over the lives of many thousands of workers, more even than South Africa could provide.

No sooner were the mines in operation than the mining magnates called for a comprehensive system within which African labour could be regulated and policed. A spokesman for Rhodes' gold mining company, Gold Fields of South Africa (which today remains the wholly-owned subsidiary of Consolidated Gold Fields Limited of London), announced:

> "At present there is no guarantee that tomorrow the Rand will not be 'boy'-less. That must be remedied in the interests of the capitalist. There should be some system under which the supply is certain and cannot fail. Such a system would have to be on a colossal scale and administered either by Government or some institution acting under its sanction. There is no use of private individuals and mere amateurs attempting to command a Native labour supply." (*The Standard*, 21 March 1891)

The Transvaal Government had a direct interest in the super-exploitation of the African workforce, since the bulk of its revenue came from the mines. The government gazette for the Transvaal, *The Standard*, stated that the mining industry required not merely a supply "of willing workers sufficient for its needs but a superabundant supply". "Native wages," the paper claimed, "are far too high—absurdly high. And it is only by *making* the supply of native labour exceed the demand that wages can be appreciably reduced. As things are . . . the payment of the huge monthly native-labour wage-bill . . . reduces greatly the legitimate profits of shareholders." (7 June 1896)

There was no limit to the depth to which the mining magnates were prepared to sink in their pursuit of "legitimate profits". J Hay, President of the Chamber of Mines (the representative body of mine owners), informed a Government-appointed commission that its policy was to secure an unlimited supply of cheap black labour.

Mr De Beer: —Have you ever submitted a scheme for compulsory labour by natives?
Mr J Hay —No, I think not.
—Do you think it would be desirable to get forced labour?
—Yes.
—Against fair pay?
—Of course.

Mr George Albu, founder of General Mining and Finance Corporation and representative of the Association of Mines, was equally determined.

Mr De Beer —Suppose the kaffirs return back to their kraals? . . would you be in favour of asking the government to enforce labour?
Mr Albu —Certainly. A kaffir cannot live on nothing.
—You would make it compulsory?
—Yes, I would make it compulsory. . .Why should a nigger be allowed to do nothing?
—Would it not be called slavery?
—Not so long as the men earned a certain amount of money.

(The Industrial Commission of Inquiry, 1897)

On the eve of the Anglo-Boer war, one observer was reporting that the mine owners were "annoyed at what they call the stupidity and laziness of the native, and usually clamour for legislation to compel the natives to come and work. . . Some go so far as to wish to compel them to work at a fixed rate of wages, sufficient to leave a good profit for the employer. Others go even further and as experience has shown the native does not fear imprisonment as a penalty for leaving his work, they desire the infliction of another punishment which he does fear, that is, the lash." (Bryce, 1899, pp 223-4)

Following the outbreak of war between the British and Boers, a meeting was held of the Consolidated Gold Fields Company. The directors looked forward to the day when Britain would impose its rule:

> "With good government there should be an abundance of labour, and with an abundance of labour there will be no difficulty in cutting down wages, because it is preposterous to pay a Kaffir the present wages. He would be quite as well satisfied—in fact he would work longer—if you gave him half the amount. (Laughter) His wages are altogether disproportionate to his requirements. (Renewed laughter)" (*Financial News*, 21 November 1899)

Rudd, Rhodes' right-hand man and co-founder of Goldfields of South Africa, called on the British government to "try some cogent form of inducement, or practically compel the native, through taxation or in some other way, to contribute his quota to the good of the community....

> "If under the cry of civilisation we in Egypt lately mowed down 10,000 or 20,000 Dervishes with Maxims, surely it cannot be considered a hardship to compel the natives in South Africa to give three months in the year to do a little honest work." (Ogden, 1901, p 77)

After the defeat of the Boers in 1902, and with the political administration of the Transvaal firmly in the hands of the British, the demands of the Chamber of Mines prevailed. An elated mining engineer, J Curle, proclaimed:

> "Because of the new Government there can now be an organised labour supply all over South Africa. . . there will be an efficient pass-law, ensuring no loss to the mines by desertion. . . the natives will work on a longer contract. . . It will be possible to reintroduce hand labour in stoping instead of rock drills, and the mines will be bound down not to outbid each other for workers as in the past." (Curle, 1902, p 21)

As in the diamond days, the treatment of the African workers did not go unrecorded. The only concerted and systematic opposition of any kind in Britain came from the labour movement and those associated with it. The newly-formed British Independent Labour Party publicly denounced the British Government and held that its conduct "can be explained only upon the supposition that their intention has been to. . . secure complete control in the interests of unscrupulous exploiters." (National Administration Council of the British Independent Labour Party, Blackburn, 9 September 1899) Comments of this nature were treated as unpatriotic by the British press.

Once it became clear that control could be left in the hands of an agreeable settler population, the British withdrew their forces. The whites—numbering some 1 million—settled down to the business of rebuilding South Africa . . . on the backs of the black masses. As Rosa Luxemburg wrote:

> "One million white exploiters of both nations sealed their touching fraternal alliance within the Union (of South Africa) with the civil and political disfranchisement of five million black workers. Not only the Africans of the Boer Republics came away empty-handed, but (so did) the Africans of the Cape Colony. . . And this noble work, culminating under the imperialist policy of the Conservatives in open oppression, was actually to be finished by the Liberal Party itself, amid frenzied applause from the 'liberal cretins of Europe' who with sentimental pride took as proof of the still continuing creative vigour and greatness of English liberalism the fact that Britain had granted complete self-government and freedom to a handful of whites in South Africa." (Luxemburg, 1963, p 416)

C) The industrialisation of South Africa

South Africa was a source of great strength to the British Empire, both politically and economically. It was greatly feared, especially with the rising power of Germany, that the immense money resources of the Transvaal would be used by the Boers to build a powerful and independent economy. The Kaiser's friendly overtures to Kruger convinced the British imperialists that South Africa would have to be absorbed in a British Dominion before it was too late. To this end the British Government sent to their deaths thousands of working people in one of the costliest and bloodiest wars the world had so far witnessed.

Defeat notwithstanding, the Afrikaner Nationalists were determined to industrialise South Africa. The war had taught them three important lessons:

1) The white workers (especially those on the mines) must be won over to the cause of "white nationalism" since they could act as a buffer against intervention from without, and against the resistance of the black workers and oppressed peoples from within.

2) Although the economic system must be based essentially on the principles of private enterprise, the State must have an important influence on the overall economy.

3) In order to prevent a single power from exercising a determining influence, as many of the industrialised countries as possible must be drawn into the economic development of South Africa.

The message which the Afrikaner Nationalistsbrought to the white workers was simple and crude: only in a broad political alliance, embracing all whites, would their living standards be protected against competition from cheap black labour. Since the white workers had long forsaken the class struggle in favour of their short-term economic interests it was merely a matter of time until they were won over to the cause. Racism and economism in South Africa thus formed an indissoluble bond.

The support of the white workers proved critical. The super-exploitation of African workers on the gold fields enabled South Africa to pay for the capital goods it needed for its expanding economy. The establishment of state-controlled industries—notably iron and steel— acted as growth points around which manufacturing enterprises flourished. The development of these enterprises was aided and abetted by subsidies, protective tariffs, import controls and, as always, an abundant supply of cheap black labour. As South Africa's industrialisation programme advanced, the lives of the black masses worsened.

Demonstrations were organised throughout the country. In Durban over 2,000 black workers paraded through the main street, voicing their opposition to the pass laws. The police moved in quickly for the kill—those addressing the workers' meeting were shot or bludgeoned to death. There followed a reign of police terror and yet more restrictions. By the end of the Second World War, South Africa—which had fought on the side of the British—was as far removed from democracy as ever.

The Afrikaner Nationalists were swept to power in the all-white elections of 1948. The high places of politics were finally occupied, and little time was lost in tightening the grip on the masses. The black workers, on whose shoulders the entire South African economy rested, bore an assault indescribable in its ruthlessness. Hundreds of thousands of peasants were wrenched from the soil and driven into industry, only to be thrown back when industry no longer needed them and when the soil could no longer sustain them.

Despite victimisation, police harassment and imprisonment, the struggle of the workers steadily mounted, culminating in the mass demonstrations and strikes that swept the country in 1960. The State responded in a manner which befits a country striving for membership in the club of imperialists —unarmed workers were fired upon and killed, mass arrests followed and all organisations representative of the people were outlawed. In the space of a few years a whole range of laws were introduced to keep down the black workers with nothing short of State Terror.

By the early 1950s South Africa had laid the foundations of a modern and powerful industrial base. The British imperialists had not wanted this and the mine owners had opposed it. But when it became clear that there was no turning back, everyone accepted the inevitable and joined in with gusto. As First, Steele and Gurney have written:

> "The new pattern of investment after the war was partly the result of developments within the economies of Britain and other investing countries. Since 1945, a much higher proportion of total overseas investment by all the major capitalist industrialised economies had gone to relatively developed economies and into manufacturing industry . . . The change has also reflected the achievement of South African national interests, which succeeded, in the 1940s and the 1950s, in building up a fully fledged industrial economy under South African control. Although it was not in the interests of overseas capital to initiate industrialisation, once this was under way, fostered by Government expenditure on basic industries and infrastructure, industry became an attractive outlet. At the same time the mining finance houses began to diversify." (First, Steele and Gurney, 1973, p 127)

D) Foreign Capital in South Africa

In 1958 a government-appointed commission of enquiry —whose specific task was to examine the role of the State in promoting economic growth—unanimously concluded that South Africa's industrial programme would serve little or no purpose without the aid of foreign investment. Accordingly it urged the Government to "encourage industries in the Union by publicising overseas the advantages of the country in regard to industrial development and by actively encouraging foreign firms voluntarily to establish themselves in the Union". (UG No 36, 1958)

High profitability in manufacturing, together with a tightly controlled labour force, was precisely the encouragement foreign investors needed. Between 1956 and 1972 direct foreign investments rose from R1,590 million to R4,895 million, an increase of just over 300 per cent. (*SARB*, December 1975)

If an economy is to grow—and South Africa is no exception

—large sums of money must be set aside for the replacement and enlargement of fixed capital, that is, machinery, plant, equipment and so on. The importance of foreign capital in South Africa can therefore best be indicated by examining the net capital inflow in relation to the gross domestic fixed investment.

Net capital inflow as percentage of gross domestic fixed investment (annual average)

1966-67	1968-69	1970-71	1972-73	1974-75	1975
7.1	12.7	18.6	3.4	18.8	25.2

(Source: *SARB*, December 1974, December 1975)

The above table shows (with the exception of 1972-73) an increase in the dependence on the net capital inflow as a source of funds. From the low rate of 7.1 per cent in 1966-67, this rate increased to 18.8 per cent in 1974-75. During the first three quarters of 1975, it rose to a record 25 per cent.*

Foreign capital is intimately involved in the development and consolidation of South Africa's industrial infrastructure. Today, over 70 per cent of Germany's total direct investments in South Africa are in manufacturing, and of this amount more than 50 per cent is in the engineering and steel industries alone. (Bundesbank, December 31 1973) Although there is greater diversification of US and UK investments in South Africa, their involvement definitely reflects a bias towards manufacturing, conforming to the structure of the South African economy as a whole.

US and UK Direct Investment in Manufacturing—1971
(% of their total investments by area)

	South Africa	Rest of Africa	World
UK	65.4	27.0	59.0
USA	50.7	4.3	41.2

(Source: *UK Trade and Industry*, 15 November 1973, (excluding oil, banking and insurance); *US Survey of Current Business*, Dept of Commerce, September 1973)

Not only has there been a shift in foreign investment from the extractive industries to manufacturing, but within manufacturing itself investment has tended to centre on heavy industry.

Composition of UK Direct Investment in Manufacturing—1971
(per cent by area)

	South Africa	World	Rest of Africa	Latin America
Food, drink, tobacco textiles, leather, clothing, footwear	24.0	25.0	38.5	67.2
Metal manufactures, mechanical, instrument & electrical engineering, motor vehicle manufacture	44.3	25.4	12.5	9.9
Other	31.7	49.6	49.0	22.9
	100.0	100.0	100.0	100.0

(Source: *Trade and Industry*, 15 November 1973)

Comparable statistics are not published in the US. Nevertheless, an indication of the nature of US investment abroad can be gained by examining the composition of total manufacturing sales by majority-owned foreign affiliates of US companies.

Composition of total manufacturing sales by majority-owned foreign affiliates of US companies for selected products—1972
(per cent by area)

	South Africa	World	Rest of Africa	Latin America
Food	5.8	10.1	8.2	20.0
Primary Metals	2.5	7.9	25.8	5.8
Machinery	15.0	14.9	1.3	6.0
Other	76.7	67.1	64.7	68.2
	100.0	100.0	100.0	100.0

(Source: *Survey of Current Business*, August 1974, part II)

Thus, from a world perspective, a comparatively large proportion of US investment in South Africa has gone into the strategic part of manufacturing, the machine producing industries.

With the emergence after the Second World War of the USA as the dominant imperialist power, and with the re-emergence in recent years of a European and Japanese imperialism, Britain's share in the South African economy has steadily declined. In 1969-74, Germany's investments in South Africa increased from R300 million to R800 million, and possibly even to R1,300 million. (*FM*, 4 October 1974) Even the conservative estimate averages some 30 per cent per annum over the five year period. This is not to suggest that Britain is likely to be replaced by either Germany or the USA as the largest foreign investor in South Africa. In keeping with the strategy of the South African Government, Britain will at worst have to share equally with other contenders for South Africa's wealth.

Foreign Liabilities of South Africa (%)

	1938	1965	1972
Sterling Area	89.3	65.3	55.8
Dollar Area	3.6	17.7	18.6
Western Europe	7.1	16.3	24.5

(Source: Woodruff, p 157; *SARB*, December 1966, December 1975)

The absolute amount of new British investment in South Africa has increased significantly over the years, although reliable statistics are difficult to obtain. In 1972 the South African Reserve Bank discontinued its statistical series showing the origin of capital inflows, thus leaving the whole question of Britain's involvement in South Africa open to speculation. As the *Financial Mail* noted: "No information is published about investments by individual countries—to avoid possible political embarrassment, according to a Bank spokesman." (15 April 1976)

The only alternative sources are the British published statistics, but these are unsatisfactory even by pre-1972 South African standards. As far as the total value of UK direct investments overseas is concerned, various industrial and commercial investments, other than those of oil companies, are covered. Banking and insurance investments are excluded "because of problems of definition" (*Trade and Industry*, 15 November 1973), a curious situation for the world's most sophisticated money market.

Statistics relating to net outward investments (that is, the flow of direct investment) say nothing about portfolio investment, loan capital, advances and overdrafts, commercial bills discounted (including acceptances), suppliers' trade credit on exports, advance and progress payments on imports, inter-government loans, etc. Official British statistics can therefore give only part of the picture and at times they give a misleading picture.

* As *The Times* recently reported, were it not for the high level of capital inflows last year, the South African economy would have been in serious trouble (8 March 1976).

Value of British Investments in South Africa—annual average increases (£ million)

	South African statistical source			British statistical source (1)		
	1968-69	1970-71	1972	1968-69	1970-71	1972
Direct investments	156.6	58.3	267	47.8	5.5	..
Non-direct investments	- 3.7	40.3	106	n/a	n/a	n/a
Total investments	152.9	98.6	373	n/a	n/a	n/a

Net Outward Investment to South Africa—annual average (£ million)

	British statistical source (2)		
	1968-69	1970-71	1972
Direct investments	57.5	37.7	73.2
Non-direct investments	n/a	n/a	n/a
Total investments	n/a	n/a	n/a

(1) Excluding oil, banking and insurance
(2) Excluding oil companies
(Source: *SARB*, December 1969—December 1973; *Trade and Industry*, 15 November 1973; *Business Monitor*. n/a = not available.)

The above figures are based on sample surveys undertaken by the South African Reserve Bank and the Board of Trade and Industry. The inadequacy of British statistics speaks for itself. Until the Government remedies this situation we must draw our own conclusion: foreign investors evidently have much to hide, problems of "definition" notwithstanding.

To a large extent direct foreign investments in South Africa are the reinvested profits of existing firms. This does not mean that capital no longer originates externally. While foreign firms are relying on locally produced profits to finance their expansion, the apartheid economy is becoming more dependent on new forms of external capital support. These new forms of support suit the apartheid economy admirably. They belong to the world of undercover transactions, are easy to conceal and in many instances are beyond the surveillance of individual countries themselves.

A recent example is the gold swap agreement concluded last month between the South African Reserve Bank and unnamed "overseas parties". The agreement effectively amounts to a gold-backed loan of $600 million, thus enabling the Reserve Bank to boost its foreign exchange reserves considerably. Without this loan the South African economy would now be faced with a major balance of payments crisis. We may assume therefore that these "overseas parties" have interests in the South African economy which go beyond the gold deal itself and for this reason choose to conceal their identity.

Also hiding behind the shield of anonymity are the major banks in the Euro-currency markets which are lending large sums of money to South Africa. The banks syndicate the loans in such a way that it is impossible to either locate the source or establish the scale of the involvement. Statistical series recently published by the Bank for International Settlements give some indication of the size of these loans. They show that in the first three quarters of 1975, well over $1 billion of loan capital was raised for South Africa. If South Africa's deposits with the banks involved in Euro-currency operations are deducted from this figure, it still amounts to the very large sum of $ 723 million, or 50 per cent of South Africa's entire net capital inflow during the three-quarterly period (*Financial Times*, 8 March 1976; *SARB*, December 1975).

Any meaningful discussion of the investment question must take into account the changes that are taking place in the economies of South Africa and Britain. The crisis of profitability in Britain has resulted in the growth of British banking on a gigantic scale. The retreat away from industry and into finance has become a stampede. Billions of pounds worth of foreign currencies are being borrowed abroad by the British banks for the purpose of lending to other countries. The sums involved are so vast that in a comparatively short period they have come to constitute the largest component of Britain's total external assets.

UK External Assets

	1962		1975	
	£m	%	£m	%
Private investment abroad	8,070	64.1	23,400	24.8
UK Banks' assets: advances and overdrafts in foreign currencies	1,031	8.2	58,155	61.7
Other banking and commercial claims	1,235	9.8	7,846	8.3
Public Sector	2,250	17.9	4,865	5.2
	12,586	100.0	94,266	100.0

(Source: *Bank of England Quarterly Bulletin*, June 1974, 1976)

In March of this year, South Africa emerged behind Japan, Italy and Mexico as the world's fourth largest net borrower of non-sterling currency from the UK. The amount lent to South Africa currently stands at £1,173 million, and shows every sign of increasing.

Any disruption to the gold mines is likely to create uncertainty and panic in the international currency markets and bring the expansion of world credit grinding to a halt, so undermining Britain's ability to borrow abroad and continue with its Euro-currency operations. Since the power and influence of the British banks grow in proportion to the amount of money at their command, there is no limit to the measures they will take to ensure that the South African connection remains unimpaired. The City of London is now absolutely committed to the maintenance of South Africa's gold mines and, with them, the apartheid economy.

Britain's financial activities, both at home and abroad, are only one side of the picture. The other side is the growing importance of State capital in the South African economy.

The greater part of loan capital which South Africa borrows from abroad is going into the State-run industrial enterprises. These are the corporations which supply firms in South Africa with their industrial hardware, as well as the finance with which to build new factories or enlarge existing ones. Foreign firms in South Africa are therefore just as reliant on external sources of finance as they ever were, reinvested profits notwithstanding. As Pillay has written:

> "The South African State itself is becoming the largest investor in the economy of the country. This is being financed by international capital on an unparalleled scale. Hence, a new kind of link between international finance and the South African State is emerging, one supporting the other, and thus presenting a mirror image of the kind of distinctive relationships between industrial finance capital and the German State under Nazism." (Pillay, 1974, p 3)

When considering the capital requirements of foreign companies in South Africa it is vital that we view the apartheid economy in its entirety, and that we recognise the links that hold together foreign banks, State-controlled enterprises and private industry in one complete chain. Any attempt to focus on one aspect of South Africa's economy to the exclusion of others only mystifies the real nature of apartheid and all it signifies for the black workers.

South Africa is very much a State capitalist society.

Government involvement in the economy has reached enormous proportions, and is large even by British standards.

Gross fixed investment : percentage distribution

	South Africa		United Kingdom	
	Public	Private	Public	Private
1971-1973	47.0	53.0	41.0	59.0

(Source: *SARB*, December 1974; *Monthly Digest of Statistics*, November 1975)

In 1974 as much as R469 million of long-term loans was raised abroad by the public corporations (*FM*, 18 April 1975). This represented 80 per cent of South Africa's net capital inflow (*SARB*, December 1975).

The reliance of the public corporations on foreign capital is expected to rise dramatically over the next few years. The Economic Development Programme has estimated that between 1974 and 1979 approximately $50 billion will have to be invested if South Africa is to meet its growth targets. This would be about three times in excess of the total assets of all the banks, building societies and insurance companies put together (*FM*, 4 July 1975).

The following shows some of the capital commitments of the public corporations and explains why the *Financial Mail* speaks in terms of "their desperate scramble for foreign funds" (18 April 1975).

Capital commitments of the Public Sector—current prices

Power supplies	R4,350,000,000
Iron and steel	R3,238,000,000
Telecommunications	R2,100,000,000
Fuel	R1,092,000,000
Uranium enrichment	R910,000,000
Transport	R866,000,000

(Source: *FM*, 4 July 1975; *Banker*, September 1975)

It remains to be seen whether South Africa will raise sufficient funds to meet her vast capital commitments. What is certain is that the involvement of the City in South Africa's burgeoning public sector will remain as massive as ever, although the true size of this involvement may never be known. In the face of growing opposition to the apartheid system foreign banks are asking for their identity to be kept secret. The South African Government, for its part, is more than willing to spare others the odium of complicity in its rotten rule. As the *Financial Mail* observed: "At the request of foreign banks, Iscor (the state-owned steel producing giant) refuses to divulge the extent of its foreign borrowing last year." (18 April 1975)

It is fitting that foreign investors should disguise their involvement in a country which openly conceals unemployment figures.

E) The emergence of South African imperialism

The debate as to whether or not South Africa is an independent capitalist country is misplaced. South Africa has a formidable industrial base, the only one of its kind in Africa, and local capital continues to move from strength to strength. But the more industry in South Africa is able to accumulate capital internally, the more the economy enmeshes with foreign capital. Rather than speak of the dependence or independence of the South African economy, we should speak in terms of its growing *interdependence* with Western world economy.

When a South African firm does battle with one foreign-controlled company, it is invariably with the tacit approval or outright assistance of another. Early this year, after a prolonged battle with General Mining, Gold Fields of South Africa failed in its attempt to acquire the Union Corporation mining finance house. It was subsequently revealed that considerable manoeuvring went on behind the scenes involving the Afrikaner companies Federale Mynbou, Sanlam, Volkskas, Rembrandt and the Ludwig group of the USA. What appears to be emerging are "the first moves in the formation of an Afrikaner-US mining finance giant whose logical further step would be to fully acquire Union Corporation" (*FT*, 27 December 1975).

South Africa has developed a modern and outwardly expanding economy on the basis of the most ruthless exploitation of its workers at home and continued support from abroad. The dynamic of South Africa's own internal development has carried it to the point where it must now export capital beyond its borders in order to sustain its accumulation base. Between 1956 and 1972, South Africa's direct foreign investments rose from R250 million to R1,050 million, a four-fold increase.

There is nothing contradictory in the fact that South Africa is both an importer and exporter of capital. Foreign companies are themselves actively involved in promoting the movement of South African capital to other lands. The coalescence of interests between South Africa's apartheid economy and international banking and finance has therefore broadened, extending to all corners of Southern Africa and beyond.

Since 1972 South Africa has moved on the offensive in securing safe outlets for its capital and manufactured goods, embracing not only Southern Africa but also the Middle East and Central and Latin America. The State has been involved in loan agreements with, and the extension of lines of credit to, various African and Latin American countries, in order to strengthen economic links.

The gold mining industry continues to draw the bulk of its labour force from neighbouring territories. As *The Banker* explains:

> "Black wages in other South African industries are a good deal higher, so to continue finding cheap black labour the mines have had to recruit more and more workers from South Africa's poor neighbours like Mozambique and Lesotho. . . This ability to recruit foreign workers at low wages has been one of the most important factors preventing the gold mines' total wage bill from rising. . ." (September 1971)

This has enabled the mining industry to accumulate capital on the basis of a high labour content of gold, without being forced to introduce labour saving machinery on any ambitious scale. According to one commentator, "the industry has been slow to develop mechanisation underground, because it has so frequently been cheaper just to send in another ten Africans instead of inventing a machine" (Green, 1968, p 80).

The large revenue which the State draws from the gold mines gives added stability to the apartheid economy, enabling local and foreign controlled companies to maintain high profitability. This state of affairs will continue only in so far as the mines are able to recruit labour outside South Africa at low rates of pay. South Africa has accordingly transferred a sizeable part of its capital to neighbouring countries in an attempt to secure political and economic domination of the region. There has thus emerged a direct link between the struggles of the black workers in South Africa and the liberation struggles in Southern Africa as a whole.

South Africa is a budding imperialist power. It is a weak member, but a member nevertheless of that select group who among themselves seek to dominate the world. It is for this reason that the whole question of imperialism—the characteristic feature of which is the export of capital—must be dealt with systematically and critically, lest we arrive at positions which are inimical to the interests of the working class movement. It is necessary, therefore, in order to understand the identification of interests between the workers in Britain and the liberation struggles in Southern Africa, to return to that period when Britain first began exporting capital to South Africa on a massive scale.

IV. The Export of Capital and the Crisis in Britain

A) The export of capital: the early debate

J A Hobson was the first in Britain to deal critically with the export of capital to South Africa. His investigations in the Transvaal during the summer and autumn of 1899 enabled him to witness the terrible impact of foreign investment on the lives of the people. His exposure of this brutality is a testimony to his humanitarian concern, although the remedies he advanced remain a subject of much controversy.

According to Hobson, the extreme inequality in the distribution of wealth and the low purchasing power of the working class prompted the capitalists in Britain to seek their markets elsewhere. This led to the export of capital abroad and the neglect of industry at home.

Hobson believed that the retention of British capital in Britain, together with workers' participation in investment decisions, would ultimately lead to a fall in unemployment, a rise in incomes and the expansion of the domestic market. This would provide the financiers with the incentive to invest in British industry, thereby resolving the country's economic problems. In his major work, *The Evolution of Modern Capitalism*, he wrote:

> "The wage system need not be displaced. . . the wage system could be supplemented and strengthened by participation in the gains, applied so as to stimulate the greater efficiency of labour which should create gains. The evident defects which have caused the failure of most profit sharing schemes are being studied and remedies sought for them. For if capital and labour are to be brought into conscious harmony within the business, they must be got to realise that they stand to gain by effective cooperation."

As for the colonies, Hobson supported paternalistic solutions aimed at guiding the oppressed countries along the road to "civilisation". He supported the system of Mandates established under the League of Nations—the system which would one day place Namibia (South West Africa) in the hands of South Africa's white minority.

When Hobson's writings first made their appearance in Britain they were either ignored or dismissed. It was in Europe—particularly in Russia, the weakest of all the imperialist states—that his works were given the serious attention they deserved. The major alternative to Hobson's thesis was developed in Russia by V I Lenin and advanced soon after the outbreak of the First World War.

Lenin, first and foremost, supported the liberation struggles in the colonies. The emancipation of the oppressed peoples, he argued, was inseparable from the emancipation of the workers in the metropolitan centres. The extraction of super-profits from the underdeveloped countries greatly strengthened the position of the financiers in the advanced countries, and by so doing weakened the resistance of the workers in their struggles for a socialist future. Lenin cautioned against seeking a British solution to the problems of British capitalism. Appealing to the narrow interests of the workers—as Hobson was doing—served only to undermine the principled alliance that had to be built between the British workers and the oppressed peoples of the colonies.

The root cause of Britain's economic problems lay in the social character of production relations (the fact that production is for profit rather than for use) and not in the uneven distribution of wealth. Lenin believed that the impoverishment of the workers was being used by the financiers to justify their colonial pursuits. Writing on the development of Russian imperialism, he observed:

> "The wailing about the ruin of our industry due to the shortage of markets is nothing more than a thinly disguised manoeuvre of our capitalists, who in this way exert pressure on policy, identify (in humble avowal of their own 'impotence') the interests of their pockets with the interests of the 'country' and are capable of making the government pursue a policy of colonial conquest, and even of involving it in war for the sake of protecting such 'state' interests. . . 'the impoverishment of the masses of the people' not only does not hinder the development of capitalism, but, on the contrary, is the expression of that development, is a condition of capitalism and strengthens it." (Lenin, 1963, p 102)

It was not the lack of markets that drove the financiers in search of investments abroad, but the need to maintain high profitability in the face of declining profits at home. Only with the full socialisation of the means of production would the wealth created by working people be freed from the restrictions imposed on its domestic use by the narrow standard of profitability. For Lenin, Hobson's reformist solutions at home and his support for paternalistic imperialism abroad were the two odious sides of the capitalist coin.

So, during the latter part of the 19th century and the early part of the 20th, two entirely different positions emerged with regard to the export of capital. The one focused solely on the distribution of wealth, that is, on market relations, while the other emphasised the social character of production.

It was not until the post war boom of the 1950s and '60s that a new variation of Hobson's thesis emerged.

B) The export of capital and the post war boom

Following the end of the Second World War, the economies of the advanced countries revived and industry went from strength to strength. During this period conditions were exceptionally favourable for capital. The defeat of the European and Japanese labour movements, together with the mass destruction and depreciation of capital equipment, laid the basis for a new and higher round of capital accumulation on a world scale. Vast amounts of capital flowed from one metropolitan centre to another and relations among the powers became increasingly amicable as the accumulation process gathered momentum. Successive governments in Britain pursued their "full employment" policies and at long last it seemed that economic crises were a thing of the past. Then, in the early 1960s, the rate of profit began to fall—as it had done over one hundred years ago. Large sums of capital were transferred to countries where greater profits were to be made, and so the relative stagnation of British industry began. Between 1953 and 1970 Britain's share of industrial production among the Western market economies shrank from 10 per cent to 5 per cent.

Real rate of return on capital investment in UK—before tax (%—annual averages)

1960-61	1964-65	1968-691	1972-73
12.5	11.5	9.3	7.1

Private UK capital flows abroad expressed as a percentage of gross fixed investment in the UK manufacturing sector—annual averages

1960-61	1964-65	1968-69	1972-73
28.1	28.8	40.6	60.2

(Sources: *Bank of England Quarterly Review*, March 1976; *Annual Abstract of Statistics*, 1967, 1974)

As the world's oldest industrial power, Britain has come to feel the impact of the crisis more acutely than most other countries. The growing strength of finance capital, as well as the necessity for exporting capital abroad, arose as far back as the 1870s when capital in Britain could not find a field for profitable investment in industry. The relative fall in domestic investment and the resultant decline in the competitiveness of British industry dates from this period. Since the outbreak of the crisis in the early 1960s, the British economy—whose structure has remained largely intact since the turn of the century—has deteriorated further.

The dominance of banking and financial institutions over the British economy has been carried to its ultimate, parasitic extreme. UK banks are currently mobilising funds in the foreign currency markets for the purpose of lending abroad on a scale that is approaching the size of the economy itself. In 1962 British banks lent non-sterling currency to other countries amounting to £1,031 million, or 4 per cent of the gross domestic product. By 1975 the banks' loans in foreign currencies had risen to the almost unbelievable level of £58,155 million, that is, *63 per cent of the GDP*. As long as the British economy remains what it is, these vast sums of money will not be used for the purpose of raising the standard of living of the masses, for this would mean a decline in profits for the corporations, but for the purpose of increasing profits by lending money abroad. Britain is fast becoming a *usurer* state.

UK Banks' assets abroad in foreign currencies as a percentage of the Gross Domestic Product

1962	1970	1972	1975
4	33	43	63

(Source: *Bank of England Quarterly Bulletin*, June 1974, 1976)

Britain's forays into foreign currency markets are taking place at the expense of the working class. Although the banks' assets have increased enormously over the years, liabilities have increased even more. The price being paid for this yawning deficit is rising inflation, high taxation on workers' incomes, cutbacks on social services, wage controls and now massive unemployment.

UK Banks' assets and liabilities in foreign currencies
(£ million)

	1962	1970	1972	1975	1976*
Assets	1,031	14,281	23,579	58,155	63,159
Liabilities	1,148	15,215	25,448	60,702	68,493
Deficit	117	934	1,869	2,547	5,334

*As at 31 March 1976. Includes financial institutions other than banks.

(Source: *Bank of England Quarterly Bulletin*, June 1974, 1976)

In an attempt to account for the post war decline of profitability, economists and businessmen still lay stress on the distribution of wealth. However, unlike the supporters of Hobson, they now argue that the balance of class forces has shifted in favour of the working class and that wages have risen at the expense of profits. This is the view put forward by the CBI and the Tory press as well as economists and politicians of various shapes and sizes. They are attempting to mislead the people of Britain into believing that the unions have made excessive claims on the country's limited resources, resulting in a lack of funds available for investment. The message is clear: investment will revive only when the unions agree to a cut in their living standards.

Unfortunately this view has gained some currency among sections of the British population, not surprisingly since the corporations have vast sums at their disposal and know how to put their views across to good effect. *If we are to win support in this country for the liberation struggle in South Africa, the first step must be to reject all theories which lay the blame for Britain's economic crisis at the feet of the labour movement.*

The workers in Britain have played no part in creating the crisis, and are therefore in no way responsible for the flow of capital to South Africa. The *Economic Trends Annual Supplement* for 1975 shows that basic weekly wage rates went up by 215 per cent in 1956-74, whereas gross trading profits of companies rose from £2,886 million in 1956 to £9,706 million in 1974, an increase of 236 per cent. As the *Morning Star* commented: "Whichever way the trends are looked at, they show that while Britain's total output has gone up, the workers' 'cut' in terms of wages, housing and social benefits is now worsening." (31 December 1975)

This lends a lie to the anti-union views being spread by the corporations, namely that the workers are consuming too large a share of the resources that might otherwise be used for industry. The funds are there and they are growing. City financiers are continuing with their investment "strike" because the corporations are unable to reduce the living standards of the workers sufficiently to compensate for the decline in the rate of profit. Financiers will turn to industry only when the crisis of profitability has been resolved—at the expense of the workers.

Profits and Investment in Manufacturing Industry
(annual averages)

	1964-66	1972-74	increase 1964/6-1972/4
Gross trading profits	£3,133 mill	£3,866 mill	£733 mill
Gross domestic capital	£1,366 mill	£2,566 mill	£1,200 mill

(Source: *Midland Bank Review*, February 1976)

The above table shows that gross profits of all manufacturing concerns (including those in the public sector) increased by over £700 million, while money invested in capital goods increased even more. Normally this would not present a problem, but in a society in which the rate of profit counts for everything it is a serious matter. For if the increase in capital investment exceeds the increase in profits, although the mass of profits still rises, the rate of profit must fall.

The effect of the decline in the rate of profit, coupled with the resistance of the workers to a cut in real wages, means that the financiers are turning to countries which are less developed and where the penalties inflicted on the workers for organising in trade unions are harsh and severe.

This is the reason British investors are transferring their funds to, amongst other places, South Africa. It is not because the workers here are consuming too large a share of the country's wealth, but because foreign companies in South Africa are able to compensate for the increase in capital investment by reducing the living standards of the workers. As *The Times* reported: "Mr Vorster, the Prime Minister, has reiterated that his government welcomes foreign capital and will place as few obstacles in its way as possible." (3 December 1973) In the meantime, industry in Britain continues to decline and the unions are made a scapegoat for all economic evils.

Another myth which has gained popularity in Britain is that the economic crisis is due to the low productivity of British workers. This is certainly not the case. Productivity in Britain compares favourably with the major industrialised countries, as the following figures show:

Annual Average Growth Rates of Output per Man-Hour

	1957-60	1968-72
UK	3.4	4.8
West Germany	5.4	4.4
Italy	5.4	2.8

(Source: *National Institute Economic & Social Research Review*, 1973)

A comparison of the growth rates of both output per employee and capital per employee confirms our view that the problem does not lie with productivity itself.

Manufacturing Growth in the UK
(percentage annual rates)

	1948-62	1964-73
Output per employee	2.3	3.8
Capital per employee	2.0	4.3

(Source: *Midland Bank Review*, February 1976)

It is clear from the above that the growth of capital per employee has exceeded that of output per employee. Only in a system which is directed towards production for profit need this create a crisis.

In the period 1970-73, output per worker rose by as much as 17 per cent, representing "what is by British standards a sharp rise in industrial productivity" (*FT*, 24 April 1975). But the increase in productivity served only to increase the rate of exploitation while at the same time accelerating the rise in redundancies. Between 1970 and 1974 the number of jobs lost through mechanisation amounted on average to 180,000 a year. This trend is not new. From the early 1960s onwards Britain has experienced a steady decline in the size of its manufacturing labour force, so while productivity has risen the industrial base of the country has continued to contract. The number of workers in production industries fell from 10,920,000 in 1961 to 9,698,000 in 1973, a decrease of well over one million workers.

In South Africa all 1,222,000 workers would have been thrown into the reserve army of labour until called upon to enter again into the service of the employer. The industrial sector is able to grow at a faster rate than in Britain because workers are continually being re-employed in industry—via the industrial reserve army of labour—under worse conditions than before. The following is part of an interview with an African worker following a recent strike.

Question:—What did you make of the strikes, now that you say you are getting the R2.00 (£1) extra like everybody else?

Answer: —Actually there is f...-all gained. As everything has gone up in the shops.

— *You mean it is still not enough, what you are getting?*

— And worse than that, too. You now have to stand more shit at work. Just because of that little increase.

— *You mean more work?*

— More work. And not only that. You are now expected to be able to run more machines. If you prove to be slow, you are fired. Refuse overtime, you're fired.'

(A Black South African's view of the present urban, rural and industrial situation in the Republic: A banned leader of the SA Students Organisation, in *Study Project on Investment in South Africa.*)

Two tendencies are always at work in capitalist society. One tendency makes part of the working population redundant, the other re-absorbs them at a higher rate of exploitation. In Britain, however, jobs lost in manufacturing industry have to a large extent been replaced by jobs in the service sector, so that while unemployment has risen it has not risen sufficiently to enable the employers to bring about the desired reduction in living standards.

A growing number of economists are expressing the view that the only way out of the present crisis lies in the creation of a large pool of unemployed to be used by industry at will. This was said in so many words by two "distinguished" economists, R Bacon and W Eltis, in a series of articles in the *Sunday Times*. They conceded that the productivity of British industry has not been unimpressive. They then complained that with each successive increase in productivity workers made redundant have been absorbed into the public sector. These workers—sheltered by an "extravagant" government— "were not available for industry in subsequent booms, so that shortages of labour helped to bring these to an end, sooner than otherwise" (2 November 1975).

Manufacturing Employment (1963 = 100)

	UK	South Africa
1963	100.0	100.0
1973	94.0	166.0

(Source: *Department of Employment Gazette*, March 1975; *SARB*, December 1974)

The corporations and their apologists may not have understood the law of the tendency of the rate of profit to fall, but they certainly know how to hold it in check. What they are arguing is that public spending has increased too quickly and ought to be curbed. This would provide industry not only with additional funds but, more importantly, it would create the preconditions for the profitable employment of these funds, namely mass unemployment and the creation of a "flexible" labour market.

Other economists, also wishing to see a return to high profitability, nevertheless recognise the difficulties in winning union agreement for mass unemployment. A leading figure in economic journalism, Peter Jay, has written:

". . . if we wish to escape a totalitarian fate of one kind or another, then the true economic liberals must join hands with the true socialists against those who have conspired to make government, usually by themselves, a universal placebo for all ills.

"Here then is the proposition. Our existing political economy is inherently unstable because it insists upon a level of employment which is unattainable without accelerating inflation under existing labour-market arrangements. There is no reasonable prospect of persuading the electorate to accept the continuing level of unemployment. . . Therefore (existing arrangements) must change in such a way as to remove the general influence of collective bargaining and to enhance the general efficiency of the labour market." (Institute of Economic Affairs, Occasional Paper 46, 1976)

Expressed in conventional language, workers will either have to settle for unemployment or accept heavy cuts in their living standards (through an end to collective bargaining) if industrial investment is to revive.

These then are the solutions that have been advanced for the recovery of British industry. They are solutions that have been tried and tested in South Africa, and from the standpoint of the corporations they work. High unemployment and the absence of trade union rights among South Africa's disenfranchised black workers account for the rapid expansion of industry and the high profitability of foreign firms.

The theory is being propagated in Britain that a rise in redundancies is a necessary evil which will enable British industry to get back on its feet; that if the unions concede the demands of the corporations, investors will put more money into the economy, thereby creating more jobs. Those who argue that workers' sacrifices will be temporary overlook the fact that production in Britain is directed towards profits and not towards people's needs.

An increase in investment under present conditions will not solve Britain's unemployment problems. Over the years investment has taken on a capital intensive character and has expelled more workers from industry than it has employed. A detailed study of investment trends over the past decade, undertaken by Labour MPs I Clemitson and G Rodgers, shows that funds channelled into industry will not create more jobs, or even maintain existing ones, but will bring about a further reduction (*The Guardian*, 21 April 1975).

Capital expenditure and employment—1964-1973

	Increase in plant and machinery at constant replacement cost %	Decrease in employment %
Coal and petroleum products, chemical and allied industries	67.7	- 8.5
Other metals, engineering and allied industries	33.5	- 11.9
Bricks, pottery, glass and cement	68.1	- 14.2
Construction	101.3	- 16.8
Food, drink and tobacco	63.5	- 9.4

(Source: *The Guardian*, 21 April 1975)

The size of the manufacturing labour force will increase only if workers expelled from industry are re-employed—via the industrial reserve army of labour—at lower rates of pay. This alone will justify, in the eyes of the corporations, a broadening of Britain's industrial base.

The Government, moreover, can no longer be relied upon to safeguard jobs as it has done in the past. Already there are massive cuts in public expenditure and unemployment has risen dramatically over the past three years. The Government itself is in the forefront of the "rationalisation" and "modernisation" of the economy, as can be seen from the investment plans of the nationalised industries which threaten the jobs of many thousands of workers.

The owners of capital view the struggle against redundancies as a direct threat to profitability, and thus invest in countries where wages are low and where there is a restriction on trade union rights. The present situation in Britain is therefore characterised by capital intensive investment (when investment does take place), rising redundancies, the transfer of capital abroad and a further decline in Britain's industrial base.

Metal Box offers a prime example of the course that is being followed by many of the major corporations in Britain. A recent report on unemployment has written:

> "Overseas expansion in 1975 included the acquisition of a further 34 per cent of Cape Manufacturing Engineers (bringing the holding in this South African company to 100 per cent) . . . What UK investment is being made, is in highly capital intensive machinery . . . Metal Box can sit back and increase its profits, investing them in the growing overseas areas, or else in UK plant geared to high productivity and few jobs. New machinery will supercede old, and one man will take over from three. Two will be made redundant, but who will notice?" (CIS *Report on the Crisis*, No 46)

The solutions to Britain's economic problems that we have so far considered are patently anti-working class in character. We must also expose those who claim to have the interests of the South African workers at heart but whose real loyalties lie with the British corporations. In a special survey on South Africa, published by the *Investors Chronicle and Stock Exchange Gazette*, Barbara Rogers argued that the importance of South Africa to the British economy has been vastly exaggerated—the corporations would get as much, if not more, from a country like Malaysia or Ghana where rates of profit are said to be higher. (January 1971)

It must be made abundantly clear that we are opposed to exploitation in all countries. South Africa is not a "piggy-bank" into which investments can be deposited or withdrawn willy-nilly. The wealth in South Africa belongs to those who produce it, and not the foreign investors.

V. The Crisis in Britain and the Interests of the British Workers

The economic crisis in Britain is deepening. The very firms which are exploiting workers in South Africa are coming into open conflict with workers in Britain. In a single edition of the *Financial Times*, 24 December 1975, three separate industrial conflicts are reported. Each of the three companies involved has a direct stake in South Africa's apartheid economy. On the front page the *FT* reports on the dispute over British Steel Corporation's "modernisation" plans and the fears of massive redundancies which union leaders believe could number 40,000 jobs.

The paper says nothing about the widespread involvement of BSC in South Africa, covering State, Afrikaner and English-speaking steel producing concerns. Nor does it report that South Africa, in contrast to Britain, has a rapidly expanding steel industry. In the financial year 1974-75, steel output in South Africa rose by 18 per cent—the highest in the capitalist world.

On the same page, and below the BSC article, the *FT* gives an account of the Chrysler conflict. The redundancies which Chrysler plans, as the *FT* euphemistically puts it, are "expected to produce several hostile resolutions to the mandatory sackings". How much more hostile could we expect the resolutions to be if it were reported, as in the South African *Financial Mail* of 5 December 1975, that:

"Chrysler officials just back in Detroit from Ricardo's last visit to Harold Wilson say contingency plans are ready to shut plants in Britain in less than a fortnight's notice. If no firm aid commitment is forthcoming from the Wilson government, Chrysler officials insist that Ricardo will order an evacuation of its British facilities immediately.

"One pressure on Ricardo, the officials say, is that he feels he has spent enough time trying to salvage a losing operation when there are areas—and SA was cited—where profits are to be made."

On page 11 of this same issue of the *Financial Times* we find that workers at the Wheal Jane tin mine in Cornwall (a fully-owned subsidiary of Consolidated Gold Fields) are calling for a work-to-rule in support of a claim for three extra days holiday at Christmas. Earlier, it had been reported (*FT*, 15 December 1975) that the workers' demand had been turned down by management "on the grounds that this would be contrary to the government's wage policy". Consolidated Gold Fields' subsidiary, Gold Fields of South Africa, has always justified its treatment of workers by pleading that its actions are limited by the rule of law. This "law-abiding" company pays its African workers starvation wages, despite an increase in net profits of 370 per cent in the three years up to June 1975 (*FM*, 12 December 1975).

It is essential that workers in this country are made aware of the struggles of workers in their sister factories and mines in South Africa. The management of British associates in South Africa are always ready to make the face of apartheid acceptable, and their duplicity must be exposed.

The African Metal and Allied Workers Union, for example, has been fighting for recognition over the last three years against the most vicious attacks by the State. But at one time it seemed the dispute was well on the way to being over, as reported in the *Financial Mail* of 15 March 1974:

"The strike at Leyland in Durban last week has produced constructive and important results—and a sensible compromise. The strikers went back to work on Monday after Leyland finance and planning director, Francois Jacobsz, had recognised them as members of the (African) Metal and Allied Workers' Union. He agreed that in any negotiations they would be represented by their own elected delegates. The men want nothing whatever to do with works or liaison committees.

"The Union's General Secretary, Alpheus Mthethwa, comments: 'It's quite a victory. It shows workers can stand together against management. We're not greedy. We'll accept a little now if we can get more later. The main thing is to get workers to take the initiative themselves.'

"Bully for the union. Bully for Leyland. What about other employers?"

Subsequently, there was a change of mind:

"After a two-year struggle for recognition from the Leyland Motor Corporation, South Africa, the African Metal and Allied Workers Union has now asked the TUC to intervene. Its appeal alleges that Leyland in South Africa has harassed and obstructed the union to the extent of firing shop stewards and on one occasion calling in the South African Special Branch. . .

"The managing director of Leyland SA, Mr T P Murrough, made clear recently in an interview that he was not prepared to recognise African unions until the South African Government changed its policy. 'Fundamentally we are subject to the laws of South Africa, and secondly, we do have effective liaison committees in all plants... .'

"That claim is bitterly disputed by the African Metal and Allied Workers Union. Its secretary, Mr Alpheus Mthethwa, in a memorandum drawn up for the TUC on the Leyland situation, claims that the union represents the vast majority of the company's African workers in Durban. . .

"Mr Mthethwa alleges that he himself was the victim of Leyland's hostility to African unions when he attempted to recruit new members. . . He was arrested by security police, detained for 14 hours and threatened with a number of charges.

"The memorandum to the TUC claims: 'It is obvious that the Security Branch were called in at the request of the Leyland management in an attempt to block the organisation of the workers. . .' " (*The Guardian*, 30 December 1975)

But what of other corporations? Surely Leyland is an exception? Some would have us believe that black workers are doing well, at least in Anglo-American. J Thompson, Chairman of an Anglo-American company, informs us in his annual review (reported in the *Financial Times*, 30 March 1976) that real wages of black workers are on the increase, and that work for Anglo-American is now becoming relatively attractive. Measures, we are told, are being taken to encourage black workers to think in terms of careers in Anglo-American, rather than simply of working isolated contracts. All this depends on the cooperation and ultimate blessing of the white trade unions and government. "The more stable, better trained and more productive the industry's labour force becomes, the more important it will be to maintain sound labour relations."

But what exactly is meant by sound labour relations? Let us go back six pages in the same edition of the *Financial Times* and we find the following:

"South African Police Baton Charge Strikers

"South African police baton-charged black workers yesterday outside a Johannesburg factory in what has emerged as a major confrontation between a black trade union and the South African associate of a US company, Heinemann Electric. . .

"Heinemann Electric South Africa has refused to recognise the all-African Metal and Allied Workers' Union. . .

"Management fired 20 workers last Thursday, saying the company was retrenching in line with the downturn in the economy. The workers claimed victimisation. On Friday the entire work force of 600 was dismissed...

"The workers gathered outside the gate today and requested a hearing. Their requests were ignored. A senior police officer warned them to leave the area within 30 minutes. Shortly before the time expired two union officials addressed the crowd and persuaded the workers to leave. The police, with truncheons swinging, pursued the workers for several hundred metres as they were leaving."

What has the statement of Anglo-American's Chairman and the Heinemann strike to do with each other? Heinemann Electric of South Africa is 30 per cent owned by Heinemann Electric of New Jersey, USA, and 70 per cent owned by Barlow Rand. Barlow Rand is controlled by Anglo-American.

Many injuries were sustained as a result of the truncheon attack, and 24 workers required treatment in hospital. Barlow Rand condoned Heinemann's handling of the affair, making clear that under no circumstances would the company negotiate with African workers unless they were part of the government-sponsored liaison or works committees.

A spokesman for Heinemann went so far as to inform the press that the Union was not representative of the majority of the African workers. This statement was made despite the fact that the Managing director had been presented with a petition signed by over 80 per cent of Heinemann's African workforce. It read:

"We the workers of Heinemann Electric wish to state that we are members of the Metal and Allied Workers' Union (Transvaal) and that we reject works and liaison committees.

"We want the union to represent us and not a works or liaison committee."

(*FM*, 2 April 1976)

A few weeks before the strike, Jan Marais, president of the South Africa Foundation (an organisation whose job it is to sell South Africa abroad) informed an attentive audience that "South Africa cannot hope to escape...the demands of organised labour... Can we not do a lot more to improve inter-group relations by more of us embarking on an even more enlightened policy of labour relations" (*FM*, 9 April 1976).

Punch Barlow, Frans Cronje and Ian MacPherson are on the Council of the South Africa Foundation. All three are managing directors of Barlow Rand.

So we see that South African associates of foreign companies are not the helpless and passive objects of government policy they would have us believe. Leyland in South Africa calls on the police to arrest workers who are fighting for their trade union rights, and Heinemann stands idly by while police baton peaceful protestors.

Workers in this country can express their solidarity with, and give full support to, the black workers in South Africa by taking action against all firms and institutions involved in the apartheid economy. The precise form this action is to take will, of course, be determined by the workers themselves. As examples we suggest the following: In firms which have a stake in the apartheid economy, workers could demand that management negotiate with the elected representatives of the black workers in South Africa. Specifically, workers of British Leyland should insist on the immediate recognition of the African Metal and Allied Workers' Union. Messages could also be sent expressing solidarity with the Union and condemning the reactionary character of Leyland South Africa.

Workers in South Africa would undoubtedly be heartened if resolutions were passed at local and national levels condemning the use of pass-carrying labour and expressing support for all black workers in their struggles for basic democratic rights—including the right to organise in a trade union, the right to free collective bargaining, and the right to strike. It is of the utmost importance that workers in this country carry out a determined struggle in solidarity with their oppressed brothers and sisters in South Africa. Any blow struck in the interests of the black workers in South Africa against British imperialism is a blow struck in the interests of the British workers against their own exploiters and in the interests of all workers.

The strength to be drawn from international solidarity is incalculable. As John Gollan recalls in *Comment:*

"I remember after the slaughter of Sharpeville when 69 Africans were shot down in cold blood, we sent a comrade to South Africa with £1,000. He sought out the illegal leadership of our party and handed over this small donation as a token of our solidarity. Eighteen months later I met comrade Moses Kotane, the Secretary of the South African Party, and he said: 'You will never know the effect. Our people had just been gunned down in the most inhuman circumstances, and then a British Communist turns up and says, 'How can we help?' We felt the spirit and the strength of internationalism in our struggle.' "

(27 December 1975)

We must revitalise that internationalism displayed by the textile workers in Britain in the 19th century, who carried out a determined struggle to prevent the British Government from entering the American Civil War on the side of slavery. They knew that the defeat of the slave-owning South in America would lead to great hardship for themselves, yet they made it clear to the British Government that the textile industry in Britain would not be propped up on the backs of American slaves. The struggle against wage slavery in Britain had taught them, as one commentator recorded, that "Labour cannot emancipate itself in the white skin, where in the black it is branded".

South Africa's apartheid economy has enabled the British corporations to open a "second front" in their attack on the British workers. The profitability of the corporations in this country, as we have shown, can be restored only at the expense of the workers. But if the workers do not accept a lowering of their living standards, capital will be transferred to South Africa where higher profits are to be made. It follows therefore that the struggle of the workers in Britain to defend their hard won gains is inseparable from the struggles of the South African workers for their basic democratic rights.

Dorcas Good
Michael Williams
June 1976

Footnotes:

(1) The Transvaal Indigency Commission, 1906-8, para 84; The Relief and Grants-in-Aid Commission of 1916, para 73; The Mining Industry Board of 1922, para 30.

(2) This assumes that the purchasing power of the pound remains constant. Given today's inflationary situation, with the purchasing power of the pound continually declining, the fall in the value of labour-power is disguised by rising money wages.

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ADDENDUM

SOUTH AFRICA: THE CRISIS IN BRITAIN AND THE APARTHEID ECONOMY

In our pamphlet, South Africa: The Crisis in Britain and the Apartheid Economy, the following appeared:

> "We must...expose those who claim to have the interests of the South African workers at heart but whose real loyalties lie with the British corporations. In a special survey on South Africa, published by the Investors Chronicle and Stock Exchange Gazette, Barbara Rogers argued that the importance of South Africa to the British economy has been vastly exaggerated - the corporations would get as much, if not more, from a country like Malaysia or Ghana where rates of profit are said to be higher. (January 1971)
>
> "It must be made abundantly clear that we are opposed to exploitation in all countries. South Africa is not a 'piggy-bank' into which investments can be deposited or withdrawn willy-nilly. The wealth in South Africa belongs to those who produce it, and not the foreign investors."

It must not be inferred from this that we disregard the call for the isolation of South Africa. Nothing could be more removed from the truth. We fully support the campaign for a total blockade of South Africa in all areas, embracing the political, cultural, military and economic.

We must remember, however, that the liberation movement is currently engaged in a struggle not only for the overthrow of white supremacy, but also for the restoration of the national wealth of the country to the dispossessed and exploited masses. This is a recurrent theme running through the literature of the movement. The Freedom Charter stated:

> "The national wealth of our country, the heritage of all South Africans, shall be restored to the people. The mineral wealth beneath the soil, the banks and monopoly industry shall be transferred to the ownership of the people as a whole."

The African National Congress, in its Programme, announced that:

> "An ANC government shall restore the wealth of our country, the heritage of all South Africans to the people as a whole. ... It is necessary for monopolies which vitally affect the social well-being of our people...to be transferred to public ownership so that they can be used to uplift the life of all the people."

The African Communist has recently written:

> "The solution of the national question must challenge the very existence of capitalist exploitation and place the major means of production in the hands of the people."

How, then, can we support the campaign to force British interests to disengage economically from South Africa and not at the same time uphold the very property rights against which the movement is struggling? Clearly it is by ensuring that all funds withdrawn from South Africa are placed in the hands of the liberation movement.

Accordingly, the authors of the paper are opposed to the recent call for the repatriation of profits from South Africa and their investment in British industry. We call instead for the handing over of all profits earned by British subsidiaries to the liberation movement, every single penny. The proceeds from the sale of shares by private investors, as well as by institutions such as universities, churches and other non-profit making bodies, must also be handed over to the liberation movement. In this way, the disinvestment campaign is made to accord with the aims and objectives of those who are fighting for the overthrow of white minority rule.

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