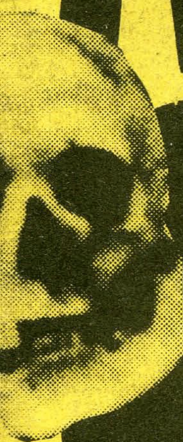
APARTHEID GOLD



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APARTHEID GOLD

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I. INTRODUCTION: BOYCOTT APARTHEID GOLD

The unrivalled importance of gold mining to the South African economy, and its dominant role in shaping the institutions of the apartheid system, including South Africa's unique system of black labour mobilisation and control, are the central issues analysed and discussed in this pamphlet. That importance is reflected in the fact that gold production accounts for 60 per cent of the output of the country's mineral mining industry, and contributes almost 20 per cent of its gross domestic product. South African gold sales abroad represent some one-third of total exports and finances well over one-half of imports. Gold mining is, as it has been, the principal engine of South Africa's overall economic activity, determining the growth process. It is the narrow base on which much of the country's industrial modernisation has developed.

Moreover, it is the narrow base on which the extensive superstructure of white minority rule and privilege rest. In this respect, the apartheid system is more than a system of institutionalised racism, ie the denial, by law and regulation, of elementary human rights to sections of the population on the grounds of race and colour. Rather, the roots of the apartheid system lie deep in the organisation and structure of the gold mining industry. The profitable exploitation of low-grade gold-bearing rock-earth has required, at each stage of the development of the mining industry, the massive application of what has been called 'low-grade human energy', ie the mobilisation and press-ganging of masses of black labour, made cheap by a comprehensive structure of racist land, property and labour laws, for deployment in the gold mines. These laws not only deny basic political rights to the African population; they restrict their rights of land occupation to no more than 13 per cent of the country and then, by imposing a head tax on the black adult male population, force them to earn a cash income on the gold mines and the white-owned farms. From this, an organised stream of cheap migrant labour is channeled into the gold and other mineral mines. And, to sustain this strategy, a deliberate policy of desolation and ruin of African-based agriculture has been pursued in the 13 per cent of the land reserved for the African people – the so-called 'homelands' or 'bantustans'.

This has ensured an unending flow of cheap 'low-grade human energy' towards the mines, into the white-owned farms and those other sectors of permitted employment within a managed system of compulsory labour circulation between the black and white 'homelands'. Today, between one-third and one-quarter of the country's adult African population are inextricably caught up in the web of this insidious migrant labour system. And, of these, some one million are forced to live in single-sex, barrack-like compounds, administered by the 'Bantu Area Administrative Boards' and the gold mining companies. This 'low-grade' category, into which black labour in general is held, is further buttressed by a maze of laws which restrict African advancement in education, skills and entry into the major professions. Black trade unions are illegal in the mining industry, and the preferential needs of the gold mining companies for cheap labour are supported by a variety of devices which eliminate all competition for that labour from the other sectors of the economy. Finally, into this nexus of labour migrancy are drawn substantial numbers of black workers from the neighbouring African states.

This constitutes the reality of apartheid. The result, as has been the intention, is to make the South African gold and other extractive industries among the most profitable in the world. In 1980, the net operating surplus from gold mining (pre-tax profits) amounted to 190 per cent of the industry's aggregate wage and salary bill. Even when the price of gold was fixed at $35 an ounce, up to 1971, this operating surplus was persistently above the industry's labour costs. As the following analysis shows, this extraordinary rate of surplus extraction and profit has its source wholly in the exceptionally exploitative wage-setting machinery ruling for black labour in the mining industry. The wage is monopolistically set by the gold mining companies, which systematically hold the black wage rate at or near the subsistence level. Moreover, it is a structure which entrenches a particularly gross inequality of income between the black and white workers in the industry, and in the country in general. The white-black wage ratio in gold mining, now standing at 9 : 1, is further supported by the industrial colour bar which accords extraordinary privileges to the white workers who dominate all the skilled and supervisory occupations. These factors, among others, have been central in creating the historic antipathy and hostility of the average white worker to the African people and the avowed racism of the established white trade unions.

While gold mining and gold exports are of colossal importance to the apartheid economy, this importance does not necessarily extend to the international economy. Relative to the 80,000 tons of gold held by central banks and private investors, South Africa's annual gold output is insignificant – providing an annual increment of less than one per cent to existing world gold stocks. Moreover, some 70 per cent of South Africa's annual gold production is absorbed in gold fabrication, mainly for jewelry and the minting of coins and medals. Between one-quarter and one-third of that country's gold output is now minted in the form of the Krugerrand gold coin, for sale to small investors all over the world on the basis of a multi-million dollar promotional campaign. In 1980, Krugerrand sales earned almost $2 billion in foreign exchange for South Africa.

The international marketing of South Africa's gold production is a highly concentrated arrangement. The three major Swiss banks operate as a unified conduit for channelling about 60 per cent of South Africa's bullion sales abroad. The leading four London gold bullion houses and at least three New York precious metal distributors also deal in South African gold bullion. These sales from South Africa are made on behalf of the South African Reserve Bank (the central bank), which buys all newly-mined gold from the major mining companies at market-related prices. The Krugerrand is marketed by an agency for the South African Chamber of Mines, through some 15 distributors which include the leading gold dealers of Switzerland, Britain, the United States and West Germany.

In the face of these facts and in line with the anti-Krugerrand campaigns already under way in the United States and elsewhere, the Anti-Apartheid Movement has initiated a major campaign against South African gold sales abroad. This is not a campaign against gold *per se,* nor does it involve any proposals on the larger question of the monetary role of gold or the reform of the international monetary system. It is a campaign for an international policy of sanctions against South African gold – the boycott of **apartheid gold** – as part of the struggle for comprehensive sanctions against South Africa.

Already such a campaign has taken root in the United States. A number of American TV networks have banned advertisements for the sale of the Krugerrand. Several US newspapers have also imposed a similar ban, and a number of banks in Chicago and elsewhere in the United States have stopped sales of the Krugerrand. Church organisations and stock holders have been mobilised to bring about the termination of over-the-counter sales of this coin, and banks have been picketed in Canada. The AAM will work to enlarge this campaign in Britain and join with anti-apartheid organisations and others for the mobilisation of mass support in all countries for:

- ☐ a UN-sponsored appeal to all governments to freeze the import and use of **apartheid gold**, and to impose restrictions on their nationals, including the banks, on their trade in South African gold;
- ☐ a general public boycott of the Krugerrand;
- ☐ international support for the efforts of the front line African states to stop the recruitment and transport of their labour to South Africa's gold mines, and their struggles to counter South Africa's ambitions to continue exploiting the rich labour resources and economies of the subcontinent in the service of apartheid.

The price of gold today fluctuates around $500 an ounce. What that price is in terms of the human wretchedness marking every aspect of the life and labour of South Africa's black population is the issue on which the AAM plans to focus world attention, through its campaigns against **apartheid gold.** The banks and other bullion dealers who handle this gold are the principal international purveyors of the poverty, the toil and the degradation of South Africa's people, caught up in the dehumanising net of the migrant labour system. These purveyors will be boycotted.

A successful boycott of **apartheid gold** will, in these terms, constitute a major step towards breaking the back of the apartheid economy and help to advance the cause of national liberation and freedom for the people of South Africa and Namibia.

BANK INVOLVEMENT IN INTERNATIONAL KRUGERRAND SALES

Canada	Bank of Nova Scotia*
South Africa	Barclays Bank, UK (through its subsidiary Barclays National Bank) Nedbank Standard Chartered Bank, UK (through its subsidiary Standard Bank of South Africa)
Spain	Banco de Urquijo
Switzerland	Swiss Bank Corporation* Swiss Credit Corporation* Union Bank of Switzerland*
United Kingdom	Barclays Bank (through its subsidiary Barclays National Bank in South Africa) Johnson Matthey (Bankers)* N M Rothschild & Sons* Samuel Montague & Co* Sharps Pixley* Standard Chartered Bank (through its subsidiaries Standard Bank of South Africa in South Africa, Mocatta & Goldsmid* in the UK, and Mocatta Metals Corporation* in the US)
United States	Boatmen's National Bank of St Louis, Missouri[1] Continental Bank of Chicago, Illinois[1] First National Bank of Birmingham, Alabama First National Bank of Chicago, Illinois[2] First National Bank of North East, Maryland First National Bank of North Kansas City, Missouri First National Bank of St Louis, Missouri Home State National Bank of Kansas City, Kansas Indiana National Bank of Indianapolis, Indiana Pittsburgh National Bank of Pittsburgh, Pennsylvania[1] Princeton Bank and Trust of Princeton, New Jersey[1] Republic National Bank of New York, New York* Standard Chartered Bank, UK (through its subsidiary Mocatta Metals Corporation*) State Street Bank of Boston, Massachusetts Switt Bank Corporation, Switzerland
West Germany	Bank fur Gemeinwirtschaft Bayerische Landesbank Girozentrale* Deutsche Bank* Westdeutsche Landesbank

* *Indicates that bank has been appointed an agent of the South African Chamber of Mines for the purpose of marketing Krugerrands*
1. *Indicates that bank sells Krugerrands only when requested to do so by correspondents*
2. *Indicates that bank sells Krugerrands only on a wholesale basis to licensed dealers*

II. GOLD AND THE APARTHEID SYSTEM

THE mining of gold is of supreme importance to the South African apartheid economy—this is the position today as it has been for the past one hundred years. In 1978, the value of South Africa's mineral output reached more than R7,000 million, of which 60 per cent was accounted for by gold production. The mining industry absorbs some 700,000 workers and, of these, over 90 per cent are black and over 60 per cent are employed on the Witwatersrand-Orange Free State gold mining complex. Contributing some 18 per cent of South Africa's gross domestic product and financing well over one-half of the country's imports in 1980, gold production is, as it has been, the principal engine of overall economic growth and the dominating force shaping the dualistic structure of the apartheid economy and its unique system of labour mobilisation and control.

The international significance of all this arises from the specific nature of gold—the historic money-commodity which, by virtue of its scarcity and other properties, instantly commands purchasing power in and across countries, and hence has served as the main settlement medium in international monetary relations in the industrial era, as indeed in earlier times. The total amount of gold produced in the world since recorded time has been less than 120,000 metric tons. Of this, well over 75 per cent was produced in the past 100 years, mainly as a result of the large-scale discoveries of gold deposits in South Africa since 1886. The goldfields of Witwatersrand, Evander, the West Wits, Klerksdorp and the Orange Free State—extending in a 300-mile arc—represent the largest concentration of gold reserves in the world. This is controlled today by 38 large mining companies and is managed by seven South African mining houses. In the period 1886 to 1979, South Africa has produced 36,000 tons of gold, about 31 per cent of all gold produced in the world. And, of the gold produced this century, over 40 per cent has come from South Africa's mines. South Africa's commanding position in world gold production continues unchallenged, with an annual output of 700 tons, or 51 per cent of total world output, and 72 per cent more than the next largest producer, the Soviet Union.

South Africa's mining industry is large. With seven interlocking mining (or finance) houses controlling 100 per cent of gold mining, managing assets of over R3.5 billion (of which one-half is owned by stockholders in Britain and the United States), and employing more than 400,000 workers, few industries in the world can boast of such overwhelming power—in the national economy, in the degree of capital concentration and centralisation, and in the command of labour. In these respects, the South African mining industry has been decisive in shaping the economy's structure, much of the country's social and political institutions and policies, and its system of migrant labour mobilisation, organisation and control.

The South African economy takes the form of an inverted pyramid, with gold mining constituting the narrow colonialist-type base on which rests an ever-widening edifice of secondary and tertiary economic activities and the regime of white minority power and privilege. This is the specific form of the dualism which continues to give the South African economy an inherently unstable character. For, without a highly profitable and flourishing gold mining industry, producing substantial surpluses to support the edifice and foreign investors, the pyramid is in constant danger of toppling over and putting at risk the entire system itself. In this fundamental sense all South African politics, since 1886, have been dominated by the gold question and, through the gold question, the wider questions of black labour mobilisation and the corresponding forms of the political and economic order this necessitates. It is the interaction between gold discovery and mining, capital investment from abroad and the regime required to mobilise black labour that constitutes the central theme of South Africa's political history and in particular the evolution of its social and political institutions, and the distribution of its economic and political power between the races and social classes.

As suggested above, gold is a privileged commodity with an unrivalled position in the market for commodities. There is never a danger of its over-production. In so far as it has been an instrument of international monetary regulation, its price has been fixed by central banking authorities giving gold its attribute of instant and painless convertibility into money and purchasing power. Even today, with fluctuating gold prices, the real purchasing power of gold not only remains instantaneous but has increased sharply; the gold price in US dollar terms more than quadrupled in the 1972/79 period compared to the doubling of all other commodities entering world trade. However, for South Africa the gold price is largely determined by the outside world. It is this fact which has long been a central problem for the South African economy, carrying with it wider political implications and having considerable influence over the country's racial policies. The relationship between domestic costs of gold production and the externally determined gold price governs the viability of the gold mining industry, and hence the supply of foreign capital and the overall stability of the economy. As long as production costs are constantly minimised in relation to the exogenously fixed gold price, it is to that extent that the inverted pyramid stays in place. Since 1886, this cost minimising effort has critically depended on the availability of an unconstrained supply of cheap black labour. In the early stages of the development of gold production, the mine owners acquired the right to monopolise the recruitment of labour and fix the wage rate in a manner that prevented any competition in the market for black labour in general. This in time became institutionalised, with a supporting structure of laws, in the system of contract labour involving formal controls over the freedom of movement of black workers, of concentrating surplus black labour in prescribed 'reserves', and imposing a wage-setting mechanism which sought to minimise mining costs and maximise the surplus generated from gold production.

The broader social and political framework required to institutionalise this system of labour regulation was resolved in part by the crushing of African resistance to British and Boer colonialisation and in part by the outcome of the Anglo-Boer war in 1899 and the resulting division of political and economic responsibilities between the British and the white settlers. These compromises constitute the political settlement in the 1910 Act of Union. The 1922 strike of white miners on the Rand put the final seal on this system by the creation of the industrial colour bar and the elevation of the white worker to a privileged position (in terms of job reservation, acquiring skills and wage incomes) relative to the black worker. There followed policies of industrial development designed largely to improve the economic conditions of the so-called 'poor whites' and enforced through tariff and other protective devices. Much of this development came to be financed by the surpluses of the gold mining industry, ie on the backs of black workers. This constituted the apartheid system. And in these essentials the structure of the system has remained largely unchanged in the past 70 years.

III. GOLD IN THE SOUTH AFRICAN ECONOMY

A. Post-war production trends and prospects

The mining of minerals after the Second World War increased more than three-fold as the major gold mining companies sought to diversify their activities and exploit the rising volume of demand for industrial minerals in the Western countries. Nevertheless, gold has been and remains the dominant mining activity, constituting some 60 per cent of overall mineral mining production. The output of gold rose from 361.8 metric tons in 1950 to a peak of 1,000.4 tons in 1970. Thereafter it declined to an average of 700 tons a year. This decline resulted from a deliberate policy by the mining companies (organised in the Chamber of Mines) and by the South African government to exploit the rising price of gold. For, with the devaluation of the United States dollar in 1971, the formal ending of the dollar's convertibility into gold in 1973, and the resulting increase in world market prices for gold, it became possible for the marginal mines, which had become uneconomic at the gold price of $35 an ounce, to be brought back into production. The 1970s' increase in gold prices now made possible a progressive reversion of mining towards lower grade ores—down from 12.51 grammes of fine gold per ton of ore milled in 1970 to the 1959 level of just over nine grammes. In this way the life of the gold mining industry is being extended for a considerable period ahead. The Chamber of Mines now estimates future trends in gold production on two assumptions: first, the 1979 price of $305 an ounce rising to $407 by 1984 and remaining constant until the year 2000; and, secondly, a current price of $407 rising to $550-600 in 1984 and remaining constant in real terms up to the year 2000. Under both assumptions, the Chamber of Mines projects that South Africa's gold production will be 700 tons a year up to 1987 and thereafter tapering off gradually to about 350 tons a year by the turn of the century. In fact, the gold price reached a peak of $840 in February 1980 and has since been fluctuating within a broad range around $500. In these conditions and assuming that the real price (ie after accounting for inflation) remains at least stable in the future, the mining industry, with its present known reserves, will have the capacity of producing over 15,000 tons of gold in the next 50 years (see Table 1).

TABLE 1. GOLD: ORE TREATED AND FINE GOLD OUTPUT

Year	*Ore treated* ('000 tons)	*Fine gold output* (tons)	*Fine gold per ton ore treated* (grammes)	*Price of gold* ($ per fine ounce)
1950	56,459	361.8	6.41	35.00
1960	66,988	665.1	9.93	35.00
1970	79,965	1,000.4	12.51	35.00
1977	76,712	699.9	9.12	164.94
1978	78,156	704.6	9.01	226.00
1979	83,549	684.5	8.19	524.00

Source: *Chamber of Mines*

In this overall context the value of gold produced and sold by the South African mining industry has increased massively in the past 30 years—from R318.9 million in 1950 to R4,360 million in 1978 and well over R6,000 million in 1980. During the past five years, the South African authorities have for the first time sought to acquire some influence over the free market price: not only was this attempted by cutting back on supplies through reduced production but also by withholding part of that production from the market and adding the latter to the reserves of gold and foreign exchange.

In 1980 alone, some 215 million ounces of gold were added to official reserves. At the end of 1980, these gold holdings have exceeded 13 million ounces. This policy was undoubtedly successful, introducing an element of stability within a basic rising gold price trend and thereby enabling the gold mining industry to earn more from a declining output. In other senses, too, the breakdown in the world monetary system in 1981, and the subsequent freeing of the gold price from official control, proved a boon to South Africa. For by the late 1960s several of the Orange Free State mines had exhausted their high-grade ores and faced the prospect of closure in view of the fixed gold price of $35.00 an ounce. The higher gold price avoided this happening. Next there were substantial reductions in the claims of the mining companies for government subsidies to marginal mining activity, and this, among other factors, was important in improving the finances of the State.

Despite the fact that the share of gold mining in the gross national product has been declining over much of the period since 1930, it nevertheless remains a fact that this industry remains the principal engine of the economy's growth, both in the earlier years of forced industrialisation and in the more recent period. The mining industry not only contributes directly to the gross national product and its growth through a rising value of gold output, but is indirectly the mainstay of a number of related industries through its demand for intermediate inputs, especially from agriculture, the chemical industry, machinery, construction and electric power generation. It has been estimated that for every R1,000 of gold produced an ultimate increase of R1,843 occurs in the gross national product. On this basis, gold mining production not only moulds the industrialisation process in South Africa, imposing on the latter a certain dependent relationship (especially in those branches of industry concerned with capital goods production), but also has an impact on aggregate output and employment considerably larger than that suggested by Table 2.

TABLE 2. VALUE ADDED IN GOLD AND ALL MINING AS A SHARE OF THE GNP

Year	*Gold Rmillion*	*Gold's % share of GNP*	*All mining % share of GNP*
1950	236.0	9.4	12.8
1960	488.3	10.1	13.2
1970	660.9	5.7	9.7
1975	2,064.1	8.2	11.5
1976	1,866.2	6.6	11.0
1977	2,155.9	6.9	11.4
1978	3,117.9	8.9	13.6

B. Capital investment and concentration

South African economists generally claim, very much in line with the inter-war studies of S Herbert Frankel, that gold mining activity is '*both* capital and labour intensive'.[1] If by this is meant that there exists in some sense a constant composition of fixed capital and labour inputs for each ounce of gold produced, this would be a hypothesis that needs to be verified. And, in so far as it is known, no such verification exists. Rather it would seem, statements like this serve no more than to explain away the relative importance of labour to fixed capital in gold mining and hence to elevate the role of investment in this industry. In point of fact, the essential *modus operandi* of gold mining enterprise in South Africa has been and remains the packing into each ounce of gold the maximum possible labour content, since this alone ensures the maximisation of the surplus from gold production, given the prevailing wage and price-setting structure in the industry. Yes, capital investments have taken place on a considerable scale, but these have been and are concentrated in exploration and the opening of mines rather than in the direct productive process. Once a mine has been opened, entailing at it must some necessary capital investment, almost all else in unearthing the gold depends on labour and little else.

According to Frankel's estimates,[2] the Witwatersrand area absorbed some £200 million of capital in the period 1886 to 1932, of which £120 million came from abroad, principally from Britain. In that period, the total value of the gold output amounted to £1,145 million, with aggregate dividend payments to the stockholders amounting to almost £500 million. The payment of wages to the rising level of black workers amounted to less than £100 million. The balance went into the purchase of other inputs, to capital reserves and to the South African State in taxation. A closer look at these statistics suggests that the greater proportion of the £200 million investment occurred prior to 1913—the period of gold discovery and the opening of the mines. Between 1913 and 1932, no more than £23 million of fresh capital was invested in the industry, despite the fact that the post-1913 period witnessed a massive increase in the tonnage of gold-ore milled and a two per cent annual increase in the output of fine gold. Evidently, it is not capital inputs but the rising use of labour which explains the growth of gold production and mining activity in general in this period. Indeed, the ever-rising dependence on black contract labour is the dominant feature of the South African gold mining industry from the 1880s to 1939. Between 1911 and 1939, the number of black workers employed in gold mining increased from 183,700 to 351,800.

The available statistics for the post-war period also attest to the continuing dependence on cheap labour. For the period 1952 to 1974, gross fixed investment in the industry fluctuated on a declining trend—from R175 million in 1952 to less than R100 million in 1974. However, as the principal mining companies diversified into other areas of mineral exploitation, overall mining investment increased with non-gold mining activity, absorbing some R150 million a year after 1972. The development of the Orange Free State gold mines in the period to 1952 contributed to a rising share of gold mining investment in overall investment, reaching some 28 per cent of total private investment in 1952. However, this share declined to 12 per cent in 1972 and thereafter rose only to match the increase in gold exploration induced by rising world prices. Overall the value of the fixed capital employed in the gold mining industry has been remarkably stable over the period since 1956, and today it stands at R1,400 million (at 1970 prices), which is some one-third of the value of gold output in 1978.

In recent years the bulk of new investment capital for further gold exploration has come from the transfer of capital reserves of almost 20 per cent of the operating surplus of the mining companies. The net operating surplus (pre-tax profits) has been running at 60 per cent of the level of the fixed capital employed in gold mining, which is remarkable, if not unique, in industries of this kind.

In 1960 the net operating surplus amounted to R160 million. Despite the relatively fixed gold price then and through the decade up to 1971, these surpluses grew, reaching R244 million in 1970 and R268 million in 1971. In earlier years, between 40 and 50 per cent of the net income of the mining companies was distributed as dividends. With the increase in income since 1971, this share fell to 30 per cent in 1978, thus providing a growing surplus accruing to capital reserves for investment in new mines and other activities.

The net operating surplus leapt again in 1979—by 70 per cent on the previous year, reaching R3,537 million. Share holders collected R963 million in dividends. For 1980 the profit situation could improve even more spectacularly—in 1978 the average price of gold received by the mines was $193 an ounce; this rose to $304 in 1979 and could average out at $600 in 1980. Dividends paid out last year showed profits doubling once again: 18 per cent of the net operating surplus went to dividends and another 30 per cent was paid in taxes. The 1980 net investible surplus rose by 54 per cent in 1979 and reached the all-time record of R689 million.

TABLE 3. INCOME AND EXPENDITURE ACCOUNT OF THE GOLD MINING INDUSTRY, 1978

		Rmillion
Income		
Net operating surplus		1,659
Other income		118
	Total net income	1,777
Payments		
Interest		5
Dividends		546
Royalties		178
Direct taxes		554
Other payments		112
Transfer to capital reserves		382
	Total expenditure	1,777

Source: SA Reserve Bank

The Chamber of Mines estimates that, following the low level of real investment in gold exploration in the 1960s and 1970s, investment will rise massively in the 1980s in order to achieve a gold output of 15,000 tons over the next 50 years. The capital investment required to make this possible is put at about $50 billion. And already a number of major investment ventures have been started—involving the redevelopment and opening of new low-grade ore mines. Assuming unchanged wage costs, the capital costs and that of other inputs would make these investments profitable only if the gold price remained well above $400 an ounce. The Anglo American Corporation—the largest gold producer—has announced plans to invest some R1.8 billion over the next seven to 10 years. Similar plans have been announced by Consolidated Gold Fields, Johannesburg Consolidated and Central Mining. However, unlike earlier years the initial capital costs of opening a new mine have risen dramatically. The newest mine currently in production, Elandsrand, was started in 1975 at a capital investment cost of R150 million. In 1980 it started reaching a milling level of 135,000 tons a month and the capital costs have since gone up to $300 million.

A $40 billion (about R38 billion) investment programme is unlikely to be wholly financed from the surpluses of the mining companies alone. Here the major finance houses, with their close connexions with the City of London and the New York capital market, are certain to acquire increased importance in mobilising external capital for this programme. According to the Chamber of Mines, the foreign holding of South African gold mining shares rose from 36 per cent in 1976 to almost 50 per cent in 1980—mainly as a result of foreign subscriptions to new share issues by the mining companies. In 1978, 25.1 per cent of South African gold share shares were held by American individuals and corporate investors. According to a *Financial Times* report of 19 May 1979:

> These American investments re-emphasise the importance of the United States in international gold share trading, the tone of which tends to be set by their interplay of United States investors with the South African finance houses as they manipulate their large gold share holdings.

London remains, however, an important centre for the international operations of the finance houses, as well as a source of finance for the gold mining companies. Further, it is through London that the finance houses attract a substantial volume of international buying of gold shares. It can be expected that the finance houses will fully exploit and tap the capital resources of the London and New York markets in the 1980s to realise their objective of creating a gold production capacity of 15,000 tons for the next half century.

TABLE 4. FOREIGN INVESTMENT IN SOUTH AFRICA'S MINING INDUSTRY, 1973*

	Rmillions	*% of total mining investment*
Direct	*420*	*31.2*
EEC Countries*	256	18.9
Rest of Europe	6	–
North America	157	11.6
Indirect	*928*	*68.8*
EEC Countries**	570	42.3
Rest of Europe	191	14.2
North America	112	8.3
Total	*1,348*	*100.0*
EEC Countries**	826	61.3
Rest of Europe	197	13.1
North America	260	19.2

*1973 is the last year of published statistics by South Africa of foreign investment in that country.
**Primarily Britain.

Source: Supplement to the Reserve Bank of South Africa *Quarterly Bulletin,* March 1974

As suggested above, it is not only capital availability which ultimately determines the realisation of this objective. It is the supply of a rising volume of black labour which remains crucial to this task. We examine below the dimensions of this problem, but the crisis this poses may be briefly commented upon here. There has been much talk, especially by the spokesmen of Anglo American, of the need to bring an end to the migratory labour system and to create a large, but stable, settled black labour force able to acquire the kind of skills which could substantially increase labour productivity. The Chamber of Mines is said to be expanding its research into more mechanised forms of mining to achieve such productivity increases. However, there are strong grounds for believing that all suggestions about mechanisation and improved levels of productivity through a stabilised and more skilled black labour force have little substance and are no more than designed to mislead and to influence international public opinion into believing that the migratory labour system is being gradually abandoned or eliminated. For when it comes to the essence of these matters, 'there is no possibility,' as a spokesman of the Chamber of Mines informed a conference in Switzerland, 'of eliminating the migrant labour system in the foreseeable future' (as reported in *Mining Survey,* No 3, 1979). That essence concerns production costs and, with the inflationary rise in initial capital investment in opening new mines, those investments can only be realised and repaid over the planned average period of five years (before pure surpluses can be obtained) if more and more black labour is dragooned into the net of the migratory labour system. In other words, it was only the strengthening of the structures of apartheid and the consolidation of the 'bantustans' (as the reserves from which migrant labour could be drawn) that the projected expansion of gold mining became at all possible. Progressive lower-grade ore mining requires a rising volume of labour inputs for each unit of capital. This is the fundamental fact of gold mining in South Africa. There exists no alternative technology (given the depths at which such mining must take place), nor does there exist any known trade-off between capital and labour in that industry.

C. The mining houses and the State

Formally, the gold mining industry is wholly South African controlled.* But international investment remains strong, as noted above, and this is channelled through foreign stock and share holdings into the seven great mining companies or houses which together control almost 100 per cent of the country's gold production. These seven houses have succeeded in organising a level of capital concentration and of control without equal in any similar undertaking elsewhere in the world. For the seven houses are characterised by a maze of interlocking capital interests and this fact, together with their organised political and economic leverage (through the Chamber of Mines), gives the gold mining industry the features of a giant trust, exercising overwhelming influence and power over all aspects of South Africa's life and labour.

TABLE 5. MINING HOUSES: SHARE OF GOLD OUTPUT AND PROFIT, 1979

	Gold output (tonnes)	*% of total*	*Overall profits Rmillions*
Anglo American	262.0	38.2	1,274.4
Goldfields of South Africa (GFSA)	162.7	23.7	952.0
Rand mines	69.4	10.1	115.4
Union corporation	60.2	8.8	304.5
Johannesburg Consolidated Investments (JCI)	46.6	6.8	160.6
General Mining	46.4	6.8	133.4
Anglovaal	37.9	5.5	159.0
Independent	1.2	0.1	1.3
	686.4	100.0	3,100.7

Anglo American and its subsidiary De Beers own 49.9 per cent of the JCI. In March 1980, Anglo American acquired through the London stock market a strategic 25 per cent holding of the capital stock of the British-based mining transnational Consolidated Gold Fields, which owns 46 per cent of GFSA. Anglo American already held 3.5 per cent of the stock of GFSA and another 11 per cent in GFSA's subsidiary Amgold. And Anglo American and GFSA between them hold 23 per cent in Hartebeersfontein, one of the two mines owned by the Anglovaal mining house. These acquisitions have made Anglo American by far the largest mining house in terms of profits and production, even though its shares of total gold output has fallen from 41 per cent in 1969 to 38 per cent in 1979.

Table 6 attempts a description of the scale of cross-ownership among the major mining houses, but this is by no means comprehensive. Rand Mines is part of the South African conglomerate Barlow Rand, in which Anglo American has a 7.2 per cent stake. Several of the other mining houses have interests in each other's mines: GFSA has a 15 per cent stake in Anglo American's Elandsrand Mine and a sizeable holding in Rand Mines' Blyvoorvitzicht. Although Anglovaal administers the Harties mine, it owns six per cent of its stock, while Anglo American has 23 per cent. Anglo American holds 16 per cent of GFSA's East Driefontein mine and 25 per cent of General Mining's (the so-called 'Afrikaner-dominated' mining house) Buffelsfontein mine.

While all the mining houses are interrelated in these ways, all of them (with the exception of GFSA) possess substantial industrial, other mining and agricultural interests and investments extending well beyond South Africa's border. About 20 per cent of Anglo American's profits emanate from its non-gold interests. General Mining received 14 per cent

*The exception to this is the British-owned mining transnational Consolidated Gold Fields, which has a majority capital holding in Consolidated Gold Fields South Africa. In 1979 the Anglo American Corporation acquired a 25 per cent interest in this British transnational.

TABLE 6. CROSSHOLDINGS OF SOUTH AFRICAN MINING HOUSES

Company	*% of share capital held*	*In crossholding*
Anglo American	49	Anglo American Coal
	44	Anglo American Industrial
	48	Anglo American Gold Investment (Amgold)
	36	Charter Consolidated
	30	De Beers
	41	JCI
	40	Minorco
	7	Rand Mines
	10	General Mining
Amgold	11	GFSA
Consolidated Gold Fields (UK)	46	GFSA
De Beers	25	Consolidated Gold Fields (UK)
	9	JCI
General Mining	52	Union Corporation
	19	Anglovaal
JCl	1	De Beers

from its investments in base metals and another 12 per cent from commerce and industry.

One of the more interesting myths aimed at masking this extraordinary trust-like character of capital ownership in the mining industry is the supposed conflict between the 'English-speaking' mining houses—dominated by Anglo American and GFSA—and the 'Afrikaner' groups such as General Mining, Federal Mynbou, Sanlam and Rembrandt. This alleged conflict was said to have been reflected in the 1975 struggle between General Mining and GFSA for control over the last independent mining house, Union Corporation. General Mining won that battle and from this it is said to have led Anglo American and Barlow Rand to 'sweep up all the loose ends in South African mining' (*The Times,* 13 February 1980). Moreover, according to this claim, Anglo American's aggressive purchase of Consolidated Gold Fields shares in London in 1978/79 was aimed at forestalling the Afrikaner-dominated General Mining in obtaining a foothold in GFSA. In fact, what is called 'Afrikaner capital' and the 'capital' with close British connections have been working closely together for much of South Africa's post-war history, if not earlier. Language has long lost its force as a conflict factor among South Africa's white minority. For both 'capitals', unity in the face of the black majority has long been a fundamental interest. Indeed, the mutuality of interests of 'capital' in general has fostered a powerful alliance between British and South African based companies and this alliance remains the backbone of South Africa's economy and the apartheid system. As noted above, Anglo American has stakes in the mines owned by General Mining, and the two collaborate closely in the development of South Africa's manufacturing industry and base metal production. If indeed there exists any conflict of interests, this can only arise from the paranoic fears of the City of London that one or another of America's more powerful corporations may acquire control of Consolidated Gold Fields and thereby destroy the only *direct* British claim that exists over South Africa's mining resources. As N Oppenheimer of Anglo American was reported to explain, 'our purchase of 25 per cent of Consolidated Gold Fields arose from our fear that a foreign company, for example an American oil major, might gain control of Consolidated Gold Fields and through it, GFSA...we did not want a maverick loose in the Chamber of Mines' (*The Times,* 14 April 1980). General Mining is now the country's second largest mining company after Anglo American, with assets of over R1.5 billion in 1980. And this company is described by Oppenheimer (of Anglo American) as an 'ally': 'I think it is a good thing for the gold mining industry that there should be a large house which is Afrikaner oriented.' This alliance emerges, according to a perceptive analysis in the *Financial Times,* because of two distinctive developments:

> The first is the promotion of the idea of a South Africa which must unite in the face of opposition from the rest of the world—the creation of a defence around the *laager.* The second is the rise of Afrikaner capitalism which has eroded the crude division between the English-speaking business class with little political power and the Afrikaner-landed interests which with the Afrikaner urban white working class, have ruled the country for a generation. (*Financial Times,* 29 February 1980)

The South African government has for long worked closely with the mining houses' trust, through the grant of leases over land on which mining activity is carried on, in using State funds to subsidise mines during difficult periods and in ensuring an economic and labour environment which guarantees the continued profitability of the industry. Moreover, the government and the mining houses work closely in pursuing a strategy aimed at conserving or prolonging the gold reserves of the country (ie avoiding the untrammelled exploitation of the existing reserves), given the externally determined gold price and the economic, social and above all the labour policies needed to maintain maximum profits. The government maintains its monopoly over the international marketing of gold produced by the mining companies—the mines sell the gold output to the central bank (the South African Reserve Bank) at market-related prices, which then places the gold on world markets, formerly through the Bank of England in London and now mainly through the four leading Swiss banks in Zurich—and the direct export of Krugerrand coins to all major marketing centres.

Mining activity is an important—indeed the most important—single source of State revenue. Since about 1974 this has averaged about 35 per cent of total tax revenue from royalties obtained from the leasing of mining land of the companies. In 1978 the State's income from mining amounted to R1,208 million, as against R238 million in 1970—an increase of 332 per cent. In 1979 the tax payments of the gold mines reached R1,703 million, some 48 per cent of aggregate profits and 82 per cent more than in the previous year. It is estimated that the government's income from gold mining taxation in 1980 will increase by another 75 per cent to about R2.9 billion. The tax system, nevertheless, is weighted in favour of the mines—taxes are levied on profits after treating capital expenditures as current costs. Several other generous allowances are also given. A new mine does not pay tax until all capital outlays have been recovered from profits, plus 10 per cent interest on the capital invested.

The tax rate on mining profits is graduated and reaches a maximum of 65 per cent. The mining companies are also obliged to make a five per cent loan from their net profit to the government (which they can expect to get back). At the same time, the older and less profitable mines (the 'marginal' mines) are kept in production through a system of State subsidies which in 1978 amounted to R25.5 million. The South African State's budget nevertheless experienced an escalating deficit during the 1970s largely as a result of its burgeoning expenditures on the procurement of arms and military equipment.

D. Foreign trade and finance

A common view prevailing about South Africa is that it is one of the few countries in the world whose domestic economic growth is not and has never been constrained by any shortage of foreign exchange.[3] This arises from the fact that gold is produced wholly for export, whose international demand is

TABLE 7. SOUTH AFRICA'S BUDGET BALANCES
(RAND BILLIONS)

	1975	*1976*	*1977*	*1978*	*1979*
Total deficit	1.7	2.0	1.8	2.0	2.1
Domestic borrowing	1.6	1.7	1.8	2.4	2.2
Foreign borrowing	0.3	0.5	0.0	-0.2	-0.1
Outstanding foreign debts*	0.9	1.4	1.4	1.2	1.0

*Represents the outstanding indebtedness of the State to foreign banks and international monetary institutions.

Source: International Monetary Fund, Financial Statistics

insensitive to price movements and which possesses an instantaneous convertibility into foreign exchange to finance the country's necessary imports. Since a country in the process of rapid growth inevitably experiences a rising demand for imports (especially of foreign technology), the industrialisation process, in this view, may well produce escalating foreign trade deficits, restraining the pace of economic development and indeed bringing a halt to further industrial progress. From this kind of analysis emerges the view that South Africa, unlike other industrialising economies, has successfully liberated itself from the foreign exchange constraint because of its gold mining industry and the inflows of foreign capital induced by the profitability of that industry. In so far as this is true, South Africa's economic experience is held to encompass elements which are unique in the economic development process.

This view is, however, flawed on two grounds. First, during the period of pegged gold prices, South Africa frequently experienced serious foreign exchange shortages which were ameliorated by foreign capital inflows and by a currency devaluation (as in 1971 and again in 1975 when the dollar price of gold fell sharply in response to United States Treasury gold sales). Between 1972 and 1973, South Africa's foreign exchange reserves fell by one-third and by another quarter in 1974. These were the years when South Africa borrowed heavily from the international Eurocurrency capital markets and banks. Aggregate net capital inflows (including contracted debts abroad) rose from an annual rate of $250 million in the 1960s to $800 million in 1972/73 and to over $2,000 million between 1974 and 1977. Only thereafter, following the sharp rise in gold prices in the post-1977 period, were external borrowings reduced.

Secondly, this view is falsified by the fact that it is predominantly the apartheid system and the organised supply of cheap labour which make possible the continuing viability of the gold mining industry, especially during periods of pegged gold prices. Furthermore, it is this cheap labour supply which remains the main surplus-generating resource of the country. This permits South Africa to remain an attractive centre for foreign capital investments, and achieve growth rates higher than elsewhere in the African continent. What is new is that the breakdown of the international monetary system in 1971 and the resulting rise in world gold prices have enabled South Africa's black labour force to produce exceptional economic surpluses. It is this which has allowed South Africa to escape from the foreign exchange constraint and to evolve a costly military-oriented industrial economy during the 1970s.

TABLE 8. THE GOLD TRADE BALANCE
(RAND MILLIONS)

	1960	*1970*	*1975*	*1978*
Gold exports	530	837	2,565	3,863
Total merchandise exports	1,411	2,290	6,193	11,297
Gold exports as a per cent of total exports	37.5	36.5	41.4	34.2

For much of the post-war years gold has constituted between 35 and 40 per cent of total merchandise exports. In 1979 it reached 41 per cent, almost equal to the previous peak of 1975. However, if other mining activity is added to gold production, then South Africa's mining industry would account for well over 70 per cent of the country's foreign exchange earnings. For, despite South Africa's industrialisation and its reputed comprehensive manufacturing structure, the South African economy's dependence on the export of primary products and in particular the 'big five' in the export package – gold, coal, diamonds, platinum and uranium – remains overwhelming. And these are precisely the products whose output heavily depends on the supply of cheap black labour.

Even more significant is the highly favourable direction of South Africa's terms of trade as a result of rising gold prices during the past 10 years. The increase in the ratio of the average index of export prices to the index of import prices during this period is an important measure of the improved benefits flowing from trade for South Africa; a unit volume of exports now commands a higher volume of imports than in the 1960s. Inclusive of gold, the South African terms of trade rose from 1974 to a peak in 1976/77 and then deteriorated (because of the sharp rise in the price of oil imports) for a short period before improving again in 1979/80. If gold is excluded, South Africa's terms of trade deteriorated more than 15 per cent in the 1970s.

In all these respects, the institutional structures on which which the South African economy has developed have given gold and other mining activity a role of colossal importance – with mine-generated incomes (direct and indirect) contributing around 30 per cent of the gross national product in the 1950s, weakening somewhat thereafter but leaping in the 1970s, reaching 43 per cent in 1978 and possibly 50 per cent in 1980. Gold alone is now responsible (directly and indirectly) for almost 20 per cent of South Africa's gross domestic output.

IV. MIGRANT LABOUR, APARTHEID AND GOLD

By the time of the Act of Union of 1910, the overall pattern and structure of labour employment and utilisation in the Rand gold mining industry had already been established in all its essentials. The profitable exploitation of relatively low-grade, goldiferous rock-earth (with the then and subsequent low-grade technology) required the massive application of what generally was regarded as 'low-grade' human energy – the mobilisation and putting to work of masses of black labour. The strategies adopted to enforce this mobilisation were the restrictions on land ownership and the imposition of special 'head' taxes to require blacks to earn cash wages. The Native Trust and Land Acts of 1913 and 1936 limited African land ownership to little more than 13 per cent of the country. Taxes imposed in 1894 were systematically extended to cover the whole adult male African population. At the same time official efforts were directed to discourage agricultural activities in the African 'reserves' so as to enlarge the supply of black labour. To make certain that the resulting labour supply would flow into white farming and the gold mines, official curbs on the movement of labour were imposed.

However, it was the incipient competitive pressures on the black labour market from urban industry and commerce which provided much of the early tensions in South Africa's labour policy. For while on the one hand the economy's dependence on black labour grew without restraint, there was on the other the parallel danger that this dependence could lead to the large-scale urbanisation of the black labour force, increase competition in labour markets and push up wage earnings to levels likely to undermine the profitability of gold mining and the stability of the country's labour-intensive white farm economy. The period since 1910 witnessed repeated official attempts to deal with this danger. A number of official commissions of enquiry were appointed to study this problem and make recommendations. The Stallard Commission of 1922 – a significant landmark in the evolution of the apartheid system – was followed by several 'Native Law' commissions during the 1930s and 1940s, by the Tomlinson Commission of 1955, and the more recent Wiehahn and Riekert Commissions. However, it was the proposals first enunciated and practised on a *de facto* basis by the Chamber of Mines and subsequently endorsed by the Stallard Commission which remained in all essentials the foundation of South Africa's black labour policy since the Act of Union. As set out in the Stallard Commission Report, the policies proposed required that the black worker should be allowed in the urban areas only in so far as he was required to 'minister to the needs of the white man and should depart therefrom when he ceases so to minister'. This labour policy came to be known as the 'migratory labour system' which in several respects included the elements of labour indenture, ie of contractural bonds between master and servant enforced by the criminal law. In the post-war period, the South African authorities and the Chamber of Mines have sought, in the face of mounting international condemnation, to dress up this unchanging labour system by inventing such descriptions as 'separate development', 'black homelands' and 'bantustans' to justify their refusal to permit urban-based Africans to become stabilised in terms of their occupation and employment rights. Rather the black worker, in so far as he is able to enter the white 'homeland' – the 87 per cent of the country – may only do so as a temporary 'migrant' and without any citizenship rights. On the other hand, the South African authorities pursued a deliberate policy of systematic desolation and ruin of the African-based agricultural economy in the balance of the 13 per cent of the country, the so-called black 'homelands' or 'bantustans'. This ensured that the African male population would flow endlessly towards the mines, the farms and those other areas of employment permitted in the urban areas, within a system of compulsory labour circulation between the black and white 'homelands'. This made certain that the workers would be devoid of any bargaining power to determine their wage incomes and improve their economic and social conditions. Black trade unions were discouraged by legal means and made illegal in the mines and agriculture.

One of the principal legislative pillars of this labour system was the Bantu Urban Areas Act of 1945, which, with numerous subsequent amendments and their consolidation in the Bantu Affairs Administration Act, established a highly formalised regime of labour regulation, and in particular defined the rights of black workers to live and work in 'white' areas. The infamous Section 10 of the 1945 Act requires that a black worker only remain in a white area for more than 72 hours if he has resided there continuously, working for the same employer, for 10 years or for more than one employer for 15 years. This concession was limited by certain prohibitions about the rights of Africans to a home, thus inhibiting families joining workers possessing Section 10 residential rights in the 'white' areas. Under amendments to the Act in 1968, workers without these rights were permitted work contracts in the urban areas for 12 months, at the end of which they were obliged to return to their 'homelands'.

The 1970s witnessed a number of innovations, ostensibly to ameliorate the conditions in the urban African locations. This involved the granting of leasehold rights to Africans in the urban 'locations', first for 30 years and then for 99 years. However, this right was virtually made inoperative by a 1978 amendment to the Bantu Homelands Citizens Act, which transforms black workers from being South African citizens into subjects of their respective 'bantustans'. The Riekert Commission proposals which, for international reasons, proposed changes aimed at giving greater stability to the urban black labour force but proposed no fundamental changes from the Stallard Commission tradition, recommended permanent African residence in the urban areas conditional on 'firm offers of employment' from government labour bureaux, 'the availability of approved housing' and the 'non-availability of suitable wage seekers'. Since the decision on each of these conditions rested with the authorities, the fundamental design of mobilising the African working population on a migratory and contractual basis for urban South Africa therefore remains broadly unchanged. The management of this extraordinary labour organisation was undertaken through the 'pass laws' – today some 600,000 workers are annually convicted of offences under these laws and since 1966 there has been grafted onto these laws an elaborate control mechanism relating to the allocation and the channelling of the African labour force into a rising stream of perpetual migration – circulating without end between 'homeland' and the place of work.

Merle Lipton recently estimated the scale of labour migration in South Africa (though much of her research appears to be directed at exonerating the Anglo American Corporation for much of the evils of the system of labour employment in the gold mines).[4] These estimates suggest that in 1976 there were 1.4 million black migrants 'legally' in 'white' areas, accounting for about one-third of the black labour force. If foreign workers employed in South Africa, from Botswana, Swaziland and Lesotho, are excluded, the 'internal' migrants number some 25 per cent of black South African workers. A further 15 per cent of these black workers commute daily into white areas from adjacent 'homelands'. In 1978 some 1.8 million blacks legally entered into the 'white' area under Section 10 rights. Another 1.5 million work in the towns as migrants without such rights. Not all these workers have their families living with them.

TABLE 9. RECORDED MIGRANT LABOURERS IN SOUTH AFRICA (1976)

	Botswana, Lesotho, Swaziland and others	*'Homeland' South Africa*
Number of adult labour force	1,200,000*	–
Temporary immigrants from 'abroad' in 'white' South Africa	391,637	1,038,700
Number of daily commuters into 'white' South Africa	–	642,800
Immigrants and commuters as percentage of adult labour force in source areas	–	61.9

*This excludes the labour force from Malawi, Mozambique and Zimbabwe

Source: Bureau of Economic Research, Pretoria

Francis Wilson and others go further – they suggest that between one-third and one-half of South Africa's black adult male population may now be inextricably caught up in the web of the migrant labour system.[5] In 1977, about 400,000 migrant workers were forced to live in single-sex barracks administered by the Bantu Area Administrative Board and another 400,000 in barracks on the gold mines. There were as well a substantial number of other compound-confined dwellers among the 250,000 black workers employed on the coal and other mines. Thus something approaching one million migrant workers (of South African and foreign origin) were required to live in barrack-like compounds near their workplaces. There are no statistics or estimates of the scale of migrancy in South Africa's 'white' agriculture, where a specific system of 'bonded' labour relations applies, binding the black worker and his family to his employer. Equally, the position in industry is difficult to discern. In 1978, out of about 250,000 blacks employed in the engineering industries, some 40 per cent were classed as migrants, rising to 80 per cent in heavy industry. One-third of the 125,000 black workers employed in the railways and harbours administrations were migrants. The proportion is higher in the motor and garment industries. On this basis, it is possible to conclude that well over one-half of South Africa's adult male black population may well be migrants in the country of their birth. In these senses, the 'import' of labour has been and remains an overwhelming activity of South Africa's white economy. Of course, labour migrancy is not unique to South Africa. But what distinguishes South Africa from all other countries is that the system is the product of a deliberate strategy designed to entrench the powerlessness of the African majority and thereby guarantee the extraordinary rate of labour exploitation in the white economy. The strategy is all-pervading in its force, thus:

(a) it prohibits by law the settlement of 'internal' migrants in or near their place of work;
(b) it enforces, through the pass laws and other urban influx controls, a permanent circular movement of black workers between the 'white economy' and the 'homelands' (the 13 per cent of the country allocated for black settlement and land ownership);
(c) it imposes conditions of perpetual backwardness in these land-starved 'homelands' so that the flow of migrant labour remains unconstrained and thereby empowering the 'white economy' to determine and fix, monopolistically, the rate of wage earnings of black labour;
(d) it transforms South Africa's black population into 'foreigners' in the 87 per cent of the country reserved for the white minority;
(e) it restricts the right of black workers possessing Section 10 'rights' in the kind of jobs they can take, in the kind of skills and education they may acquire and hence precludes them from competing against whites in the labour market;
(f) it enforces labour migrancy in an entirely racist manner – white immigrants from abroad, including the former Portuguese colonies and Zimbabwe, are accorded the right to live and work without restriction, to acquire land and enjoy privileges denied to blacks by virtue of the latter's race and colour; by contrast, black migrant workers for the mining industry are virtually press-ganged into employment by recruiting agencies and forced to live through their contract period in barrack-like compounds before being repatriated to their 'homelands' or out of the country.

A. Foreign labour in gold mining

The entrenched migrant labour system finds its most explicit rationale in the economics of gold mining. And it is from this, as argued above, that much of the political and institutional framework of organised labour migrancy and control emanate. For it has been the centrality of the exogenously fixed gold price in conditions of inescapably high working costs in the low-grade and deep-level mines that requires the organised supply of a mass of cheap labour. Gold mining has thus been profitable only in so far as an undiminished supply of such labour is guaranteed by the overall system. By the 1920s, white workers on the mines had secured for themselves a statutory colour bar with respect to job allocation and thus a monopoly of all skilled occupations at wage rates considerably higher than those then obtaining in Europe. This in turn built up pressures to lower even further the cost of unskilled black labour on the mines.

During the inter-war years, a programme of high-cost industrial development was launched which not only required additional surpluses from gold mining but increased supplies of cheap black labour for urban industry and the labour-intensive white-owned farms. The gold mines solved this problem by extending the migratory labour system into a Southern Africa-wide activity – recruiting black labour from as far distant as Malawi and all the other neighbouring African territories. This foreign input of labour into the aggregate South African labour pool successfully held the cost of labour for the mines and the economy as a whole at a minimum level, and in this way the economy advanced despite the world slump of the 1930s. The foreign workers were employed on fixed-term contracts and housed in compounds on the mines, to be repatriated when the contracts expired. To manage this sub-continent-wide mobilisation of labour, a central recruitment agency was created by the Chamber of Mines – first called the Native Recruitment Corporation, then the Witwatersrand Native Labour Association and more recently by the less repelling name of 'The Employment Bureau of Africa'. The Chamber of Mines fixed the wage rate for the entire mining industry through its notorious 'maximum permissible average' for black wages. In this way, not only was all competition for mining labour excluded, but considerable economies were achieved as a result of the centralised recruitment and employment of labour. Over the inter-war years and during much of the post-war period, the entry of foreign-recruited labour on the mines steadily increased. By 1970 foreign migrant workers accounted for 80 per cent of the labour force in the gold mining industry. And in the 61 years up to 1971, a black per capita *real* wage income remained virtually static at around R200 a year (see Table 10).

TABLE 10. MIGRANT BLACK LABOUR IN THE GOLD MINING INDUSTRY ('000s)

Year	*South African*	*Foreign*	*Total*	*% of foreign workers*
1911	69.0	104.0	174.0	60
1939	155.0	168.0	323.0	52
1950	121.6	172.8	294.4	59
1960	141.8	233.8	375.6	62
1970	105.2	265.1	370.3	72
1975	101.6	220.3	321.8	69
1979	215.6	183.5	399.1	46
1980	231.8	182.3	414.1	44

B. Wages and profits

In 1978 the gold mines employed 33,359 white workers at a total wage cost of R415,490,000, or at an average annual cash wage income of R12,455 per worker. In the same year, just under 400,000 black workers were also employed in these mines at a total wage cost of R560,799,000, giving an average per capita annual wage of R1,402. The latter includes allowances for payments in kind (food, clothing and housing). This gives a white-black ratio of 7 : 1 for 1978. Exceptional as this ratio must be in the international experience, it is nevertheless a considerable improvement from the situation in the period between 1911 and 1971. In those 60 years, the white-black wage ratio systematically increased from 11 to 1 to 21 to 1 and, in contrast to the constant level of black real wages, those of the white workers increased strongly throughout this period from an average of R2,639 a year to R4,329 (ie after accounting for price inflation). To this wage differential advantage must be added the extraordinary privileges accorded to white workers both in terms of the industrial colour bar and the larger rights of being white. These, among other things, were to prove crucial to the creation of the historic antipathy, contradiction and hostility of the average white worker towards the African people and the avowed racism of the established white trade unions.

TABLE 11. AVERAGE EARNINGS IN GOLD MINING (RAND PER ANNUM)

Year	*Number employed*	*Average real cash wages*	*Average real cash wages*	*Ratio white-black wages (black=1)*
1911	24,476	2,632	225	11.7
1950	43,109	2,744	192	14.3
1960	49,688	3,141	188	16.8
1970	38,745	4,329	207	20.8

Source: Francis Wilson, *Goldmines.*

Few industries in the world can boast of consistently earning aggregate profits which exceed their wage bill. It is even doubtful whether any industry which is labour-intensive in its operations can ever achieve such a position. And yet the South African gold mining industry has succeeded over its entire history regularly to produce operating surpluses which are larger than their total wage costs. Moreover, the total dividends paid to the stockholders (of the mining companies) consistently run at between 40 and 50 per cent of the wage bill. And in 1978 the taxes paid by the mining companies to the State amounted to just one-half of this wage bill (see Table 12).

The 1970s witnessed an even more dramatic improvement in the profit-wage relationship for the gold mining industry as a result of the sharp rise in gold prices from

TABLE 12. NET OPERATING SURPLUSES AND TOTAL WAGE PAYMENTS IN THE SOUTH AFRICAN GOLD MINING INDUSTRY (RAND MILLIONS)

Year	*Net operating surplus* (A)*	*Salaries and wages (B)*	*(A) as % of (B)*
1950	140	101.7	139
1960	190	181.8	105
1970	275	247.4	111
1975	1,170	604.1	194
1978	1,659	973.9	170

*This represents net pre-tax profits after wage and other costs are met

Source: South African Reserve Bank and Chamber of Mines Year Book

$35 an ounce in 1971 to an average of $600 in 1980. Apart from transforming gold mining from a declining industry into a highly profitable and expanding one, the gold price increase reasserted the leading role of the industry in the South African economy. Operations on existing mines were expanded and new and old mines were brought into production. The demand for black labour increased and in the 1969/1979 period the black labour force on the gold mines rose by 10 per cent. At the same time, the outlook for continued supplies of labour from outside South Africa became increasingly uncertain. There was the unexpected withdrawal of Malawian labour in 1974, while the subsequent liberation of Mozambique and Angola put at risk regular flows of labour from these sources. In these circumstances, the gold mining industry found itself competing more actively with agriculture, industry and commerce within South Africa for its labour needs, and for the first time since 1910 now showed a willingness to increase black wage incomes. Black wage rates accordingly trebled during the 1970s in gold mining, narrowing the white-black differential from 21 to 1 to about 7 to 1. Black cash wages as a share of total mining working costs rose from 14 per cent in 1969 to 26 per cent in 1978. All this was necessitated by the increasing switch to the employment of South African labour. In 1973 Malawians constituted 30 per cent (112,480) of the gold mines' workforce. This dropped to under 20,000 in 1977. Mozambique's supply of labour fell from 92,000 in 1975 to 35,000 in 1978. The South African black component correspondingly increased from 22 per cent to 54 per cent between 1974 and 1979, reaching over 200,000.

This upward wage pressure during the 1970s wrought severe strains on the migratory labour system. This period saw a rising militancy on the part of black workers in general, a growing strike movement and increased workers' solidarity actions abroad against the apartheid system.* Anglo American, in a desperate attempt to win international respectability as well as seeking to add to its labour force, broke with the Chamber of Mines 'maximum permissible average' wage ceiling by unilaterally pushing its wage rate above those of the other mines. In 1973, Anglo American started to offer its workers above-ground a starting wage of 80 cents a shift against the Chamber's ceiling of 55 cents. With 26 shifts a month, those rates worked out at R20.80 and R14.30 respectively ($30 and $22 a month respectively). But this initiative was quickly brought to an end. The differing wage levels on different but neighbouring mines became, so it was interpreted, one of the principal causes of the strikes and riots that broke out on the Orange Free State mines in 1973 and 1974. In 1974, the Chamber of Mines, in recognition of the international and domestic labour pressures on the industry, agreed to increase

* In 1974 a boycott of imports of South African coal, organised by American coal miners and dock workers on the grounds that it was produced by indentured cheap labour produced severe repercussions within South Africa, leading to a revision of the master and servants law and a relaxation of some of the rules governing compound life in the mines.

the maximum wage ceiling for underground workers from 120 cents per shift to 160 cents (monthly wage of R41.60 from the previous R27.66). Thus it was that in 1974/75 the first major break in black wage stagnation occurred. But since then there has been no further break, and once again between 1976 and 1980 the increase has been no more than five per cent. In 1979 a study by the Chamber of Mines concluded that future wage increases should be limited to the rise in the cost of living index and no more, and Dennis Etheridge, the head of Anglo American's gold division recently declared that 'there was no case for dramatic black wage rises' (*The Guardian,* 18 February 1980). Black wages have now only moved up in line with inflation.† In 1980, black miners' money wages rose on average by 15 per cent, or just below the inflation rate, which is to be compared with the doubling of after-tax profits on Anglo American's six gold mines in the Orange Free State and a 52 per cent increase in the after-tax profits of the Anglo American empire as a whole.

There has been much discussion over the past few years in the mining industry about the damaging implications of falling labour supplies from the independent African States and the pressures for economic sanctions against South Africa. These discussions inevitably turned on the question of whether or not the time had arrived for some movement away from the migrant labour system, towards some form of labour stabilisation through the creation of segregated black 'villages' around the mines where a more settled labour force could be created and maintained. In this respect, much has been made of the experiments of Anglo American in setting up one or two such 'villages' and its allocation of R9 million in 1979 to workers' housing projects. In its evidence to the Du Randt Commission (appointed after the mining riots of 1974), the Chamber of Mines proposed that possibly no more than 10 per cent of the black labour force should henceforth be permitted the right of settlement and stabilisation. This 10 per cent would, of course, be composed of non-mining black staff engaged in lower level supervising employment. This compares to the three per cent level fixed between the Chamber of Mines and the government in 1955. However, the mining companies are reported to be divided even on the 10 per cent proposal. And thus, rather than move forward towards dismantling the migrant labour system, the mining companies have since trie adroitly shifted the focus of this discussion towards what is termed 'meliorism', ie ameliorating some of the more dehumanising aspects of the migrant labour and compound system. But even here progress is insignificant. The press-ganging of black labour by the recruiting agencies, their transport to the mines and their confinement in barrack-like compounds continues broadly unchanged. In any event, improvements in these respects vary considerably as between mines and mining companies. They are non-existent on many of the older mines. The Consolidated Gold Fields and the Union Corporation, which jointly employ one-third of the mining labour force, have done nothing in the way of ameliorisation, and yet their mines are among the newest and the most productive in terms of gold output.

Contrary to all claims, the past decade has not been a watershed for the black miner; if anything, it has been a watershed for mining profits and the 'white economy'. Further, South Africa's race and labour policies in recent years give the appearance of some forward movement but, as in everything else in South Africa, all such movements end up only further entrenching the black-white relationship and enforcing a more calculated efficiency in the management of apartheid and the migrant labour system.

† Here, as in the calculation of the trends in real black wages, account must be taken of the fact that the officially-calculated inflation rate has little meaning for the African population. With their lower level of incomes and the concentration of their expenditures on foods and necessities, it is the price movement of these necessities which is of greater relevance to them. And it is the latter, whose prices have gone up considerably more than the prices of commodities entering into white expenditures. In 1980 the general price inflation was 15.8 per cent, but that of items entering into African consumption went up by 24 per cent. The rise in food prices alone was 30 per cent. In these senses, improvements in black wages have been more than eroded and high inflation has served further to redistribute incomes in favour of the white population and mining and industrial profits.

It is clear from the foregoing review that gold mining is of colossal importance to South Africa. However, this importance does not necessarily extend to the international economy. Relative to the 77,000 tons of gold bullion held by central banks and private investors, South Africa's annual output is insignificant—less than one per cent of the aggregate gold stock. Moreover, some 70 per cent of each year's total output is absorbed by the gold fabrication industry (jewelry and direct industrial use), thus leaving little for central bank and private investment demand. About one-fifth of South Africa's gold output is minted into coins (the Krugerrand), which are sold internationally to small-scale investors. However, the fact that world bullion stocks remain predominantly in the hands of central banks and governments attests to the signal importance of gold as an international reserve asset and its continuing monetary role in the world economy (see Table 13).

TABLE 13. THE HOLDINGS OF GOLD AS MONETARY RESERVES (IN BILLIONS OF US DOLLARS)

	1950	*1960*	*1970*	*1980*
Value of gold reserves	33.8	38.0	37.1	714.0
Total reserves	48.9	60.4	92.5	1,099.0
Gold as per cent of total	70.0	63.0	42.2	65.0

Source: IMF, International Financial Statistics

A. Trends in the world monetary system

Until August 1971 the international monetary order was in all essentials regulated by a gold-United States dollar exchange standard. Under the Bretton Woods system, the United States-fixed price of gold at $35 an ounce determined the structure of exchange rates between the major currencies, with gold serving (along with the United States dollar) as a principal reserve asset. The system's coherence and legitimacy was provided by the commitment of the United States Treasury to buy and sell gold at the fixed price in its transactions with foreign central banks and international organisations (the International Monetary Fund and the Bank of International Settlements). In this way the dollar-gold linkage provided a specific form of international monetary discipline for much of the post-war period. In 1960, the United States Treasury and a number of European central banks created the London Gold Pool, into which contributions of gold (by these official agencies) were made for supporting the fixed dollar price on the London gold market, the latter catering for non-official trading in gold. Up to 1968, South Africa sold its gold through the Bank of England on the London gold market. If at any time the gold price threatened to fall below or rise above the fixed parity, the Gold Pool would buy or sell gold on the market to support the parity.

In November 1967, the sterling pound was devalued by 14 per cent. There followed a sharp increase in the demand for gold on the London market, requiring larger and larger support operations from the Gold Pool. By 1968 the United States official gold stock (or reserves) fell to 311 million ounces, compared to 701 million ounces at the end of 1949. Of this decline, about 45 million ounces were accounted for by the United States' contribution to the Gold Pool. The bulk of the balance of gold losses—over 200 million ounces—represented foreign central bank conversions of their excess dollar holdings into gold at the United States Treasury. In these circumstances the United States government decided in March 1968 to abolish the Gold Pool, thereby permitting gold prices on the market to fluctuate freely without official intervention, while continuing to maintain the *official* gold price of $35 an ounce. This two-tier gold price structure was supported by a commitment by a number of foreign central banks henceforth to refrain from adding to their gold reserves or attempting to stabilise prices on the free market.

These changes were complemented by an agreement between the United States and South African governments whereby the latter would be permitted to sell part of South Africa's gold production to the International Monetary Fund (IMF) at the official price if and when this proved necessary to finance deficits in that country's balance of payments.

In 1971, following considerable currency speculation on the foreign exchange markets, the United States government suspended the formal convertibility of the US dollar into gold. There followed a devaluation of the dollar and a new official gold price in terms of the dollar. But this, too, broke down in 1973 when the United States government decided to cease its support for the dollar's exchange value. In this way a new *de facto* regime of floating exchange rates for all the major currencies ensued. By then, the market price for gold had more than doubled—reaching almost $80 an ounce. Following lengthy negotiations at the IMF, an agreement was finally reached in 1976 for eliminating gold on the *numeraire* of the IMF system; member countries were no longer obliged to provide a gold proportion to their 'quotas' or subscriptions to the IMF. In these ways, the official price of gold was formally abolished. The IMF was authorised to dispose of some of its gold holdings of 100 million ounces and between 1976 and 1979 it sold 25 million ounces by public auction and returned another 25 million ounces to member countries. However, these far-reaching changes in the international monetary system in no way altered the more fundamental fact that central banks and other monetary agencies continued to hold (as part of their monetary reserves) some 1,000 million ounces of gold. For them gold remained a much preferred asset and since then there has been no tendency on the part of these central banks to dispose of this asset, except in cases of extreme need. On the other hand, the marginal quantities of newly-mined gold proved insufficient to satisfy the growing volume of private demand during the 1970s. Gold, in this context, came to be viewed increasingly as a hedge against inflation and political and other disruptions. By early 1981 the price of gold fluctuated over a range of $500-600, or some 17 times the 1971 official price. In 1975 and again in 1978/79, the United States Treasury sought to reverse this upward trend in gold prices by sales from its reserves—17 million ounces were sold through public auctions in which foreign official agencies were not permitted to participate. But this led to no more than small and temporary price reversals. By 1980, it had become clear that the United States would no longer seek to control the gold price through such sales. The IMF too suspended further sales from its gold stock.

Following the extraordinary experience of the 1970s of high inflation, enormous imbalances in the international balance of payments, sharply fluctuating exchange rates, rising gold prices and the unprecedented growth of credit through the Eurodollar banking system, renewed interest in a more direct monetary role for gold as part of some wider framework of monetary regulation has emerged. The European Monetary System (EMS) of the European Economic Community is an important reflection of this interest. The EMS created a specifically European *numeraire* as the point of reference for the calculation of exchange rates and their adjustment. The dollar ceased to be the principal currency of intervention for exchange rate stability within the EEC. That stability is now enforced in part by a fund composed of members' currencies and a gold component. The gold share of the fund is revalued every six months according to gold market prices. Next, and equally significant, was the introduction in September last by Senator Jesse Helms of a new Bill in the United States Senate that would require the United States to reinstitute a form of the gold standard, which would effectively link changes in United States monetary policy (money supply and interest rates) to changes in the official gold reserves of the United States. The Bill provides for a transitory mechanism through which the official price of gold becomes fixed. In the 1980 Republican Party's presidential election manifesto, 'the restoration of a dependable monetary standard – that is, an end to inflation' was proposed. In line with those developments the United States House of Representatives Sub-Committee on Mines and Mining opened hearings on 'the feasibility of a return to the gold standard' in October 1980.

Finally, the experience of the 1980s has given rise to a perceptible movement of reserve diversification by central banks out of the United States dollar and into other competing currencies and gold. In this respect, the Iranian hostage crisis and the United States freeze of Iranian dollar-based reserve assets have produced some of the most sweeping changes in the way many central banks hold their countries' reserve assets; gold has become steadily important in this respect. Between 1979 and 1980, the oil exporting countries officially increased their gold holdings by two million ounces; their unofficial holdings may have increased by considerably more.

TABLE 14. DISTRIBUTION OF WORLD OFFICIAL GOLD HOLDINGS (END OF JUNE 1980)

	Millions of ounces
United States	264.6
Other industrial countries	523.9
Oil exporting developing countries	38.2
Other developing countries	104.6
International Monetary Fund	103.4
European Monetary System	85.6
Bank of International Settlements	7.6
Total	1,127.9
	(or 35,346 tons)

Source: International Monetary Fund

In this context it is no longer true to say that central bank gold reserves remain immobilised. The main gold-owning countries have implicitly used these reserves in various ways – in the EMS and as collateral whenever they raise loans. Italy, France, Portugal and South Africa have at various times pledged their gold holdings as collateral for their external borrowings. These usages have prompted proposals from some central banks, particularly of Switzerland and Holland, that official intervention in the gold market – official buying and selling of gold – should be reinstituted to steady the gold price and permit the central banks to increase the use of gold in inter-central bank transactions.

Whether or not a restoration of the gold standard is feasible under present disturbed conditions, both economic and political, what remains an undisputed fact is that a large number of central banks and their governments view their gold reserves not only as usable monetary assets, but also as assets which are most likely to preserve their national monetary independence and the safety of their monetary assets. It is this gold-preference factor in official policies which provides powerful under-pinnings to the gold market at present.

B. International demand and supply tendencies

In recent years the market price of gold has been influenced not only by the trends in international policy as briefly reviewed above but also by the steadily tightening world supply situation. Compared to supplies of gold on the market of 60 million ounces a year (about 1,875 tons) in 1978 and 1979, last year witnessed supplies decline to 34 million ounces. During the period since 1975, gold sales by the Soviet Union, the United States and the IMF have been important in supplementing South African supplies, and in 1979 these sources provided almost 50 per cent of the gold entering the world market. However, the era of substantial sales by the United States and the IMF seems now to have ended. Soviet sales traditionally running at about 10 million ounces a year dropped sharply in 1980 to an estimated two million ounces. At the same time, some 20 per cent of South Africa's output was minted in coins, which correspondingly reduced the flow of bullion gold to the market. Between three to four million ounces of South Africa's gold output are now coined and sold abroad each year.

In Table 15, estimates of the market situation for 1981 are given on certain price assumptions. These suggest that any stability in the *real* price could lead to continuing official purchases of gold while a rise in price could expand fabrication demand (especially for jewelry), leaving little for private bullion hoarding and investment. There are, of course, many imponderables in the gold price equation – the trends in the world economy, in particular the course of price inflation, the degree to which the United States fiscal deficit is reduced, interest rates and the behaviour of the dollar on the foreign exchange market, the trend in the 1981 oil price and, above all, the world political situation. On the most optimistic assumptions about these factors the market consensus generally is that the 1981 gold price will fluctuate around the 1980 average level. On any less than optimistic assumptions about these factors, and especially if world political tension continues without abatement, then gold prices in 1981/82 could again show substantial gains.

TABLE 15. WORLD SUPPLY AND DEMAND FOR GOLD (MILLIONS OF OUNCES)

	1980	*1981**	*1981†*
Supply			
Mining output	30	31	31
Secondary output	7	8	9
Official sales	- 5	- 5	0
USSR sales	2	4	6
Total	34	38	46
Demand			
Fabrication	26	28	46
Official coins	7	9	0
Hoarding and investment	1	11	0
Total	34	38	46

*Assumes no increase in the 1981 real price of gold
†Assumes a 25 per cent increase in real prices during 1981

The unpredictability of price trends, resulting from the fact that gold prices are influenced by so many imponderable forces, presents a major problem for gold-producing countries, foremost among them South Africa. The rise in prices during the 1970s provided the South African mining industry with opportunities to recover gold from low-grade ores, with little new capital investment. If there did occur a substantial price retreat, the mining of higher-grade ores could entail considerable capital expenditure. In this sense, the gold price uncertainty has been a serious obstacle to mining corporate investment planning, given the time taken in developing a gold mine before it reaches the production stage. The Chamber of Mines, for example, has calculated that if the Free State Geduld mine is to continue in 1981 its planned recovery of gold from the 915 gramme (per ton milled) ore, then its profitability at the 1980 level would require a gold price of almost $700 an ounce. This price uncertainty has therefore led to some attempt by South Africa, at least, to impose a stronger level of suppliers' influence on market developments in the form of voluntary restrictions on gold supplies during times of falling prices. The financial press has given considerable importance to reports of visits by representatives of Anglo American and Consolidated Gold Fields to the Soviet Union late last year, viewing these visits as part of a tendency towards the creation of a gold producers' cartel at the international level. South Africa's gold production (bullion) is sold by contract to the four leading Swiss banks and, more recently, to some of the London and New York bullion brokers. On the other hand, Soviet output is sold intermittently on the free market. The fact that free market prices dictate South African producer prices does in this context suggest at least 'a joint interest (with the USSR) in holding prices as high as possible or, at least, preventing them slipping too far' (*Financial Times,* 26 November 1980).

VI. CONCLUSION

As suggested in this survey of the gold mining industry, gold and other mineral mining constitute the narrow base on which the apartheid economy and its superstructures of white minority privilege rest. That base has been carefully held in place by being locked into a seemingly solid and highly institutionalised migratory labour system. It is this which describes the dualism in South Africa's political economy: a developed and modernising industrialism with extensive supporting commercial and banking facilities, standing in juxtaposition with and yet inextricably bonded to an unchanging and colonialist-type economic base founded on organised cheap labour. The gold mining industry constitutes the epicentre of this colonial base. What is remarkable, possibly without precedent elsewhere, is the fact that despite almost 60 years of sustained industrial growth and economic transformation this colonial base remains broadly unchanged. Indeed, if there have been any changes in this respect, these have been mainly in the direction of drawing the substantial labour resources of the subcontinent into the South African migratory labour system. This undoubtedly has been a major cause of the continuing underdevelopment of large parts of Southern Africa. And there is every reason to believe that, as long as South Africa remains free to continue recruiting the manpower of the surrounding African States into its migrant labour streams, these African States will continue to face formidable barriers to their efforts to develop their economies and widen the skills, educational opportunities and standards of life of their people.

Of even more menacing proportions is the critical role of gold mining in producing the monetary surpluses needed to support the specific militarist social formation which has come to characterise South Africa's industrial development over the past decade. Through substantial tax payments to the State and the entry of the large mining trusts into manufacturing industry, an organic relationship has been forged between the mining industry, the British and American-based transnational corporations and the South African State in creating a wide-ranging armaments and military equipment industry with a supporting level of technology, and thereby providing the South African regime with a considerable military and nuclear capability. Given the subcontinental scale of South Africa's cheap labour source, this militarist formation has the indisputable objective of ensuring and enforcing that country's imperial position in Southern Africa.

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