

SUGGESTED STRATEGIES FOR RURAL DEVELOPMENT.

The low wage structure in South Africa is partly the result of the fact that there is a regular flow of new workers from the peripheral African independent states and homelands into the white-controlled industrial areas. This flow of workers ensures that there are always more workers than jobs, so that it is easy to keep wages low, especially when workers do not have effective organisations. The main cause of this situation is that the policy of successive governments in Southern Africa, from the nineteenth century onwards, has been to limit the amount of land available to Africans, and to discourage development in the small area left to Africans. Such an explanation applies just as much to a country such as Lesotho, which lost nearly all its most fertile land to Boer conquest in the nineteenth century, as it does to the Transkei or Kwazulu.

Because the state of economic development and employment in these areas is of such great significance for the trade union movement in the white-controlled industrial areas, it is important to ask whether these areas can be developed. If we consider agriculture in South Africa, the state has used public money to support and develop the white owned-farms, but has given almost no assistance to black peasant farmers. As Merle Lipton has written, "While 90 000 rich, educated white farmers have 3 000 extension officers (plus enormous injections of easy credit, marketing facilities, and guaranteed prices) 600 000 black farmers have less than 1 000 extension officers..... the black peasant has not yet been given a chance" (Lipton p266). White farmers get loans at cheap rates to buy farms, and develop their farms, as well as short term seasonal loans to be repaid when the crop is reaped. They get grants for fencing, donga control, dam building and conservation of catchment areas. They get subsidies for seed, and buy fertilizer and fuel at a specially subsidised price. Their crops are marketed by Control Boards, which set prices to protect the farmers. In times of drought they are offered special loans, cheap railage for food-stuffs, and paid compensation if their stock has to be moved. Virtually none of these many services has ever been made available to black farmers. This neglect, together with progressive overpopulation, has helped to ensure a continuous decline in the productivity of the agriculture of the reserves.

But this is not the whole answer. These areas are underdeveloped also because of their relation to the rest of the southern african economy. Development requires the formation of capital which can be invested and reinvested to bring about an increase in the productivity of labour in agriculture and industry. This capital can be supplied by the state, as was largely the case for white agriculture, but not for black agriculture. But it can also come either from outside investment or by a gradual accumulation of capital in the territory itself. Why has neither of these things happened?

South Africa has sometimes been described as a 'dual economy',

that is, as a society in which there coexist two different economic systems, the industrialised market economy, and the subsistence economy of the reserves. If there really were two different economies, then it should be possible to bring about changes in one of the economies irrespective of what was happening in the other. But this is not the case. The economic system in the homelands is not an independent subsistence economy. It is a completely dependent sub-system of the wider market economy. This has two consequences. Firstly, its relation to the rest of the economy is such as to discourage outside investment. Secondly it is such as to discourage internal capital formation.

#### 1) Outside Investment.

Because the homeland and the white-controlled industrial areas are part of one market system, new industries in the homelands have to compete with those already established in the urban areas, and to attract new industries the homelands have to be able to offer conditions more favourable than those prevailing in the urban areas. Under most circumstances an already established industrial area has advantages over nearby non-industrialised areas. The industrialised area is both a market and a source of many of the materials which the new industry needs. If the new industry is sited away from the established area, it will probably have to send its goods there to be sold, will probably have to pay extra transport costs to get the goods it needs from there, and is cut off from the wide variety of service and maintenance facilities which any large industrial area inevitably generates. These facilities include technical and repair facilities as well as legal and financial services. These disadvantages can only be overcome if the new industrial area has any positive advantages. The homelands do not have any such positive advantages. The reserves were sited where they are largely because those areas were believed to have the least economic potential, either agriculturally or for mining. Since then, the development of the South African economy has been designed to benefit the white areas exclusively, as a result of which the homelands have virtually no transport infrastructure. 40 years ago Professor MacMillan wrote, "To locate the Native Reserves, it is no bad rule for the Union at large, as we suggested for Natal, to look for the areas circumvented, or entirely missed, even by branch railway lines". This remains true today.

The one positive advantage which is sometimes claimed for the homelands is that they have even lower wage rates than do the urban areas. But even this advantage may be mythical. Maasdorp points out that what is important for a manufacturer is low wage costs, not low wage rates. He cites a study which shows that "in Botswana, Lesotho and Swaziland it was found that labour productivity was substantially lower, costs of training were higher, and in certain cases unskilled and semi-skilled wage costs were consequently higher than in the core (South Africa)" (Maasdorp p16). The reasons for this are plain. Low wages have the same bad effect on productivity in the homelands as they do elsewhere. If wages are substantially higher in the urban areas, then any workers who acquire skills are

likely to move, and so the homeland industry will probably find that it is left with the poorest quality workers who do not have the skills to get better jobs elsewhere. This could only be overcome by an even more brutal imposition of influx control measures, perhaps by tying workers for long periods of time to these industries. The only other alternative would be to make the amenities in the homelands vastly better than those in the cities, but this could only be done, in part, by taxing the new industries, and thereby offsetting even further any cost advantages to them.

So it is very unlikely that meaningful development in the homelands can occur as the result of an influx of investment capital. Very large incentives might offset the above economic disadvantages, but the Republican government does not seem to be willing to bear such costs, and the homeland governments cannot afford to.

## 2) Internal Capital Formation.

Can the homelands produce the capital that they need through the savings of their inhabitants, without needing external capital? Very few of the economic activities in the homelands produce a surplus. Instead, the labour of african workers produces a surplus in the white controlled industrial areas, a surplus which is saved by Whites for Whites. The economic activities in the homelands have been accurately described as 'sub-subsistence', and do not produce much which can be saved and reinvested. The economies of the homelands are so dependent on the white-controlled areas that what surplus is generated quickly leaks away. This happens in two main ways. Firstly, as Maasdorp points out, "the homelands obtain their imports from and through the white areas and their comparatively small volume of commodity exports is sold to South African firms and distributed through South African marketing channels, sometimes on the basis of quotas determined by white interests, e.g. sugar from Kwazulu" (Maasdorp p8). This means that the profits from trading largely accrue to white entrepreneurs. Most of the cash earned by migrants is spent within the white-controlled sector. Even in the case of border areas, where the workers live in the homelands but work outside, studies have shown that most of the money is spent in the white-controlled areas, mainly because of the way in which the commercial sector is organised.

Secondly, even when money is saved, either by migrants or by homeland inhabitants, it is saved in white-controlled institutions such as banks, building societies, insurance companies and the post office. The capital which is made available is almost exclusively invested in the white-controlled areas, in the light of policies related to the needs of those areas. This applies whether the cash is put in a bank, in the city or in the homeland, and continues to apply whether the homeland is independent or not. According to an economist from the University of Botswana, Lesotho and Swaziland, two-thirds of the personal savings collected in Lesotho are channelled to South Africa. Given the present economic institutions, there is very little chance of any capital at all being created in the homelands.

What, then, can the homeland governments do? If they cannot hope to bring about large-scale development, what policies can they adopt to help their citizens? If they are to remain dependent for the foreseeable future on migrant labour, then it seems obvious that one important feature of any strategy must be to attempt to improve the bargaining position of those workers. That means that any development strategy should be evaluated not only in terms of its consequences for growth in the homelands, but also in terms of its effect on the labour market in the white-controlled areas. Of course, there may well be no conflict between these two needs, but this cannot be taken for granted. For example, if a very low wage and anti-union policy made it possible to attract much industry to the homelands, the overall advantages for citizens of the homelands might still be less as a result of a competitive decline in wages in the cities, and the weakening of the trade unions. From the point of view of the urban workers, whether migrant or not, the most important question is the extent to which any policy either increases or decreases total unemployment, because low wages are very much dependent on high unemployment. Policy should therefore have two aims: a) to absorb as many workers as possible in labour-intensive agricultural or industrial developments; and b) to increase the income which the families of migrants can get from agriculture.

#### a) Labour Intensive Employment.

To create a new job costs money which has to be invested in the equipment needed to employ each worker. The amount which needs to be invested per worker will vary from sector to sector. For example, in India the amount of extra employment created per unit of investment is almost three times higher in agriculture than in industry (Lipton p265). It will also depend on the type of technology which is used. The same products can be produced with different mixes of capital and labour, and which mix is selected is partly a function of the interests of the particular group which makes the decisions. In the South African economy these decisions are made by entrepreneurs in the interests of themselves and their share-holders, and as such may not be at all in the interests of increasing black employment. Furthermore, the choice of technique is also influenced by relative prices which in turn result from a particular consumption pattern and income distribution. The system both perpetuates itself and militates against the use of more labour intensive techniques. It is homeland agriculture which probably has the greatest possibilities for labour-intensive development. Lipton points out that the assumption underlying development planning in South Africa tends to be that land is plentiful and labour is scarce, so that any development would require a large input of capital. But in fact in the homelands land is scarce and labour is plentiful. This labour could be used for labour-intensive methods, either to improve the present crops, or to introduce new labour-oriented crops. For example, the renowned french agronomist, René Dumond, has suggested that silk-worms would be ideally suited to the kwazulu climate. In agriculture the use of labour

varies with the seasons, and in the slack periods the abundance of labour could also be used directly for rural development projects such as dam-building, fencing, road improvements. Shovels instead of bulldozers would take longer but, to the extent that they used labour which would otherwise have been unoccupied, would be far cheaper and just as beneficial.

Edward Roux, Professor of Botany at the University of the Witwatersrand, suggested in 1963 that the reserves were understocked rather than overstocked. He said that "The serious erosion which is characteristic of these areas is due in the main to the absence of paddocking, the kraaling of beasts at night, and the long treks the cattle must make to obtain water. As a result the grass in certain places is completely trampled out and a network of paths covers the countryside. Paths become dongas and accelerated erosion follows." These problems can be overcome by labour investment. For example, Kwazulu is in many places a very hilly country in which the rainfall occurs in the form of flashfloods which run off very quickly. It should therefore be possible to capture much of this water in a network of small dams which would be available to water the cattle, as well as for irrigation. Erosion itself can be halted by a large labour input in contouring, blocking dongas, improving catchment areas, and so on. It is of course easy to enumerate the techniques, but the actual introduction of these techniques into a complex socio-economic environment is much more difficult. I shall return to this point shortly.

An employment intensive development policy must concentrate on agriculture, but this does not mean that other sectors should be totally neglected. In order to discourage the leaking away of funds, commerce and service industries are important, particularly in areas near the white-controlled cities, such as Umlazi. But this should also be designed in such a way as to increase employment. For example, supermarkets employ relatively fewer people than an equivalent range of smaller enterprises. Maasdorp argues that there is also potential for employment-orientated strategies in what he calls the 'small-scale sector' of small manufacturing industries, handicraft producers, small building and construction firms, and so on. In Swaziland, the cost of creating a job in the small-scale sector is approximately R1 000, as compared with R5 000 in the large-scale sector.

#### b) Helping the Families of Migrants.

Whatever development strategy is to be adopted, the homelands will remain labour reserves for the white-controlled core economy. Many of the inhabitants will be the families of migrant workers, dependent to a large extent on cash sent back home. One objective of any development strategy must be to increase the self-produced income of these families, and this probably also requires a strategy of labour-intensive agriculturally-oriented development. It has been argued against such an ameliorative approach that the main effect of improving the standard of living of the families in the

reserves is to give justification for paying lower wages in the industrial areas. The counter to this, however, is that a more likely effect will be to strengthen the ability of the urban workers to strike, by providing some protection for their families against the immediate effects of loss of income.

There is a similar, more general argument against the whole strategy of agricultural and service sector development which I have advocated. The argument is that any society with an agricultural economy remains dependent economically on its supplier of industrial products, and therefore that industrial development is vital for economic viability. This is perfectly true, but it misses the point. The homelands cannot hope to develop as independent societies, and they cannot hope to solve the problems of their citizens in that way. The problem of black poverty in South Africa and virtually all the other problems of the black people of South Africa can only be solved within the at present white-controlled areas where the majority of the black people work, and will inevitably continue to work. It is here that redistribution of wealth and resources has to occur. I am arguing that any development policy in the homelands has to start from that axiom, and be based on a strategy which will improve the bargaining position of black workers in that struggle. It is therefore necessary to stop even dreaming about the possibility of economic independence for the homelands.

I have suggested a number of techniques which can be adopted to do this, although of course much more research is needed before these suggestions could be made applicable. But the greatest difficulty lies with the question of the socio-economic environment within which these techniques are to be applied. To work they require changes in behaviour, the shedding of old habits, and a willingness to risk previously untried techniques. Experience in many different countries has shown that it is always difficult to bring this about. We cannot be satisfied with listing possible technical innovations. We must also investigate the social and organisational methods which could be used.

There are, broadly speaking, two possible strategies for agricultural development; the encouragement of a 'master farmer' or 'progressive farmer' class, or the use of some form of co-operative farming.

#### 1. Master Farmers.

In any society there will be individuals who will react more quickly than the rest to the possibilities offered by new techniques and market-production. It is therefore possible to encourage these individuals by material incentives and aid, in the hope that they will be able to increase agricultural production rapidly. This cannot be done with a system of communal tribal ownership of the land, because there is no great incentive to improve land to which one does not have a legal right of continued tenure. To

encourage a master farmer class it would be necessary to grant freehold tenure on an individual basis, and to provide certain forms of advice and aid to all farmers. The more efficient would take rapid advantage of this, would soon be able to buy out the less efficient and would consolidate the small holdings into larger and more economical units. In this way innovations would be spread more rapidly and yields would increase.

There is no reason to believe that african peasant farmers would not take advantage of opportunities in such a way. In fact, Bundy has shown that something like this happened in the Eastern Cape in the nineteenth century. With the development of the market economy a number of progressive african farmers quickly adopted new techniques, produced for the market, and were able to buy up more and more land, from less efficient black and white farmers. These african farmers produced at least as efficiently, and often more efficiently than their white competitors. Bundy quotes one observer in 1870 as saying, "Taking everything into consideration, the native district of Peddie surpasses the European district of Albany in its productive powers." Another said, "taking man for man, and acre for acre, the native produces more from a smaller extent of ground, and with more primitive appliances, than the Europeans." It was not until the whites speeded up the expropriation of the land and began to use their political power against their black competitors that this growing black agriculture was destroyed. It is necessary to take with a pinch of salt the claims often made about the natural conservatism of the african peasantry.

But what would be the consequence of the development of such a master-farmer class? The first consequence could be that many people would have no direct access to the land. There would be a class of capitalist farmers and a class of landless labourers. This would have serious social consequences, and probably produce great social conflict. Migrants would probably lose land very quickly, and the traditional patterns of social security would be destroyed. The new landowning class would have no motive to choose labour-intensive techniques, and, strongly influenced by the example of white agriculture, would probably try to cut down on labour, so increasing unemployment and the move to the cities. A master-farmer policy then, would generate tensions in the rural area, and also be very damaging to the interests of the urban workers. The growth of a rural elite class would probably also in the long run slow down the spread of new skills, because education would tend to be moulded to suit the needs of this class, and they would be able to acquire a monopoly of information.

## 2. Co-operative Farming.

At present land in the reserves is communally owned, but cattle and crops are cultivated individually. The master-farmer policy is intended to cut out the communal ownership. The alternative policy is to replace individual cultivation with communal or co-operative cultivation. This has many obvious advantages, if it can be done.

It directly encourages, rather than discourages, labour-intensive techniques. It is much easier to practice labour investment in a co-operative situation than in an individual situation. A whole village will have an interest in improving the roads or the irrigation works during the off-season, where no single individual would have such an interest. Larger-scale activities with better use of resources and crop-rotation can be engaged in without the necessity of producing a class of landless labourers. Such a system strengthens the traditional system of social security, and leaves a place for the families of migrant workers. This method of farming also encourages rather than discourages other forms of community activity, such as credit co-operatives, literacy drives and other self-help schemes. It makes it easier to suit education to the immediate needs of the community. Above all, it strengthens community ties and provides organisational solidarity.

Despite these many advantages, the introduction of co-operative agriculture is never simple. It also threatens established customs. Conflicts which, in a system of private ownership, would be resolved unilaterally and without appeal by the boss can smoulder on and finally tear apart a co-operative enterprise. The problem of corruption is likely to be great. Under private ownership it is legal and normal for the person in charge to run off with all the profits, but in a co-operative system this must not happen. Many of these difficulties are likely to be even greater in a situation in which the norm of the economic system is aggressive individualism, as it is in the South African economy. This means that if co-operatives are to work, they will have to be carefully prepared by trained and motivated organisers, and backed by thorough research into both agricultural and social problems. This will cost money. But it will probably cost less money per job created than will alternative development strategies.

A strategy of agricultural development based on co-operative agriculture does not necessarily exclude the encouragement of external investment in industry. We must therefore look at the extent to which these two approaches are compatible. We have seen that such industrialisation is not likely to occur on a large scale. How beneficial will it be, to the extent that it does occur? Obviously a new industry creates a certain number of new jobs, and to this extent is important. But the real significance of industry for development is the extent to which it encourages the development of more industry. It can do this by providing profits which can be reinvested, by providing a tax base for the homeland government, and by encouraging the growth of other industries to suit its needs (linkage effects). If an industry does none of these things then it has no overall impact on development. New industries in the homelands are usually granted large tax concessions, which may need to be even larger when the homelands become 'independent'. There is little incentive for the profits to be re-invested, and given the proximity of the much more highly developed existing industrial areas, the linkage effects may well be small.



New industries will create jobs but are not likely to generate a process of autonomous development. It is important, therefore, not to exaggerate the importance of attracting outside investment.

There are four possible disadvantages to be weighed against the advantage of the new jobs which might be created by outside investment.

1. We have seen that the 'small-scale sector' has some potential for new jobs. To a certain extent outside investment will create openings for this sector, for example, in construction. But it may also compete with it, and will almost certainly tend to encourage capital-intensive techniques. According to Maasdorp, "The majority of potential entrepreneurs are South African, and their activities in the homelands may form only a small part of their total operations. It is unlikely, therefore, that they would make any special effort to develop labour-intensive techniques in their homeland operations" (p21-22). There is a risk, therefore, that the indirect consequence of such investment would be to decrease employment, or at least to increase it less substantially than it appears to do. This would not be an objection if such investment were likely to occur on a large scale, since then the total amount of new capital would be greater than could be raised in any way related to small-scale and labour-intensive investment. But it is not likely to occur on a large scale.

2. New factories built in the homelands will not be run on the same colour-bar lines as are businesses in the white-controlled areas. This will mean that there will be increasing opportunities for Africans to become members of management staff. This might at first sight seem to be a great advantage, but a look at the lesson to be learnt from many African countries shows that it may well be a disadvantage. It is apparent that there is a very rapid development of an elite with much political influence, and interests opposed to those of the mass of workers and peasants. This could weaken social solidarity, and also have a bad effect on co-operative agriculture. This is not, of course, an argument for keeping everybody poor, but it is an argument for taking great care in selecting the policy which is designed to make everybody better off.

3. The third objection derives from the very peculiar political position of the homeland leaders, in relation first to the South African government, and second to important sectors of world opinion. The homeland political institutions are the creation of the Nationalist government, and are seen by many as a device to divide the black people of South Africa and to deprive them of their rights in the at present white-controlled areas. For this reason those black leaders who have agreed, whether under protest or not, to co-operate in any way with separate development, are regarded with initial suspicion outside South Africa. This is significant for the problem of development because it makes many in-

ternational agencies with skills and funds available for development unwilling to assist the homelands. In South Africa itself there is a tragic shortage of people with the knowledge, time and inclination to do the basic research and planning which the homelands need. As Merle Lipton has said, "South African planners and officials are extraordinarily out of touch with advances in the theory and practice of development that have taken place elsewhere. Most of them still believe unquestioningly in the misconceptions and myths of twenty years ago..." (p266). This applies also to academics, and almost certainly to the homeland leaders themselves. These leaders have a heavy administrative load to carry under very difficult circumstances, and so can hardly be expected to keep up with the increases in understanding of the problems of development which are taking place elsewhere. One of the most important changes over the last few years is a growing distrust in international corporations, and a new belief that foreign investment is very far from being the cure for all the ills of underdevelopment. This distrust in foreign investment is quite distinct from the political issue of whether or not investment in South Africa should be discouraged. The result is that when homeland leaders attempt to encourage foreign investment it often increases suspicion even further amongst those people who could provide the needed technical help. For example, some of the most important research into development and employment has been undertaken by the ILO in its studies of Columbia and Kenya. Studies of this sort could be invaluable to the homelands, but are not likely to be undertaken as long as some people can argue that the homeland leaders are not only tools of the Nationalist Government, but also the 'puppets of international capitalism!'

A great stress on the importance of foreign investment may therefore destroy the legitimacy of the homeland leaders in the eyes of people who could offer valuable help. This aid could be financial as well as technical and, given the relatively small amounts of direct investment which are likely, could be just as valuable as direct investment.

4. Homeland leaders anxious to encourage investment may feel that it is necessary to be able to guarantee a docile, cheap labour force. They may therefore feel unable to support the african trade unions in the urban areas, and may thereby seriously weaken these unions. This would have two important consequences. It would assist in holding down wages in the urban areas, and thereby decrease the proportion of South Africa's wealth which might otherwise have gone to the black workers. If it were necessary to discourage unions and worker militancy to get more investment, this might increase the total number of jobs slightly, but at the cost of a nett decrease in black incomes.

Furthermore, worker militancy and the existence of strong unions is one of the most important supports which the homeland leaders have when attempting to win further concessions from the Republic-

an government. The various legislative assemblies are platforms from which government policy can be attacked, but they do not provide any real power which can be used in negotiations over South Africa's future. It is only if they are seen to have some organised backing, such as is constituted by, among others, a strong trade union movement, that those who at present hold power are likely to feel that they need to make any concessions.

Strong trade unions could also be of help in the process of social mobilisation and education which would be needed for a successful policy of labour-intensive co-operative agriculture, especially because so many workers are migrants with a direct interest in the rural areas. I began by arguing that the urban workers and the trade unions had a legitimate interest in the development of the rural areas. I should like to conclude by pointing out that this interest is reciprocal. The trade unions can help the homeland leaders and the peasantry. They can be an important educative force for migrant workers in their role as peasants as well as in their role as workers. The trade unions can also encourage popular participation and thus be an important support for democratic government in the homelands, and an ally of the homeland leaders in their attempt to work for peaceful change in South Africa.

#### References.

Many of the ideas in this paper, although not all the conclusions, are drawn from:

G.G.Maasdorp: "Economic Development for the Homelands" (SAIRR 1974)

Other references are to:

Merle Lipton: "The South African Census and the Bantustan Policy.  
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