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Foreign Investment and the Reproduction of Racial Capitalism in South Africa

Martin Legassick & David Hemson

Foreign Investment in South Africa: A Discussion Series

No 2

50p

Foreign Investment and the Reproduction of Racial Capitalism in South Africa by Martin Legassick and David Hemson is the second in a new series of papers commissioned by the Anti-Apartheid Movement as a contribution to the debate on the role of foreign investment in South Africa.

The authors are concerned with the political question of how foreign capital reproduces the form of apartheid society rather than the economic significance of foreign investment in South Africa, which is dealt with in the paper **South Africa: The Crisis in Britain and the Apartheid Economy** by Dorcas Good and Michael Williams.

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

September 1976

Introduction

The official figures, which certainly understate the amount, admit that direct foreign investment in the South African racial capitalist economy at the end of 1973 amounted to £3,500 million, of which the British share was over £750 million. Nor do these figures include the increasing proportion of supply of capital to South Africa, either directly to the state itself, or through the network of private financial and banking institutions in South Africa, which is classified as indirect investment: loans, bond issues, etc, which, as Good and Williams have written, "belong to the world of undercover transactions, are easy to conceal, and in many instances are beyond the surveillance of individual countries themselves". Economically, this foreign investment in South Africa is critical for capital accumulation both in the giving countries and in the receiving country. For British, United States and Western European capitalists, investment helps to maintain profit rates, assures access to strategic raw materials, and keeps markets open and expanding. At the moment, the South African connection counts for *at least ten per cent* of Britain's total foreign investment. Within South Africa, direct or indirect foreign investment is a major component in sustaining both the private and the state-owned capitalist sector. In the private sector, some estimates have credited foreign investment with control over 80 per cent of productive capacity.

We are here concerned, however, not with the *quantitative* and *economic* significance of foreign investment in the South African economy, but with its *qualitative* significance for *political* and *social* relationships, and in particular with its significance for *racial* relationships in South Africa. Our argument is specifically an intervention to contradict the picture which has been presented by the representatives of foreign capital, by major institutions in the Western world, of the role which foreign capital has played in this respect. From the 1940s, foreign capital and its representatives in South Africa and outside have argued that continued economic growth, continued industrialisation, fueled of course by foreign investment, would undermine relationships of racial prejudice and discrimination. In South Africa itself this theory found its organised political expression with the formation of the Progressive Party in 1959, the party of big capital. The social base of this party is embodied in the person of Harry Oppenheimer, the head of South Africa's largest multinational corporation, Anglo American. Without his political and financial support this Party could not have come into being, and he is proud to regard himself as a founder member of it. The theme has been endlessly and boringly repeated in the press and media of the West, by foreign investors themselves, and by governments. It has even penetrated organisations such as the International Labour Organisation, a body which claims to represent the international views of workers as well as of employers and governments. The South African government has been excluded from this organisation, though employers and trade unions have a form of representation. In its reports on South Africa between 1964 and the present, the ILO has placed predominant ideological emphasis on the supposed "conflicts" between the policy of racial apartheid and the continuation of economic growth, with the constant implication that the imperatives of economic growth can and must come to undermine apartheid.

In this paper we are principally concerned to show, through a historical and contemporary investigation of the relationship of foreign capital to racial capitalism in South Africa, that such arguments are fundamentally false. We conclude by outlining what the implications of the real state of affairs in South Africa are for the British working class movement. We begin, however, by asking why such a false argument should have come into being, and in what ways it has been modified recently.

The creation of the contemporary forms of racist ideology, and the political forms of racial discrimination, in South Africa, we shall show, was a consequence of capitalist development. From the beginnings of capitalist development, the masses of South Africa were involved in various forms of struggle against racism or capitalism: the liberation movement has a long history. In the 1940s and 1950s, these struggles coalesced into a popular struggle for the *democratisation* of the South African state; for the elimination of racialism through the political power of the universal franchise. These demands were buttressed internationally by such statements as the Atlantic Charter during the Second World War, repudiating racialism and colonialism and promising self-determination of peoples under systems of democratic government. The leading capitalist powers, or their political representatives, became *ideologically* involved in a public repudiation of racism and colonialism. It was in response to these mass struggles, for goals to which capitalists had become *formally* committed, that there emerged the so-called industrialisation thesis. If economic growth would automatically lead to the abolition of racism, then there was no need for mass movements and mass struggle. From the point of view of capital, and its ideology, these could only be disruptive of economic growth: leave the work to capital, was the argument, and the goals will be achieved.

The South African state, as the representative of capital, pursued this argument in action rather than words. The democratic mass organisation of the liberation movement was banned in 1960, and a campaign of vicious torture, incarceration and murder by the state ensued. The liberation movement regrouped underground and externally as a movement for the revolutionary overthrow of the apartheid regime. At the same time, in solidarity with the liberation movement, there grew up an increasingly successful international campaign demanding the disengagement of Western powers from the apartheid regime, the withdrawal of foreign investment, and the moral and practical isolation of the racist and authoritarian South African state. Even the capitalist mass media were forced into condemnation of the "excesses" of the South African regime, but this condemnation was always coupled with cliches and banalities on the "liberalising" effects of economic growth. The medicine for fascism, they maintained, was not revolutionary struggle but more foreign investment. But the international campaign of solidarity went from strength to strength and, in the 1970s, has combined with the re-emergence of successful forms of mass struggle in Southern Africa itself. Capitalism has been forced to reappraise and sophisticate the forms of its ideological defence of its role in South Africa.

On the international level, the strength of the movement of solidarity can be symbolised in the struggle of the Polaroid Revolutionary Workers Movement in the United States in 1970. Workers in the Cambridge, Massachusetts, plant of the Polaroid Corporation demanded that Polaroid should withdraw completely from South Africa, should make a public statement condemning apartheid in South Africa, and should turn over some of its ill-gotten South African gains (not even all of them) to the liberation movements in South Africa. This was only one of a series of forms of direct action taken by workers in Britain, the United States, and elsewhere in concrete solidarity with their fellow-workers in South Africa.

In South Africa itself there reappeared, out of the brutal repression of the 1960s, autonomous workers' organisations and workers' action. The most widely-publicised internationally of these actions have been the Ovambo contract workers strike in 1972 and the strikes in Durban in 1973. Such strikes, in defiance of the legal forms of capital's control over workers, had as their immediate stimulus the rapid decline in real wages caused by mounting inflation in South Africa in the early 1970s. Far from ending racism, the rapid economic growth which South Africa experienced in the 1960s did not even create a higher level of material comfort for the bulk of the working class. The *per capita incomes* of Africans in South Africa have, on an average, always been at sub-subsistence levels. In 1971 a report in *The Times* showed that between 1956 and 1970, a period of massive and sustained economic growth, a 61 per cent rise in average African incomes had been more than offset by a 20 per cent growth in inflation and an over 40 per cent increase in population.

Foreign capital now revised its argument. Perhaps economic growth would not automatically produce any answers. The alternative was "capitalism with a human face". In 1973 the *Guardian*, as the enlightened face ot capitalism, published a series of "exposés" on the starvation wages being paid by British firms to African workers in South Africa. The *Guardian*, and Adam Raphael, claimed to have "discovered" poverty in South Africa. Very strange. The facts were well known, and had been published before in Britain, if in less prominent form and less muckraking language. Raphael himself was directed to most of his evidence by student researchers in South Africa. It was the level of the publicity that was crucial; and the fact that the exposés created the momentum for a Parliamentary investigation. The report of the Select Committee, and the evidence presented to it, was published in five volumes. They make, for the most part, bland and tedious reading. The evidence and demands submitted by the liberation movement and the solidarity movement in Britain were submerged in a torrent of mumbling, evasion, rationalisation, and hypocrisy by representatives of capital. In Britain for fifteen years the campaign against South Africa had been spear-headed by the Anti-Apartheid Movement, with the support of the British working class movement, students and other progressives. The commitment, the knowledge of South Africa, the broad base of this movement were ignored by Parliament in favour of these mouthings of capital, skilfully shaped into a coherent argument by a few technocratic economists.

The Labour Party, by its 1974 manifesto, is committed to a policy of various forms of disengagement from South Africa. Equally, the Trades Union Congress is formally committed to a similar policy. But these commitments have not found implementation in actions by the British Government. It is no accident that, over the period of the *Guardian* investigations and the Parliamentary enquiry, there came into being a "Study Project on External Investment in South Africa and Namibia" which has produced, in five volumes of papers for the most part as insipid and bland as those of Parliament, a guidebook for capital on how to put on its human face. Nor is it an accident that a TUC committee which visited South Africa in the wake of the 1973 strikes should have come out with a series of recommendations which were mostly in direct conflict with the policy of the TUC, as a Congress, and whose effect was to subordinate the common interests of workers in Britain and South Africa to the dictates of capital in South Africa. The Labour Government itself, in the wake of the Parliamentary investigation, issued a set of guidelines for British investors in South Africa. It was "in the national interest and in the interests of the firms concerned", it smugly proclaimed, that "they should be *seen to be* following enlightened policies for the welfare of their African workers". Whether their policies were enlightened or not, at least they should "be seen to be": it was the *appearance* that was to be crucial.

In the event, not even the appearances are visible. The guidelines were to be implemented by "self-regulation nurtured by publicity". There was even a promise, by Eric Deakins early in 1975, that if British firms did not publish information themselves of progress towards the practices in the guidelines, they would be *compelled* to publish such information. Indeed, publicity was given to those few companies, those whose workers were living under the most appalling conditions, which did give immediate and fairly substantial percentage increases. But since that time no more crusading reporters have sallied forth. The British capitalists have not provided public information on the wages they are paying, the conditions of employment, the extent of redundancies: still less have they opened their South African books to the public. The British Government, if it has access to such information, has not made it public, nor introduced compulsion. No doubt capital will try to present its human face when under pressure, just as a baboon exposes its arse. We shall return later to examine not the *face* of foreign capital in South Africa, but its actual operations. And we shall see why it continues to be reluctant to present "the facts" on these.

In the meanwhile, new pressures have come on the operations of capital in Southern Africa. The struggles for liberation in Guine-Bissau, Mozambique and Angola, provoked the Portuguese coup in 1974. Elements in the Portuguese military, officers weary and disgusted with a war waged on behalf of international and Portuguese capital by the workers and peasants of Portugal against African peoples, overthrew the Portuguese dictatorship. In Angola and Mozambique there are installed progressive regimes, espousing a revolutionary nationalism, eye-ball to eye-ball with Rhodesia and South West Africa, dependencies of South African and international capital capital, and eye-ball to eye-ball with South African racial capitalism itself. Even the short-term effects of this dramatic alteration in the balance of forces in Southern Africa are still working themselves out. The countrywide demonstrations by the black youth of South Africa, spreading outwards from Soweto, are a manifestation of angry courage, of a deep and impatient frustration sparked off by the promise of revolution that beckons from outside. They expressed a massive and concentrated rejection of the state institutions of South African racial capitalism. But what has become manifest as fire and ashes has yet to show the forms it will take in sustained popular mass struggle.

From different directions, then, racial capitalism in South Africa, foreign capital in South Africa, is under pressure. We turn now to examine the particular historical form of the development of capitalism in South Africa, and the role which foreign capital has played in it. We take the cue from that prime personification of South African capitalism in its international form, Harry Oppenheimer. In a well-publicised speech in May 1974 he reiterated the old cliche that "the rapid economic development of South Africa would in the long run prove incompatible with the government's racial policies", and showed some pique at the attempt by the Parliamentary investigation to dictate the forms which the face of capitalism should take. "Surely there is something silly," he suggested,

> in discussing the level of wages entirely without reference to the historical background, to the level of productivity prevailing, to standards of education and skills, to the structure of the labour market. It is rather as though the problem of poverty could be solved simply by imposing a high minimum wage level."

For the chairman of a company presiding over South African gold mines, where the real wages of African workers *fell* from 1911 until 1973, and where only the Durban strikes of 1973 and threats of withdrawal of extra-South African labour provoked his company into a series of increases amounting to 150 per cent, there was some effrontery in these remarks. For him, capitalism not only has the wizardry to abolish racism, but to abolish poverty without redistributing wealth. But let us see what the real "historical background" tells us about the activities of capital in South Africa.

Foreign capital and racial segregation in South Africa

It is easy in this era of discussion of human rights and universal, if only formal, opposition to the apartheid regime in South Africa, to assume that British state policy has always opposed the implementation of racial discrimination and segregation. This is far from being the case. The British state, acting on behalf of British capital involved in the South African economy, intervened in 1900 to assume a hegemony in South Africa under which was created the foundations of South Africa's racial capitalism and the modern apartheid regime. Segregation was not invented by Afrikaners in South Africa. Its assumptions, its ideological elaboration, its policy implications, were worked out between 1900 and 1910 under the auspices of a British imperial administration in South Africa, and by people who regarded themselves as humanitarians. You can see, in the government commissions, British and South African magazines, parliamentary debates, Colonial Office discussions; segregation being transformed from a collection of ideas and representations of interests into an over-arching framework of policy. So it is not surprising that, when the African National Congress in 1914 sent a deputation to London to complain about the Natives Land Act of 1913, the first legislation that explicitly sought to implement segregation, that Lewis Harcourt, the Colonial Secretary, should have sent them about their business and, at Westminster, wholly endorsed the new policy. Britain trusted the South African government, he said, and a just and considered segregation would probably lead to greater happiness for all. Three years later, an audience of leading capitalists and government officials applauded General Smuts at the Savoy Hotel as he sketched out the aims and assumptions of segregation. Such an intimate political relationship between the two states arose not from the perversity of the officials involved or their lack of insight into the processes taking place within South Africa; it arose from the needs of British investment in the particular conditions of capitalist development in South Africa.

Gold was discovered on the Witwatersrand in South Africa in 1886: within about a decade South Africa had become the world's largest gold producer at a time when international supplies of gold were short. The conditions in which the gold ore existed quickly required the creation of a mining technology and labour process more elaborate and complex than anything previously known in South Africa, demanding the investment of large amounts of capital. Between 1887 and 1913 at least £125 million new foreign capital, British and European, was invested in the Rand mines alone, let alone other investments in land, banking, and commerce. Until the "mining revolution" differences in wealth and power among the peoples of South Africa certainly existed; but they were not as severe as they rapidly became. Until the mining revolution the overwhelming majority of its people, black and white, were agricultural producers. Although the society was dominated by British merchant capital, there was comparatively little large-scale agricultural production except for wool, wheat, some wine, and sugar. With the development of diamond and gold mining, the construction of railways, and the growth of large urban concentrations, South Africa ceased to be able even to feed its people. There were vast imports not only of machinery and other capital goods, but of clothing, other wage goods, and even food, in order to supply its rapidly expanding urban population of workers and other classes. Along with this grew a rapid and severe differentiation between classes.

The paramount political interest in South Africa rapidly became the needs of the mining industry and its foreign investors. From this stage on, South Africa has never lost its position as the world's gold supplier and, with the emergence of successive new gold mining areas, the Far East and Far West Rand, and the Free State gold fields, the economic interests of the mining industry have continued to constitute a central determinant of South African political policies. The mining industry in its early development demanded the rapid creation of a large labour force. By 1899 there were nearly 100,000 African workers and several thousand white workers on the gold mines alone. The African workforce increased to 200,000 by 1916, by the late 1930s to 300,000, and by the 1960s to nearly 400,000. At the wages mine-owners were prepared to pay, it was not easy to secure this labour. Gold mining increasingly required large amounts of finance capital to maintain production and returns per unit of capital invested were considered "risky" by the foreign investors. Heavy demands were forthcoming on the state to equalise the rate of return on units of capital in a variety of mines at different levels of production, wages were constantly under pressure and often reduced, and the state took an expanding part in the recruitment and distribution of labour. Skilled immigrant workers demanded payment at an equivalent to a worker's standard of living in Britain. Black peasants preferred, if they could, to produce for themselves or the market or, if they could not, to look for better opportunities as wage labourers. Mine-owners employed their African labourers on short-term contracts, with the Africans returning after a period of months to peasant subsistence production. In the first twenty years of the mining industry most unskilled labour came from outside South Africa itself, from Mozambique, and then from China. They got this labour by force, by bribery, and by fraud. They housed the workers in prison-like compounds, where they were atrociously housed, insufficiently fed, and had no medical attention. Mining has always been hazardous with high accident rates but most African labourers died from scurvy and pneumonia. To this day, African mineworkers in South Africa are housed in compounds and there are no plans to provide family accommodation. Like battery chickens, they are provided with food according to scientific criteria to reach the required level of production. Accident, death and disease rates may have fallen since the horrific early years, but they remain appallingly high for an industry which proclaims the modernity and efficiency of the South African mining industry.

In those early years, what mining capitalists liked to call their "working costs" remained much too high for them and guaranteed high profits were sought. Mining capital would have liked to reduce "working costs" in three ways: by reducing the share in their profits demanded by landowners and aspirant small-scale capitalists, by reducing white wages, and by reducing black wages. The dominant classes in South Africa (farmers, landowners and the petty bourgeoisie) wanted to tax this golden goose in order to construct state policies permitting accumulation on their own behalf. After a number of bitter strikes by white workers it became clear that any substantial reductions in the level of white wages would involve a costly process of class struggle. As migrants, black workers supplemented their inadequate wages by a measure of rural agricultural production. White workers, on the other hand, were fully proletarianised and had to provide for families in an urban situation. The white artisans fought to protect craft privileges. Socialists argued that the "semi-slave system" by which mining capital secured black labour permitted extremely low wage levels and perpetually threatened the standards of all workers. Through the process of class struggle against the continual pressure to reduce wages and deskill jobs, an eventual compromise was reached in the form of a job colour bar. White mineworkers would not have to do unskilled work at wages reduced to nearer black levels. They would have jobs reserved for them at semi-skilled and skilled levels, with wage rates appropriate to a level of full proletarianisation. In return, the system of "semi-slave labour" for Africans, only partly proletarianised at this stage, would continue. Racial differentiation was institutionalised within the South African working class on terms which perpetuated the profit rates of the mining industry.

State policies, which have demonstrated a remarkable consistency over decades, arose from the struggles, compromises, and alliances which made up a stable local structure of representative government. Following the Anglo-Boer War of 1899-1902, in which British imperialism intervened to secure the conditions in which mining capital could reduce "working costs", it became clear that it would be too costly to rule South Africa indefinitely. In 1910 the Union of South Africa came into being; the unification of the mining Transvaal, the commercial and agricultural Cape, the share-cropping Orange Free State, the plantation society of Natal, and former autonomous black states. This South African state was founded on the premise of reduction of working costs for mining and, given the political alliances which made it up, the African section of the working class and the African population as a whole were the sacrificial victims of that reduction.

It was this set of alliances which gave rise to the overall policy of racial segregation in South Africa. Segregation was the means whereby the economic interests of the mining industry were constituted as state policy, in conditions where other classes and strata had to be allowed some representation of their interests. Segregation was the result of a policy of the state to preserve separate spheres in which the African labour force could continue to engage in household peasant production (in ever declining amounts) which would subsidise its wages, but not be able to avoid wage labour nor compete as peasant producers on the market with aspirant white capitalist farmers. Segregation meant that migrant labour would be preserved and that Africans would be recruited for the mines directly from rural areas by recruiting organisations (the notorious WNLA and NRC) which would fix the wage rates and terms of the contract. Segregation preserved some form of household production in the reserves at the one end of the migrant cycle and perpetuated a compound system at the other. Segregation meant the division of the working class on a *racial* basis, in which whites would be treated as fully proletarianised, and Africans not, and in which whites in the mining industry would be protected in defined jobs.

Foreign capital and secondary industry

Capitalism does, however, have its contradictions, and these contradictions were not averted by enclosing them within the framework of segregation. As it was envisaged by 1910, segregation and the constitution of state policies did not allow for the interests of the small-scale manufacturing capital in South Africa, and even excluded some large landowners as well as smaller farmers. Foreign capital resisted any but the minimum inroads into its profits by diversion of the surplus to the formation of local capital. Nor were state policies wholly satisfactory to the increasing number of whites in South Africa pushed off the land, but unable to compete for work with "semi-slave" and partly proletarianised African workers. And, within the racially differentiated workforce, mining capital was engaged in reducing "working costs" by altering the labour process to employ fewer white workers in more supervisory positions, so that more of the work could be performed by cheaper African labour. White mineworkers resisted this erosion of their position, this alteration of the level of the job colour bars. But for the most part they did not fight the colour bar itself or help the African workers resist mining capital; they were encapsulated in the situation of racial differentiation which had arisen out of earlier class struggles in the mining industry. But their strike in 1922, the so-called Rand Revolt, created a situation in which political power passed to a government more prepared to advance the interests of national capital as against foreign capital.

After 1924 the foundation of South African manufacturing industry was established on a base laid in the First World War. Against the protests of foreign capital, protection was introduced and a state-owned iron and steel industry came into being. White mineworkers received renewed state protection against the erosion of their position by mining capital. Institutions were established to encourage collective bargaining between employers and trade unions including white workers, Indians and Coloureds; and the wage differentials in the mining industry became legally established in secondary industry. African workers, maintained in a state of semi-proletarianisation, were prohibited from using these instruments of collective bargaining and from striking. The state encouraged the employment of so-called "civilised labour" (which meant fully proletarianised labour—in practice white, and some Coloured and Indian labour according to the geography of employment) in state employment and secondary industry. Foreign capitalists did not object to this further entrenchment of racial differentiation in the working class as such. They only objected to the constraints which it imposed on their constant drive to reduce costs, to exploit the cheapest labour force in the most intensive way. Indeed, they soon moved in to exploit the new opportunities offered by greater industrialisation in South Africa's system of racial capitalism.

A huge rise in the price of gold followed the depression of the 1930s and led to the emergence of the United States rather than Britain as South Africa's major market for gold. With new opportunities for profits from investment in the mining and the expanding industrial sectors, new waves of foreign capital poured into South Africa for the first time on any scale since the First World War. From its origins as small-scale capital under the protection of the state, manufacturing now presented a favourable source of profits and partnership arrangements with national capital secured a convergence of interests. The growth of a capitalist agriculture in South Africa, and the emergence of wage goods industries, meant a certain measure of reduction in the cost of wage commodities. And the bundle of wage goods whose value was being cheapened, the "value of labour power" in South Africa, was not a very large one. Not only African mineworkers were being paid at below subsistence levels. In the manufacturing industry even operative labour, Indian, Coloured, white females, and "poor whites", were for the most part in no position to contest wage levels in the depression; and below them was the stratum of unskilled African manual labourers and domestic servants. Many local capitalists not only did not have the capital, but did not have the technical expertise, to operate large concerns in chemical, engineering, construction and automobile industries. South Africa was creating its own capitalist class, but a class which could not engage in accumulation beyond a certain level without entering into partnership with foreign capitalist interests. On its own terms, foreign capital was only too ready to oblige. This renewed convergence of interests was symbolised in the accession to power of a Fusion Government in 1934 which represented the interests of almost every major part of foreign and local capital.

Crisis in the reserves

Coupled with the rise of manufacturing industry in South Africa was increased impoverishment in the reserve areas and an accelerated tendency for Africans to move to the cities. The Fusion government met this challenge to the conditions of reproduction of labour power by reaffirming in 1936 the policy of segregation, and in 1937 by enacting the most stringent legislation yet to control the movement of the African population into the urban areas. The ability of Africans to subsidise their below-starvation wages by engaging in peasant production had essentially broken down. Fully proletarianised Africans were moving to the towns and, like whites, Indians and Coloureds, engaged in forming trade unions to struggle for a living wage and more. The response of the state, on behalf of capital, was to entrench the racial differentiation of the workforce. Calculations of the costs of subsistence of families in an urban environment were made by liberal institutions on a racial basis. These early forms of establishing Poverty Datum Lines accentuated the differentiation between African urban families and migrant workers, and reinforced the ideological differentiation of the working class into black and white. In practice the state's response was to legislate to maintain the migrant labour system and in carrying out this policy it had the support of influential people of the time, not only the Afrikaans-speaking strata. Patrick Duncan, who had come to South Africa with Milner's British imperial administration after 1900, who stayed on to become one of General Smuts' closest colleagues, who was the representative in South Africa of the American Carnegie Corporation, and who became British representative as Governor-General in 1936, described the situation in a pamphlet at the time:

> . . . still to a very large extent, the native who goes out to work in the European centres does not thereby lose his connection with the reserve and with his tribe . . . He wants to go back to the kraal where his real life is. The result is that he competes in the labour market on an uneconomic basis as compared with the man who has to live in the industrial centres and live under civilised conditions. This has established a sort of traditional standard of native wages which still exists even when . . . considerable numbers of natives have left their tribal reserves and are living all the year round in towns.
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> That traditional standard of native wages continues . . . and operates as an intensive and unfair competitive factor as regards the labour of the white man and the coloured man. . . The native thus creates slums in the towns, and the community has to provide him with housing and with locations at public expense . . . (this) competition . . . in some way or other must be controlled.
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> There are various proposals about that. One is that we should fix by law a minimum wage for unskilled labour whether done by white or black. . . What is, I think, a more effective method of dealing with it is to make the native reserves capable of sustaining a larger population than they do at present. . . the native should be helped and encouraged to live in his own reserves and make his life there, and . . . he should have political representation not along the lines of European political ideas but built up to a degree on the institutions which he has and knows, bringing him in contact with European legislation and government action through institutions built upon those which he knows and is accustomed to . . .

There were, Duncan was saying, two ways out of the situation where Africans were becoming fully proletarianised. One was to accept them as a part of the South African working class in social and political terms. They would still have been economically exploited, still subject to institutions of social control, but permitted to live in urban areas. The other was to continue to use their labour-power, but to deny them any social and political rights in the South African community and to separate the commodity labour-power from the household. Once the labour-power of African workers had been exhausted they would be removed from the industrial centres and placed with the children and old people in the reserves. It was the second solution that was advocated by the Fusion government after 1934. Indeed, capitalists in South Africa continued to debate the prospect for different solutions, particularly during the Second World War. During this period of rapid industrialisation, expanded employment for African workers and heightened class struggle, a limited liberalisation of state policy took place: influx control was temporarily eased, trade unions of African workers given some administrative recognition, and political organisation tolerated. A serious debate was initiated between those fractions of capital favouring an expanded consumer market based in the cities and those who favoured a "modernisation" of the migrant labour system.

The Nationalist Government

It was the second solution which was also advocated by the Nationalist Party government which came to power in 1948. What in the 1930s was still called "segregation", and was also called with typical capitalist hypocrisy "trusteeship", now had the name of *apartheid.* Like the Pact government of 1924, the post-1948 Nationalist government had some "national" aims. It wanted to secure a larger share in the surplus of capital accumulation for local capitalists. It also capitalised on the reactionary movements which had been initiated among white workers from the 1930s, further separating them from their black workmates. As in the 1920s, foreign capitalists were wary of any policies which reduced their own profits, but on the other hand they welcomed and supported the kinds of measures which would sustain a cheap black labour force. The consequence was the emergence in new forms of the compromises and alliances between imperialist and local capitalist interests which had been continually renegotiated since Union in 1910, and consolidated over the heads of and at the expense of the African workers.

What was important for the Nationalist Party government in 1948 was to ensure the blessing of international capital for the policies it was pursuing. With the United States firmly entrenched as the paramount imperialist power after the Second World War, it was from here that endorsement was particularly important. The South African government's economic ministers looked for investment from American and Western European sources; and from the United States-dominated World Bank they got a clear statement of support. Robert Garner, a Vice President, after a fact-finding mission to South Africa in 1950 (the year in which the "domestic" cold war was unleashed on the political and labour movements in South Africa in the form of the Suppression of Communism Act) to investigate a loan, reported that

> The Bank's Mission to South Africa is satisfied that the loan would be perfectly sound, and a highly desirable one for the Bank to make, since South Africa's development is regarded as highly important. The Mission found South Africa a fine, strong, country of fine people and the loan would be an excellent banking proposition. The Mission has been impressed by the variety of South Africa's industrial development. South Africa's credit standing is high, and it has many other sources of capital.

As a result, the World Bank loaned 20 million dollars to the state-controlled South African Railways and Harbour, and 30 million dollars to the state-run Electricity Supply Commission. This was the precursor of nearly 200 million dollars of World Bank loans to the apartheid regime during the 1950s, and substantially more in the following decade. These loans were crucial in developing South Africa's industrial infrastructure, and they provided inputs of technology with substantial spin-offs in other areas. Thus in 1957, 40 per cent of the total value of machinery in secondary industry comprised machinery in the electricity generating industry.

Endorsement by the World Bank of South African racial capitalism also provided encouragement to other investors, whether loaning money, engaged in portfolio investment, or in direct investment. Mining capital was able to raise millions from foreign sources, both to develop the Free State goldfields, and to finance the production of uranium from gold ore. It was the British and American support of South African uranium production at this period which has given South Africa today the potential for its own nuclear weapon capability. The state-owned Industrial Development Corporation acquired the means necessary for establishing the experimental SASOL oil from coal plant in 1950, a key element in the growth of South African chemical industry, and later FOSKOR, mining phosphates to produce concentrates for the fertiliser industry. It was a period not only for the consolidation of South Africa's existing sectors of manufacturing industry, but for the initiation of new areas: a first oil refinery, a first pulp and paper making capacity, the first manufacture of plastics.

These loans to the state sector built up an economy which offered further opportunities to foreign capital. In a quasi-official informational guide for capital published in Britain in 1954, the South African Secretary for Commerce and Industry wrote of the possibilities for investment in textiles, metals and engineering: South Africa was still basically an importer in these sectors so that these offered "probably still the greatest opportunities for skill and enterprise in the Union". But there were also possibilities in the chemical industry where there were "enormous plans which are now in various stages of implementation" so that it was expected that "a host of subsidiary chemical industries for processing by-products will follow in their wake"; in pulp and paper, and in motor vehicles. South Africa, stressed the Secretary, had the benefit of cheap coal and power (a result, though he did not say so, of the ultra-exploitation of black labour in the mining industry) and "in her very large native population the Union possesses a potentially vast reservoir of cheap labour very suited for repetitive operative work". (*United Kingdom, South Africa and Commonwealth Survey.)*

From immediately after the Second World War, both the pre- and post-1948 governments began to advocate a policy of industrial decentralisation. This was a natural corollary of the "modernisation" of the segregation policy. If Africans were not to be given social and residential rights in urban areas, it followed that industry should be encouraged to move to the "borders" or reserve concentrations of Africans. Here the labour of a recently impoverished peasantry could be tapped without imposing the "social welfare costs" on the state that were the necessary consequence of urbanisation. Here a lesser degree of black worker solidarity and other factors allowed industry to pay lower wages. Local capital, with vested interests in established plants, was reluctant to re-site itself. The initiative towards decentralisation was taken by foreign capital: the first border area industries were British-owned textile firms. As the trend has continued through the 1950s and 1960s, with capital-goods industries emerging in smaller urban industrial centres and wage-goods industries in border areas, foreign capital has continued to spearhead this state-encouraged decentralisation policy.

The general trend in South African industry during the 1940s and 1950s was for the expansion of wage-goods industries and labour-intensive capital-goods industries. But towards the end of the 1950s, the state-induced creation of an infrastructure began to bear fruit, and capital accumulation in South Africa began to enter a new phase. The most rapidly expanding sectors since that time have been heavily capital-intensive. Their development has been associated with the rapid concentration of capital in South Africa: with the emergence of monopoly capital. What was required was large inputs of capital, channeled through new financial institutions. H J van Eck, head of the state Industrial Development Corporation, was already arguing in the mid-1960s for such institutions which would "have to play a much more positive and dynamic part in the efficient mobilising of funds for the ever-increasing requirements of industry and trade". The response came in particular from mining capital in South Africa, which had the strongest links of any South African capital sector with Britain, Europe and the United States, and from new areas of foreign capital. The emergence of monopoly capital in South Africa has meant an increasing economic domination by foreign capital which, with the state, has acted as the cement through which previously separated segments of local capital have become increasingly interpenetrated.

The role of foreign capital in this new area is symbolised in the activities of the United States capitalist Charles Engelhard. His initial investment in South Africa was basically in forest plantations. But in the late 1950s, at the time when Anglo-American Corporation was establishing new financial institutions to tap British and European funds, he established the American-South African Investment Trust, with specific United States government endorsement. South Africa, said Engelhard at the time, "has the advantages that the investor is really looking for, namely favourable labour and climatic conditions; natural resources unequalled in any other country in the world; a spirit of welcome for foreign investment. . . There is nothing to stop the Union going forward—its future is its labour resources. It could be a great labour force if properly handled". He distinguished two "types" of foreign investment: that which aimed to "dominate", and that which aimed to "participate". The latter was made "by those who believe in the future of a nation and are willing to go along with this development". The South African government naturally welcomed this explicit endorsement of South African racial policy, and the consequent willingness to share the fruits of capitalist exploitation with local capital.

Engelhard was sketching out the "partnership" arrangement which characterises much foreign investment, and which allows foreign companies to shelter behind the myth that they have no "responsibility" for racial policies in their South African factories. Engelhard's initial step was to take over control of one of the major mining houses, Central Mining and Investment Company, and then to build up forms of "partnership" with other mining houses like Anglo American, not only in gold mining, but in a whole range of other minerals strategically important to the United States, as well as in secondary industry. When the Sharpeville massacre shook the world's stock exchanges, it was Engelhard who was largely instrumental in securing American loans and investment to tide over the period of "instability". A close confidant of American Presidents through the 1960s, he symbolises the role that foreign capital has played not only economically in South Africa, but in the political endorsement and reproduction of South Africa's system of racial domination. Since his death, South African capital has expanded its share of control in the empire that he created. "Partnership" works two ways. It brings foreign capital to endorse and participate in South African racial capitalism, and it provides the channel through which the surplus capital accumulated locally can be reinvested in Britain and elsewhere, further strengthening the ties between South African capital and the "Western world".

In the 1960s, the input of foreign capital into South Africa mounted to a flood: from £1,500 million in 1959, the total trebled in a decade. The investment in infrastructure in the 1950s, and the total repression directed by the state against the mass democratic movement of the 1950s provided the preconditions. In the post-Sharpeville era of fascism in South Africa, foreign capital reaped the rewards of massive increases in output and high profit rates. Balthazar Vorster, appointed Minister of Justice in South Africa in 1961, was the coordinator of the campaign of repression, torture, incarceration and murder. When he became Prime Minister, in 1966, he was greeted by the Rand Club, the social gathering place of big capital in South Africa, with a warmth never offered to any other Prime Minister since 1948.

Foreign capital and racial policy in South Africa

The manufacturing industry which expanded so rapidly between the 1930s and the 1950s in South Africa had the effect of replacing a skilled-unskilled division in South African industry by a range of "operative" labour roles. One of the big struggles which occurred in the working class as a whole, and which was a factor of significance in the victory of the Nationalists in 1948, was the way in which these "operative" jobs would be allocated to different "racial" groups. Spearheaded by trade unions in those sectors where whites were already performing supervisory and craft functions, white workers were encouraged to press the state for legislation allocating work-roles across the whole of industry: the so-called job colour bar. Foreign capital and big South African capital has always claimed that it opposed the job colour bar; and that, indeed, capital accumulation ensured that the job colour bar will be eroded. A careful examination of the statements by big capitalists, however, shows that they were not opposed to the *existence* of a job colour bar, but only about the means of its implementation. Thus in 1950 Harry Oppenheimer of Anglo American spoke to the South African Institute of Race Relations:

> The motives which lie behind the demand for an industrial colour bar are complex, but I think it possible to distinguish three main strands. There is no doubt an element of pure colour prejudice . . . Such an attitude is not only illogical and immoral . . . but it would, if translated into policy, impose a check on the economic progress . . . of the entire population of this country. . . The second strand . . . I would describe as a fear of deterioration in social standards. There is no doubt that when a peasantry, whether black or white, flows to the towns to be absorbed in an industrial proletariat, there will be a period in which the traditional values and norms of conduct of the countryside will lose their force without the substitution of other standards [read: forms of social control] appropriate to the new conditions. . . The important point is this: that many people will attribute the moral and social disorientation of peasants drawn by industry into an entirely new pattern of life, not as being due to environment which can be and is being changed, but as expressing unalterable racial characteristics. . . The third and most important strand in the demand for an industrial colour bar is the determination of the skilled and highly paid European workers to protect their standards of living which they won for themselves and to which they have been accustomed against the competition of labourers willing to work for much lower wages. This attitude is surely reasonable and it should be recognised as reasonable, both by the non-Europeans themselves and by their friends among the Europeans . . . at bottom of this demand for an industrial colour bar has little to do with colour or race as such . . . I am convinced that the removal of this understandable anxiety of European workers, is a necessary concomitant of the industrial progress of the non-European . . . we should not worry about the existence of the colour bar. What we should worry about is its rigidity . . . A caste system is not dangerous so long as it expresses a social reality, and similarly the existence of an industrial colour bar need not, at our present stage, prevent our progress so long as it is not rigid but can be adapted to changing conditions . . . Our continued industrial progress and the possibility of raising the national income depend on changes in the organisation of labour in industry which will increase the productivity of all workers, and in so doing widen the internal market . . .

It was precisely this policy which the state followed. Institutions were established within which employers and organised white workers in particular sectors could "determine" the levels of the colour bar and the forms of "flexibility". Gradually whites have been upgraded into non-productive roles as the organisation of work is changed and "modernised". They are replaced by cheaper Indian or Coloured labour or, sometimes, African. By and large, the white-dominated trade union structure in South Africa, as manifested in the Trades Union Council of South Africa, is precisely a product of this corporatist structure erected on the back of the African majority of the working class.

The development of manufacturing industry, occurring as there was a crisis of agricultural production for subsistence in the reserves, did encourage the development of an urbanised section of the African working class, whose "rights" to continued urban residence have been threatened, whittled away, but never wholly removed. As we have mentioned, the Poverty Datum Line and the administration of unskilled wage determinations by the state-controlled Wage Boards are the instruments through which the economic demands of such workers are controlled and by which they are institutionally divided from those white workers who remain in productive roles. Simultaneously there has been the elaboration of a new policy which, while keeping the reserves intact as territorial-political units, has altered their economic function. We may label this policy the "Bantustan" policy: the transformation of segregation into apartheid, the transformation of migrant labour into contract labour. This policy began to be implemented in the 1950s, but was most massively and brutally enforced in the 1960s, when literally millions of the black population of South Africa have been removed from their homes and resettled in areas which "fit in" with the grand design. But the grand design is not a product of irrational racial prejudice. The aim is that the majority of the African working population and their dependants should be situated as "citizens" in the Bantustans and, although fully proletarianised, should be permitted into the urban-industrial areas only for the term of their work: for the period in which they are selling their labour-power as a commodity. The system is administered by labour bureaux in the Bantustans. From the Bantustans mining and farming can recruit their labour. From the Bantustans manufacturing industry can swell its labour supply in times of industrial expansion. The social costs of reproduction of labour—of caring for children, the unemployed, old people, non-working wives, are transferred to the Bantustan governments. Troublesome African labour organisers are expelled to the Bantustans, where the black mark on their computerised cards will ensure they never get a job again. From the Bantustans can be recruited the labour to break a strike. By this means the African working class is divided from other black workers (Coloured and Indian) as well as, in two ways, within itself. Contract workers are divided from settled urban workers: they live in prison-like hostels rather than semi-prison locations. Contract workers, as citizens of arbitrarily defined "tribal" Bantustans, are divided among themselves. The social power of the collective labourer in production is opposed by the institutional structure imposed by the state. The Bantustans are the form in which the industrial reserve army exists in South Africa.

Foreign capital has welcomed the Bantustan policy for precisely these reasons. But it has, of course, couched its approval in other terms. "The Bantustan policy," said Oppenheimer in London in 1974, "has certainly met certain psychological needs of the African and it cannot now easily be reversed." The only psychological needs the "policy has met are the illusory needs imposed by capital: the so-called "desire" of Africans to form separate nations. Therefore capital "sees" the Bantustans as incipiently independent nations: which, given their integral role as the form of the industrial reserve army for South African capital, they clearly are not. But the point is not to criticise their "nationhood" as a fraud or a farce: for that has the implication that some other "nationhood" might be a reality. The peoples of the Bantustans are a part of the South African proletariat: their future is determined by the future of capitalism in South Africa itself. Foreign capital has an interest in presenting the leaders of the Bantustans, the Matanzimas or the Buthelezis, as "aggressively anti-Government" whether they are or not, because this perpetuates the illusion that they can achieve "greater benefits" for their people — when in fact the only role that they, as Bantustan leaders, can play towards their people is that of social control: of black contract workers, of the black unemployed, of black women, of black children and the black elderly.

Foreign capital and some parts of South African capital did, in the early years of Nationalist government rule, express some doubts about aspects of apartheid policy: it was the continuation of a debate which had begun in the 1930s. But, as the profits rolled in, as the government showed the flexibility within the terms of apartheid policy to specific capitalist demands, as the government demonstrated its ruthless determination to quell all democratic opposition, remaining doubts were stilled. By 1973 there was an across-the-board acceptance of the fundamentals of the Bantustan policy. What introduced new problems was the massive re-emergence of African working class opposition, as demonstrated by the strikes of 1973. In the wake of these strikes, foreign and local capitalists began to search for "modernised" methods of social control of the African workforce, not only in the Bantustan peripheries, but in the urban centres. Momentarily in the wake of the strikes it appeared that some Bantustan leaders, like the Minister for Community Affairs in KwaZulu, were seeking to dismantle the divisions which had been deliberately recreated in the ideological and political institutions of working class control. Though this situation did not last long, Oppenheimer warned against its potentialities in London in 1974:

> It looks as though the Bantustan policy . . . is bringing about a situation in which tribal authorities will play an increasingly powerful role in relation to industry in the White controlled urban centres of the country. It may well be asked whether Black industrial power exercised in this way would not be at once more dangerous and less efficient than power exercised through the medium of properly constituted trade unions.

"Properly constituted" is the operative word in this situation. Needless to say, Oppenheimer has taken no steps whatsoever to permit the authentic trade union organisation of African workers in his gold mines or in any of the other forms of industry over which he has control. His use of the word "trade union" was a deliberate hypocrisy, a living insult to workers in Britain and around the world who have fought, and continue to fight, the struggle for authentic forms of representation under capitalism. But we must turn now to examine what the response of Oppenheimer, the South African state, and foreign and local capital in South Africa has been to the new forms of working class organisation that have emerged among black workers in South Africa since 1973.

Capitalist response to the re-emergence of African working class action

South Africa's thirty years of economic development and the emergence of its manufacturing economy have taken place in conditions where the per capita incomes of Africans have improved, if at all, only marginally. There has been some debate about the trend of *wage* levels in various sectors, which we do not intend to enter. But one can say this: that whatever rises in real wages have occurred in whatever sectors, they have done so against a background of an increasing African population, rising unemployment, and a rapid decline in rural agricultural production and its ability to provide any supplement to wage income: the effect on per capita *income* has been negligible. Moreover, the average black wage, even in the most advanced sectors of manufacturing industry, has tended to be below the poverty datum line, that is, the calculated absolute minimum (based on expenditure only on food, rent and fuel) at which a family with three children can exist. Finally, while real wages in manufacturing industry may have risen for Africans during the 1960s, as inflation began to bite in the early 1970s the real wages of Africans fell dramatically. This undoubtedly was a major factor in the strikes of 1973 and after.

The strikes did produce a tendency among South African companies to increase black wage levels in money terms. British companies, whose wage policies have never shown any significant differences from wholly South African owned companies, tended to follow suit. A few of the increases were quite dramatic, then, and in the immediately following months: but these were specifically in companies which had been subjected to very unfavourable publicity in the *Guardian*. Some of them were in respect of forestry/plantation activities (where they had been paying prevailing agricultural rather than manufacturing wage levels) and were accompanied by substantial redundancies in the workforce. Management insisted on higher production for higher wages; in some firms there was evidence of a tremendous speedup in production from a smaller labour force. The *timing* of wage increases in British companies was also related to the *Guardian* exposés and the establishment of a Parliamentary enquiry. On 19 April the Committee sent out a letter to companies requesting submission of information on activities in South Africa by 18 May. Nearly one third of the 141 companies which submitted evidence reported a wage increase dated in April, and nearly two thirds reported their most recent increase as between January and June 1974. The evidence suggests in general that British companies did not, even under a fairly close public scrutiny, advance their general wage levels beyond the prevailing South African norms. Moreover, all the evidence suggests that, given the prevailing levels of inflation in South Africa, the increase in money wage levels over this period and (for the most part) subsequently, has not meant increasing *real* wages for Africans on average. That is to say, all the indications are that large numbers of African workers, whether in South African owned or foreign owned companies, are still being paid at wages below the absolute minimum levels necessary to maintain their families in decency.

Current Labour Government policy on South Africa encourages British companies to adopt "progressive" policies in a number of areas, and argues in particular that "the ability to pay basic wages above the relevant PDL now, at least to all adult male employees, should be regarded as one of the minimum conditions for maintaining or establishing a business interest in South Africa". It is expected, as we have already said, that companies will do this on their own account, under the pressure of publicity. The fact that under the pressure of intense publicity British companies did not achieve these goals, is an indication of the sterility of this line of approach. This is still more the case when one considers that, since 1974, British companies have *not* been subject to the same public scrutiny, that they have not voluntarily published information against which their performance can be judged, and that, if this information has been supplied to the Department of Trade, it has certainly not had adequate public circulation. The South African state has in fact limited the ability of reporters to get the facts of the wage levels, working conditions, and views of the workers themselves; all to defend the British plants in South Africa from external criticism. South African researchers are now unwilling to risk providing such data as they could fall foul of draconian legislation on state security.

But the sterility, indeed the positive danger, in the current Labour Government approach to the question of British companies in South Africa is more fundamental than this. After all, it could be argued that the problems in the current approach are a lack of teeth, a lack of concrete sanctions against British companies to ensure that they apply a Code of Conduct formulated by the British Parliament. Basically, we reject this argument. And we reject it for a number of related reasons.

We reject the whole focus of attention on the concept of a Poverty Datum Line, or other equivalent (though higher) measurements such as a Minimum Effective Level and so on. Indeed, such measurements giving in literal terms the level of starvation wages, focus attention on the basic horror of the South African wage system. It has been argued that the system is in some respects worse than slavery in that the slave was seen as a productive investment whose output should be maximised by prolonging his life. Where wages are systematically paid below the Poverty Datum Line, the effect is to ensure that the family of the worker (the "surplus appendages") do not survive in the short run; indirectly these people are exterminated unless those labourers have access to other forms of income. The use of such benchmarks invites companies, and the public, to regard the payment of wages *at* this level as a sufficient minimum rather than a *necessary* minimum. It is not too cynical to suggest that the concept of Poverty Datum Lines and the methodology employed is precisely to encourage the payment of wage levels at the *minimum* necessary level to secure reproduction of the workforce. Apart from anything else, in South Africa the Poverty Datum Line is *racially* calculated. What is judged to be the minimum necessary for an African family is different from, and substantially lower than, equivalent estimates for the family of a white worker. The Poverty Datum Line concept, in other words, is not only a formula for the reproduction of capitalist relationships in South Africa, but also for the reproduction of *racial* capitalism.

This approach to the Poverty Datum Line has recently been criticised by academics in Rhodesia. The Poverty Datum Line concept, they argue, transforms the criteria for the determination of wages from those of the market to those of *needs*. The implication is that various "necessary" items can be successively added to the bundle of goods and services comprised within the Poverty Datum Line so as to provide a decent reward for work, calculated on the basis of social need. We have doubts about this, but more particular doubts when the Poverty Datum Line, or any similar absolute level of wages, is being prescribed from *outside* the situation. It is undesirable for the British state to be encouraging or legislating about what African wages in South Africa should be: this is an actual method of controlling, and undermining, the autonomous exertion of bargaining power by African workers.

The same applies to another suggestion regarding the establishment of wage structures in the Labour Government's guidelines: "A company's wage structure should be determined irrespective of race, according to principles of job evaluation." This seems to refer to a trend among so-called "progressive" South African employers to talk in terms of the establishment of "objective" wage scales. Thus Alex Boraine, Labour Relations Adviser to Anglo American Corporation and a Progressive Party MP, said at a conference in Britain in 1975:

> it is imperative that we move as rapidly as possible towards a decent living wage for all workers. Nevertheless some consideration must also be given to the content of the job being performed. In my judgment, what is more urgently required is a unified wage scale based on scientific analysis of job content.

These "scientific" analyses, of course, always mean the objectivity of employers, containing a belief that somehow "skills" can be ranked in scientific order and paid appropriately. Any situation where meaningful collective bargaining exists disproves the possibility of such a scientific determination of job hierarchies, let alone wage levels. In fact, that suggestions either of "Poverty Datum Lines" or "scientific wage scales" can be made as criteria for wage payments is a reflection, and an attempt to perpetuate, the relative powerlessness of African workers in the South African situation.

Management counter-offensive and trade union organisation

What has been the attitude of British companies in South Africa to African or, as we prefer to call them, open (ie non-racial and unregistered) trade unions? What is the attitude of the Labour Government? In the wake of the 1973 strikes in South Africa the numbers of African workers who are involved in the organisation of trade unions has increased enormously. It is estimated that such trade unions in South Africa have currently a membership of some 95,000. Such trade unions are not, in and of themselves, illegal; the South African Government has stopped short of legally prohibiting unions of African workers, possibly because of fear of the united opposition of the global working class. African workers are, indeed, not permitted to be members of *registered* trade unions, the only unions which can have representation on industrial councils. Indeed, African workers are not legally permitted to strike except technically in the most unlikely conditions; no strike since the mass strikes of 1973 has been legal in terms of the revised legislation. But there is nothing to stop individual companies from recognising open trade unions and engaging in collective bargaining with them. The Labour Government's guidelines adopt an unsatisfactory approach on this subject: "In the absence of African membership of trade unions it is adviseable to establish, or continue with, effective works committees of African employees as a means of consultation, communication, and training in industrial relations . . . Practices which hinder development of African unions should be avoided . . . The lawful development of collective bargaining with African employees should be encouraged." This suggestion, which (perhaps understandably in terms of overall policy) does not enter into the obvious contradictions between liaison committees and trade union organisation, assumes a benign and permissive British management responsive to the needs of the time. But what has in fact happened?

By and large, up until 1973, British companies had not even operated through dialogue with in-factory works committees which had been permitted under legislation since 1953. Some of them, along with South African companies, established liaison committees in the aftermath of the 1973 strikes precisely to head off the relatively autonomous works committees or the greater danger of militant trade unions. Liaison committees are considered preferable and are officially endorsed since they have an equal employer representation on them: works committees consist wholly of workers. Up to the present moment only one British company, Smith and Nephew (producing woven bandages), and this under very exceptional circumstances, has agreed to engage in collective bargaining with an open union: the National Union of Textile Workers. And this is not just a question of passivity or of acquiescence in a de facto situation. At a time when open unions are enduring pass raids on union offices, prosecutions in terms of the Group Areas Act, attacks on their benefit funds funds, bannings, interrogations and detentions, British firms, far from "encouraging" unions of African workers, are going out of their way to harass, hinder and prevent their operation in factories. They have also played a significant role in the general management counter-offensive against unions through participation in employer associations such as the National Development and Management Foundation of South Africa which organises sophisticated conferences on how to avoid "labour unrest" and forestall unionisation. Historically, British companies in Natal have taken an active part in the formation of reactionary employer associations such as the Natal Employers' Association which has had a unique role in defending foreign plants against unionisation since 1943. In Natal all demands made by the open unions on management are passed on to the Association which is given the power of attorney to act on its behalf. In this way demands are channelled through a central organisation which maintains the hardline common front approach of all Natal employers. Employers have a high level of collective organisation in South Africa and British companies benefit under a system of collective defence. Industrial employer organisations, in particular SEIFSA (which represents employers in the metal industry), take policy not to recognise or have any contact with the open unions (especially the Metal and Allied Workers Union—MAWU), and British companies, far from resigning from these organisations, enjoy the collective defence and do not break rank. Subsidiaries of British Steel thus claim they are bound by SEIFSA policy when demands for recognition are presented to them by MAWU.

The most notorious example of a British company acting against an open union is that of British Leyland. After the passage of legislation in 1973, African workers at the Durban Leyland plant, a majority having joined the MAWU, requested the Department of Labour to recognise their works committee while the Union Secretary, Alpheus Mthetwa, tried to open communication with management. Leyland resisted recognising the union and refused to negotiate with the works committee; instead they tried to foist an unwanted liaison committee on the workers. Workers turned in blank ballots for the liaison committee and demanded a referendum on representation by MAWU. This was refused and they went on strike. Leyland and the Department of Labour decided the strike was illegal and threatened to dismiss the strikers despite an appeal to Lord Stokes, who was at the time in the country. There followed negotiations with MAWU and apparent agreement on a basis which granted *de facto* recognition to shop stewards of the union. When the men returned to work, however, 65 were discharged and paid off, including four of the six elected shop stewards, on the pretext of a shortage of supplies due to Leyland strikes in Britain (although those who remained were working excessive overtime!). Some of the 65 were later reinstated but the management tried to bring in new workers; further disputes resulted. Two years and more later, despite the nationalisation of British Leyland, MAWU has still not been recognised and the four shop stewards have not been reinstated. There are similar deadlocks in a number of other British plants in South Africa.

Indeed, the pressure to deal with *wage levels,* which has been the main form in which British Government and public pressure has been exerted on British companies, has actually worked positively *against* union recognition. When improved wages and benefits were rushed through before and after the Parliamentary investigation of 1974, they were done without any mention to South African workers of the pressures at work in Britain, still less of the way in which those pressures had been fueled by the 1973 strikes; increased wages were presented as a proof of a benign management. Almost invariably, rather, the wage increases were made conditional on loyalty to the firm, increased productivity and a willingness by the workers *not* to organise independent trade unions. One firm in the garment industry in Johannesburg actually made the higher wages and wide ranging benefits offered to African workers specifically conditional on their acceptance of a liaison committee and their resignation from the National Union of Clothing Workers. In this case the workers were prepared to refuse the offer if it were conditional on resignation from their union, and management was forced to retreat because they were momentarily under scrutiny by the Parliamentary investigation. Many other examples could be given. What this means is that wages and improved conditions are being granted by management as a means of increasing paternalistic control over the workforce, as a means of encapsulating workers, and as a means of making trade union organisation more difficult. Advanced video-tape training programmes are now operating to train worker representatives on the liaison committees to fit into a role comparable to a company union (in many cases these representatives are brought into the administration of the company benefits). Such programmes of "increased communication" increase the collaborating element among the workers and provide the agents who spy on union members and fiercely resist their replacement by elected shop stewards. Improvements in material conditions and the use of liaison committees are the latest forms in which British companies are reinforcing and reproducing the South African system of racial capitalism.

Other economic measures have increased the potential of cooptation and encapsulation. British companies have responded to pressure by improving personnel policies: appointing personnel officers, developing wide ranging benefits such as non-contributory pension schemes (which are anti-worker in the South African context), educational programmes for dependants, medical and sick benefit schemes, and training programmes for representatives on liaison committees. Virtually all these programmes are instituted at the level of the *firm,* and mean that British firms have opted out of pension, medical and sick benefit schemes operating at the industry level. The ultimate result is the creation of islands of benign paternalism in which workers become totally dependent on the firm for pensions, children's education, loans, medical, and sick benefits. Management simply refuses to meet the demand of the open unions for jointly controlled or union administered benefit schemes which could provide much needed benefits for union members in all industries. The strategy of reform is to increase the dependence and docility of workers by chaining them to a particular firm through benefit schemes (particularly pensions) which make their vulnerability all the greater if they are fired and endorsed out.

Along with this goes what has been termed the "management counter-offensive" against unions. The tactics of the open unions have been to organise workers before approaching management so as to negotiate with management from a position of strength, and to insist that shop stewards and not works or liaison committees are the authentic organisations of worker representation. In response, top management in British firms adopt a bland and not overtly unfavourable response: in principle they claim they are not averse to trade unions provided they are responsible and have the support of the workers (something they rather doubt since there is an excellent liaison committee!). The anti-union hatchet work is done at lower levels. As workers join the union, management builds up doubts and fears by spreading rumours that unions are illegal and cannot be recognised, and by using black personnel officers in particular to discourage workers from joining the union. In a subtle tactic (apparently designed to get the facts of precise union membership) workers are interviewed individually to know if they have joined. Selective victimisation and promotion is exercised. (Despite legal guarantees against victimisation in terms of the Wage Act and the Bantu Labour Relations Regulations Act, not one case has been brought to court by the Department of Labour, let alone been successfully resolved.) Given management's dictatorship over the factory floor, sophisticated personnel policies, the strategies of employer organisations, hiring and firing in a labour surplus economy, and ultimately the reinforcement of the two branches of the secret police, it is not a surprise that so many intense struggles for union recognition are deadlocked. Insofar as the British companies can point to improvements in wages and benefits marginally above conditions in comparable firms (particularly in the textile industry), they can then respond to the demand for union recognition: "Why don't you work on the other firms first; they with shocking conditions?"

These are the tactics employed by British and South African companies to stave off the growing pressure of autonomous working class organisation. Meanwhile there are desperate searches for longer term methods of social control over workers. Alex Boraine told a conference in Britain in 1975:

> It is possible that in Africa and in Southern Africa in particular, facing unique circumstances and enormous problems there could evolve a new model of labour representation which will obviate some of the obvious weaknesses in trade union models in Great Britain. We are most familiar with the British trade union model and, understandably, there are serious misgivings within management towards the extension of this model to include African workers . . . we would do well to examine the alternatives as they exist in other parts of the world and to be aware of what is happening in other parts of Africa also.

Where have Anglo American, the Government, and other companies looked for their models? It is no secret that representatives of both Anglo American and the Government have paid visits, among other places, to examine the Japanese system of so-called "labour representation", perhaps the most sophisticated model of corporate paternal social control and encapsulation in an advanced capitalist society.

In broadest terms, therefore, the effect of the whole capitalist response to the combined pressures of the mass strikes, the international anti-apartheid movement, and the victory of progressive movements in the Portuguese colonies, has been to attempt to refocus attention, externally and internally, away from the *structure* of racial capitalism in South Africa, away from issues of the deprivation of basic human rights, into a concern for welfare reforms. By this means new methods are being developed for the reproduction of South African racial capitalism to enable its survival into the 1980s and beyond. The strategy is quite consistent with the international capitalist position as formulated in the notorious Kissinger memorandum of 1969:

> (In South Africa) the whites are here to stay and the only way that constructive change can come about is through them. There is no hope for the blacks to gain the political rights they week through violence, which will only lead to chaos and increased opportunities for the Communists.
>
> We can by selective relaxation of our stance toward the white regimes, encourage some modification of their current racial and colonial policies, and through more substantial economic assistance to the black States help to draw the two groups together and exert some influence on both for peaceful change.

Indeed, in his recent visit to Africa, Kissinger, following on the disastrous South African invasion of the Peoples' Republic of Angola, has had to shore up capitalist interests by adopting a stronger rhetorical stance against the Rhodesian regime. But his commitment to majority rule there, like the Labour Government commitment, does not extend to support for the only force that can achieve meaningful democratic government, the liberation movements. And he does not either appear to have changed the fundamentals of his position on South Africa itself. As the 1969 memo said:

> The current thrust of South African domestic policy does not involve any basic change in the racial segregation system . . . There is virtually no evidence that change might be forthcoming on these South African policies as the result of any approach on our part.

The Bantustan system, and the new forms of paternalistic management control, are the two most powerful elements currently in the reproduction of racial capitalism in South Africa by foreign capitalism and the South African state. What strategies should be adopted by the international progressive movement, and particularly by the British … racial capitalism in South Africa?

Solidarity with the struggle against racial capitalism in South Africa

The solidarity of the British working class with the struggle in South Africa must mean opposition to capital and support for working class action in South Africa. We support the campaign for the disengagement of British capital from South Africa, for the prevention of new capital investment, new banking loans, and forms of assistance by British capitalists or the British state towards the perpetuation of racial capitalism in South Africa. This campaign has served to direct the attention of progressive forces around the world to the complicity of international capital and the reproduction of racial capitalism in South Africa, has served to isolate South Africa, and inflicted severe moral and material defeats on the regime. But more can and must be done, for two reasons. Firstly, because even were such a campaign to be successful, in terms of halting all capital inflows, it would leave the bulk of British interests in existing productive capacity in South Africa untouched. And those concerns are not British property, or South African property, but ultimately the product, and hence the social property, of the past and present labour of the international working class. Secondly, because the very interpenetration of British and South African capitalism makes it highly implausible that a *capitalist* Britain can in fact implement any meaningful disengagement from South Africa.

The exposure of the role of British capital in South Africa, both at the level of analysis of particular companies and at the level of British capital's contribution to the reproduction of racial capitalism, must be seen as inseparable with advancing the international solidarity of labour. The new *Review of African Political Economy*, in an early editorial, argued that "the increasing internationalisation of capital requires in the final analysis the increasing internationalisation of labour, for the ability to hold workers to ransom by the threat of relocating production can be met only by international workers solidarity . . . present developments call for the development of international unionism. This will surely be difficult, impaired by the existence of large international differentials and blocked at every step by the nationalist and racist ideologies so ready to hand." And, given the difficulties, it is the *forms* of this international solidarity that require examination.

One purported form of such solidarity might be labelled the "ILO approach", though it does not represent the totality of the tripartite organisation which is composed of member states, labour organisations and employer associations. At the same time this approach is characteristic of a broader range of organisations. The ILO Programme for the Elimination of Apartheid in Labour Matters in the Republic of South Africa was adopted in 1963 at the time of South Africa's resignation from the organisation (South African employers are still represented in the International Organisation of Employers, and TUCSA leaders are influential observers at workers conferences). The Programme called specifically for the *South African government* to repeal various items of racial labour legislation, specifically legislative barriers to mobility in employment and legislative instruments of extra-economic coercion, and to include African workers under the Industrial Conciliation Act which provides for registration of trade unions. In the following year the Special Report of the Director on the Application of the Declaration advocated various "possible positive policies and measures needed to complement the ILO programme". The suggestions made with reference to promoting trade unionism among "non-registered" Africans included considering "means through which the fusion and integration of new and previously existing unions might be attained" and "means through which workers inexperienced in collective bargaining might gain necessary experience". Not only did this First Special Report, and a number of successive ones, endorse quite without qualification the "liberalisation" theory that economic realities were in contradiction with *apartheid*, but it showed rather more concern with controlling black labour than with promoting its interests. Were *apartheid* legislation and practice to be ended, according to the First Report, "conflict . . . may lead a substantial part of the new (ie African) trade union membership to press their claims both through the extension of industrial disputes on a major scale and possible direct action, with possible grave results for the economy and for the general stability of the country". It was this attitude which caused the ILO to follow the Trade Union Council of South Africa (TUCSA) line on the "association" of unregistered workers with TUCSA unions. The Third Report referred with approval to an extract from a TUCSA newsletter:

> Can he (the white worker) preserve his own standards and position by cutting himself off from the African workers, risking the danger that this enormous labour force may, sooner rather than later, fall into the hands of subversive elements, or should he rather accept the responsibility now and provide sound, healthy leadership to the emerging proletariat along the lines of proved trade union principles?

By and large the ILO Special Reports have tended to follow this line established by TUCSA, whose details have swung back and forth with the vagaries of TUCSA policy but the essentials of which remain the same: African workers should become incorporated within the structure of TUCSA. We totally reject this approach. TUCSA, in the form in which it has existed since the 1950s, is established within and moulded by the structure of South African racial capitalism. Solidarity within the working class of South Africa cannot be promoted through TUCSA, nor can international solidarity with the South African working class be advanced through cooperation with TUCSA. This is not because TUCSA is dominated by white leaders or white craft unions *per se*. It is firstly because, in the form in which TUCSA exists, there is no way in which the majority of the working class can express their aspirations. TUCSA does not even protest against the banning and detentions of trade unionists within the country. It is secondly because TUCSA, and those international bodies which encourage it, endorse a policy of "paternalism" towards African unionisation, believing in an evolutionary model of trade union growth, a "stages of trade unionism" theory which argues that the newly-unionised and their leaders must be "assimilated" to the existing patterns of trade union organisation, negotiation and practice. Thirdly, and most fundamentally, it is because the whole pattern of collective bargaining procedures in South Africa, as a result of their racial character, are state imposed and state regulated: "registration" of unions should not be and need not be a preliminary to authentic and effective representation of workers and procedures for collective bargaining. On the contrary, there should be an unequivocal challenge to the unions which make up TUCSA and other federations to *deregister* in terms of the Industrial Conciliation Act and end the reliance of trade unions on racial legislation to legitimise their functions in apartheid society as "white", "Coloured" and "Indian" unions all representing sectional interests. The participation of these registered trade unions in international trade union organisations should be firmly resisted; they do not represent the working class in South Africa but only sectional interests; they sign industrial agreements without consulting the open unions, let alone demand they should be present at the negotiating table; they refuse permission for the open unions to use their halls as meeting places; and they consider themselves ambassadors for racial capitalism abroad. The cry for registration of open unions must be resisted: in South African terms this demand could lead to the state providing for "Bantu trade unions" on the line of company unions. Such a change would be the signal for a number of petty reformers, including TUCSA (which would be in a powerful position to capitalise on the situation), to flood the field of worker organisation and defuse a situation which is demonstrating a radical potential. The registration of "Bantu trade unions" is requested year in and year out by TUCSA and other groups which are not prepared to provide any support for the struggle to build authentic unions in conditions of semi-illegality. It is obvious that any form of registration of trade unions representing African workers provided by the South African government will aim at control and disorganisation of the existing unions.

In short, the ILO approach, for all its gradual reforms and cautious recommendations, has yielded nothing for the South African working class. Instead of forms of direct solidarity with the working class, from the initiation of the ILO Programme in 1964 to the present, instead of reforms there has been repression. By the time of the mass strikes in 1973 virtually all autonomous unions of African workers had been eliminated. The premises on which the ILO Programme was based were clearly incorrect.

There is a second approach which we equally reject. We do not place the same interpretation on the policy of "isolation of South Africa" which has been placed on it by some student groups in Britain. An attitude has developed which holds there can be no effective working class organisation within the present repressive economic and political structure, and that the only alternatives faced by working class organisation are to be accommodated within the structures or be crushed. Either way, it has been argued, trade union organisation within the country must be practically impotent. To isolate South Africa, however, cannot and should not mean the elimination of all contacts between the workers of South Africa and workers internationally. Such an attitude encourages passivity and resentment among workers in South Africa and inaction among solidarity organisations abroad at a time when the struggle is maturing rapidly, and it is essential that working class organisation be consolidated and raised to new heights. It is true that a condition of the comparative degrees of isolation and differentiation imposed by capitalism on the working class internationally creates problems with regard to the channels through which international solidarity is concretised. The ILO approach indicates the dangers of forms of concretising this solidarity which serves to reproduce a structure of unionisation in the interests of foreign and South African capital. But to regard any means for institutionalising a greater concrete solidarity as doomed would be to capitulate to the forces of capitalism and to deny the validity of the class struggle now taking place within the country.

There is a continuous and unrelenting struggle taking place between workers and capital within South Africa, both organised and spontaneous, indicated by bitter strikes (such as that which took place at the Heinemann factory in Johannesburg recently) and by destruction of machinery, production slow-downs and very high rates of labour turnover—all forms of resistance to capital. How British workers and the working class internationally are to express their solidarity with this struggle must largely be explored and developed in cooperation with the growing working class organisations within the country. Programmes to transform the South African state into a "normal" capitalist state must be transcended by direct forms of solidarity with the struggle of the South African workers: to secure the release of their leaders and trade unionists, to protect their representatives on the factory floor, and to increase their powers in relationship to management.

There has been direct action taken in support of South African workers, such as the work stoppage at British Leyland in Coventry during the strike of workers at the Durban Leyland plant in 1973. The decision of the Leyland shop stewards combine taken on 11 August 1976 raises the level of direct solidarity with South African workers to a new level and is a model on which other forms of solidarity can be built. The decision to pledge full support for the Metal and Allied Workers Union (MAWU), which has been denied recognition by British Leyland in South Africa, and to make links with MAWU is backed up by the threat of blacking components to be exported to South Africa and the initiation of a campaign on the shop floor and elsewhere to support these objectives. This form of solidarity ignores the red herring of non-registration of the open unions and the sidetrack of management liaison committees, and substitutes direct solidarity. Solidarity of the same kind is urgently needed in the metal (including Dorman Long and other subsidiaries of British Steel), textile (Courtaulds), chemical (ICI) and transport industries.

There are cases at present where a British firm operating in South Africa will export products to Britain during a strike at its British plant, and no doubt vice versa. Action can be taken in these cases. British workers can also exert pressures within their own companies with investments in South Africa to secure the conditions within which authentic unions can operate and extend their organisation. In British plants in South Africa the following minimal rights need urgently to be established:

- The right of access of union organisers to members within the factory. When organisers have to stand outside the factory workers feel they will be noted by spies and arrested by police or warned by management if they make contact. It is a totally false analogy to say (as British managers do) that British workers had to win the same right over decades: in South Africa trade unionists are continually being banned and house arrested, prosecuted under a variety of racial legislation, and detained and tortured.

- The right of union organisers to issue pamphlets and post notices within the factory.

- The right of shop stewards to canvass support, recruit, and collect subscriptions within the factory.

- Protection for shop stewards and guarantees against victimisation. This is an area which demands the most concrete forms of solidarity: it has been suggested that the open unions should be asked to provide lists of shop stewards in British plants in South Africa to trade unions in the UK which could seek guarantees that these representatives will not be victimised, but it seems that more direct forms of cooperation on a plant to plant basis would be necessary.

- The right of shop stewards to hold meetings and report back to workers at the factory outside of working hours.

- Paid release from work for shop stewards to participate in union-organised study courses.

- That all benefit schemes be jointly administered by the *union* and management or, better, that the benefit schemes be administered by the unions themselves.

- Finally, and most importantly, that works and liaison committees be disbanded in factories where the unions have members and that elected shop stewards be recognised. These committees are the tools of management and are utilised to forestall and suppress trade union organisation.

In a few British plants in South Africa (which can be numbered on one hand) these rights have been achieved through union demands supported by struggles on the shop floor. If these demands were taken up by the British working class, however, management would be put on the defensive and the open unions could take greater initiative in extending organisation.

This approach should not be misunderstood. The whole structure of South African legislation is designed to repress, impede and control authentic trade unionism, and the full conditions for the authentic assertion of workers' interests cannot be met without the transformation of the South African state and social structure. But this does not mean that management's repressive apparatus should not be attacked or that *no* authentic representation of workers' interests can be made in the present context. The class interests, class organisation, and class action of workers in South Africa does not depend on the legal forms or utopian hopes for amended legislation to "permit" organisation. During the mass strikes of 1973 in Natal some 67,000 workers struck in conditions of complete illegality: strikes are, and were, prohibited in terms of the Industrial Conciliation Act, the Riotous Assemblies Act, the Bantu Labour Relations Regulation Act, and potentially under other wide-ranging legislation and regulations. African workers are rejecting all forms of legislative liaison committees. As Harold Nxasana, the Education Officer of the Institute of Industrial Education (now in indefinite detention), has said:

> African workers reject works committees on the grounds that they are formed by employers . . . they are actually controlled by employers in that it is the employer who introduces these committees, especially at times of labour unrest, and the workers suddenly wonder why management approaches them on these questions. As one worker put it: "Is it feasible for a man with whom you are quarreling to give you a gun in order that you might shoot him?"

The open unions are providing firm support to their members on strike in the numerous industrial struggles which have followed the mass strikes of 1973, also under conditions of illegality, and are paying a heavy price. Two organisers of the National Union of Textile Workers, June-Rose Nala and Obed Zuma, were detained under the Terrorism Act shortly after a protracted strike at a textile plant. The legal forms which in the past have created the docility of which the South African state was so proud are now relegated to the level of tactics, and the struggles continue. In the last instance the workers believe it is class actions which will transform the legal forms.

British workers in companies which have investments in South Africa should also struggle for the full disclosure of information by these companies on their activities in South Africa. The British Government's Code of Conduct approach is clearly not going to be pushed this far: there is no evidence that even the Labour attache attached to the British Embassy in South Africa since the 1974 investigations has pressed companies to disclose information or encouraged its dissemination. The call by British workers must be: open the books. For it *is* possible for action by British workers to have direct effects on reform in South Africa, even reform by the South African state. For complex reasons the boycott imposed by American miners on South African coal imports to the United States produced the repeal of the Masters and Servants Act, which applied particularly harshly to the gold mining industry. Its repeal removed a weapon in the arsenal of South African racial capitalism and to some extent allowed increased resistance to capital by African workers.

The day to day struggles of trade unions are, in one sense, defensive struggles. As Marx wrote, the working class "ought not to exaggerate to themselves the ultimate working of these everyday struggles. They ought not to forget that they are fighting with effects, but not with the causes of these effects, that they are applying palliatives, not curing the malady. They ought, therefore, not to be exclusively absorbed in these unavoidable guerrilla fights increasingly springing up from the never-ceasing encroachments of capital or changes of the market. They ought to understand that, with all the miseries it imposes upon them, the present system simultaneously engenders the material conditions and the social forms necessary for an economic reconstruction of society." But the day-to-day struggle fought within and by means of authentic trade unions is essential to that larger struggle. "By cowardly giving way in their conflict with capital," continued Marx, the working class "would certainly disqualify themselves for the initiating of any larger movement." In day-to-day struggle, in the organisation of authentic trade unionism, is conducted the active schooling of the working class, the collective worker, forged by the socialisation of the productive forces, for the larger tasks that lie ahead. The history of the South African working class, like the history of the British working class, shows that they have not disqualified themselves from that struggle.

Sanctions against capital: solidarity with labour. This is the policy we advocate at the present juncture in the struggle against racial capitalism in South Africa. As a part of the international struggle of the working class, we must support the creation of authentic, open trade unions in South Africa. Out of this day-to-day struggle, out of the struggles for "fair wages", out of the struggles for control of the labour process, there will then emerge the "revolutionary watchword", the basis for the destruction of South Africa's racial capitalism: abolition of the wages system.

David Hemson
Martin Legassick

September 1976