

# Who Mines What Belongs To All?

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## A historical analysis of the relationship between the state and capital in the South African mining industry



by

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## Abstract

This thesis explores the relationship between the state and mining capital in South Africa since the beginning of gold mining. It provides a historical analysis centered around the notion that neither state nor capital have been able to dominate each other wholly but retained their respective relative strength and independence. By applying a qualitative approach, this thesis seeks to determine whether this notion still holds true today, how the relationship between the state and mining capital has evolved over time and by what factors was it determined. I suggest that structurally the nature of the state-capital relationship continues to endure fifteen years after apartheid.

Accordingly the thesis is organized in terms of two critical junctures, one in the 1920s and one in the long 1970s when the balance of power between the state and mining capital experienced a number of shifts. Recent developments in post-apartheid South Africa seem, as of now at least, to represent more of a continuation of the shift that materialized in the long 1970s rather than a new conjuncture of its own or one in the making. Contrasting these findings with the adamant calls of the ANCYL for a nationalization of mines indicates that nationalization as the ANCYL foresees it does not seem to be informed by a historical understanding of the mining capital-state relations and that it is *ceteris paribus* unlikely to materialize.

## Opsomming

Die tesis ondersoek die verhouding tussen die staat en mynbou kapitaal in Suid-Afrika sedert die begin van die goudwedloop. Op grond van 'n historiese oorsig word daar aan die hand gedoen dat nòg die staat nóg mynbou kapitaal mekaar oorheers het en dat hierdie tendens vyftien jaar na apartheid steeds voortduur.

Die magsbalans tussen die staat en kapitaal word egter gekenmerk deur twee uiteenlopende periodes, naamlik die Twintiger jare en die langdurige Sewentigs. Verwikkelinge in post-apartheid Suid-Afrika suggereer 'n voortsetting van die dinamika van die Sewentigs. Volgens onlangse uitlatings deur die ANC Jeugliga blyk dit asof die beweging nie bewus is van die kompleksiteit van hierdie historiese verhouding nie en dat dit dus hoogs onwaarskynlik is dat nasionalisering in terme van ANC Jeugliga beleid die lig sal sien.

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## **List of abbreviations**

AAC	Anglo American Corporation
ANC	African National Congress
ANCYL	African National Congress Youth League
AsgiSA	Accelerated and Shared Growth Initiative for South Africa
BCEA	Basic Conditions of Employment Act
BCM	Black Consciousness Movement
BEE	Black Economic Empowerment
COD	Congress of Democrats
CODESA	Convention for a Democratic South Africa
COM	Chamber of Mines
Cosatu	Congress of South African Trade Unions
CPC	Coloured People's Congress
CPSA	Communist Party of South Africa
DME	Department of Minerals and Energy
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GEAR	Growth Employment and Redistribution
GFA	Growth for All
GNP	Gross National Product
GNU	Government of National Unity
HDSA	Historically Disadvantaged South African
ISCOR	South African Iron and Steel Corporation
JSE	Johannesburg Securities and Stock Exchange
LRA	Labour Relations Act
MERG	Macro-Economic Research Group

MPRDA	Mineral and Petroleum Resources Development Act
MWU	Mine Workers Union
Nafcoc	National African Federated Chamber of Commerce and Industry
Nedlac	National Economic Development and Labour Council
NEF	National Economic Forum
NP	National Party
NUM	National Union of Mineworkers
OECD	Organisation for Economic Co-operation and Development
OFS	Orange Free State
PAC	Pan-Africanist Congress
PGM	Platinum Group Metals
RDP	Reconstruction and Development Programme
SACP	South African Communist Party
SACTU	South African Congress of Trade Unions
SAF	South Africa Foundation
SAIC	South African Indian Congress
SALP	South African Labour Party
SANNC	South African Native National Congress
SAP	South African Party
SME	Small and Medium Enterprises
SOE	State-Owned Enterprises
StatsSA	Statistics South Africa
UN	United Nations
UP	Unionist Party
WNLA	Witwatersrand Native Labour Association
WWI/II	World War I/II

# 1 Introduction

## 1.1 Background

The relationship between the mining industry and the state in South Africa has indeed been a contentious issue for a long time already. This stems naturally from the prominent place the industry occupies in the economic history of the country and from the related acrimonious debate around its role in the exploitation of land and labor, of which diverging and conflicting readings of the relationship between mining capital and the state in a historical perspective bear witness.

In July 2009 the African National Congress Youth League (ANCYL) initiated a debate which has since been pursued with varying degrees of intensity and ideological fervor. The proposal put forward by the Youth League is to nationalize the mines in the first instance and then extend nationalization to other strategic sectors of the economy and possibly beyond. The general idea behind nationalization as construed by the ANCYL is that through democratic, open and decisive legislation by the parliament, the democratic government's ownership and control of mining activities ensures the restoration of the national mineral wealth to and for the benefit of the people as a whole. The straightforward and unambiguous stance received wide media coverage and sparked an intense debate. While initially, the debate remained shallow and received little earnest responses particularly from the African National Congress (ANC) itself (apart from the indispensable dissociation), it has since gathered momentum on its own and is one year later widely regarded as a necessary discussion, which should not be stifled from the outset.

The ANCYL depicts the nationalization of mines as the panacea to the many real and perceived problems associated with the current political economic state of the mining industry. The challenges entail namely 'democratising the commanding heights of the economy, [... a] thorough transformation of state-owned enterprises [...] to the benefit of the people as a whole, [...] help build strategic capacity of the state to unlock resources for more inclusive development and growth and a growth path that does not overly rely on the export of primary commodities and the import of almost all consumer goods and

services, [...] public ownership between 51 and 100 per cent, [...] possibly] expropriation without compensation, [...] but] no bail out [of] indebted capitalists' (ANCYL, 2010b: 2-3). A nationalization of the mining industry of such kind poses fundamental questions about the relationship between the state and capital, including the practicability of the above measures.

## 1.2 Problem Statement

Responses to the nationalization debate have included the publishing of an 'Idiot's Guide to Nationalisation' (Louw, 2010) that wishes to clarify that nationalization is 'a process whereby people who don't produce wealth confiscate wealth from those who do, by buying their assets and transferring them to people who have a proven propensity to turn formerly productive assets into ones that are net wealth consumers' as well as 'capitalist class bogey'-calls for the 'smashing [of] the bourgeois state machinery and replacing it with a socialist planned economy [as] the only genuine road to socialism in South Africa' (van Wyk, 2010). Between these more radical and polemic extremes, an increasingly intensifying debate has evolved around the political and economic consequences of nationalization of particularly the mining sector. Given its historically significant, indeed essential, role in the process of growth and development of the South African economy as a whole it is crucial to contextualize this debate in a broader historical context. Yudelmann (1984: 7) has argued that unlike the early situations of the advanced industrial states, 'neither the state nor capital could effectively dominate the other in South Africa'. The purpose of this thesis is to determine whether this notion is still valid today in the mining sector, how it has evolved since the 1920s/1930s and what it means for the current nationalization of mines debate. Therefore, the research questions which guide this thesis read as follows:

- 1) Is the notion, that neither the state nor mining capital can effectively dominate each other in South Africa, still valid today?
- 2) How has this relationship evolved over time and by what factors was it determined?

### 1.3 Aims and Significance

Beyond answering its research questions this thesis pursues two further goals hoping to inform the present by analyzing the past and adding to a more balanced account of state-business relations in the South African mining sector and the current nationalization debate. On the one hand, the relationship between mining capital and the state has changed over time in a number of ways for a variety of reasons and it is the author's conviction that the complexity of the current politico-economic configuration of this relationship can be better appreciated against the backdrop of a thorough historical analysis. On the other hand, this thesis aims to contribute to the current nationalization debate which has evolved in the first half of 2010 into a more nuanced and technical discussion after a rather polemic and ideological take-off phase from mid- to late-2009.

It is the combination of these two further aims that provides the rationale behind the significance of this study. The relationship between mining capital and the state has always occupied a prominent place in South African economic history particularly until 1994. Simultaneously to the liberal-radical debate (see below), the intensity of the discussion has since decreased considerably (with the notable exception of Fine and Rustomjee's (1996) political economy on the South African industrialization and minerals-energy complex), but picked up momentum again in the last few years, most notably in the context of the mining charter in particular and Black Economic Empowerment (BEE) programs in general and temporarily climaxed in the nationalization of mines debate sparked by the ANCYL. Even though some work has been conducted lately on the state's capacity to regulate mining capital in the age of globalization (Iheduru, 2008), on the relationship between the state and capital (Handley, 2008) and how it relates to pro-poor growth (Natrass and Seekings, 2010), little attention has been given to the historic patterns of the state-mining capital relations and how they have evolved since 1994. Addressing this lack of analysis is particularly useful in the context of the current nationalization of mines debate.

This thesis tries to fill this gap and aims to contribute to a broader historical understanding of the relationship between mining capital and the state; an informed assessment of where it stands today; and a balanced evaluation of possible future developments in the mining capital-state relations.

## 1.4 Literature Review and Analytical Approach

The study of the relations between state and business is hardly a new one but has remained, despite an ever growing body of empirical work, theoretically diffuse. Lindblom remarked that ‘certain questions about governmental-market relations are at the core of both political science and economics, no less for planned systems than for market system’ (1977: 7). Already Adam Smith's inquiry on the wealth of the nations was in part a theory on how to optimally organize the relations between the state and markets. Likewise, Marx elaborated on the role of the state in the advancement of capitalism. A great deal of the difficulty associated with the theoretical clarity in the field has since been contending views on both the state as well as business. In the following I will focus on the more recent studies conducted on state business relations in general in order to provide in a second step an overview of the major arguments with regard to the South African state business relations. This will also encompass a brief review on the liberal-radical debate. Even though the debate lasted only for a short period of time and has ceased to be of practical importance it is still of immense historical interest, most notably to the question at hand. This thesis touches upon numerous and very different aspects of the state business relations in the South African mining sector across a rather large time span. In turn, the following literature review will be mainly directed at the general study of state business relations. As such it also differs from a more conventional literature review in a thesis in the sense that the arguments of each writer on a specific topic cannot be reviewed here for the sheer lack of space<sup>1</sup>. Instead the focus will be more on locating the thesis in the broader field rather than contrasting different notions for each factor in each period.

Haggard, Maxfield and Schneider (1997: 36-62) have developed a typology of five theoretical approaches to study state business relations. The approaches differ primarily in their conceptualization of the private sector understood as either capital, sector, firm, association or network. The first approach which sees business as capital or a factor of production develops models on a macro level. It focuses on structural constraints posed by private ownership and control by inquiring into the political consequences of the fact that most investment decisions are made by private entities or

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<sup>1</sup> See below for examples.

individuals responding to market signals as well as to expectations about the course of future government action. This approach therefore treats business as a rather homogenous unit of analysis. The sectoral analysis in contrast employs a much less homogenous view of business and looks at how politics, policies and growth are affected by the distribution of economic activity and the different sectoral interests. In this view, the state is constrained by the contending interests of different economic sectors. Thirdly, business conceptualized on the level of analysis of the firm aims at examining the political consequences of the characteristics of corporate structure including size, internal organization, ownership, patterns of financing, etc. A less structural and more game-theoretical view understands business in terms of its political organizations (associations, parties, think tanks) or the institutions that mediate business interest. Finally, the network view of business looks at the role of individual managers and owners and their interaction with government through informal networks of personal relationships rather than formal, institutional channels.

Similarly, Chingaipe and Leftwich (2007: 12) assert that there is ‘no standard way of approaching the study of SBRs [state business relations]’. According to Leftwich (2009: 5), these approaches all offer ‘useful insights into the key political issue from a developmental or growth point of view’. Consequently, state business relations are constituted both within and between the state and business and expressed both in formal as well as informal institutional terms. As such, state business relations ‘cannot be had to order, but are the product of on-going political negotiation and reconstruction as the relative power of each side undergoes (often slow) transformation in the context of both local national and international circumstances – political, social and economic’ (*ibid*). The primary concern in this 'meta'-approach is to figure out whether, how and why the different institutional configurations have come about, what keeps them in place and what possible sources of change there may be. Quite obviously, this requires a careful historical analysis to which there are again many approaches, most notably the one understood loosely as historical institutionalism.

Historical institutionalism attends to the ‘power-distributional features of institutions and how they distribute advantages and serve the interest of those with power’ (Chingaipe and Leftwich, 2007: 15). Historical institutionalists are generally

interested in long-term processes that evolve over a lengthy period of time rather than a mere snapshot at a particular moment in time. Equally important is the relative power of both formal and informal arrangements and how they interact with each other. The interests, ideologies and agents driving these processes of shaping, maintaining and changing institutions are likewise of central importance as they are seen more as an outcome of power struggles between groups and interests rather than as functional equilibriums enabling individuals or groups to capture the benefits of cooperation, in essence stressing conflict over cooperation. Historical institutionalists are naturally also interested in the process leading up to these arrangements which, once institutionalized, are maintained and sustained by both formal and/or informal coalitions. In addition, institutions can be maintained, undermined or change as a result of the way in which organized interests interact with them and/or as a result of contingent socio-economic, political or even natural events. All in all, historical institutionalism requires an in-depth historical and analytical study of the field the results of which 'can never be captured in the elegant parsimony of the mathematical equation. Rather, it demands detailed qualitative and interpretative methods, for history and historical change cannot be written in numbers' (Leftwich, 2009: 6).

Other analytical approaches do not share the same rigor and have indeed attempted to measure the impact of different state business relations on growth in numerical terms. Te Velde (2008: 33) tested a new measurement of the effects of state business relations on growth in Sub-Saharan Africa and found that the employed composite state business relations indicator was associated with faster growth rates, correlated well with other governance indicators as well as more operational investment climate data. The four factors that provide effective state business relations include 1) the way the private sector is organized vis-à-vis the public sector, 2) the way the public sector is organized vis-à-vis the private sector, 3) the practice and institutionalization of state business relations, 4) the avoidance of harmful collusive behavior. Te Velde (*ibid*) concludes that there is need for firstly, more data, notably the impact of state business relations on economic performance taking into account other causes of growth and secondly, further detailed description of state-business relations across Sub-Sahara African countries over time.

Thus, the study of state business relations has been and continues to be an ontologically and epistemologically extremely heterogeneous field with alternate approaches being best suited to address the different sub-questions at hand. The problem statement and research question as noted above lend themselves to be examined by a broader historical and qualitative approach.

The discussion on state business relations in South Africa has been a hotly debated subject matter for several decades. The debate centered most prominently around the role of the apartheid state in the advancement of capitalism. Conventional political economists, referred to in South Africa as 'liberals', essentially argued that the South African state's interference in the economy had a retarding and distorting impact on economic development and growth. Horwitz (1967: 12) noted that 'the polity has always sought its ideal and ideology – the white man's supremacy. The network of economic development had to follow accordingly'. In this sense, the private business sector was seen as 'shackled by outworn feudal and racial consideration' (Samuels, 1955: 16). The opposing argument was forwarded by radical structuralists and advanced the notion that South African economic growth was based on the purportedly highly functional nature of state and that there were indeed no central contradictions between political developments and the requirement of capital accumulation. In other words, the radicals maintained that the interests of the capitalist, capitalism and the apartheid state were in many ways closely related and intertwined, if not outright congruent. Johnstone (1976: 215) argued that 'there has been something highly functional and causally significant about the relationship between the economic system and the system of racial domination' and that the racial system should be conceptualized as 'generated and determined by the economic system of which it formed a part'.

These were the two most fundamental positions in the so-called liberal-radical debate. While the overwhelming majority of both liberals and radical would subscribe the respective notions, there occurred nonetheless considerable difference within both camps. For example there was a huge debate amongst liberals as to whether black wages were too high or too low in relation to both human needs and productivity (Natrass, 1991: 660). The radicals on the other hand were for instance inconclusive whether South Africa could be more accurately described as a politico-economic system incorporating a reserve

and a capitalist mode of production (Wolpe, 1972), as a single capitalist system (Williams, 1975), or as a peripheral capitalist system in the world economy (Erwin and Webster, 1978). Either way, the debate between liberals and radicals concerned a broad array of issues including ‘distribution (between blacks and whites, wages and profits), capital accumulation, and how the path of economic growth was shaped (positively or negatively) by the institutions of apartheid’ (Nattrass, 1991: 666) and the role of business in the fight against apartheid. Furthermore, the two camps were also divided over methodological questions as the radicals accused the dominant neo-classical marginalist methodology of being unsuited for answering questions about the economic development of South Africa and the liberals blamed the radicals for a too narrow functionalist methodology and a lack of empirical evidence (*ibid*: 662-676).

The debate between liberals and radicals has really only taken off in the 1970s when radical thinkers reviewed the Oxford History of South Africa (Wilson and Thompson, 1969-1971), which drew on a number of liberal political, social and economic historiography and in turn provided both impetus and a target for the development of a radical critique. With fundamental reform and power sharing on the horizon by the early 1990s, the debate became less ideological and it seemed like a middle ground seemed possible despite the occasional orthodox free market and old-style socialist calls. Nattrass (1994: 517) asserted that the debate has evolved to a point that the original liberal radical debate has by the mid-1990s become of ‘little more than historical interest’. Instead, the economic debate began to revolve around what is ‘practical and feasible’ as most thinkers ‘accept that interventionist industrial policy can work’ but that the question is ‘whether it will work in South Africa’ (*ibid*: 532).

## 1.5 Methodology and Scope

The process of research chosen for this thesis is a qualitative analysis and as such comes invariably with a certain amount of subjectivity. This is particularly evident where some aspects are treated as an orphan or fall out of focus almost entirely. It could be argued that a lack of attention for example is given to the exclusion of non-whites in the first period, the ruling governments after the Pact and before the National Party governments or much of the political developments in the 1980s with the state of emergency and the change of

leadership in the National Party (NP) for instance. On the other hand, a number of aspects that are focused upon might be judged as receiving too much attention and at times going too far back in time. A historical analysis is not an exact science but the selection as and the weighting of the different points is chosen to the best of knowledge and assessment.

The approach applied to the research question at hand has furthermore been informed by historical institutionalism in the sense that special attention is being given to the big diachronic processes that have evolved over time rather than one-time snapshots at particular moments. The underlying idea is to identify critical junctures in the development of state business relations in the South African mining sector.

The sources employed are overwhelmingly secondary sources, most notably in relation to chapter two and three, while chapter four contains primary sources as well. This heavy reliance on secondary sources stems from the nature of the research question which spans after all a considerable lengthy period of time and is tailored towards a description, interpretation and understanding of the state-mining capital relationship. The research material consists of a number of different sources including books, magazines, essays, journal articles, statistics, statements of politicians and business leaders, interviews, websites and reports.

This thesis is focusing on the mining capital-state relationship because the nationalization debate initiated by the ANCYL is overwhelmingly about nationalizing the mining industry. Where deemed appropriate and useful for a better understanding, the analysis is extended to include aspects of the relationship between the state and capital in general as well.

The time period is divided into three broader eras demarcated by two critical junctures. While the first juncture in the 1920s is straightforward in terms of its temporal location, the long 1970s require more elaboration. Most aspects of the state-business relations covered in the third chapter experienced, some to a lesser and some to a greater degree, fundamental changes. While most aspects materialized in the 1970s, some did so only by the mid-/late1980s. Therefore the second juncture discussed in chapter three spans a longer period than the first one to include the 1970s and the mid-/late1980s, for the sake of convenience labeled the 'long 1970s'.

The framework within which the different aspects of state-business relations are

being discussed follows an adapted and blended approach of Lipton (1985) and Yudelmann (1984). In here seminal work on capitalism and apartheid, Lipton discusses the changes of interests within the white oligarchy (including agricultural, mining and manufacturing capital and white labor) and the changing balance of the political struggle. Yudelmann's treatises on the state, capital and the incorporation of organized labor on the South African gold mines cover a narrower time frame. In turn, this allows him a more detailed account of the interrelationship between state, capital and labor, which he organized in more chronologically defined sections.

The research purpose of this thesis is descriptive and as such aims to identify and categorize the main characteristics of the relationship between mining capital and the state. Answering the research question thus reveals where the relationship has come from, whether it has changed and where it stands today. This in turn also defines the limitations of this paper as the amount of discovering and measuring causal relations remains limited.

## 1.6 Chapter Outline

The second chapter looks at how the relationship between the state and mining capital evolved since the beginning of mining. While the main thrust is on gold mining since 1886, references will be made to diamond mining as well since some of the characteristic features already emerged in the wake of the discovery of diamonds around Kimberley twenty years earlier. The main focus will be on the mining industry itself and by what factors it was structured, the division between mining and non-mining capital, the organization of labor in terms of both horizontal and vertical control as well as development within the state, most notably the Afrikaans-English cleavage. The conclusion at the end recapitulates the major points being made in the chapter and argues that during the 1920s a shift of power from mining to non-mining interests occurred.

The third chapter continues along much the same lines as chapter two by focusing on primarily mining related aspects such as the economics of mining which experienced a fundamental change with the abolition of the internationally fixed gold price in the wake of the Nixon shock and the growing convergence between the previously antagonistic factions of capital. Furthermore, the section on labor related issues addresses namely the

color bar, which was finally abolished in 1986 amidst fierce (white) union protests and the continuance of the migrant labor system. Last but not least, state related aspects such as the expansion of apartheid and its costs, the changing Afrikaans-English cleavage and the growing opposition to the apartheid state are being discussed. While most factors covered in this chapter experienced, some to a lesser and some to a greater degree, fundamental changes in the 1970s, some materialized only by the mid-/late 1980s but were nonetheless already becoming apparent in the 1970s (at least in retrospect). The conclusion shows that the long 1970s mark a turnaround shift in the state-mining capital relations in favor of the mining industry.

The fourth chapter covers the post-apartheid period since 1994 until today and completes the mining related aspects by focusing on the role of mining in the South African economy today, the crucial processes of corporate restructuring and offshore listings, the new mineral mix<sup>2</sup>, the rise of BEE and the implementation of the mining charter. On labor related issues, the features of the post-apartheid labor system will be discussed as the excess demand for low-wage labor was replaced by a shortage of skilled labor, the migrant labor system was preserved and new patterns of exclusion arose. Additionally, the impact of trade unions in the tripartite alliance (Cosatu, ANC and SACP) as well as in corporatist structures will be assessed. Last but not least, the section on mainly state related aspects covers the ending of inner-white cleavages (as far as the state-mining business relationship is concerned), the rise of the ANC, macro-economic policies and the debate on the nationalization of mines.

The fifth and concluding chapter recalls the research question and restates the conclusions derived from each of the three preceding chapters 2-4. It will be shown that the central characteristic of state business relations remained intact but evolved over time as the balance of power between the state and mining capital has shifted in the 1920s and the long 1970s. After recalling the recent developments in post-apartheid South Africa, the nationalization debate will be contextualized in the historical background of state-mining capital relations. It will then be argued that nationalization of the ANCYL kind is not informed to a great extent by a historical understanding of the mining capital-state

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<sup>2</sup> Mining mix refers to the composite mix of minerals being extracted in a given country, analogous to the energy mix.

relations and that as a result such a concept of nationalization is *ceteris paribus* highly unlikely to materialize.

Each chapter follows the same structure by focusing on the changing dynamics related to capital, labor and the state.

## 2 The 1920s conjuncture

This chapter assesses the relationship between mining capital and the state from the inception of mining in South Africa until the 1920s. While the discovery of diamonds in 1867 started the process of industrialization it was not until the discovery of gold on the Witwatersrand in 1886 that really took the country onto the next stage. The focus will therefore be on gold. The beginning of gold mining in the late 1880s happened at a time when South Africa was not yet unified but consisted of four colonies, two British (the Cape and Natal) and two Boer republics (the Orange Free State and Transvaal). Prior to Union, legislation and regulations varied thus regionally even though they generally followed similar patterns and consequently after Union, political power was much more centralized. Unless otherwise noted, regulations prior to Union refer to those of the state of Transvaal. Owing to the centrality of both the color bar and the migrant labor system, labor issues will be covered right after an introduction into the economics of early mining and a discussion of the tension between mining and non-mining capital, followed by a discussion on how it impacted the state.

The main point of this chapter – drawing on these three factors - suggests that *the 1920s marked a shift in the relation between mining capital and the state*. It shows that *neither of the two was able to dominate each other wholly but that the overall balance of power changed at the expense of the mining industry*. This assessment rests largely on the two findings that the struggle over the color bar was resolved against the interests of the mining houses and that the political ascension of the Afrikaner nationalists led to a shift of political power from mining to non-mining capital.

### 2.1 Capital

This section on mining capital covers firstly the economics of early mining capital in South Africa with its characteristic geological features, the nature of gold and its unique function in international financial markets as well as the crucial role of huge capital and labor requirements to South Africa's early industrialization. Secondly, the tensions between non-mining and mining capital will be highlighted with regards to the respective economic sectors and policy preferences.

### 2.1.1 The economics of early mining

Africans and by the 1860s whites alike, had been extracting small amounts of copper, iron and gold in various parts of southern Africa for over a millennium. The first mineral boom of wide-ranging and long-term significance was the discovery of diamonds in and around Kimberley. By 1872, 20'000 whites and 30'000 blacks converged in the area compared to 5'000 people, black and white, by late 1870 (Thompson, 1990: 114). This amounts to a tenfold increase of the total population over a period of not even two years. The four locations in which diamonds had crystallized, so-called (volcanic) pipes that would become mines, were divided up into a very large number of claims (470 in the 'Kimberley mine' alone) which at one time were split up among 1'600 owners (Ross, 1999: 54-55). As the deepening of the anarchic and chaotic excavations progressed, over half of the mines became unworkable due to collapsing roadways, mounds of earth and floodings (Thompson, 1990: 116). The consolidation of the small claims into larger companies was driven by a small number of individuals, most notably Barney Barnato, Alfred Beit and Cecil Rhodes and culminated in the establishment of De Beers Consolidated Mines in 1888 which acquired a monopoly of the diamond production in the area (*ibid*: 116-117). As gold was discovered on the Witwatersrand in 1886, many of those with successful investments in diamonds were well placed to shift over into gold-mining and indeed quickly won significant levels of ownership (Handley, 2008: 32).

The significance of the mineral discoveries for the development of the South African economy can hardly be understated. It was in a sense the *conditio sine qua no* as both gold and diamonds provided the wealth that 'transformed South Africa from an undeveloped, largely subsistence economy into the most industrialized, modern state in Africa' (Lipton, 1985: 111). The gold industry was the engine of growth, the major foreign exchange earner, employer of growing significance and a major contributor to government revenues. By 1930, the total value of minerals produced in South Africa made up £59 million, of which £54 million alone was coming from mainly gold but also diamonds while coal accounted for most of the rest (Jones and Müller, 1992: 59-60). The South African gold mines expanded production from an annualized average output of 0.13 million fine ounces in the period from 1885-89, to 6.3 (million fine ounces) between 1905-09, to 8.14 in 1920-21 and to 11.04 in 1930-32 (Feinstein, 2005: 105). The first

available estimates of the national income in 1911 show that gold made up almost 20 percent of the entire GDP and in the period from 1920 to 1939 oscillated between 12 and 18 percent (*ibid*: 107). In terms of annual average exports, gold contributed between 33 and 53 percent to exports on a value basis between 1910 and 1930 (*ibid*: 102). For comparison, the value of diamond exports amounted to 8.7 percent in 1910, 6.3 in 1920 and 3.2 in 1930 (Jones and Müller, 1992: 48). Through taxation and import duties on essential mining equipment the state has profited enormously from the mineral revolution: state revenue from gold mining amounted to 7 percent of total state revenue in 1911, 8 percent in 1921 and 5.8 percent in 1930 (Yudelman, 1984: 241). Within a very short period of time since the opening of the mines the demand for labor increased enormously. By 1892 some 25'000 Africans were employed on the Rand and by the end of the decade this number increased to almost 100'000 (Ross, 1999: 66). The grand total of labor (black and white) on the mines totaled 174'000 in 1911 and 226'000 in 1931 (Lipton, 1985: 385). Because of its dominant and pioneering role, the mines exerted a profound impact on the socio-economic organization of the South African society in general and in particular with regards to labor relations most notably in terms of the job bar, migrant labor and the compound system. These institutional forms in turn were shaped by the peculiar economics of gold mining.

Gold mining in South Africa was structured by three distinct factors relating to the geological characteristics of gold on the Rand, the price of gold and the high overhead costs (Handley, 2008: 34). First, the geology of the Rand mines contained 'low-grade ore, thinly and unevenly spread along a wide surface and at great depth' (Lipton, 1985: 110). The gold was not easily accessible like the alluvial deposits in California and Australia but occurred as tiny particles embedded in huge quantities of hard rock in reefs that extended at an angle from the surface to depths of several hundred and even thousand meters. The outcrops of the reefs were quickly exhausted and from the early 1890s on replaced by deep-level mining, which was employed in over half the mines by 1913 and reached levels of between 600 and 1'200 meters below surface (Feinstein, 2005: 101). This made the process of extracting gold a lengthy and costly one, requiring huge amounts of capital and labor. Second, gold was not just another commodity after all it played a unique role in international finance as the world's money supply was based on it.

The mining houses were operating in a market with a (theoretically) unlimited demand at a fixed price. In turn, the profits to be made were directly related to the cost of production and the easiest to cut was labor cost. Since the South African pound (the rand was only introduced in 1961) was historically linked to the British pound and the vast majority of South Africa's gold was sold in London (in 1914 Britain effectively stopped and in 1919 officially prohibited the export of gold), the movements of the British pound were of some significance (Jones and Müller, 1992: 54). Following the First World War (WWI), Britain allowed the sterling to float and only returned to the gold standard in 1925 at a fixed price of 4.25 pounds per ounce, giving the gold mines a temporary boost (Feinstein, 2005: 94). Third, the opening of new mines and the continuing development of existing mines required huge investments. These high overhead costs further increased the already high cost sensitivity of the industry because it was impossible to pass on the increasing costs to costumers via higher prices. Furthermore, the enormous demand for capital led to the domination of the industry by a few giant companies.

These so-called mining 'houses' were not competing over customers or market-share, due to the indefinite demand and a fixed price, but could instead cooperate in a number of areas, most notably labor costs, technical advances and best practices (*ibid*: 104). The first gold house was established within a year of the discovery by Hermann Eckstein, nicknamed 'The Corner House' (later Rand Mines and now Randgold and Exploration Limited) (Jones and Müller, 1992: 50). He was followed by Rhodes (and Rudd) with Consolidated Gold Fields, the Barnato brothers with Johannesburg Consolidated Investment Company (JCI), the General Mining and Finance Corporation as well as Goerz (which later became Union Corporation) (*ibid*). Ernest Oppenheimer founded Anglo American Corporation (AAC) in 1917 and in 1933 the group of seven was completed by AngloTransvaal Consolidated Investment. The modern Chamber of Mines (COM), the mining industry association, was established in 1889 to promote and protect the interests of the mining industry, disseminate statistical information and lobby for favorable legislative measures (Chamber of Mines, 2010). The group organization had great advantages as it relieved the mining houses of much administrative work, presented economies of scale through cooperative sourcing and kept them abreast with the latest technological developments (Jones and Müller, 1992: 50). The houses also worked

together in order to reduce costs such as shaft sinking, rock drilling and mine administration. The MacArthur-Forrest process, providing a cost-effective solution to the extraction of gold out of low-grade ore, is an example where such technical advances quickly diffused and allowed the entire industry to become highly efficient (Feinstein, 2005: 102-103).

### **2.1.2 Mining and non-mining capital**

According to Davies et al. (1976: 8), the 1922 Rand Rebellion created the conditions which represented the political and ideological crisis point that undermined the dominant position of mining capital. In turn, in 1924 national capital (as opposed to international capital) was able to achieve a hegemonic position in an ‘alliance with the new petty bourgeoisie and [...] strata of white and black wage earning classes’ (*ibid*: 9). Thus, the development of South African capital can be divided into the pre-1924 period of international capital which was engaged in mining and the post-1924 period (until 1948) of national capital engaged in manufacturing and agriculture (Bozzoli, 1978: 43). The labels international and national are alternatively referred to as 'local', 'metropolitan', 'foreign' and 'imperial' and are not primarily based on passport, residence, birthplace or other characteristics of the owners. Bienefeld and Innes (1976: 38) conceptualize the dual nature of capital as emanating from the ‘social-political forces which guarantee the legal and institutional conditions necessary for the reproduction of capital’ as well as based on the nature of ‘the inducement necessary for capital to be invested’. The latter refers to the distinction between externally and internally oriented economic activities. In the first decades of mining in South Africa, mining capital has been the textbook example of international capital insofar as its overriding interest was maximum extraction of internationally tradeable commodities at minimum input (in terms of international purchasing power) (*ibid*: 35). Nonetheless, it is possible to theoretically conceive externally oriented capital to be locally based. At the beginning of mining however, mining capital was indeed international both in terms of its social base as well as its outlook. The division of different fractions of capital along these lines coincided in the period under consideration with the ethnic division between Afrikaner and English capital.

Historically, ethnic identifications within the white settler community have

emerged relatively fast. The split between Afrikaners and Englishmen can be traced back to the early centuries of white colonization in South Africa. Thompson (1990: 112) argues that ‘most of the descendants of the seventeenth and eighteenth century settlers identified themselves as Afrikaners, with their social distinctive language, religious affiliation, historical consciousness and social network, whereas nearly all of the nineteenth century white immigrants (most of whom came from Britain), kept aloof from Afrikaners, despised their language and culture, and underestimated their achievements’. The differences were not just ethnic and cultural but were additionally rooted in different occupations and classes as well. At the beginning of mining activities, most Afrikaners worked and lived in a rural environment while most English speaking immigrants were townspeople (Handley, 2008: 32).

In contrast to much of the rest of the African continent, early forms of capitalist development took place in South Africa in the form of surplus extraction through rent as black South Africans were dispossessed of their land (Morris, 1982: 44). However, it was not until the discovery of diamonds in Kimberley and gold on the Rand that really ignited the development of a capitalist class in the process of which Afrikaners and Africans were marginalized from the beginning unlike the Europeans who concentrated the ‘ownership of the numerous and overlapping diamond claims at an early stage’ in their hands (Greenberg, 1980: 37). By the late 1870s, the tiny claims had developed into huge open pits making the use of heavy and expensive machinery necessary for further mining. Individual claimholders gave way to companies which were able to raise the necessary capital. Many who profited in the diamond mining were well placed to proceed onto the goldfields of the Rand and to quickly secure significant levels of ownership over what would become profitable gold-mining companies. The significant levels of required capital and technical expertise could not be met by the local supply. Except for a few diamond magnates aside there was little local capital to be had and thus much of the financing came from overseas (Handley, 2008: 33). Consequently, the new gold-mining industry was dominated by foreigners, also called *'uitlanders'*. Indeed, in the early 1890s no Afrikaner held any financial interest in a mine (Clark, 1994: 19). Likewise, the service industry which grew around the gold mines was dominated by foreigners who were better capitalized and educated so that ‘by the mid-1890s [...] most Afrikaners and African

enterprises were being crushed out of business by industrial enterprises run by the mining companies' (Thompson, 1990: 121-122). According to Murray (1982: 129) less than 15 percent of shares were held in South Africa. This also reflects British investments, which rose from £16m in 1879 to £34m in 1884 and £351m in 1911 (Bienefeld and Innes, 1976: 40). All in all, the development towards international capital both in terms of the social-political base and the externally oriented outlook established the economic dominance of English-speaking capitalists in South Africa. Clark (1994: 12) concludes that this constituted the origins for conflicts over economic power along ethnic lines.

In addition to the ethnic dimension it is possible to identify the economic foundation of political positions taken by various sections of capital in South Africa following the above introduced distinction between international and national capital. In its efforts to extract the greatest amount of international purchasing power from minerals by way of expending the least possible locally, mining capital found itself in opposition to national, non-mining, interests which 'pressed very hard to appropriate a share of that purchasing power' (Bienefeld and Innes, 1976: 45). Initially non-mining capital was able to profit from the foreign exchange earning mining industry directly by servicing the mining industry with food and other consumption needs and indirectly by organizing import and trade of goods required by the mining industry. However, these were relatively minor gains compared to the wealth produced by the mines and soon demands arose to 'tax or otherwise retain a further portion of this international purchasing power in order to bring about a greater flow of commodities to South Africa, and in order to give more of the power to command such commodities to the non-mining community' (*ibid*: 42). The whole range of measures aimed at fostering local industrialization went beyond a mere redistribution of profits and included 'ISCOR<sup>3</sup>, railway rating policies, agricultural subsidization, differential taxation of the gold-mining industry and protection' (Kaplan, 1976: 73). These were fiercely contested by 'gold mining and import oriented commercial capitals' (international capital) on the one hand and 'industrial and agricultural capitals' (national capital) on the other hand (*ibid*).

The conflicting interests of the different sections of capital had been a

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<sup>3</sup> Iron and Steel Cooperation, a formerly South African parastatal, established by the Iron and Steel Industry Act of 1928 and now owned by Arcelor-Mittal.

contributing factor to the Anglo-Boer War after which British control (supporting international capital) was expanded. Little changed for the dominant English-speaking business class who 'dominated the twentieth century political economy of South Africa as they had the nineteenth' after Union in 1910 (Marks and Trapido, 1987: 2-3). Despite lip services to the principle of protectionism, the new government of the Union had left manufacturers largely disillusioned (Bozzoli, 1975: 200). During WWI, the manufacturing industry was making significant progress. The number of factories rose from roughly 4000 to almost 7000 between 1915/16 and 1919/20 and employment grew by 73% (Kaplan, 1976: 74). Industrial production rose from £22m in 1910/11 to 40£ in 1915/16 and £60m in 1917/18, while the contribution of manufacturing over the same period to the national income rose from 7 percent to 10 percent (Bienefeld and Innes, 1976: 46). The boom period during the war was followed by a severe slump as normal trading pattern resumed and the industrial countries refilled the spaces they had left during the war. Even though the principle of protectionism gained ground and manufacturing interests had become powerful, it was not yet powerful enough and by 1922 again expressed feelings of disillusionment about the gap between governmental rhetoric and action arguing that 'an influential section of the cabinet is opposed to protection' (Bozzoli, 1975: 211). According to Bienefeld and Innes (1976: 44) the 'whole decade of the twenties was characterized by struggles between mining and non-mining interests' and it was not until 1924 that the balance tilted towards non-mining interests, when they seized control of the state and strengthened protectionist measures. Bozzoli (1975: 203) sees the main reason behind this shift of power in the decline of financial domination of British imperialism after WWI, which meant the gradual removal of a major force opposing protectionist measure in countries like South Africa.

The other capitalist sector which is usually pictured in opposition to mining capital over a number of policies was the agricultural sector. As Morris (1976: 293) puts it, 'capitalist agriculture in the 20th century emerged [...] from a 'semi-feudal' system'. In the pre-industrial era, the agricultural sector (at least the most successful part of it) employed field slaves whose emancipation between 1834 and 1838, together with military conquest of African polities between 1832 and 1879, added large numbers to the rural labor force (Trapido, 1971: 314). Nonetheless, numerous laws and regulations

passed by the various South African governments had prevented the development of a free labor market and indeed preserved feudal features, such as a tied to the land labor force on white farms and a black sector that was kept in an undeveloped state, well into the 20<sup>th</sup> century despite the transition of agriculture into a capitalist system (Lipton, 1985: 85).

## 2.2 Labor

Given the fact that the price of gold was fixed and that most capital goods had to be imported, the only way for mining houses to directly influence profitability was through reduction of labor costs. As a result, labor relations became crucial for mining interests. Mining capital supported measures that ensured a constant flow of cheap and unskilled black labor. On the other hand, protection and entrenchment of white labor's privileges ran counter their interests of reducing labor costs. Thus, labor policies of the time were only partially (albeit in a crucial instance) in the line of mining capital's interests. Lipton (1985) divides the extensive system of control over black labor and privileging white labor into: a) controls over movement/horizontal controls; b) controls over the allocation of jobs/vertical controls; c) other measures restricting workers' rights (*ibid.*: 18). Horizontal controls were based on the conviction that black labor should be allowed in towns solely to cater for the needs of whites. They encompassed the migrant labor system from the black reserves (Bantustans) and foreign countries to the mines as well as the associated land and pass laws. Vertical controls describe the job (color) bar which reserved specific (skilled) jobs for whites only and/or provided a binding employment ratio of white to black workers. The other measures of controlling and restricting workers' rights were highlighted in the compound system of housing the African migrant workers. It originated at the Kimberley diamond mines and was aimed at reducing the risk of theft. The system was soon and most notably on the Witwatersrand extended to ensure efficient controlling and screening of the work force. Along those lines, the following pages will elaborate on the horizontal controls, the vertical controls and the compound system.

## 2.2.1 Vertical controls - the job color bar

### 2.2.1.1 *Origins*

The first statutory color bar was established in Transvaal in 1883 and came about as a result of a complex set of reasons. Katz (1999: 97) identifies safety, race and class reasons as the main drivers whose exact proportionate impact on the emergence of the color bar is impossible to determine or quantify.

In 1892 the Transvaal government appointed Joseph Adolf Klimke as the State Mining Engineer. Part of his duties was to draw up mining resolutions which would enhance safety in mines both on the surface and underground as well as protecting the lives of the mineworkers. The first available figures in 1893 on mine related accidents revealed disastrous proportions in international comparisons and legitimized Klimke's efforts to introduce safety regulations. Katz (1999: 84) shows that Klimke singled out the use of dynamite in combination with the employment of black labor and their handling of dynamite as the principal cause of accidents. Arguing that Africans needed to be protected from themselves, their incompetence and their ignorance, Klimke drew up the draft regulation single-handedly without consulting the mining community. The amended bill came into force in September 1883 and 'introduced long-overdue safety measures and the first explicit colour bar, which stipulated that no African, Asian or Coloured might prepare charges, load drill holes or set fire to fuses' (Simons and Simons, 1969: 55). The other industrial color bar, as laid down in amended regulations of 1896, concerned the certification of winding engine drivers, a job reserved for white workers only. Similar to the regulations related to blasting, the engine drivers safety regulations were legitimized on safety grounds and underpinned by racist deliberations 'in that it held Africans to be child-like and inferior to whites' (Katz, 1999: 84). The difference with these amendments was that they were initiated by the Transvaal Engine Drivers' Association which wanted the work to be executed by certified workmen and its members only (Katz, 1999: 90). At the same time the amended regulation of 1896 dropped the earlier explicit racial provision of the blasting regulation while leaving it on a de facto basis intact.

Actual mining work and the supervision and operation of machinery were the two general spheres of skilled labor in the mines. Skilled work was initially confined to white

labor, simply because the only supply of skilled labor was white. In the long run though, unskilled and, in due time, semi-skilled and even skilled white labor was placed in a 'situation of extreme structural insecurity' characterized by 'proletarianisation'<sup>4</sup> of white labor and the 'ultra-exploitability'<sup>5</sup> of black labor (Johnstone, 1976: 57-64). Nonetheless the real competition for white labor in the 1890s was not 'ultra-exploitable' black migrant labor but 'informally-trained, long-service Africans, Indians, and Coloureds' (Katz, 1999: 73) and the competition at that time was felt (if justifiably or not is in the end of little difference) mainly by the lower two grades of firemen and stationary engine drivers. Thus, white labor was in favor of a statutory color bar on various grounds. It increased first of all job security for the un-skilled and semi-skilled strata of white labor in the medium term against (future) competition of cheaper non-white workers and secondly, strengthened their bargaining position vis-à-vis the employers.

The mining magnates shared the underlying racist views towards non-whites and social Darwinist beliefs in the biological superiority of whites. Indeed, Katz (1999: 79-83) illustrates that the support for the racial ordering of production on the mines was supported by American engineers and managers who, at the time, were key in the Rand management structure. Their fostering of the racial division of labor was inspired by their experience in the El Callao mine in Venezuela and their values, notably a commitment to white superiority. On a principal level, the mining houses were unhappy about the color bar which they perceived as unduly interference in private business matters, namely the competence of the employer to employ the worker of his choice and his remuneration (Katz, 1999: 91). However, the few reservations they had were more of theoretical nature, not least because they saw the certification of only whites as competent workers merely as regularizing 'the *status quo*' and reinforcing 'their own cultural - and racist - preferences' (Katz, 1999: 96).

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<sup>4</sup> In this line of argument, white labor is seen as fully proletarianized working year-round as opposed to black labor who retained some means of subsistence and economic independence in the reserve areas. Thus white labor is perceived as structurally more dependent on wage labor.

<sup>5</sup> Extra-exploitability of black labor increases the structural insecurity of white labor by providing a large supply of cheap and unskilled labor, thereby offering employers the opportunity to replace expensive white labor with cheap black labor.

### *2.2.1.2 Evolution*

The principal divisions over the job color bar thus became already apparent in the formative years of gold mining even though they didn't occupy the center stage yet. This would change over the course of the years with the entrenchment and extension of the color bar on the one hand and the little scope mining capital structurally enjoyed in increasing profitability on the other hand.

The Anglo-Boer War of 1899-1902 had a disastrous effect on the Johannesburg goldfields. The war disrupted production and when it came to an end, the mines found themselves desperately short of unskilled labor. Among the many reasons, Wilson (1972: 4) explicitly cites the reduction of wages (thus making railway work, road building, farm work and other jobs more attractive) and the deplorable working conditions as disincentives for African labor to return to the mines in sufficient numbers. In order to fill this gap, Chinese labor was intermittently imported between 1904 and 1910. This was only possible for the mining houses at the cost of buying off white labor with a number of concessions. These included restrictions on the use of the imported labor, namely its confinement to compounds, compulsory repatriation upon the termination of the contract and 'above all the prohibition of the employment of Chinese in an enumerated list of capacities, which obviated the risk of their ever competing with skilled or semi-skilled whites' (Denoon, 1967: 490). The Chinese were excluded from over fifty separate skilled trades and occupations which, though applicable to Chinese labor only (and not to African labor), represented a considerable broadening of the color bar (Feinstein, 2005: 75).

Upon rising labor costs (partially caused by the beginning repatriation of the Chinese labor), the mining houses retrenched workers, reduced wages and implicitly threatened to replace white with African labor. This deterioration of working conditions for white workers led to the first major strike on the Rand lasting from May to July 1907 (Yudelman, 1984: 72-73). In the meantime, the state had become increasingly aware of the acute problems associated with white (in particular Afrikaner) unemployment which it attempted to alleviate through reduced wages. Furthermore, the state was concerned about its revenues from profitable mining and largely followed the demands of the mining houses, leading Yudelmann (1982: 257) to describe this relationship as a

'marriage'. Despite these setbacks, white labor was able to cause the government to insist on 'a definite ratio in mining of 'civilised labour' to indentured natives' (Walker and Weinbren, 1961: 24). Thus, Wilson (1972: 8) argues that overall, the white miners on the Rand were able to 'entrench themselves firmly in their position of privilege' as the labor aristocracy.

One year after the Union was formed in 1910, the new South African parliament addressed the concerns of white skilled labor to preserve their vested privileges. The Mines and Works Act of 1911 regulated the 'working and inspections of mines, work, and machinery' and, of particular importance with regards to the color bar, 'gave the Minister of Mines power to frame regulations, particularly for the safety of mining operations' (Feinstein, 2005: 75). The act was not discriminatory per se but through regulations of Smuts, then Minister of Mines, the color bars on the mines were clarified and extended (Alexander, 2000: 10). These regulations were supported and opposed by white labor and mining capital respectively for reasons highlighted above. Yudelmann (1984: 88) shows that the color bar regulations were only some of many other disputes (such as wages, working hours, Sunday work) between capital and labor and not even the major one. This corroborates the fact that the color bar has not been on top of the white labor's agenda so far. However, the ever growing racial division, particularly in material terms (the cultural cleavages having been firmly established for a long time), was 'reflected in, and probably boosted by' (Alexander, 2000: 10) the industrial conflicts over the next fifteen years. During the 1913 and 1914 strikes, the color bar became especially important as an 'extremely potent political symbol' (Yudelman, 1984: 145).

Developments during WWI would once and for all cause color bar regulations to gain center stage. Up until then, the color bar had stood on two pillars. Firstly, the discriminatory regulations provided for by the Mines and Works Act of 1911 (usually referred to as the statutory, or legislative, color bar) protected about two-thirds of white miners in about 35 skilled occupations (Johnstone, 1976: 70). Secondly, the customary color bar (protecting another 20 less skilled occupations) reserved jobs for whites mainly on historical, cultural and racist grounds and was a purely informal agreement between capital and labor. During the war and owing to the fact that many miners had joined the armed forces (thus once again leading to a shortage of labor supply), the mining

companies began to erode the essence of the customary color bar by elevating non-white qualified workers into jobs formerly occupied by whites (Yudelman, 1984: 146). Simultaneously, and re-enforcing the advancement of black labor, technological innovations furthered job fragmentation and mechanization (sometimes also referred to as deskilling) which in turn increased the competition for whites by blacks. On the insistence of the white unions, the color bar regulations were buttressed by the Status Quo Agreement between capital and white labor, reluctantly agreed to by the mining houses (Lipton, 1985: 112). The agreement listed 19 occupations reserved for whites (Walshe, 1970: 75) and froze the black to white ratio average in the industry to 7.4 to 1 (Hazlett, 2008).

### *2.2.1.3 Consolidation*

After WWI, the combined impact of the postwar recession, accompanied by a general rise of the price level (creating stagflation), and a significant fall of the gold price exacerbated the continuing cost crisis in the mining industry (Yudelman, 1984: 165). From October 1919 to December 1921 the gold price fell by 30% (Alexander, 2000: 11) while the working costs had risen by 30% from 1915 to 1920 (Lipton, 1985: 113). Against this backdrop, the Chamber of Mines announced a plan in December 1921 to shed two thousand white workers in semi-skilled occupations and replace them with Africans (Hazlett, 2008), in essence denouncing the Status Quo Agreement by increasing the black to white ratio. The ensuing strike started on January 10, 1922 and lasted until March 16, 1922 (Alexander, 2000: 11). The Rand Rebellion, as it became later known, was crushed by the state with seven thousand troops, including tanks, artillery, and air support and reportedly causing 250 casualties (Hazlett, 2008). The South African Party government permitted the mining industry to erode the color bar and increase the ratio of black to white workers. In addition, in 1923, the Chamber of Mines successfully challenged the legality of the statutory color bar in the courts, which declared the Mines and Works Act *ultra vires* (Lipton, 1985). As a result, the black white ratio, oscillating between 8-9 to 1 between 1910-1918, rose to 11.4 Africans to 1 white and was back at 8.8 only in 1929 (Yudelman, 1984: 191). A third of white workers lost their jobs, while the others had their wages reduced, and overall working costs decreased again by almost 20% compared to

the immediate pre-crisis costs (Lipton, 1985: 114). Alexander (2000: 11) shows that the government, in an attempt to appease white labor, introduced the Apprenticeship Act of 1923 which set educational qualifications for apprenticeships in numerous trades, thereby giving white workers a secure position.<sup>6</sup> A rising job bar and less employment at reduced wages: labor clearly lost the battle.

However, labor did not lose the war. To the contrary, as Wilson (1972: 11) highlights, the rebellion ‘entrenched the colour bar more firmly than ever before not only in the mines but in the economy as a whole’. In the landmark 1924 election, the previous government, headed by Smuts, was tossed out in a ‘white backlash’ over the suppression of the Rand Rebellion’ (Hazlett, 2008). The newly elected, so-called Pact government between the National Party (representing the interests of rural Afrikaners, small property owners and unskilled, urban Afrikaner workers) and the Labour Party (mainly supported by the poorer strata of urban, English speaking immigrants) pursued more extensively and systematically the so-called ‘civilized labor’ policy, consistently favoring white over black labor. The events of 1922-24 also led the mine owners to realize ‘that the job bar was ‘simply not an agenda item’, and acquiesced in it’ (Lipton, 1985: 115). The color bar was reestablished and more firmly entrenched in the Amendment to the Mines and Works Act of 1926. Until the mid 1970s, the job bar was never again ‘successfully contested since the interests of white labour predominated in the deliberations of successive parliamentary administrations’ (Dollery, 1990: 120).

### **2.2.2 Horizontal controls – the migrant labor system**

According to Levy (1982: 49) the workforce on the gold mines had been ‘transient and migrant rather than permanent and proletarianized’ from the outset. The same certainly accounts for the labor force on the diamond fields, where the first migrant workers sought employment, as well. Migrant labor as such predates the discovery of gold and diamond but both qualitatively and quantitatively, mining would put migrant labor on an entirely new level by organizing it systematically.

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<sup>6</sup> The principal legislative outcome of the Rand Rebellion was the Industrial Conciliation Act of 1924 which established industrial councils, consisting of representatives of labor and capital, as the main mechanism of preventing future potential labor disputes (Alexander, 2000: 11). However, given its relative minor direct impact on the color bar it is not being elaborated on any further here. For references see Alexander (2000), Feinstein (2005), Johnstone (1976), Lipton (1984), Wilson (1972), Yudelmann (1984).

### *2.2.2.1 Foundations*

Labor shortages have been a recurrent theme in South African history and migrant labor existed well before the emergence of mining. Before the discovery of diamonds in Kimberley wage labor without colonial coercion was pursued for example on farms and public work. The motivations to earn cash were manifold and included bride-wealth, agricultural equipment (e.g. ploughs) and guns. Nonetheless, labor was chronically short, especially so at the beginning of mining (Prothero, 1974: 384). Between 1871 and 1875 each year between 50'000 and 80'00 Africans arrived at and left the mines in Kimberley respectively (Turrell, 1987: 19). On the Rand, the first shaft was sunk in 1888 and by 1895 some 51'000 African miners were employed. This number would increase to some 97'000 in 1899 (Hanson, 1996: 163) and 224'000 in 1920 (Jeeves, 1985: 266). Despite these substantial flows, the industry's need for cheap labor was hardly ever met. During the first few years of gold mining, the mine owners experienced their greatest labor shortages and 'encountered serious resistance to recruitment, and a high level of desertions by those migrants who reached the mines' (Levy, 1982: 34). Given their subjection to an internationally set gold price, relatively high white labor wages (due to the color bar), high equipment and stores costs, unfavorable tariffs and taxes as well as diminishing returns in the low grade ore, the mine owners had little influence over costs outside their relations with black labor (Lipton, 1985: 119) .

This made the efficient and effective management of labor all the more important. Introducing and extending a system of migrant labor thus served two main goals for the mining industry. On the one hand, it secured a steady supply of unskilled labor and on the other hand, reduced the cost of African wages. Despite recurring and concerted efforts on the part of the mining industry to centralize and control the labor market, recruiting remained an 'unstable, expensive, conflict-ridden enterprise' (Jeeves, 1985: 13) until the 1920s. Before that, the situation was characterized by competition over labor between the mines, a lack of control over the labor market due to the strength of independent recruiters and contractors as well as competition with other forms of employment, most notably farms and households. Independent recruiters dominated the recruitment of the South African labor market and had vested interests in a competitive environment putting them in opposition to the mining houses which were, though initially not unanimously,

working towards a centralized, monopsonistic labor recruitment system (Denoon, 1967: 482). The independent recruiters were operating on an individually small scale and remained largely unregulated throughout the 1890s. First legislation to control and supervise the anarchical situation was introduced in the Cape in 1899 and in Transvaal in 1907. However, it would take a while until the state(s) had the capacity to actually enforce the rules (Jeeves, 1985: 18).

The mining houses, eager to centralize and control this crucial aspect of the labor market were facing at once internal division as well as opposition from the farmers (*ibid*: 15). The Chamber of Mines, established in 1889, was assigned the task of promoting and protecting the mining interests, including the delicate coordination of labor policies. However, during the 1890s there was much less coordination than competition. The cheapest and easiest recruiting took place on the spot in the form of poaching on the mines of competing mining houses. Pass laws in 1896 were intended to curb the ‘stealing’ of workers but were not very effective (Jeeves, 1985: 43). Growing awareness on the part of the Chamber of Mines with regards to sub-optimal outcomes of the existing configuration of recruitment led the Chamber to establish its own recruiting organization, the Rand Native Labour Association (Wilson, 1972: 3). On the mines, headhunting for mineworkers continued unabated and in 1900 the mining magnates asked the Transvaal government to take charge of labor recruitment as a state enterprise, but the proposal was turned down (Denoon, 1967: 482). Consequently, the industry reorganized its recruiting efforts in the Witwatersrand Native Labour Association (WNLA). In the first decade of the 20<sup>th</sup> century, the WNLA was outperformed in South Africa by the independent recruiters but succeeded abroad (especially in Mozambique, being the only body allowed to recruit in the country). By 1907 all of the mining groups had either established their own recruiting departments or accepted contracts from one of the independent providers (Jeeves, 1985: 19). It was not until 1912 with the establishment of the Native Recruiting Corporation (NRC) that the Chamber of Mines began slowly to get hold of the local labor market and started to exert more and more control.<sup>7</sup> The ‘construction of a centralized

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<sup>7</sup> The recruiting organization was divided along geographical lines. The WNLA was assigned to recruit in areas north of South Africa and the NRC was responsible within South Africa and in Botswana, Lesotho and Swaziland, the former High Commission Territories.

recruiting system under the control of the Chamber of Mines' was finally completed eight years later in 1920 (Crush, Jeeves and Yudelmann, 1991: 9).

#### *2.2.2.2 Foreign migrant labor*

The severe shortage of labor just after the Anglo-Boer war was relieved by indentured Chinese labor and, in response to the repatriation of Chinese labor after 1907, by tapping new labor reserves after 1905 particularly in the Eastern Cape and the tropical areas of Central Africa. The increasing reliance on foreign labor was further exacerbated by legislative acts of the Union which prohibited the mines to recruit in rural white regions of South Africa and thus forcing the mines to expand recruitment outside South Africa (Crush, Jeeves and Yudelmann, 1991: 7).

The black labor force at large, in other words both blacks from within and without South Africa, was transient and migratory. For a number of reasons (including the competition for South African black labor with white agriculture, comparably low wages, substandard working conditions and alternative employment opportunities for black South Africans) the supply of domestic labor was insufficient and thus foreign labor became instrumental in the development of mining. As early as 1889 the sheer numbers point out this crucial role of foreign labor, particularly from Mozambique, who constituted 58 percent of the black labor force in that year (Katzenellenbogen, 1982: 38). Throughout the 1890s the portion of Mozambican labor oscillated between one-half and three-fifth of the total African workforce. In 1905 Mozambican labor still accounted for almost three quarters of the total workforce (Roberts, 1986: 505). As the mining houses successfully and with the assistance of the state diversified their geographical sources of labor recruitment over the next three two decades, this portion declined. In 1911, the total of foreign African migrant workers stood at 104'000 out of 174'000 black workers, representing 60 percent (Lipton, 1985: 385). By 1920 this number declined but still amounted to an impressive 49 percent of foreign Africans out of a total African workforce of 212'000 (Crush, Jeeves and Yudelmann, 1991: 232). The composition in this year shows the continuing importance of Mozambican labor which made up 36 percent of the total African workforce (the other 13 percent coming from High Commission Territories Botswana, Lesotho and Swaziland) (*ibid*).

A highly perplexing footnote in the context of the periodically recurring cry for labor in the history of mining is the simultaneous cut of African wages. Indeed, average African real wages (in 1970 prices) dropped from 1911 to 1951 by 17 percent and was back on par with the 1911 wage rate only in the early 1970s (Lipton, 1980). Clearly an increase in wages would have resulted in more labor being supplied to whoever paid the best wages. However, the mining houses (and farmers) alike based their arguments with respect to black labor on the 'backward-sloping supply curve'. It was argued that Africans were aiming at a specific, individually predefined amount of income and that the work period would reflect the time necessary for each worker to earn the means necessary to meet the pre-planned target (for example two guns, one bride-wealth and three ploughs). In other words, increased wages were said to reduce the amount of time necessary to work for the desired target income and therefore cause the supply of labor to decline. Unsurprisingly, later empirical research has confirmed that blacks do respond to economic incentives as well (Lipton, 1985: 121) but at the time the model of a backward-sloping supply curve was very useful for employers to legitimize the downward pressure on wages. The flipside of eliminating the single most important element of forces that would have 'pulled' labor (voluntarily) to the mines (higher wages), of course necessitated a marked tightening of the instruments and tools that 'pushed' labor (coercively) to the mines.

### *2.2.2.3 Legislation, function and the compound system*

The long-term viability of the migrant labor system within South Africa was ensured by legal provisions of the state. Given that the 'pull'-forces were not generating the desired supply of labor, mine owners were looking for other ways to force Africans to work for them. Consequently, the mining industry supported restrictions on black land ownership as well as taxes (such as the infamous hut tax) to force blacks to work for cash wages (Lipton, 1985: 119).

The first major piece of legislation of the Union<sup>8</sup>, the Natives Land Act of 1913,

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<sup>8</sup> The introduction of the Glen Grey Act of 1894 in the Cape, which had a similar direction of impact, was a historic precedence not least because the assertion that black men were lazy legitimized forcing them to work for whites while at the same time it excused the employers' inability to 'create productive relations with their African employees' (Hanson, 1996: 165).

was indeed concerned with exactly this problem. This act created two categories of land by making a clear legal distinction between white (farming) land and African Reserves and stipulating that no land could be moved from one category into the other (Ross, 1999: 88). Additionally, Africans were no longer allowed to purchase land within white areas (and, for what it was worth, vice versa) nor make use of white land in any other form than labor, thereby effectively outlawing share-cropping (*ibid*). The land ascribed to the reserves (later known as Bantustans) represented a mere 7 percent of the total land (*ibid*). Even though extended to 13 percent in 1926, it was sufficient to achieve its aim to restrict ‘land utilisation by Africans so as to increase labour utilisation of Africans’ (Horwitz, 1967: 47). Thus as much as the Land Act had an economic background it was also based on political factors in the form of ‘resistance to giving up further land and white fears of being ‘swamped’ by greater African urbanization’ (Lipton, 2007: 43) and a feeling of cultural-civilizational superiority. Mine owners were also in favor of influx control which was administered by numerous pass laws and the ones introduced in Transvaal in 1895 were indeed drafted by the Chamber of Mines (Lipton, 1985: 120). However, these laws also had a downside for the mining magnates since they tied down labor on the farms from where they could not legally be recruited and where the wages were even lower than in the mines (*ibid*).

Apart from increasing the pressure on Africans to engage in wage-earning activities, the migrant systems enabled the mine owners to pay lower wages because, as Buroway (1976) argues, the processes of ‘renewal and maintenance’ are institutionally differentiated and physically separated. In a capitalist economy, the labor force must receive a minimal subsistence wage in order to maintain itself and to be renewed as vacancies must be filled. The South African migrant labor system was characterized by a dual dependence of the labor force upon employment in the ‘regular’ economy (*in casu* mining) and the subsistence farming in the reserves. The cost of renewal were thereby externalized by the employers and shifted to the reserves. This in turn enabled the mines to pay lower wages and created a ‘reserve army of labour’ (Legassick and Wolpe, 1967: 88). There is no doubt about the support and indeed request of the mining industry for a migrant labor system and that it certainly presented an opportunity to lower African wages to below subsistence levels. At the same time, Lipton (2007: 43) hints at the fact

that the migrant labor system and its retention over a long period '*increased the opportunity costs* of Africans by providing them with alternatives to mine work'. This, as well as preferential access of farmers to African labor markets led to a continually high reliance on foreign migrants (see above). Thus, all in all the migrant labor system within South Africa in general and the 1913 Land Act and the pass laws in particular were supported by mine owners but white farmers were their main beneficiaries.

All-male compounds first housed black migrant workers during the first major recession on the Kimberley diamond fields in 1884-85 and were initially introduced as a measure against theft and illicit trading of diamonds (Beinart, 2001: 30). An attempt to extend the compound housing system to white workers failed. The system was then transferred to the gold mines on the Rand where its other major function came to the fore more clearly, not least because theft of low-grade gold rock was scarcely a problem. The compounds were a prime instrument of controlling and disciplining the huge labor force (Lipton, 1985: 125). Additionally, housing and food could be provided economically while at the same time the forming of a common proletarian identity and solidarity was countered by housing different tribal groups separately as well as due to the high turnover rate (Levy, 1982: 38-43). On the other hand, the high turnover rate was also a major cost driver because it necessitated high and wasteful expenses for recruitment, transport and training. According to Lipton (1985: 126), this was made tolerable by 'the efficient and ingenious system of recruitment and training, ruthless economy and discipline, and skilful management'.

Indeed, there is no 'natural', compelling reason why the migrant labor system and the all-male compounds (excluding the workers' families) was the most profitable for the mining industry in purely economic terms. From its inception in 1926, the Zambian copper industry for example pursued a different strategy by permitting wives and children to live together with their workers (Parpart, 1986: 36). In the South African mining industry this was not the case and it remains open to speculate how much this was owed to the interests of the mining houses and how much to racist political and cultural beliefs and fear of black urbanization and stabilization.

## 2.3 The state of the union

The modern state of South Africa in its current territorial boundaries came about as a consolidation of the previously separate colonies of the Cape, Natal, Transvaal and the Orange Free State in the Union of South Africa in 1910. This section focuses mainly on the two decades after Union, which are characterized by the often antagonistic relationship between white national (namely rural and working Afrikaners) and white 'imperial' (mainly English capitalists) interests. The political struggle over power continued to be an exclusively white affair leaving non-whites a passive minor role, if any role at all, to play. Last but certainly not least, the period coincides with a strengthening of state capacity and a broadening of its competencies. Attempts to unify South Africa were undertaken before but it was the discovery of gold that would act as the catalyst. A brief description of the events leading up to Union will thus be provided in the first instance followed by the two decades after Union.

### 2.3.1 Before Union

During the 1830s and 1840s parts of the Afrikaner community from the Cape Province migrated east- and northeastwards. In 1814 the British had annexed the Cape Colony for good and as a result the Boers lost their dominant position. Imposition of British rule, anglicization policies, restrictive laws on slavery and its subsequent abolition as well as discontent over the handling of border conflicts with the Xhosa people enforced the growing grievances of Afrikaners against the British. The Great Trek, as this migration came to be known, eventually led to the establishment of a number of Boer Republics, most notably Natalia, which in 1843 became the British Natal, the Orange Free State in 1854 and the Transvaal, or South African Republic, in 1853, which was annexed in 1877 by the British as well. Following victories over the Zulus and Pedis, the Afrikaners of the Transvaal declared independence in 1880 and won the ensuing First Anglo-Boer War. (Kinder, 2006: 375)

The Great Trek was to become one of the two seminal events in 19<sup>th</sup> century Afrikaner history (Renders, 2004: 170), the other one being the (Second) Anglo-Boer war. The British response to Afrikaner expansion was at times passive, ignoring it, and at other times, when British interests were perceived to be touched on or threatened, more

active, exercising control (Barber, 1999: 10). In a general sense, the Boers' striving for independence can be regarded to be at odds with the British claim to imperialism in southern Africa, staked out by themselves as their sphere of influence. The British perceived the possibility of rival European powers securing a foothold in the region via the Boer republics and instability from conflicts over land and cattle between Africans and Boers as the main threats emanating from independent, non-British polities (*ibid*:10).

With the discovery of diamonds in Kimberley, the British were quick to secure their claims against Afrikaner claims, heralding tensions that built up after the discovery of gold on the Rand in 1886, leading to the Jameson Raid and culminating in the Second Anglo-Boer War from 1899-1902. The Jameson Raid was conducted by Leander Starr Jameson, chief of the colonial administration in Rhodesia, and his Rhodesian and Bechuanaland policemen. The raid lasted from December 29, 1895 till January 2, 1896 and failed. The intentions were to topple Kruger and his Boer Republic by triggering an uprising of the predominantly British and German expatriates, the *uitlanders*, who had less political and economic rights than the Afrikaner citizens. The failed raid was prominently backed by leading political and economic personalities of the Cape and the Transvaal including Rhodes (who subsequently lost his office as prime minister of the Colony), senior employees of some mining houses (including Beit, Phillips and Fitzpatrick) and with the, at least tacit, knowledge of the Chamberlain government in London (Smith, 1990: 32).

The failure to gain improved rights for the disenfranchised uitlanders was used in 1899 as a pretext for war and after exchanging ultimatums, the South African War between the British Empire on the one and the two Boer Republics Transvaal and Orange Free State on the other hand broke out on October 12, 1899. The complex set of causes behind the war, disallows a reduction to either political or economic reasons. While the discovery of gold was certainly a necessary precondition and control over it a major concern for the British, there is no apparent reason why a friendly regime would not have sufficed British and mining capital interests to secure the supply of gold similar to configurations with gold rich territories in California and Canada (*ibid*: 59). Smith (1990: 37) also shows that the 'Randlords' remained politically very passive prior to the outbreak of the war (unlike before the Jameson Raid) and that 'finally and reluctantly,

they acquiesced in a war which they felt was not of their making and which they were powerless to prevent'. The war must also be assessed against the backdrop of European 19<sup>th</sup> century imperialism and the ensuing scramble for Africa. Geopolitically, Southern Africa risked becoming realigned towards Afrikaner republics antagonistic to Britain and sympathetic to British rivals, notably Germany's South-West Africa and Portuguese Mozambique (Henshaw, 1998: 542). As a result, British prestige might have very well taken a dip, being seen as weak and ineffective in Southern Africa, and possibly (in consequence of domino theory thinking) throughout the world. The mind set mentality in international affairs at the time saw the use of military force as a normal contingency of politics and colonial wars as a logical corollary of empires (Smith, 1990: 55). The Anglo-Saxon belief in cultural superiority and pride in the empire corresponded to the Afrikaners' conviction of the righteousness of their cause to fight for independence and to have God on their side (*ibid*: 55). The war ended with the Peace of Vereeniging on May 31, 1902, whereby the British re-established and secured their pre-eminence over Southern Africa. It put the Boer republics as colonies under British sovereignty, promised self-government (effectuated for the Transvaal in 1906 and the Orange Free State in 1907), introduced Dutch as an official language and left contentious issues, such as property rights of Afrikaners, Black enfranchisement and land taxes untouched (dtv-Atlas der Weltgeschichte: 381). After lengthy negotiations about its exact form, the Union of South Africa was constituted in 1910 as a 'racially exclusive, British-influenced parliamentary system' (Beinart, 2001: 78) in a unitary state replacing the regional parliaments with provincial councils.

### **2.3.2 After Union**

It is an interesting fact that all Prime Ministers of the Union until 1948 were Boer generals who had once fought against the British (Macdonald, 1953: 143). On the one hand, these men were willing to work together with Great Britain and their fellow English speaking South African citizens. Under Louis Botha, Prime Minister from 1910 to 1919, South Africa fought on the side of Britain during WWI, Jan Smuts followed a similar policy during the Second World War (WWII) and even the ardent Nationalist Hertzog once declared 'I believe in the British Empire to the extent that it benefits South Africa. But when its interests are at variance with those of South Africa, I am opposed to

it' (quoted in MacDonald: 143). At the same time, it reflects the major political cleavage of the early years of the Union, the division among whites between the Afrikaner and English communities. According to Smuts, quoted in Magubane (1996: 279), the two fundamental problems were the 'consolidation of the white race into a homogenous nationality on the one hand and on the other, their relations to the 'coloured classes''. It was not very difficult to find a working compromise on the relations between whites and non-whites. The question of reconciliation between English and Afrikaners was a much more delicate issue eventually leading to a split amongst latter.

The ruling South African Party (SAP) was a coalition of the Transvaal's Het Volk, led by Botha and Smuts, and the Free State's Orangia Unie, led by Hertzog and had a mainly Afrikaans and agricultural base while being at the same time the traditional supporter of the mines and included Anglophone politicians (Lipton, 1985: 258). The opposition party was represented primarily by the Unionist party (UP) which consisted overwhelmingly of British people and had its strongest bases in Natal, Cape Town, Eastern Cape and in the mining area around Johannesburg (Macdonald, 1953: 144). Mining also nourished a small Labour Party (SALP) that was supported mainly by English-speaking workers and had a strong base in the poorer sections of this community (Feinstein, 2005: 82). In the 1910 election the SAP won 66, the UP 38, the SALP 4 and independents 13 seats out of 121 seats (African Election Database, 2010).

Smuts was convinced of the need for the white communities to close their ranks for otherwise its position would 'soon become untenable in the face of overwhelming majority of prolific barbarism' (quoted in Magubane, 1996: 279). This policy of conciliation between the whites, which also aimed at overcoming the division between national (Afrikaner) and imperial (English) interests, was the main reason for the breakaway of the more nationalist faction, the National Party (NP), led by Hertzog in 1914. The nationalists were dedicated to the so-called 'two streams' policy, that posited the elevation of the more numerous Afrikaners, who were still mainly farmer and urban workers on par with the less numerous but economically dominant English-speaking South Africans (Carter, 1955: 142). The National Party represented the interests of small property owners, rural Afrikaners and (mostly unskilled) urban Afrikaans workers (Feinstein, 2005: 82). The division between moderate and nationalist Afrikaners went

beyond different degrees of national fervor. They also related to economic interests and demographic characteristics. In the Orange Free State and the Cape the Afrikaners comprised the majority (90 per cent in the Free State) while in the Transvaal they accounted for only 32 per cent of the voters, thereby forcing the SAP to consider English interests more than Hertzog and the Cape nationalists would have liked (Lipton, 1985: 259). In Transvaal, the SAP was also supported by wealthier maize farmers (constituting the so-called maize-gold alliance with the mines) and the less well-off farmers particularly in Northern Transvaal endorsing the NP (Morrel, 1988: 619). In general, Hertzog's agricultural base, especially in the Cape, profited less from imperial preferences than the sugar farmers in Natal and they were more inclined to freer trading policies especially with Germany (Lipton, 1985: 259).

Policy towards the mining industry was another source of division. According to Clark (1994: 39), by the end of WWI, minerals 'accounted for nearly three-quarters of the country's exports, which in turn provided nearly half of South Africa's national income'. The economic policies of the SAP-led governments were characterized by their sympathy for the needs of the mining industry, particularly in the areas of labor and trade policies. By the early 1920s South Africa still had no real industrial policy and the government remained anti-protectionist in outlook (Handley, 2008: 37). This is not to say the mines had it all their way, indeed Lipton (Lipton, 1985: 259-260) shows that the taxes of 42 per cent on profits in 1920 were high compared to 23 per cent in Rhodesia, 18 per cent in Australia and 14 per cent in the USA and the differential railway rates were biased against the mines and in favor of agriculture.

When South Africa entered WWI on the side of the Allies, the British government requested the Union to undertake military actions against German South-West Africa. Botha's government agreed and the parliament approved of it but the decision was not received very well by a number of Boer generals. The Commander-in-Chief of the Union Defence Force, General Christiaan Beyers resigned and wrote: 'It is sad that the war is being waged against the 'barbarism' of the Germans. We have forgiven but not forgotten all the barbarities committed in our own country during the South African War' (Bunting, 1964). Only a few weeks after the parliament's approval, armed rebellion broke out on the northern frontier of the Cape under the leadership of Maritz (after whom the rebellion

was named) and quickly spread to the northern Free State and the Transvaal. The rebellion was easily quelled by the overwhelming force of the regular army and a lack of proper organization and supplies on the part of the rebels (Davenport, 1963: 74). Regardless of whether the rebellion was reflecting a genuine attempt to reconstitute independent republics or mere isolated and spontaneous outbursts of discontent to the government's decision to invade South-West Africa, it exemplifies the Afrikaans-British cleavage very clearly.

In the 1915 election, one year after the party political split amongst Afrikaners, the new National Party garnered 27 seats out of 130 (29 per cent), coming third after the South African Party with 54 seats (37%) and the Unionist Party with 40 seats but before the distant Labour Party with 3 seats and 6 independent seats (African Election Database, 2010). The SAP thus lost its majority and became increasingly reliant in the parliament on the Unionists, which it absorbed in 1921 and as a consequence regained absolute majority (Yudelman, 1984: 21). Lipton (1985: 260) argues that the ensuing changing power base and policies of Smuts (who took over leadership in 1919 after the death of Botha) mirror a shift of power to mining and imperial interests in the years 1920 to 1924. This is reflected by Smuts' support of the 1922 Rand Rebellion over the job color bar, as well as implementing further measures aimed at reducing mining costs such as reduction of mining taxes, railway rates and import duties on food, while not imposing levies on manufactured goods and cutting poor relief (paid for by mining taxes) (Lipton, 1985: 260). On all of these issues, the mining industry's interests were in direct contradiction to the farmers (on food prices), manufacturers (on protectionist measures and free trade) and white workers (on the color bar and higher levels of state aid). However, there was little room to maneuver for Smuts. He needed the Unionists who brought along generous contributions to the party, the support of the English press and English votes. In addition, the contribution of the mines to national income, amounting to 21% in 1920, was the major source of government revenue and foreign exchange (*ibid*: 261). His position became politically unsustainable as a result of this heavy leaning towards English interests in general and mining in particular, which were in direct contradiction with those of the majority of the electorate. As a consequence, in 1924 the South African Party was defeated at the polls by a coalition of the National and the Labour Party, winning 81

of 134 seats (63 for the National party and 18 for the Labour Party) (African Election Database, 2010). The two seemingly disparate parties gained a majority of the seats and combined to form the Pact government (Feinstein, 2005: 82).

The rise to power of the Pact Government has been widely cited as one of the two turning points in modern South African history (the other one being the election of the National Party government in 1948) (Yudelman, 1984: 23). Apart from the above discussed repercussions, it generally also led to a shift away from laissez faire principles towards a higher degree of state involvement. On the other hand, Handley (2008: 39) shows that the new government's increased involvement should not be overstated. Eskom was already created under Smuts in 1923 and state involvement is as much defined by what a state does and what it doesn't do, *in casu* namely nationalization, which was perceived to be neither economically feasible nor politically desirable. Real change did occur with regard to increased protectionist measures supported by white unions, white farmers and small manufacturers but opposed by commerce and the mining industry. The latter was also in opposition to the parastatal iron and steel corporation, Iscor, which was established in 1928 but began production only in the early 1930s (Lipton, 1985: 265). In general the range of these policies reallocated the costs away from white agriculture, labor and manufacturers to the mining industry.

The change in government reflects the growing assertiveness of Afrikaners which can be seen most clearly in political and cultural policies. Dutch, the second official language of the Union was replaced by Afrikaans in 1925 and bilingualism was required for state sector employees, slightly favoring Afrikaners over English who were not always as perfectly bilingual as the Afrikaners (*ibid*: 266). The republic's own anthem (*Die Stem van Suid-Afrika*) was first sung publicly in 1928 at the official hoisting of the national flag (*Prinsevlag*), even though it would only be accepted as the official anthem in 1952.

#### 2.3.2.1 *The non-whites*

The group of non-whites included the coloureds (mainly from the Cape), the Indians (from Natal) and the ethnically diverse blacks. Their common political characteristic was their marginalized and consequently weak role in the political system, based on virtual

exclusion. In all of the four colonies/republics, the whites had established their supremacy over non-whites in principle but to different degrees well before Union. The Act of the Union in 1910 allowed varying provincial electoral systems which in the case of the Cape Colony provided a limited franchise for blacks (until 1936) and coloureds while outside the Cape, the franchise was restricted to white men (Worden, 2000: 79-80). The non-whites politically weak position was amplified by economical weakness. As shown above, the color bar provided the necessary legal framework to lock non-whites in unskilled, low paying jobs and the blacks were dispossessed of their land, most notably in the Land Act of 1913. Conceptualizing 'blacks' as a group is somewhat misleading as it implies a degree of unity which was not at all given. There was no unified black nation in South Africa but the blacks were separated by different languages, cultures and political systems. Indeed, they had been at war with each other directly, most notably during the *Mfecane*, and indirectly through their involvement in the wars between the British and the Boers. Among Africans, class division in general and the rural-urban cleavage in particular were also major obstacles for a unified African voice. The establishment of the ANC (then still the South African Native National Congress, SANNC) in 1912 for instance was largely driven by a small urban elite, united by their political exclusion.

## 2.4 Conclusion

The mining industry played a pivotal role in the socio-economic organization of early modern South African society. The mining industry itself was determined to a large extent by the huge amounts of capital and labor that was required for the extraction of the geologically not readily accessible gold. In combination with a globally fixed gold price, the easiest and indeed almost exclusive place for cost reduction was labor, which made an efficient and effective management thereof even more crucial.

The two single most important areas of labor policy were the vertical and horizontal controls. The color bar was initially not hotly contested by the mining magnates who indeed shared its underlying racist assumptions. Furthermore, at its inception the color bar merely regularized the prevailing division of the labor force between skilled and non-skilled workers along racial lines. However, the artificially increased labor cost added to the already high tension between white labor and

employers, leading to the Rand Rebellion. The strike was resolved in favor of the employers but later reversed to the point that the color bar, now also legally consolidated, was simply not an agenda item anymore. Migrant labor had been a characteristic of mining since the beginning of mining as had labor shortages. This was largely due to the lack of attractiveness to work in the mines. The mining houses rejected a strengthening of the 'pull' forces to attract more workers through higher wages and better working conditions on the basis of a (later falsified) 'backward sloping (labor) supply curve'. In turn the 'push' forces were augmented, notably through land restriction and taxes, forcing (black) labor to work on the mines and elsewhere. This secured the mining industry black wages below subsistence level, leading to criticism of 'super-exploitation'. To what extent the migrant labor system was economically beneficial for the mine owners and at which stage opportunity and other costs associated with the system exceeded the benefits remains unclear. The mining industry, spearheaded by its Chamber of Mines, succeeded in controlling the recruitment of African labor by the early 1920s, a business field which up until then had been in the hands of independent contractors.

During the period covered in this chapter, capital can be divided into national (overwhelmingly non-mining) and international (overwhelmingly mining) capital based on their respective social base and the nature of their inducement, necessary for capital to be invested, which in the latter case was the accumulation of international purchasing power. This cleavage overlapped with the ethnic division between Afrikaner and Englishmen that also contributed, amongst other reasons, to the Anglo-Boer war which secured British domination. Even though the first governments after Union were led by Afrikaners, they were widely perceived by nationalist Afrikaners as cozying up too much to English interests. After splitting away from the governing party in 1914, the National Party in coalition with the Labour Party was able to win the election in 1924, form the so-called Pact government and pursue more South Africa-first policies of protectionism and state intervention in favor of internally oriented capital (whereby South Africa was conceptualized as white and preferentially Afrikaans).

The notion that the 1920s mark a shift in the relation between mining capital and state therefore rests largely on the two (partially interlinked) arguments that *firstly, mining capital lost the war against the color bar and secondly, the political ascension of*

*the nationalists led to a shift of power from mining to non-mining capital.* While these developments indicate a loss of power on the part of mining capital, its high degree of concentration and homogeneity prevented its domination by the state.

### 3 The long 1970s conjuncture

This chapter covers the period from the 1920s until the 1970s and in some instances beyond. The main reason behind this extension of the 1970s into the ‘long 1970s’ stems from the fact that those developments that did not culminate in structural changes in the 1970s were at least already evident but took a few more years to materialize. One such example would be the color bar, which became increasingly contested already in the late 1960s/early 1970s but was only given up in 1986. The most notable instance was the political changes where the tendencies which were to lead to the abandonment of apartheid were already evident in the late 1970s but which took more than a decade to fully actualize with the introduction of majority rule in 1994. However, most of the fundamental changes covered in this chapter fall within a timeframe ranging from the 1970s to the late 1980s, or the ‘long 1970s’. The structure of this chapter follows the one from the previous period, elaborating firstly on mining capital related aspects, followed by labor and state issues and a conclusion.

The main point of this chapter suggests that *the long 1970s represent a shift in the balance of power in favor of the mining industry while leaving the basic notion that both state and mining capital are not able to dominate each other wholly intact*. The reasons for this shift are to be found both in instances directly related to the mining industry and in others located at a more general level. The dismantling of major apartheid economic policies in general and the abandonment of the job color bar in particular are indicative thereof. Furthermore, the mining industry was able to keep the migrant labor system in place despite a major development towards internalization<sup>9</sup> and the growing convergence of attitudes towards the proper role of the state among Afrikaans and English South Africans (notably capitalists) and provided a stronger basis more generally for the advancement of business friendly legislation.

#### 3.1 Capital

This part assesses the developments within the capitalist sections of South African society as well as the changing economics of mining. In both regards, the 1970s mark an

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<sup>9</sup> Internalization refers to the replacement of foreign black labor by South African black labor.

important break with the past. The previously dominating division between Afrikaner and English capital had been declining in the wake of a successful industrialization and continuous economic growth. The changes in the economics of mining included most notably the abolition of the gold standard in the context of the breakdown of the Bretton Woods system and the related expansion of production, the declining importance of gold in the South African mining industry in combination with a diversification of the sourced minerals and thirdly, mechanization.

### **3.1.1 The economics of mining**

#### *3.1.1.1 Rising gold price and expanding production*

As a result of the Great Depression in the late 1920/early 1930s, Britain abandoned the gold standard in 1931. This in turn forced other countries, most notably autonomous members of the Commonwealth, including South Africa, to decide between aligning their currencies with the British pound in the sterling area or fixing them on some other basis. Given South Africa's heavy dependence on Britain as a source of capital for the South African economy in general, and particularly for the highly capital-intensive gold mining industry, as a market for agricultural exports and due to Britain's determination to sustain the sterling area for wider political and strategic reasons, South Africa became a member of the British currency block area from 1933 (until the disintegration of the area itself in the 1970s) (Henshaw, 1996: 201).

While the South African pound, and after 1961 the South African rand, was therefore effectively linked to the British pound, the gold price became fixed at 35 US dollars in 1934 and did not rise until 1970 (Lipton, 1985: 111). The duality of a fixed gold price and a local currency pegged to the British pound meant that exchange rate movements could and indeed did result in higher returns received by the mines. The two substantial price rises in 1932 and 1949 significantly stimulated the expansion of gold production. They furthermore eased the effects of the wartime and post-WWII inflationary pressure and rapidly rising working costs, which in turn increased the ability of the mining industry to start new mines (Jones and Müller, 1992: 155).

After the British retreat from the gold standard in 1931, and under growing internal pressure from mining, agriculture and manufacturing, the government deviated

from its initial stance of staying on the gold standard at the end of 1932 (Henshaw, 1996: 205). This came as a welcome windfall to the mining industry as the devaluation of the South African pound in terms of gold to the same level as the pound sterling resulted in price rise of gold in US dollar by almost fifty per cent (Jones and Müller, 1992: 152). The fixed price of gold at 35 US dollars shortly thereafter in 1934 represented yet another increase equivalent to 67 per cent when compared to the level prior to the late 1932 devaluation (*ibid*). This rise had numerous positive effects in terms of taxes, employment, foreign exchange, stimulation of economic activities directly and indirectly related to mining, higher dividends but most importantly it provided the much needed impetus for the expansion of mining in general and gold mining in particular. It also allowed to extend the life span of existing mines as previously uneconomic ore reserves turned profitable, to reopen marginal mines that had been closed and to develop 13 new mines by 1935 (*ibid*: 153).

While the US dollar price remained fixed, the sterling price of gold rose steadily albeit slowly until the next major increase in 1949. In September 1949, the British and South African pounds were simultaneously devalued which resulted in a threefold increase to 248s 3d an ounce of gold compared to the early 1932 level of 85s (*ibid*: 155).<sup>10</sup> Prolonged and expensive exploration activities had been undertaken since the departure from the gold standard at the end of 1932 and by 1939 goldfields in the Orange Free State had been discovered which were to become the country's richest reserves (Feinstein, 2005: 166). Delayed by WWII, the development of these mines started in 1946 and the first gold was produced in 1951. By the end of the 1950s 22 new mines had begun production on the Free State fields, which produced an impressive 60 per cent of total South African gold output and contributed 79 per cent to the working profit (*ibid*). Within the context of gold mining expansion into the Free State which was severely undeveloped and lacked basic amenities such as roads, railway, airports, electricity and water, Anglo American played the leading role and as a result became the dominant house on the new fields and in the country as a whole (Jones and Müller, 1992: 157).

Over the course of the 1960s, production of gold declined on some fields such as the old Central and East Rand fields but were more than offset by increases on other

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<sup>10</sup> Before decimalization in 1971, one pound consisted of 20 shillings (s) and each shilling of 12 pence.

fields in the Free State and on the Far West Rand (*ibid*: 258). By 1970 production peaked at its all time record level of 32 million fine ounces of gold from 80 million tons of ore treated (Feinstein, 2005: 205). In subsequent years the tonnage of ore milled would steadily increase while at the same time the amount of gold produced would slowly but continuously decline. In 1977 gold output totaled 22.5 million fine ounces from 76.7 million tons of ore milled compared to 21.6 million fine ounces from 113.8 millions of milled ore eight years later (*ibid*: 206). Furthermore, gold mines came once again under financial pressure as the costs of production had been spiraling upwards while the gold price only rose slowly and indirectly through British and South African pound devaluations. Indeed, by the early 1970s many mines only survived with government assistance while others depended on profits from uranium as a by-product of gold production or concentrated on production of higher grades of ore which could be mined at cheaper rates (*ibid*: 203). Relief came with the international retreat from the Bretton Woods system in the 1970s. The first and for the gold mines most important step came in 1971 when the United States suspended her practice to trade gold at \$35 per fine ounce. The immediate effect on the gold price was less marked because of the concomitant depreciation of the US dollar (Jones and Müller, 1992: 260). Over the mid-term however, the dollar price of gold rose rapidly and reached almost \$200 by 1978 (Feinstein, 2005: 204). By 1976 all major currencies were floating, the official price of gold was abolished and gold was internationally demonetized. As a result, gold no longer served as either a medium of exchange or a standard of value and the gold price became determined by market forces (*ibid*: 203-204).

### *3.1.1.2 Declining share of gold and diversification of mining*

At the same time as gold production expanded significantly from the 1920s onward and peaked in 1970 (only interrupted by WWII), the share of gold compared to other mining output declined. After a temporary increase in gold sales as a portion of total mining sales from 76 per cent in 1930 to 91 per cent in 1940 it continually declined to 63 per cent in 1960 and 53 per cent in 1970 (Jones and Müller, 1992: 161, 273). This process was stopped and temporarily reversed in the 1970s and early 1980s by the rising gold price which more than neutralized the declining gold output and in consequence obscured to

some extent the growing importance of other minerals.

Among the other minerals, diamonds had the longest tradition and continued to prosper in the postwar period when it profited from an unprecedented strong demand for gemstones. Between 1950 and 1970 diamond production roughly quadrupled but nevertheless remained relatively unimportant contributing only between 3 and 5 per cent of the total value of mineral production (Feinstein, 2005: 171). Coal on the other hand was much more crucial for industrial development. Little coal was exported before the 1970s. Most (roughly 60 per cent) was used for power generation and, due to large reserves of coal and price controls, the price of coal was low by international standards (Jones and Müller, 1992: 268). The contribution of coal to the total value of mining output increased from 6 per cent in 1960 to 20 per cent in 1985 and became the second most important mineral (*ibid*: 271). Together with gold it contributed 79 per cent to total mining output in 1985. Technological breakthroughs leading to new beneficiation techniques in the 1960s, increased demand for coal as a result of the oil crises in the 1970s and improved transport infrastructure such as the electrified railway line from the coalfields of Witbank to the enlarged Richard's Bay harbor secured coal its newly acquired status as a large earner of foreign exchange (*ibid*: 268-269).

The other significant development in the diversification of the mining industry was the rise in the contribution of minerals other than gold, coal and diamonds from 14 per cent of the value of total sales in 1950 to 35 per cent in 1970 (Feinstein, 2005: 172). Among the other minerals, copper was initially the most important mineral whose value temporarily overtook that of coal by 1970. Further minerals included the platinum group metals, asbestos, iron ore, manganese ore, vanadium, antimony, chrome ore, phosphates, tin and others, whose contribution were relatively small but quite often ranked high in terms of their share of world production (Jones and Müller, 1992: 275). Over the course of the 1980s, the platinum group metals (pgm; notably platinum, palladium and rhodium) replaced copper as the single most important contributor to the value of the other minerals (other than gold, coal and diamond that is) and overtook coal as the second largest foreign exchange earner (Feinstein, 2005: 211).

### 3.1.1.3 *Mechanization and increased productivity*

Aided by the widespread use of electricity instead of steam power, significant advances in the mechanization of both underground and on the surface operations were made in the post-WWII decades. These technological improvements include mechanical scrapers to clear broken rock from the rock face, equipment for loading and lifting the ore, locomotives in place of laborers to move underground wagons and pneumatically operated machinery replacing hand tools (Feinstein, 2005: 168). Notwithstanding, labor productivity (measured by the amount of ore treated per person employed) remained static until the 1960s, when the delayed effect of mechanization materialized and more efficient use of the workforce was achieved thus raising productivity from 159 tons per worker in 1945 to 193 in 1970 (*ibid*: 170). These productivity gains in combination with continued resistance to any significant improvements in real wages for African miners resulted in a roughly threefold increase of working profits over the same period (*ibid*)

Rapidly rising African wages in the context of the internalization of the workforce in the 1970s intensified the incentives to mechanize and aggravated the shortage of skilled and semi-skilled labor that had already arisen earlier as an implication of mechanization (Lipton, 1985: 117).

### 3.1.2 **Mining and non-mining capital**

As shown above, the early division between mining and non-mining capital was overlapped by an ethnic and cultural cleavage between Afrikaans and English speaking whites. The growth in manufacturing, the diversification of mining capital into non-mining activities and vice versa as well as the socio-economic upward movement of a large part of Afrikaans society, all contributed to a significant degree of merging of these previously antagonistic forces. These developments were made possible first and foremost because of continuing economic growth after the Great Depression in the late 1920s/early 1930s until the early 1970s. After the worldwide-recession in the wake of the first oil-crisis, South Africa was able to temporarily return to growth but descended into decline almost throughout the entire 1980s in terms of average GDP per capita (Marx, 1992: 665-667). While it is hard to quantify the actual impact of state intervention in the period under consideration the state's success in securing the Afrikaans speaking white

population a greater share of the economic pie is undisputed. Therefore, the point can be made that with regard to the successful transformative measures aimed at increasing the Afrikaners' share of the economy, the Nationalist apartheid government became the victim of its own success as it undercut the appeal of Afrikaner nationalism to its base which in turn increasingly developed a more market-oriented view similar to those of the English.

At the origin of the growing overlap of Afrikaner and English capitals' interests was the growth of the industrial sector. This sector's<sup>11</sup> contribution to GDP rose from 12.4 per cent in 1928, to 23.3 per cent in 1948 and to 30.8 per cent in 1970 (Feinstein, 2005: 129, 144). The role of manufacturing in particular was important. The share of manufacturing (and construction, which contributed between one-sixth to one-seventh to this share) increased from a mere 5 per cent in 1911 to 27 per cent in 1970 (Lipton, 1985: 380). Simultaneously, ever more people were being employed in the second sector. Manufacturing alone increased its workforce by factor of ten over the course of fifty years. The absolute number rose from a total of 132'000 workers in 1924/25 to 1'307'000 in 1975 (Jones and Müller, 1992: 67, 172, 301).

As shown in the previous chapter, the 1920s were characterized by a struggle between mining and non-mining capital which in turn favored the latter at least in the political arena with the seizure of the state by non-mining interest in the Pact government. Protective measures such as tariff barriers, the establishment of the parastatal iron and steel corporation ISCOR (though production only started in 1934) and expanding infrastructure were subsequently strengthened (Bienefeld and Innes, 1976: 46). During the 1920s, industrial output continued to grow strongly until the Great Depression of 1929. From 1929 to 1932 industrial output (minus 19 per cent in terms of value and nominal terms) and employment (minus 12 per cent of the total workforce) declined heftily (Feinstein, 2005: 122). The main proximate causes of the recovery from the depression were the above discussed concomitant currency devaluation, increase of the gold price in the early 1930s and the resulting expansion of gold production (Jones and Müller, 1992: 167). The subsequent boom was supported by the inward-oriented program of industrialization put in place in 1925 by the Pact - and continued by the

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<sup>11</sup> In addition to manufacturing this included construction, electricity, gas and water.

Union government after 1933 - as well as an increased (though still comparatively small) local market (Schneider, 2000: 417). In 1939, manufacturing output had tripled and the number of (white) jobs doubled compared to 1925 (*ibid*). The Second World War provided yet another very strong stimulus for industrial development and this time South Africa was better positioned to capitalize on the opportunity than it had been in WWI. Manufacturing output doubled between 1939 and 1949 and the industry was transformed by introducing large-scale, standardized mass production. It also diversified beyond jobbing<sup>12</sup> and maintenance work by the production of goods such as armored vehicles, trucks, weapons and the establishment of a heavy industry spearheaded by ISCOR (Feinstein, 2005: 123). In the post-war era GDP growth per capita continued unabated at an annualized rate of 2.2 per cent from 1950 to 1973 (compared with 1.3 per cent between 1913 and 1950) (*ibid*: 145). The recession that followed the first oil shock in 1973 marks the turning point in the growth trajectory in apartheid South Africa. From 1973 to 1983 (measured at constant prices) GDP per capita *stagnated* and even started to decline after 1983 (by a 1.2 per cent per annum in the period until 1994) (*ibid*).

The significance of this with respect to state-mining capital relations lies in the extent to which the measures taken by the state altered the ownership structure of the means of production and how this affected the nature of state-capital relations in general. By 1948 Afrikaners were controlling 25 per cent of commerce, 6 per cent of industry and finance and only 1 per cent of mining (*ibid*). The great majority of these businesses were small, at times family operations, or cooperatives established to purchase agricultural supplies and market farm produce (Feinstein, 2005: 178). In order to address these inner-white economic differences (per capita income of Afrikaners was half that of English-speaking South Africans in 1946), the government pursued a three-pronged strategy to secure the success of '*volkskapitalisme*' (literally 'peoples' capitalism'): new discriminatory laws were added, the bureaucracy and parastatal sector was expanded and a variety of social-security programs introduced to uplift the poor white population and redistribute wealth (Terreblanche and Nattrass, 1990: 12). Naturally such a strategy required a greater degree of state intervention. As the National Party came to power on 'an 'anti-capitalist' platform, whose proclaimed apartheid policy promised drastic state

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<sup>12</sup> Jobbing work refers to piece production as opposed to mass production.

intervention in the functioning of the labour and other markets, and the strict state regulation of all sectors of the economy' (O'Meara, 1996: 80), the English business community was rather worried about the prospects. It didn't turn out as bad for the English as was feared because the government succeeded in its 'Afrikaner first'-policies while not harming the capital interests at large (*ibid*: 81). The redistributive effects did not reverse English economic dominance even though it increased the Afrikaner economic share in selected sectors: by 1975 18 per cent in mining (compared to 1 per cent in 1948), 15 per cent in manufacturing (6), 25 per cent in finance (6) and as the exception to the rule 16 per cent in trade and commerce (25; though still an increase if compared to the 8 per cent share in 1938/39) (Giliomee, 2003: 543). Overall, the Afrikaners' share rose from 6 per cent in 1948 to 21 per cent in 1975 (or 45 per cent if one includes the state corporations) (Nattrass and Seekings, 2010: 29). The expansion into the mining and industrial sectors (in the agricultural sector, the Afrikaner share has stayed above 80 per cent over the same period) was spearheaded by two financial institutions, most notably Sanlam and to a lesser extent Volkskas (People's Treasury) (*ibid*). The former acquired, through its subsidiary Federale Mynbou (Federal Mining – Fedmyn), a substantial part in a leading mining house from Anglo American in 1963 (Feinstein, 2005: 179).

The declining differentials between Afrikaans and English speaking whites can also be seen in the urbanization rates and the occupational structure. In 1936 only 48 per cent of Afrikaners were urbanized compared to 88 per cent of English speakers; by 1974, the former's share increased to 88 per cent (compared to 95 per cent of urban English speakers) (Lipton, 1985: 389). With regards to the occupational structure: in 1936, 28 per cent of the Afrikaners were employed in white collar jobs, 32 per cent in blue collar jobs and 41 per cent in agriculture (the corresponding numbers for the English are not available for that year). These numbers also changed significantly until 1974 when 65 per cent of Afrikaners were working in white collar positions, 27 per cent being employed in blue collar jobs and only 8 per cent in agriculture (*ibid*). This upward socioeconomic movement of an entire group was reflected in virtually any other social, political, cultural or economic indicator and it is estimated that by 1971 20 to 30 per cent of the South African economy was controlled by Afrikaner capital (Handley, 2008: 45).

In turn, the diversification of mining capital across the entire domestic economic spectrum (and not directly related to their core business) also contributed to this merging of interests. This was on the one hand a response to the economics of mining and the need of the original mining houses to secure 'reliable sources of finance and backward linkages into manufacturing to secure machinery etc.' (Nattrass and Seekings, 2010: 28), and on the other hand exacerbated by exchange controls. The result was an unusually high concentration of capital across both mining and non-mining sectors. Anglo American for instance controlled 53.6 per cent of the Johannesburg Securities and Stock Exchange (JSE) market capitalization and the top five corporations (AAC, Sanlam, SA Mutual, Rembrandt and Directors) together 88.3 per cent by 1985 (McGregor quoted in Nattrass and Seekings, 2010: 28).

The repercussions with respect to the state-capital relations were less obvious as the 'Afrikaners first' policies were continued throughout the 1970s and the English still relatively excluded from government. Nonetheless, this level of capital concentration remained significant. Due to the above outlined diversification of many capitalists' interests but also because of increasing mechanization in all sectors and growing capital-intensity (resulting in evolving preferences vis-à-vis labor market policies), the views among Afrikaans and English capitalists began to converge and unite them in their opposition towards apartheid measures whose costs to do business were judged to have become higher than the potential gains (*ibid*: 227). Afrikaner businessmen began to develop a distinct sense of their interests as businesspeople more so than as Afrikaners. Even though a survey among senior business leaders from the late 1960s revealed that differences between the two groups still existed, more than 70 per cent attached little significance to their ethnic background (Adam, 1971: 80-94). By 1972, the position of the *Afrikaanse Handelsinstituut* (Afrikaner board of commerce) became 'indistinguishable' from its English counterparts espousing classic free market and anti-state intervention tenets (Greenberg, 1980: 190). Business was equally united first in its worries about international isolation and boycotts as well as later, by the late 1960s, in its calls for changes which would 'help our friends in the West to help us' (Gerber, quoted in Lipton, 1985: 232).

Thus, by the 1970s capital was much more consolidated as large swathes of the

economic assets were concentrated in few conglomerates. The cleavage between English and Afrikaners had subsided significantly as the latter have moved upward in socio-economic terms in general and their respective business communities in particular became virtually indistinguishable.

## 3.2 Labor

This section continues the journey started in the second chapter and tracks the development of the two single most important elements of control over (black) labor: the color bar (vertical controls) and the migrant labor system (horizontal controls).

### 3.2.1 Color bar

As shown in the second chapter, the color bar had become an undisputable matter of fact by the mid-1920s. The period up to the 1970s saw its continuation as well as extension and tightening under the post-1948 governments. Beginning in the 1960s however, the dysfunctional elements of the color bar labor policies grew and its constraints became more evident. A continued maintenance of the economically costly provisions was beginning to be more widely opposed and led to the eventual abandonment of the color bar in the mining industry in August 1987.

#### 3.2.1.1 *Continuation and extension*

The discriminatory 'civilized' labor policies of the Pact government from 1924 to 1933 were to be continued by the successive governments between 1934 and 1948. The 1924 Industrial Conciliation Act provided for the recognition and registration of trade unions of skilled labor and explicitly excluded in its definition of employees 'pass bearers', i.e. African men (and after the extension of passes to them, African women) (Lipton, 1985: 19). This gave white workers a key role in determining the occupational structure, access to training, and wages. Furthermore, the Act provided for the establishment of industrial councils (comprised of registered unions and employers) which enabled white workers to exclude non-whites by setting minimum wages for non-whites at levels at which it became unprofitable to employ non-whites (Feinstein, 2005: 87). In industries in which workers and employers were not organized, a three-man wage board, established by the Wages Act of 1925, regulated wages and conditions of work (Lipton, 1985: 19). In their

difficult task to improve wages and working conditions for white workers while at the same time preventing employers from replacing them with black labor, both acts had to be amended several times but 'backed up by pressure on private employers exercised by the government through the tariff system, and by wider cultural pressures to conform exerted by the white society as a whole [...] the legislation finally succeeded in its primary aim' (Feinstein, 2005: 87).

The devaluations of 1933 and 1949, the opening of the rich OFS goldfields, the exploitation of uranium as a by-product and major savings in the costs of white labor saved the mines from another cost crisis despite the constraints on profits by the need to accommodate the interests of the white working class (Lipton, 1984: 116; Crush, Jeeves and Yudelmann, 1991: 82). After the National Party (NP) took over from the United Party in 1948, the 1950s saw an extension of the color bar in the mining industry and its entrenchment in the 1956 revision of the Mines and Works Amendment Act (Crush, Jeeves and Yudelmann, 1991: 83). In the state sector, hundreds of blacks were dismissed and replaced by whites at higher wages, while in the private sector the NP supported the job bar by tightening it on the mines and extending the statutory job bar to manufacturing and commerce as well (Lipton, 1985: 24).

As a result, the ratio of black and white labor employed in the gold mines narrowed while the income gap between the two widened. In 1920, for each white worker, there were 7.9 black workers employed. As shown above, this ratio increased in the aftermath of the Rand rebellion to a high of 11.4 in 1922 but continuously decreased thereafter to 8.8 in 1929, 8.11 in 1940 and to 6 in 1953 (Yudelmann, 1984: 191; Crush, Jeeves and Yudelmann, 1991: 83). Conversely, the income gap between black and white mine workers increased: in 1921, whites earned 15 times more than blacks, a factor that first decreased to 11.3 in 1930 and 12.1 in 1940 but increased again to 14.6 in 1951, 16.9 in 1961 and to a staggering 20.9 in 1971 (Lipton, 1985: 388).<sup>13</sup>

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<sup>13</sup> The African wages on which these ratios are based did not include payment in kind, which formed a high proportion of remuneration (48% in 1977). Changes therein obviously affected total remuneration and in turn changed the ratio as well.

### 3.2.1.2 *Pressure and resistance*

By the 1960s, mounting costs and a growing shortage of white workers for protected, skilled jobs were pressing on the mines. Faced with increasing difficulties to obtain the required number of skilled white workers, occasional attempts to erode the restrictions posed by the color bar with respect to the employment of African miners in skilled or semi-skilled jobs, were always defeated by the white trade unions with the support of the government (Feinstein, 2005: 168).

In 1964-1965, the Chamber of Mines embarked on an experiment to relax the color bar. In twelve mines, selected black, so-called 'boss boys' were given additional responsibility in return for slightly more money. While this act may have been merely a first step in a conscious, thoroughgoing restructuring of the color bar, its immediate effect was marginal as the promoted black workers would only do a small amount of work formally reserved for white miners. Indeed, there a clandestine development in this direction had evolved for some time. As a result of skill shortages and productivity demands, white miners required their black coworkers to do part of their work for them, a situation, the Chamber and the Mine Workers Union (MWU) tried to formalize and extend in negotiations in which a package of concessions from both sides was made and sanctioned by the government. The initial support however faded as opponents grew in number, building on dissatisfaction among the rank and file of the union, and intensified their opposition in violence and wildcat strikes by early 1965. Due to the political sensitivity of the white mine workers' privileges, political pressure was mounting as well and by mid-1966 the dispute had become a national issue until finally the authorities put an end to the exercise. The elections in the divided union in the same year saw the voting out of the incumbent union leader who had supported the experiment and installed a more militant faction. As a whole, the mining industry pressure on the color bar had produced reverse results as it aroused the hostility of and politicized the MWU without reforming the discriminatory and costly labor policies. (Crush, Jeeves and Yudelmann, 1991: 85-88)

Nonetheless, disputes around the color bar continued throughout the 1960s and early 1970s, most notably with regards to the application of the color bar in mines which wholly or partly lay in the Bantustans. In either case, the government eventually caved in to the persistent union pressure against any breach of the color bar (*ibid*: 90).

The Chamber of Mines had therefore come to believe by the early 1970s that the main obstacles to the abolition or at least reform of the color bar were the mining unions rather than the government. Cooke, a former senior Chamber official, stated in 1971 that 'basically it is the opposition put up by the trade unions which is the restricting factor. The government has been very reasonable with the mining industry in these matters' (quoted in Crush, Jeeves and Yudelmann, 1991: 91). Indeed, the government had liberalized its labor policy to a certain extent by the late 1960s for urban employers, though not the mining houses. The so-called 'floating' job bar provided for the fragmentation and/or reclassification of traditionally white jobs while at the same time black advancement was still severely constrained as there were a number of qualifications that accompanied the 'floating' job bar (Lipton, 1985: 33). These were thus merely earliest and faintest signs of changes in labor policies related to the color bar.

### *3.2.1.3 Erosion and abolition*

As early as 1955 Harry Oppenheimer, then deputy chairman of the Anglo American Cooperation, discussed the limits of the restrictive labor legislation both in political and economic terms (Oppenheimer, 1956). While he conceded that it is the only way for white workers to retain proper security, he also emphasized the need to pursue reforms similar to those achieved on the Zambian copper belt, where 24 categories of jobs previously done by Europeans had been handed over to Africans in agreement with the white unions. The argumentation though went further, and was repeated during the experiment mentioned above, in that an expansion of mining (and of the economy more generally) depended on a relaxation of the job bar. However, as shown above, the mine owners did not get it their way for quite a while.

The rise of the gold price beginning in the early 1970s took off some of the pressure on the mines. Nonetheless, after the mid-1970s negotiations between the Chamber and the unions didn't yield the desired results, the industry tried to find other ways, mainly by way of new technologies and production techniques (Crush, Jeeves and Yudelmann, 1991: 94)

In 1977, two major commissions were established to look into all aspects of labor relations including trade union rights (the Wiehahn commission) and to consider other

aspects of the use of labor, most notably influx control and stabilization (the Riekert commission). The Wiehahn commission concluded in its report that the existence of statutory job reservation was ‘immensely injurious to sound race relations’, that it imposed restrictions ‘on the very category of workers [...] whose better training and utilisation are a sine qua non for the future economic growth and stability of the Republic’, and that it could ‘only be seen as an impractical and inadequate measure’ that was ‘no longer tenable’ (quoted in Feinstein, 2005: 241). In the final report on the mining industry, published only after the 1981 elections due to political reasons, the major recommendations struck directly against the militant MWU as it recommended official recognition of black unions and their formal registration under the industrial conciliation legislation (provided certain criteria were met) as well as the abandonment of the color bar (Crush, Jeeves and Yudelmann, 1991: 96).

The color bar had been under pressure since the early 1970s particularly in manufacturing and was first officially abolished in the army in 1975 when the amended military disciplinary code gave blacks in the defense force the same status as whites of equal rank (Lipton, 1985: 60). The phasing out of the color bar in the mining industry extended well into the 1980s amid fierce opposition by the unions. Progress was slow, in 1985 some relaxation was achieved when 10 percent of the apprentices employed that year were black but in August 1987 parliament finally did away with discriminatory policies and abolished the legislative color bar (Crush, Jeeves and Yudelmann, 1991: 97).

### **3.2.2 Migrant labor**

As shown in the previous chapter, the mining industry had been dependent on the migrant labor system since the beginning. The long 1970s do not mark a fundamental watershed in this regard, as the system was continued beyond the 1970s. Nonetheless, developments were becoming evident that signified a change in the system. On the one hand, during the mid-1970s the industry began to decrease its reliance on foreign labor for external reasons, largely outside its own control. On the other hand, the progressing urbanization coupled with changing dynamics in rural survival within South Africa led to an increased focus on 'commuter migrancy', allowing for daily or weekly return to the home base from the working place. Labor stabilization was legally fully allowed in the early 1980s after it had been called for by the industry, most notably the AAC, for quite some time. In the

wider system of grand apartheid, such shifts are significant because long-distance, contractual migrancy has been at the core of government policy since 1948 (Crush, Jeeves and Yudelmann, 1991: 14).

### *3.2.2.1 Expansion within confines*

Given the restrictions the mining industry faced in tapping the domestic labor force, and the low attractiveness of mine work, the Chamber of Mines began to work vigorously towards enlarging its labor supply outside South Africa after 1920. The Witwatersrand Native Labour Association WNLA successfully recruited foreign labor in Mozambique and the British protectorates (Botswana, Lesotho and Swaziland) already by the 1920s. After it acquired governmental permission to recruit north of 22° south latitude in 1932 (previously prohibited for health reasons since 1913), the WNLA began to develop transport networks, rest camps, and medical facilities to gain access to the labor pool in the new areas (Crush, Jeeves and Yudelmann, 1991: 37). This so-called ‘tropical’ labor pool was mainly drawn from northern Botswana, Southern and Northern Rhodesia (today Zimbabwe and Zambia respectively) and, most importantly, Nyasaland (Malawi). The number of tropical laborers increased throughout the 1940s, 1950s and 1960s and peaked in the mid 1970s when almost 120'000 came from Malawi alone (Lipton, 1985: 385). In 1973 the proportion of foreign workers on the mines amounted to 80% (de Vletter, 1987: 202). The dependence on foreign labor was not accidental and largely a result of low wages for black miners, the restricted access to the domestic labor pool and the belief of government and the mining industry that a foreign, contract labor system would produce a politically docile labor force (Leys, 1975: 207-208).

Despite its apparent advantages in terms of labor costs, the heavy reliance on foreign labor had major drawbacks for the mines as the events of the mid-1970s showed. The disengagement of Tanzania and Zambia in the early 1960s from the migrant labor system in the wake of decolonization foreshadowed the potential dangers from an excessive dependence on foreign labor that started to actualize in 1974 when an airplane crash killed 74 Malawian miners (Crush, Jeeves and Yudelmann, 1991: 105). Banda, then president of Malawi, recalled the migrant workers and by 1975 the Malawian workforce had declined from 120'000 to a few hundred (it would later increase again but never to

the same levels as in the early 1970s) (*ibid*). The next upheaval for the industry's foreign supply of migrant laborers was set in motion with the overthrowing of the authoritarian regime in Portugal in the course of the Carnation Revolution of 1974 and as a consequence of which Mozambique and Angola (among others but with no impact on the Rand mines) gained independence in 1975. In 1976, the FRELIMO government set up new administrative measures which drastically cut the labor flow and resulted in a fall of numbers from 115'000 at the beginning of 1976 to 50'000 at the end of the year (*ibid*: 110). In anticipation thereof, the Chamber of Mines implemented a contingency plan to replace the Mozambican workers with those from the remaining foreign countries and from within South Africa (*ibid*).

The territorial extension of the migrant labor system, which had since the beginning of mining reached into the neighboring countries and beyond, got underway and organized systematically in the 1930s and gradually picked up pace in its delivery of ever farther migrant laborers. This expansion came to a halt in the 1970s at a peak of almost 80 percent foreign workers but declined thereafter to 48 percent in 1978 and 42 percent in 1982 (Lipton, 1985: 385).

### 3.2.2.2 *Internalization without stabilization*

In addition to the declining share of foreign migrant labor, riots on the mines between 1973 and 1975 also led to the departure of thousands of miners and thereby impacted on the degree of internalization as well (Lipton, 1985: 122). Luckily for the mining houses, the rise of the gold price facilitated this major change in the sourcing of migrant labor as it provided further room to raise African wages. The mines had been increasing those even before these events in the early 1970s and by 1973 AAC had abandoned the industry-wide cap (so-called 'maximum average') and began to pay wages in excess of this maximum. The increase of wages was certainly the most significant factor in the shift from foreign to domestic labor as the real African wages trebled between 1970 and 1978 (*ibid*: 123).

Nonetheless, labor was once again critically short. In 1976 and 1977 the mines faced year-end shortages of 60'000-80'000 workers and while in 1972 320'000 recruits were needed to maintain the average total work force, by 1976 this number jumped to

544'000 (Crush, Jeeves and Yudelmann, 1991: 154). As noted above, the increase in wages eased the shortage. Meanwhile, the mines additionally employed various other means to control the labor flow among them reemployment guarantees, financial bonuses for early return to work, 'stabilization bonuses' for skilled worker upon their return on a specified date and leave certificates (issued for temporary paid or unpaid leave) (*ibid*: 156). These so-called 'career-mining' measures helped to ease the labor shortage, which was already decreasing as declining growth rates and the recession in the mid-1970s resulted in increased unemployment and the rural homelands were no longer able to provide subsistence incomes for the families of migrant workers (May, 1990: 184). Increased poverty and deteriorating agricultural production as well as a relative decline of the social and economic costs of living permanently in the urban areas (alongside the relaxation of certain influx control measures) accelerated black urbanization to a point where these dynamics could not be reversed anymore (*ibid*).

These developments, namely internalization and urbanization, lead to a renewed debate on the feasibility of a shift towards a more stabilized work force that is settled permanently more or less close to the mines as opposed to migratory workers. The stabilization debate had first emerged in the context of the opening of the Free State mines (Oppenheimer, 1956). The AAC pressed the government to let it build family housing and intended to stabilize, as a first step, 10 percent of the African miners (Lipton, 1985: 126). The intention was to stabilize the most skilled workers only as their turnover, recruitment and training costs were highest. Such a demand was contrary to the intentions of Verwoerd's government who extended migratory labor in the context of separate development and allowed only 3 percent of South African labor to be stabilized (*ibid*). However, Crush, Jeeves and Yudelmann (1991: 169) show that not even by the late 1970s had the gold mines come close to the 3 percent limit permitted by the government. Lipton (1985: 126) argues that the highly restricting color bar was inversely related to the low degree of stabilization as the training required for the skilled jobs would have been too expensive in light of the enormous turnover of migratory labor. Other reasons for little stabilization include the state's continued wariness in combination with the 'independent Bantustan'-policy, the fact that most of the experienced and skilled workers were of foreign origin (a group that neither the mining houses nor the government had any

intention to stabilize) and the advent of 'career mining', which reduced the pressure for immediate stabilization (*ibid*). Furthermore, the mining industry itself was divided over the issue of stabilization, whose costs were perceived to be exorbitantly high and the risks and uncertainties of instituting a new system averted by simply adhering to the old system (*ibid*: 129).

In a move not directly related to mining, the state repealed the pass laws in the Abolition of Influx Control Act of 1986 and replaced them with other forms of restrictions, aimed at facilitating an 'orderly urbanization' (de Vletter, 1987: 201). At once, the government removed most of the legal barriers to family housing and waived the old 3 percent rule for workers who lived in black townships (Crush, Jeeves and Yudelmann, 1991: 173). Thus, while the legal provisions preventing stabilization were to a large extent done away with, the actual migrant labor system with its single-sex compounds remained firmly in place.

### **3.3 The state of apartheid**

This section addresses the expansion of apartheid and its related costs, the changing Afrikaans-English cleavage and the opposition to apartheid.

#### **3.3.1 The expansion of apartheid and its costs**

In 1948, the National Party (NP) won the election and would stay in power until the introduction of majority rule in 1994. The success of the NP reflects a clear shift in political opinion, even though it is partly owed to the electoral system. Due to a rural bias, working in favor of the NP, the party was able to win 79 out of 150 parliamentary seats despite garnering only 41.5 percent of the votes (Ross, 1999: 114). The NP had campaigned under the slogan 'apartheid' and quickly assured its hold onto power by enfranchising the whites in the mandated territory of South West Africa (today Namibia), disenfranchising the coloureds in the Cape Province, gerrymandering and the continued rural bias (*ibid*: 115). As a result, the NP was never in doubt electorally and could follow up on its campaign program 'apartheid'.

As shown in the previous chapter, the major building blocks of what became known as 'apartheid' had already been installed before the NP came to power, most notably the job color bar, land policies and pass laws. Nonetheless, a number of key

apartheid measures were introduced or extended by the NP after 1948. By 1970, these measures encompassed social, economic and political aspects of apartheid (Lipton, 2007: 48). In 1949-50 prohibitions against mixed marriages and interracial sex were enacted and through the Population Registration Act of 1950 everyone was assigned to one of the national racial categories (black, white, coloured, Indian) which largely determined the individual's social and political rights, educational opportunities and economic status (Ross, 1999: 116). The NP also intensified economic apartheid through the extension of the job color bar, restrictions on black apprenticeship, training and education which contributed to the widening income gap between blacks and whites (Lipton, 2007: 48). Apart from the already mentioned measures enacted to ensure continued electoral success, the NP also rejected recognition of African trade unions and banned the Communist Party of South Africa in 1950, the ANC and the PAC in 1960. This strengthening and intensification of the most discriminatory features increased the overall political and economic cost considerably and as a consequence were eased throughout the 1970 until by 1985 'practically all *socioeconomic* aspects of apartheid had been relaxed or abolished. But *political* change was still limited and ambiguous' (*ibid*: 50).

The political costs of the system rose with the radicalization of young blacks and the alienation of the black middle class and elite as well as with the growing international isolation of South Africa. Lipton (1985: 232) quotes Oppenheimer who warned that 'these things [international isolation and sanctions] could move very quickly ... [and cause] continual trouble and severe difficulties in financing companies and selling goods'. The relationship between apartheid and capitalism had been a contentious issue as to whether economic growth and prosperity (capitalism) were mutually exclusive, compatible or even dependent on white supremacy and racial separation (apartheid). This controversy was embedded in the 'liberal-radical' debate (Nattrass, 1991: 654). As indicated earlier, the truth was somewhere in the middle for the first few decades of capitalist development in South Africa and racially discriminatory measures (most notably the vertical and horizontal controls of labor) didn't impede overall economic growth to an extent that would have necessitated significant reforms. By the 1970s however, Feinstein (2005: 250) argues 'these dysfunctional elements of the relationship between apartheid and economic growth thus heavily outweighed those elements which

were beneficial for at least some individual capitalists who still relied primarily on unskilled, low-wage, African labour'. Apartheid also imposed higher costs on the state more directly in its capacity as employer in the state sector. In 1980 34 percent of the white, 16 percent of the coloured, 12 percent of the Indian and 14 percent of the black workforce were working in the state sector, making the state the largest employer in the country (Lipton, 1985: 235). As such it had to face the same pressure on costs that emanated from horizontal and vertical job controls as the private sector.

### **3.3.2 The changing Afrikaans-English cleavage**

As previously discussed, the views among the different business sectors with regard to the costs and benefits of apartheid had been converging and the previous divisions between internally and externally oriented capital had to a great extent vanished. Indeed, rapid economic growth and 'Afrikaners first' policies reshaped the Afrikaans society as a whole. By the early 1970s the Afrikaners had moved beyond being a nation of farmers and workers with a small petty bourgeoisie. Eight percent were still engaged in agriculture while 88 percent were urbanized and only 27 percent were still blue-collar workers whereas 65 percent were performing white-collar jobs (although many at a low level) (Lipton, 1985: 307). Changes in the class structure were accompanied by changes in attitude. The proportion of Afrikaners favoring mixed sports rose from 4 percent in 1970 to 76 percent in 1978 and those accepting blacks in the same jobs as whites from 62 to 83 percent (over the same period). The gap between Afrikaners and English had been narrowing even though the English were still more liberal with respect to 'a consistent policy of apartheid' in general, supported by 25 percent as opposed to 78 percent Afrikaners (Schlemmer, 1980: 244). The narrowing gap between English and Afrikaans views on race indicates that the socio-economic standing, in other words, class, was an important factor in shaping attitudes. Other factors that conserved intra-white differences with regard to matters on race, included 'the more systematic indoctrination of separatist views among Afrikaners; their embodiment in a system of separate cultural and social institutions; the time lags before attitudes adjust to changing circumstances; and continuing class differences between Afrikaners and the English, who still dominated the private sector outside agriculture, despite the striking Afrikaans gains' (Lipton, 1985: 308).

Among Afrikaners more generally, the emergence/intensification of diverging class interests, lay at the origin of the so-called *verligte/verkrampte* split. The vanguard of the *verligte* (literally meaning enlightened in Afrikaans) was to be found in the Afrikaans press, the universities, the think tanks and quasi-government research institutions (de St Jorre, 1976: 176). The *verligtes* argued that white interest can best be safeguarded by controlled change and thereby supported liberal trends in the government. Among other things this entailed the elimination of mainly petty apartheid features such as statutory segregation (mixed marriages, public facilities, sports) and the abolition of barriers to economic efficiency such as job reservation and other racially based constraints on the economy (Study Commission on U.S. Policy Toward Southern Africa, 1981: 229). On the all-important question of new political arrangements however, the *verligtes* were as abhorred by power-sharing and any form of political integration as the *verkramptes* (literally meaning restricted) and majority rule was out of question (de St Jorre, 1976: 176). The *verkrampte* insisted that apartheid was a ‘way of life, a system of laws, a moral vision’ (Study Commission on U.S. Policy Toward Southern Africa, 1981: 229) and as such required that statutory segregation and strict political separation along ethnic lines be conserved. According to this logic, even small changes would have questioned the overall legitimacy of apartheid with presumably far-reaching consequences. While the reforms of the 1970s were a sign of slightly growing influence of the *verligtes*, their limited nature and the difficulties in implementation assured continuing dominance of the *verkramptes* (Lipton, 1985: 306). As the most basic difference between the two camps revolved around the means rather than the ends (both groups were in full agreement of the necessity for Afrikaner power and leadership to prevail and continue) the rift and the corresponding debates were regarded as irrelevant by the blacks and a growing portion of the international community (Study Commission on U.S. Policy Toward Southern Africa, 1981: 229).

According to Lipton (Lipton, 1985: 309-310) the slowly changing balance of power can be seen in the declining power of white agriculture, the erosion of apartheid labor policies favored by white labor and growing influence of mining and urban capital. The loss of political influence of the farmers can be seen in a number of policies including less support for marginal (small and unprofitable) farmers as well as a

reduction of concessional freight rates and generally higher costs as a result of industrial protection. The declining influence of white labor overall is reflected in the erosion of apartheid labor policies. Parallel to the slowly eroding influence of white agriculture and labor, the relations between urban and mining capital on the one hand and the state on the other hand improved. An area that illuminates the changing power balance was the relaxation of 'petty' apartheid.

Despite these tentative changes, policies towards the English and foreign capital remained ambiguous. An illustrative incident was a conference of businessmen in 1978 hosted by PW Botha, a Cape Nationalist of the *verligte* strain, during which he presented the broad outlines of a reformist vision. An observer noted that 'many businessmen later looked back at the meeting with recriminations [...because what the] 'rather naïve businessmen failed to realise was that we were, in fact, being 'set up,' [...and that] 'those conferences were nothing more than a forum for the propagation of government policies.' (quoted in Handley, 2008: 50). An indication of the continuing attempts to limit the growth of English economic power can be seen in the refusal of Iscor to sell Samancor (then the West's largest manganese producer) to the highest bidder which was AAC, thereby 'refusing to let the leading English corporation expand into another strategic sector' (Lipton, 1985: 313). Likewise, according to Lipton (*ibid*: 312), the relative exclusion of the English from political power continued unabated, most notably in the drafting of the 1977 constitution, which was designed to secure political power in Afrikaans rather than simply white hands.

Thus, by the 1970s, the English-Afrikaans division began to decline as the attitudes converge more and more in the process of socio-economically upward moving Afrikaners. However, this did neither translate into a significant move away from the relatively restricted access to political power for the English nor abandon economic favoritism of Afrikaners.

### **3.3.3 Opposition to apartheid**

Marginalized non-whites had been playing a negligible role both in the state and in the economy as far as decision-making power was concerned. The growing opposition to the racially discriminatory system had significantly increased the already high costs of the system, most notably and directly in terms of security and political stability. It thereby

impacted significantly on the relation between mining capital and the state. Even though political power would continue to reside firmly in Afrikaner hands, from the early 1970s on, opposition pressure began to impact increasingly on government policy (Lipton, 1985: 328). The 1970s do not mark a watershed in the relation between the white ruling class and the oppressed blacks of such magnitude that would justify the 1970s as the crucial turning point in the mining capital-state relationship solely on political matters. Indeed, even during the 1980s it was not yet clear to observers where the country was heading. In 1984 there 'was no credible alternative government in sight' (*ibid*: 328) and de Klerk's government's decision at the end of 1989 to open up negotiations with the ANC over a democracy was 'a bold initiative that took both its own constituency and the black extraparliamentary movement by surprise' (Giliomee, 1995: 87). In retrospect however, tendencies which were to lead to the abandonment of apartheid were 'already evident in the late 1970s' (Ross, 1999: 162).

Growing internal opposition to the apartheid system since the 1920s had been based on several sectors of society dedicated to a broad range of measures ranging from peaceful protest to passive resistance and armed revolt. The primary opposition and resistance against apartheid were the ANC and its Youth League. The ANC emerged in 1923 from the South African Native National Congress (SANNC) which was established in 1912. In the following years, the ANC pursued a 'policy of petitioning the British Empire and the Union governments, a strategy that was an adaptation to the new conditions that the organisation found itself in, with the defeat of armed resistance' (Suttner, 2010: 13). This strategy proved unsuccessful over time and was revised during the 1940s when the 'African Claims' became the 'basic policy statement upon which later ANC documents were essentially based' (Walshe, 1970: 278). This document reflected past ideals but also supported, together with the party's reorganization under Xuma (president of the ANC from 1940 to 1949) and Calata (secretary general of the ANC from 1936 to 1949), the establishment of the ANCYL in 1944 (Suttner, 2010: 13). The formation of the Youth League saw the emergence of a new generation of leaders (amongst them Mandela, Sisulu and Tambo) committed to engaging in non-violent and disciplined mass action. In 1948 the Youth League drew up the so-called 'Programme of Action' which was adopted by the ANC one year later and which called for strikes,

boycotts and defiance (ANC, 1949).

As a result, opposition intensified during the 1950s. Against the backdrop of the 1952 celebrations of Jan van Riebeck's arrival three hundred years ago in Cape Town, the so-called 'Campaign of Defiance against Unjust Laws' (short 'Defiance Campaign') was launched by the ANC and the South African Indian Congress. The Defiance Campaign proved to be crucial in many regards. For one it led to the election of Luthuli as the ANC President-General and of Mandela as the Transvaal President and Deputy National President of the ANC later that year. Further, the campaign led to the foundation of the London-based Defence and Aid Fund for South Africa and the American Committee on Africa in New York, marking the first moments of the international solidarity movement with the struggle in South Africa (Reedy, 1987). During the campaign the system of apartheid was also brought to the United Nations General Assembly by a coalition of thirteen Asian and African states led by India (Reddys, 1985), a prelude to Resolution 1761 ten years later. Most importantly however, the campaign generated a major boost for the struggle against apartheid in general and the ANC in particular whose membership rose temporarily from 7'000 to over 100'000 (Karis and Carter, 1977: 427). The campaign was carried on into 1953, drew thousands into political activity and led to the arrest of more than 8'500 activists. The apartheid regime reacted to the non-violent protests with physical violence and enacted laws that provided the legal ground for the long term imprisonment of activists.

The 1950s also saw the establishment of the Congress Alliance, the joint anti-apartheid movement which included the ANC, the Congress of Democrats (COD), the Coloured People's Congress (CPC) and the South African Indian Congress (SAIC).<sup>14</sup> The alliance was instrumental in the development of the Freedom Charter which was adopted at the Congress of the People in 1955 and stated the principles of the Congress Alliance. The document opens with the famous clause that 'South Africa belongs to all who live in it, black and white' and calls for a non-racial South Africa, democracy, human rights, land reform and labor rights (Congress of the People, 1955). As far as economic policy is concerned it remained rather ambiguous irrespective of pledges to restore the national

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<sup>14</sup> The party composition of the Congress Alliance reveals the ethnic division among the opposition which remained deep despite its commitment to non-racialism.

wealth of the country to the people which seemed to advocate nationalization of the country's mineral wealth, its banks, and monopoly industry (*ibid*). Economic issues might have been formulated vague deliberately in order to accommodate the different groups in the alliance (Handley, 2008: 58). In either case, the apartheid regime believed to be facing distinctly communist tendencies and laid treason charges against 156 activists in 1956 (Dubow, 2000: 56). The trials lasted until 1961 when all of the remaining (charges against 61 had already been dropped in 1958 due to a lack of evidence) defendants were found not guilty.

The Communist Party of South Africa (CPSA), founded in 1921, and the ANC had, despite sharing many objectives, 'neither uncomplicated nor always harmonious' relations (Handley, 2008: 57). Even though the Communist Party originally supported the white workers in the fight for the color bar under the banner 'Workers of the world, unite and fight for a white South Africa!' (led by the belief that a revolution in South Africa would be spearheaded by the white skilled workforce), by 1924 the party began the process of 'Africanising' the party and organizing black workers (Johanningsmeier, 2004: 170). By 1930 the party had accepted that white labor was a supporter, not an opponent, of apartheid (Lipton, 1985: 183) and adopted an understanding that the advance to socialism is dependent on the mass struggle for majority rule in the first instance. The party disbanded itself in 1950 after the Suppression of Communism Bill had passed in the same year and was only reconstituted underground three years later as the South African Communist Party (SACP) (Everatt, 1992: 21). As an illegal organization it was involved in the Congress Alliance only through the multiple memberships of its personnel in the different organizations rather than as a party on its own.

Not all members of the ANC were convinced by and happy with the Congress Alliance and the resulting Freedom Charter. The radical Africanists opposed the Charter which they saw as too conservative and not giving the appropriate attention to African power. The growing division between the Africanists who advocated a more pronounced pro-black strategy, and the Charterists who supported the non-racial principles of the Freedom Charter, led to the break away and formation of the Pan-Africanist Congress (PAC) in 1958 (Ross, 1999: 125). The two organizations, the ANC and the PAC, were competing with each other over the leadership in the struggle and hoped to bring about

change by way of major campaigns, most notably, against the Pass Laws, the most despised symbols of apartheid. At the same time, they underestimated the power and ruthlessness of the white-run state, all of which eventually led to deadly clashes in 1960 (*ibid*: 129).

The ANC had planned to mount a campaign against the Pass Laws on March 31. In an attempt to anticipate the rival organization, the PAC decided to move the date forward to March 21. The ensuing large demonstrations were held throughout the Vaal region and dispersed by security forces except in the Sharpeville township, where a panicking police opened fire on the crowd, killing 69 people (including 8 women and 10 children) and wounding 180 more (*ibid*: 129). The Sharpeville massacre, as the clashes has since been referred to, led to nationwide strikes, unrest and massive international protests. As a consequence, the government proclaimed a state of emergency and banned the ANC and the PAC on April 6, 1960. It thereby marks the beginning of a period of repression, with greater and lesser intensity, which would last for roughly three decades. In turn, the ANC and the PAC were forced into underground and into exile. Another offshoot was the foundation of the organizations' military wings, the Umkhonto we Sizwe (the Spear of the Nation, or short MK) and Poqo (Pure) respectively. The struggle against the apartheid state would henceforth be, at least partially, an armed struggle. According to Dubow (2000: 76-77) the MK played an important role in cementing the working relationship between the SACP and the ANC as 'it was largely through the Party's [the SACP's] intimate links with Moscow that the ANC was provided with vital material and military resources'. Both Poqo and MK carried out a number of acts of sabotage but were quickly crippled by the government. Most of the ANC leaders were arrested at the Lilliesleaf Farm in Johannesburg. In the ensuing Rivonia Trial 1963-1964, named after a suburb in Johannesburg where the farm is located, the members of MK were tried for treason, sabotage and communist activities and sentenced to prison on Robben Island (Ross, 1999: 131).

The repressive and reactionary responses on the side of the government stood in stark contrast to international tendencies, most notably the achievement of independence in African colonies. Additionally, the international community was growing impatient with regard to the gross human rights violations and in 1962 the United Nations General

Assembly passed Resolution 1761 which condemned apartheid and its policies as a violation of South Africa's obligations under the UN charter and declared apartheid a threat to international peace and security. The resolution also called for a voluntary boycott and established the UN Special Committee against Apartheid. (U.N. General Assembly Resolution, 17th Session, 1962).

The crushing of the ANC and the PAC by means of 'force, arrests, legislative restrictions and effective police-information network' (Hirschmann, 1990: 2) decreased organized political resistance significantly but not the general dissatisfaction with the institutions of apartheid. Resistance filling the vacuum left by the now banned and successfully suppressed liberation organizations emerged from two locations within the South African society: the universities and the working classes in the cities (Ross, 1999: 141-142).

At black universities (instituted by the apartheid government following the doctrine of separate development and education), a growing number of African students coalesced around Steve Biko and the Black Consciousness Movement (BCM). The ideas behind the movement came from a number of sources, including the exclusive Africanist emphasis of the PAC, the American Black Power movement, Liberation and Black Theology as well as from writings of Africans such as Nyerere, Kanunda, Nkumah and Fanon (Hirschmann, 1990: 3). The intensifying oppression of the ruling party, the declining strength of non-racialism and liberalism in general and the perception of the white-dominated National Union of South African Students by black students as not being able to advance their interests provided the local context for the development of the BCM's ideas. The movement, spearheaded by the Black Peoples Convention, founded in 1972, and the all-black South African Students' Organisation (SASO, a break-away from the National Union), founded in 1969, had two prime concerns (Ross, 1999: 141). On the one hand it stressed the individuals' responsibility for liberation and the necessity for Africans (which in this context includes coloureds and Indians alike) to fight on their own and for themselves against apartheid rather than waiting for freedom and equality to be given by the whites. This required blacks to overcome division through a conscious appreciation of 'blackness' coupled with pride and dignity. The centrality of race was considered by the BCM activists to be at the heart of the struggle in South Africa

(Hirschmann, 1990: 4). On the other hand, the BCM learned from the earlier failure of the liberation organizations who acted too hastily in their confrontations with the government and who underestimated the power and determinism of the ruling party to suppress challenges to their dominance. The emphasis of the BCM was therefore non-violent and focused on revitalizing black consciousness (hence the name) rather than armed struggle (*ibid*: 5).

More or less simultaneously but largely independent from the more intellectual BCM, the second location of resistance in the form of mainly unskilled workers became more vocal in the early 1970s. Against the backdrop of declining (eventually even negative) growth rates and an increasing inflation without accompanying wage adjustments, the real income of African workers and by consequence their living standard, got under pressure. The African unions grew from two unions with 16'000 members in 1969 to 25 unions with 70'000 members in 1977 (Lipton, 1985: 340) and in early 1973, beginning in Durban, a series of strikes broke out with over 60'000 workers participating (Ross, 1999: 142). The strikes sped up the revival of the African trade union movement, which had suffered a number of setbacks during the 1960s at the hands of the apartheid regime (Sithole and Ndlovu, 2006: 187-188). The revitalization of the African trade union movement was broad based, including groups such as church bodies, a large number of white labor activists, South African Congress of Trade Unions (SACTU) leaders, young union recruits and the BCM (*ibid*: 188-189). The most important impact of the Natal strikes in the wider context of opposition to apartheid had been its enabling impact upon an environment which provided for the revival of political unionism (Gwala, quoted in Sithole and Ndlovu, 2006: 192).

A major turning point in the struggle against apartheid came in 1976 with the so-called Soweto Uprising, an event with immense symbolic power. The uprising began as a revolt against government plans to teach Afrikaans in black schools but was very quickly directed against the whole system of 'Bantu Education'<sup>15</sup>. Under the leadership of the South African Students' Association, the Black Consciousness organization in secondary education, about 15'000 youths clashed with the police, who first tried to disperse the

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<sup>15</sup> 'Bantu Education' was the apartheid educational system whose major provision was to enforce the separation of races in all educational institutions while discriminating heavily against non-white and privileging white learners.

crowd and then opened fire, killing two (Ross, 1999: 142). The photograph of the twelve-year-old deadly wounded Hector Pieterse went around the world and became a symbol of the apartheid government's brutality. The struggle quickly spread across the whole country and the protests against the use of Afrikaans in African schools evolved into attacks on all apartheid institutions such as urban bantu councils, bantu school boards, beer halls and government offices, essentially 'challenging state power whose foundations lie well beyond their [the pupils] social strata' (Mafeje, 1978: 18). The uprising was put down with great harshness with hundreds of blacks killed and over thousands wounded, detained, put on trial, tortured and even killed in detention, including Steve Biko (Lipton, 1985: 344).

As indicated above, the activists in the uprising were outside the grasp of the ANC and it was up to the BCM to raise awareness and consciousness among black South Africans. Nonetheless, the ANC gained most as the riots swelled the numbers of new recruits. It was estimated that by 1978, 4'000 students had fled the country to join the underground (*ibid*: 346). While the ANC was not in direct control of the uprising it was nonetheless consciously using the turbulence to foster its strategic goal of political hegemony (Marks and Trapido, 1992: 8) and did so successfully as the BCM dissipated in the late 1970s and was absorbed by the ANC, who in turn was able to establish its position as the dominant leader by the late 1970s.

Thus, by the end of the decade, the major political tendencies which eventually led to the abandonment of apartheid were already apparent. Nonetheless, they would only materialize after 'a fitful series of adjustments in the social and economic spheres over the next 15 years, deferring formative reforms in the political dimensions until the late 1980s' (Marais, 2001: 37). In this sense the negotiations following this 'lost decade' and the subsequent famous first free elections of South Africa in 1994 mark the ultimate far end of the long 1970s as construed in this paper.

### 3.4 Conclusion

In comparison to the previous juncture in the 1920s, *the long 1970s saw the culmination of a number of trends which strengthened the position of mining capital*. On the one hand the price of gold was rising despite having been fixed for a long period, due to both

currency devaluation and depreciation. On the other hand the abolition of the internationally fixed gold price in the wake of the Nixon shock provided yet another windfall, as over the mid-term the dollar price of gold rose rapidly. At the same time however, gold production also reached its peak as the law of diminishing returns fully set in and ever more tons of ore needed to be milled to extract ever less ounces of gold. The decline of gold was however offset by other minerals notably coal, diamond, copper and later platinum group metals.

The color bar remained the problem child of the industry as it was extended and intensified under the NP government. Attempts by the COM in the early 1960s failed to deliver the desired outcome as it only increased the hostility of the white unions and further politicized the issue. Indeed, by the early 1970s, the COM was convinced that the main obstacle to reform and possibly abolish the color bar were the unions rather than the government itself. Gradual abandonment in other sectors eventually led to a phasing out of the racial labor policies in the mining sector amidst fierce (white) union opposition and was finally brought to an end in 1987.

The migrant labor system, already firmly in place in the 1920s was likewise expanded and included by the 1970s most Southern African countries, now also beyond the 22° south latitude. By 1973 80% per cent of the total workforce on the mines was of foreign origin. This heavy reliance on labor was reversed in the 1970s as a number of events and trends led the mining houses to pursue more and more a strategy of internalization, that is recruitment of labor from within South Africa. This renewed the debate around stabilization. Even though the state prohibited stabilization to exceed 3 per cent of the workforce (until this limit was also given up in 1986), the mining houses did never even get close to those 3 per cent. This lends some substance to the notion of 'super-exploitation' not least because the allegedly exorbitant costs related to stabilization were an explicit argument against it.

The division between English and Afrikaner capital and their societies in general did not vanish but certainly waned as the Afrikaners made considerable inroads into the economic realm. Industrialization, economic growth and diversification of mining capital into other sectors and vice versa spurred this declining differential and led to a more united stance against policies that were perceived to be against classic free market tenets.

This approximation between the two white sections of South Africa however didn't translate into a significant shift away from the informal political exclusion of the English. The more important and in this case total exclusion of the other racial groups grew in its importance as the political and economic costs of the system rose to a degree by the 1970s that the dysfunctional elements of the system outweighed those that were beneficial to at least individual capitalists.

The growing opposition from within as well as from without, a revived trade union movement, a changing international environment less inclined to turn a blind eye to the human rights violation and an ongoing economic crisis all materialized in the 1970s and made the eventual abandonment of apartheid in retrospect a mere matter of time.

The long 1970s represent a juncture which worked largely in favor of mining capital. This notion rests on the four arguments that *firstly, the dismantling of major apartheid economic institutions and policies more generally and in particular secondly, the job color bar were finally abolished while at the same time thirdly, the migrant labor system was kept in place despite the major shift towards internalization, and fourthly, the growing convergence among Afrikaner and English (notably capitalists) provided a stronger basis more generally for the advancement of market friendly legislation.*

# 4 Recent Developments in Post-Apartheid South Africa

This chapter assesses the mining capital-state relationship in post-apartheid South Africa. Naturally, any historical analysis that draws nearer to the present becomes more fluid as it gets more and more complex to distill the long-term historic from the more short-term temporary changes. Over the next few pages, the recent and current developments in the three areas covered earlier, namely capital, labor and state will be examined in order to illustrate in which direction the pendulum in the mining capital-state relationship has been swinging these last 15 to 20 years and whether any forecasting could be derived from it.

While it is rather problematic to classify the period since 1994 as a new juncture or at least one in the making, recent developments in post-apartheid South Africa suggest a continuation of the long 1970s instead. The main point of this chapter is that of *a further shift of the balance of power in favor of mining capital*. This notion rests largely on three main arguments. First, the processes of corporate restructuring and offshore listings reduced the state's leverage over the mining industry while second, the industry was able to conserve and continue the migrant labor system amidst governmental attempts to overhaul the system; whilst thirdly, the macro-economic policies in general emphasized growth over redistribution.

## 4.1 Capital

This section on mining capital discusses the latest developments in the economics of mining by focusing on the role of mining in the South African economy today, the structural changes associated with corporate restructuring and offshore listings as well as the changing nature of the minerals mix. The second part deals with the structure of ownership and control of mining capital in the wake of the BEE regulations.

## 4.1.1 Economics of mining

### 4.1.1.1 *The role of mining in the South African economy today*

The mining industry's contribution to South African GDP has fluctuated wildly in the last third of the 20<sup>th</sup> century. After declining to 9 per cent of GDP, the decade of the 1970s saw a reversal of this trend, mainly due to the rise of the gold price and other minerals such as coal and platinum and the mining's share of GDP rose to 21.5 per cent again in 1980 (Jones, 2002: 68). As a result of the growth experienced in the secondary and tertiary sectors and the contraction in the gold-mining industry, the direct contribution of mining declined to 9.7 per cent in 1990 and has since not been able to rise above 10 per cent, oscillating between 6.5 per cent in 1997 and 8.7 in 2009 (DME, 2005: 19), (StatsSA, 2010a: 12). However, the GDP percentage on its own can be misleading as mining contributes significantly more to the economy through its many and diverse linkages. The COM (2010: 19) estimates that the multiplier and induced effects (currently included in the manufacturing sector) add another 4.5 and 5-6 per cent respectively, which would bring the overall contribution of the mining cluster closer to 18 per cent of GDP. Even though not the biggest employer in the country anymore, the mining sector still accounted for 35 per cent of the market capitalization at the JSE in 2008 and provides the state with about 20 per cent of its direct corporate tax receipts (*ibid*). According to the Department of Minerals and Energy (DME, 2005: 9), in 2004 mining and quarrying contributed roughly 10 per cent to Total Fixed Capital Formation (which measures the value of acquisitions of new or existing fixed assets less disposal of fixed assets by the business sector, government and households), and accounted for more than a third (the COM estimates speak of more than half) of South Africa's total export revenue.

### 4.1.1.2 *Corporate restructuring and offshore listing*

After years of isolation during the dying years of apartheid, the cocooned and protected corporate world in South Africa was transformed quite radically and at an impressive pace in the second half of the 1990s. The dominance of the six traditional mining houses ceased to exist as such in the sense that they evolved from organizations providing all the technical, financial and human capital necessary for mining production into organizations with much more streamlined operational structures (Jones, 2002: 93). The most important

forces for corporate restructuring and the replacement of the ‘management philosophy of production maximization in the 1980s [with] shareholder value maximization in the 1990s’ (*ibid*: 90) were the capital market and foreign institutional investors (Malherbe and Segal, 2003: 162-163). In turn, the complex system of interlocking ownership (usually referred to as the ‘pyramid structure’) was replaced by establishing separate profit centers focused on core competencies as well as diversifying and rationalizing non-related assets to increase global competitiveness (Coakley, 2000: 25.3). The shedding of non-core holdings included the consolidation of ownership through minority buy-outs, transfer of primary listings abroad (notably London) and the purchase of South African mining assets by foreign companies. As a result, the shareholding structure of the mining houses changed from being ostensibly controlled by a small number of South African families to having a market capitalization owned to over 60 per cent by foreigners in 2002 (Jones, 2002: 93-94).

The economic liberalization also provided opportunities for (further) globalizing operations which at first took the form of regionalization. From 1991 to 1995, South African firms in general (not just mining), increased their investment in Sub-Saharan Africa by a factor 5 to 25 per cent of total foreign investment in the region (Reno, 1998: 54-55). Even though South African foreign direct investment in Africa rarely exceeded 10 per cent of the country’s total outward foreign investment from 1997 to 2007, it has shown a tendency to increase since 2001 (Draper, Kiratu and Cézanne, 2010: 6). As foreign direct investment from developed countries to Africa has declined amidst the recent global financial crisis, the investments from emerging countries have proven more resilient with South Africa as the major developing economy investor before China, Malaysia and India (UNCTAD, 2010: 35). While these figures reflect South African capital in general, the tendency certainly holds for the mining sector equally since many local gold mines for instance were ‘close to being worked out’ which was ‘not the case for new acquisitions in the rest of Africa’ (Carmody, 2002: 263). Gelb (2005: 201) estimates that 15 per cent of projects in 2004 were executed in the mining industry. Given the industry’s capital intensity, the percentage in value terms is likely to be considerably higher. Indeed, the distribution of foreign direct investment shows a ‘concentration in the mining industry in terms of value’ (UNCTAD, 2010: 33) across Africa in general and

particularly in Southern Africa where South Africa's outward African investments have been traditionally directed to (Draper, Kiratu and Cézanne, 2010: 6). The second globalization strategy of the South African mining conglomerates saw the shifting of headquarters and primary stock market listings abroad. This was done mainly to secure cheaper access to capital, facilitate foreign expansion, improve global competitiveness and reduce currency risk related to the volatility of the Rand (Walters and Prinsloo, 2002: 61). Furthermore, offshore listings enabled the corporations to unlock shareholder value. Stock capitalizations of many companies in advanced economies are above their net asset value based on projected future profits. On the other hand, Anglo American's market capitalization for example was 22 per cent below its net asset value in 1995 (Carmody, 2002: 263). By moving to London in 1999 (while retaining a secondary listing in Johannesburg), assets became denominated in the stronger pound, increasing asset values and share prices and by 2001 (two years after delisting), the value of Anglo's shares was 37 per cent above its asset value (*ibid*: 264). Two years earlier than Anglo, in 1997, Billiton South Africa had become the first South African company to obtain a primary listing on the London Stock Exchange while keeping a secondary listing on the JSE (after merging with the Australian BHP in 2001, the now BHP Billiton has listings in London, New York, Sydney and Johannesburg) (*ibid*: 62).<sup>16</sup> None of the companies that relocated have terminated any of their operations as a result of their delisting and retained secondary listings on the JSE. The South African economy has consequently not been excessively sensitive to the relocations in terms of the aggregate size and potential growth of the GDP or the JSE market capitalization (Walters and Prinsloo, 2002: 71). Nonetheless, empirical studies estimate that the growth of South Africa's gross national product<sup>17</sup> could have been reduced by about 0.5 per cent in 2000 but became almost negligible in 2001 (*ibid*).

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<sup>16</sup> Additionally, the diamond mining company De Beers delisted in 2001 which however did not entail a new listing on a foreign stock exchange. Rather, the company went private, with Anglo now owning 45 per cent, the Oppenheimer family 40 per cent and Debswana 15 per cent. The deal offered Anglo an escape from the cross-holdings which would have become subjected to penalties under new exchange rules and helped unlocking shareholder value (see above).

<sup>17</sup> Measuring the total output of a nation by finding the total income received by the factors of production owned by that nation.

#### 4.1.1.3 *Platinum group metals, coal and gold, the new hierarchy in the minerals mix*

The declining relative importance of gold had begun in the 1970s when production peaked and other minerals added diversification to the mix of minerals. The decline of gold was temporarily stopped by the price hikes in the 1970s and a constant depreciation of the rand. Even though the amount of ore treated increased to 89 million tons in 2000 (compared to 80 million tons in 1970), the amount of fine gold extracted more than halved to 450 tons (compared to 1'000 tons in 1970) and halved again to 220 tons eight years later, caused by a downscaling owing to the energy crisis (Jones, 2002: 85; Chamber of Mines, 2010: 32). In terms of value, gold occupied the third place in 2007, contributing 38 billion Rand or 18 per cent to total mining sales (Chamber of Mines, 2010: 20). As a result of the worldwide demonetization of gold in the early 1970s the nature of demand for gold changed. Compared to the dominance of central banks in the last 30 years, the COM estimates that in 2000, jewelry represented 75 per cent of the demand (compared to 11 per cent of investment and bar hoarding) (*ibid*: 34). South African gold production lost ground internationally as well and is now the third largest producer behind China and the USA (*ibid*). The fall in average grade mined cannot be reversed but the renewed interest since October 2008 in gold as a hedge against inflation in the wake of expansive monetary interventions in advanced economies, reflected in record-high prices (Müller, 2010: 51), is likely to slow down the relative decline of gold in terms of value in the South African minerals mix.

In addition to its own decreasing output, the relative importance of gold also declined because of the impressive growth of pgm. Between 1980 and 1990 the production of pgm increased by 24.1 per cent and between 1990 and 1999 by another 58.3 per cent (Jones, 2002: 87). Demand was largely driven by the jewelry industry, followed by the automotive industry and investment and accompanied by prices soaring more than fivefold (*ibid*). By 2007, the pgm have continued their success, accounted for 78 billion rand or 37 per cent of sales and are by now firmly established as the largest component of the South African mining industry (Chamber of Mines, 2010). This will continue for the foreseeable future as South Africa is endowed with 87 per cent of the world's platinum group metals reserves. The second most important commodity after the pgm is coal with sales worth 44.2 billion rand or 20 per cent (*ibid*), followed by gold, iron

ore, diamond in fifth place and a number of other minerals (such as Manganese, Chrome, Vanadium, Zirconium, Titanium etc.).

#### **4.1.2 Mining capital and the slow rise of BEE capital**

The restructuring and delisting of the mining industry that ended the dominance of the traditional mining houses was accompanied by government policies which impacted on the structure of ownership and control, altering the distribution of assets and income yet again in the direction of particular groups. In the second half of the 20<sup>th</sup> century the Afrikaners' control over private industry had increased largely as a consequence of government policies, from 6 per cent in 1948 to 21 per cent in 1975 or to 45 per cent if state corporations are included (O'Meara, 1996: 80).

A few and far between deals of share ownership transfer from white to black were conducted in the early 1990s but black business organizations, notably the Black Management Forum and Nafcoc (National African Federated Chamber of Commerce and Industry) started pushing for an explicit policy (Nattrass and Seekings, 2010: 31). Even though the origins of BEE as a formal policy can be traced back to 1993, it was not until the 1998 Employment Equity Act (requiring companies to implement an affirmative action approach in labor recruitment and training policies), the Competition Act and the Skills Development Act (both in 1998 as well), followed by the 2000 Preferential Procurement Framework Act and the 2003 National Black Economic Empowerment Act (codifying BEE, providing a generic scorecard to measure BEE in a company or sector and a set of codes of good conduct) that the first key pillars of legislation affecting BEE were enacted (*ibid*; Hamann, Khagram and Shannon, 2008: 26).

The recorded BEE deals suggest three distinct periods. The first 'voluntary phase of empowerment' (Butler, 2007: 16) that ran from 1996 to 1998 saw deals valued at about R20 billion and came to an end with a slump in equity prices (Nattrass and Seekings, 2010: 32). Many of these early BEE deals involved borrowing large sums of money to facilitate the purchase of equity in an established company which proved unsustainable in the wake of the emerging market crisis of 1998, reducing BEE ownership of total JSE market capitalization to roughly 2.2 per cent from a previous 7 per cent (Handley, 2008: 71; Butler, 2007: 16). A prominent example was the purchase of Johannesburg Consolidated Investments (JCI) by Khumalo from Anglo American in 1996. The share

price had collapsed just over a year later and the company had to sell some of its best assets back to Anglo American (Tangri and Southall, 2008: 704). The second ‘period of hiatus’ (Nattrass and Seekings, 2010: 32) between 1999 and 2001 was only worth about R10 billion. The most recent period starting in 2003 saw an explosion of deals of about R60 billion per year between 2003 and 2007 and coincided with an impressive rise in stock market values (*ibid*). The impact of the recent financial and economic crisis on BEE is hard to assess at this time. The performance of the mining sector in the context of the mining charter might however be indicative.

The development of a post-apartheid mining policy started with the Mineral Policy Process Steering Committee in 1995 which was mandated to conduct an extensive consultation process, leading to a green and later a white paper on minerals and mining policy in 1998. In the year 2000, the government published its draft Mineral Development Bill which resulted, after two years of acrimonious negotiations between the government and the mining industry, in the 2002 Mineral and Petroleum Resources Development Act (MPRDA). The old system allowed private ownership of mineral rights which had led (amongst others) to the domination of the industry by few companies. Under the new system, the existing rights holders have to re-apply for exploration or mining rights. The licensing of these rights was made contingent upon fulfillment of BEE criteria and preference given to historically disadvantage persons (Hamann, Khagram and Shannon, 2008: 28-29). As the bill represented a shift from the previous system of dual ownership of mineral rights to state sovereignty, the established companies were initially ‘unhappy with the bill’ (*ibid.*) but had made peace with it when it passed into law in October 2002. The passing of the bill was preceded by the leaking of a draft copy which initiated a massive sell-off at the JSE. Within two days after publishing the ‘Government's un-negotiated wish list’ (McKay, 2008), which included the transfer of 51 per cent of all mining assets to historically disadvantaged South Africans (HDSAs), the value of JSE mining shares fell by staggering R52 billions (Financial Mail, 2009). Both government and business, having been engaged in intense negotiations, were suspected of leaking the document ‘in order to place the other under pressure’ but insisted equally that there ‘weren't any malign political aims in the distribution of the leaked charter’ (McKay, 2008). Either way, it spurred the passing of the bill which was specified and implemented

through the so-called 'Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry' (together with the MRPDA generally referred to as the mining charter). The new regulatory regime replaced the 1991 Minerals Act and bestowed custodianship of all South Africa's mineral and petroleum resources onto the state and imposes various socio-economic objectives on applicants for mining rights. In order to judge a company's past and present transformation efforts, a scorecard has been introduced which assesses nine aspects, namely human resource development, employment equity, migrant labor, mine community and rural development, housing and living conditions, procurement, ownership and joint ventures, beneficiation, and reporting (DME, 2002). The mining charter requires companies to meet all nine criteria, therefore rendering an entity either compliant or non-compliant. One of the key objectives is the transfer of 15 per cent ownership of mining companies to HDSA by 2009 and 26 per cent by 2014 (*ibid*). The previous BEE programs have been criticized on the ground that they were in fact not broad-based and that 'a strange discrepancy exists between the motivations given by the ANC and the implementation of BBE programs by the ANC. The motivations are always on behalf of all 40 million blacks, but the implementation of BEE is almost exclusively restricted to the black elite – and to a lesser extent to the black middle class' (Terreblanche, quoted in Hamann, Khagram and Shannon, 2008: 27). The broadening of BEE coupled with negotiated measures was 'a crucial development for the mining industry as well as for the state's broader BEE programme' (Hamann, Khagram and Shannon, 2008: 30). The mining charter marked the first instance that a major national sector reached agreement on how to include HDSAs in the future of an industry. The date of implementation was fixed at May 1, 2004 and it was agreed amongst the stakeholders to 'meet after five years to review the progress and to determine what further steps, if any, need to be made to achieve the 26% target' (DME, 2002). The five year period elapsed and on November 2, 2009, at the 120<sup>th</sup> annual general meeting of the COM, Susan Shabangu said that the review was completed and to be released in due course (without specifying when that could be) and that the 'initial observations, however, are that we have not lived up to the spirit and intent of the Charter' (quoted in *The Citizen*, November 3, 2009). Half a year later, the final report has not yet been published but a leaked draft has been circulating in the media in May 2010. It suggests

that only 9 per cent of the industry was owned by HDSAs and that while 84 per cent of the mining workforce was black, the senior management still consisted of 83.7 per cent of whites (MacNamara, 2010: 4). The charter provided a deadline for changes to be agreed upon by March 31. This has been pushed back for three months as the government and the industry are working out compromises. According to people involved in the talks, the 26-per-cent-by-2014 rule is going to stay and debates revolve around other empowerment measures such as the ratio of HDSAs in management by a certain date, how much equity employees should own, the workings of preferential procurement and community upliftment (*ibid*). While the government is unhappy about the limited achievements, industry leaders are arguing that the given time period is too short and ‘quickly creates problems’ because it is not possible to ‘fast-track’ enough people into 75 per cent of management roles’ (Stuiver, quoted in MacNamara, 2010: 4) in order to deracialize management. Criticism has also been raised vis-à-vis the ‘check the boxes’-approach which is scoreless and produces two categories only, compliant and non-compliant companies. Coupled with that is the call for a more flexible approach with different timetables for different targets as well as a sliding scale (as opposed to yes-or-no categories) in combination with incentives for overachievement exceeding the minimum requirement (*ibid*). The little information that is available as well as the confidential management of the review process and the concomitant negotiations indicate, that the government and the mining industry are determined to not repeat the mistake of eight years ago, when an indiscretion dealt a massive blow to mining stocks.

## 4.2 Labor

This section breaks partially with the parts on labor in the previous two chapters as the black trade union movement has now become incorporated into both the tripartite government alliance and corporatist structures such as Nedlac. It continues the sections from the first two periods in the sense that key features of the post-apartheid labor systems are discussed, notably the development from excess demand for labor (particularly in gold mining) towards a shortage of skilled labor in the mining industry as a whole and the continuation of the migrant labor system as well as new patterns of exclusion.

#### 4.2.1 The role of organized labor in the tripartite alliance and beyond

As was touched upon above, labor organized in non-racial trade unions, most notably Cosatu played a crucial part in the struggle for democracy.<sup>18</sup> During the 1970s and 1980s, the labor movement had associated, indeed equated, the capitalist economic system with apartheid and was determined to overturn both of them simultaneously but changed its approach by the 1990s towards 'seeking incorporation into the new governing coalition in an effort to steer the economic program towards redistribution' (Bassett and Clarke, 2008: 789). After the 1986 general strike, the government in alliance with big business provided such opportunities in the various platforms for tripartite business-labor-government negotiations for labor reform (Iheduru, 2002: 54-55). As such the corporatist policy had changed from exclusive to inclusive in the sense that the black unions were, for the first time in the history of South Africa, included in the policy making process, albeit with limited impact (*ibid*: 54). In July 1991, Cosatu entered the so-called 'tripartite alliance' with the ANC and SACP, thereby increasing its policy relevance. Before the unbanning of the liberation movements in 1990, the union federation (together with other social forces) had already been the opposition on the ground, continued to be an important factor in the years of negotiations and expected to 'wield real policy influence after 1994' (Bassett, 2005: 66). Its views were central in the 'highly consultative and collective process' (Naidoo, 2003: 6) that led to the Reconstruction and Development Programme (RDP), representing the general consensus of the liberation movement, which was shortly thereafter abandoned in favor of the Growth Employment and Redistribution plan (GEAR). The release of GEAR angered both alliance partners, the SACP and Cosatu, for its content, the process that had led to the new program and the fact that the government declared it 'non-negotiable'. As it became clear that GEAR would fail to live up to its promises on growth and job creation, by the end of the 1990s tensions grew between the alliance partners and the alliance seemed to be 'no more than an electoral machine that comes to life at election time' (Webster, 2001: 85).

The other way by which Cosatu attempted to influence the government's

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<sup>18</sup> The Congress of South African Trade Unions (COSATU) was established in 1985 following talks between competing unions and federations. At its launch it represented less than half a million workers organized in 33 unions but has since grown rapidly and now counts more than 2 million members.

economic policies was through participation at the National Economic Forum (NEF) which later evolved into Nedlac (the National Economic Development and Labour Council) (Bassett, 2005: 66). Nedlac started operations in 1995 with the ambitious objective to seek ‘consensus and agreements between mandated parties on social and economic policy and to consider all proposed labour legislation and social and economic policies before they went to parliament’ (Nattrass and Seekings, 2010: 42). Considering that ‘any assessment of the Nedlac role since its formation in 1995 would – in part at least – be bound to reflect one's overall perspective on the South African economy, politics and society’ (Parsons, 2007: 13), there is nonetheless general agreement that Nedlac did not succeed to become a forum for social dialogue over growth strategies. Having been an ‘active force behind the creation of, and an active participant’ (Southall and Webster, 2006: 141) in Nedlac, initially Cosatu made some inroads into labor market regulation through the Labour Relations Act (LRA) and the Basic Conditions of Employment Act (BCEA). However, the imposition of GEAR by the government sidelined and marginalized Nedlac reducing it to a ‘much narrower forum discussing predominantly labour-related issues; a form of limping and limited corporatism’ (Nattrass and Seekings, 2010: 44) rather than forming the institutional basis for a consensus-driven growth or development coalition. In this sense, labor ‘won the battle (with the LRA and the BCEA) but effectively lost the war’ (*ibid*: 43). Suttner (2010: 20) concludes that while initially Cosatu (and the SACP alike) were ‘still vibrant and full of interesting ideas and people’ they were later pushed to the sidelines and ‘treated like ‘small boys’’ by the early 21<sup>st</sup> century. Despite these growing tensions, Cosatu opted to stay in the alliance and throw its weight behind the ANC in all the later general elections as well, guided by the not incorrect assumption that they would enjoy less influence outside the ANC-led alliance than inside. After it had been grappling for more than a decade with ‘what might be termed its ‘ANC problem’’ (Bassett and Clarke, 2008: 790), struggling to translate its close ties with the ANC into a commonly agreed socioeconomic reform program, key Cosatu members concluded that the only way to challenge prevailing economic policies was to ensure ‘that a more sympathetic leader succeeded Mbeki’ (*ibid*). Such an opportunity arose when Mbeki dismissed Zuma as his state deputy president (while remaining ANC deputy president with curtailed powers) on the basis of the Shabir Shaik

trial<sup>19</sup>. During the subsequent leadership struggle over the ANC and the Presidency, the left wing faction of the alliance, notably Cosatu and the SACP, threw their weight behind Zuma and successfully provided the necessary support during the ANC presidential election at the Polokwane conference in December 2007 which saw the defeat of Mbeki by Zuma.<sup>20</sup> Even though the assessments of the rise of Zuma and the fall of Mbeki cover a broad spectrum, Southall (2009: 318-330) identifies no less than eight differing, at times conflicting readings, ranging from the restoration of democracy (by dispensing the sitting president from power by political rather than unconstitutional means) to a communist putsch. Despite being different the various readings share an understanding that the change in leadership represents a major turning point. Yet, this does not imply a structural change of the same magnitude as the rise of the Pact, Apartheid or ANC government in the 19420s, 1940s or 1990s respectively. Indeed, some considerable doubts can be raised in particular with regards to the boost the left wing faction is perceived to have enjoyed. A number of commentators noted that Zuma himself has been cautious to confirm a substantial shift to the left and indeed never ‘uttered a word against GEAR’ (van der Walt, 2006) which led Gumede (2007) to comment that ‘the major difference between Mbeki and Zuma is more one of style, rather than substance’. The first year of the Zuma Presidency seems to confirm Basset and Clarke's (2008: 787) observation that the failed 'insider politics' (Cosatu trying to influence government policy within the tripartite alliance from within rather than from the outside) had been reinforced. Indeed, Southall (Southall, 2010) notes that the coalition of the ‘left and the politically aggrieved that brought Jacob Zuma to power is now openly fragmenting, and Zuma seems at a total loss at how to deal with the process. As a result, there is a widespread sense of a vacuum at the centre of his government, with important policy matters drifting and the different tendencies fighting’. The domestic uncertainty around

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<sup>19</sup> Shabir Shaik is a Durban-based businessman who was charged and found guilty on fraud and corruption charges in 2005. Zuma himself was not on trial but his relationship with the accused entailed the passing of wealth to Zuma that couldn't be explained on a contractual or other legal basis, implicating a fraudulent and corrupt relationship between the two. In the aftermath of the trial Zuma was formally charged with corruption as well but the charges were declared unlawful in 2008.

<sup>20</sup> For a detailed account as well as the role of Cosatu and the SACP see Concerned Africa Scholars, 2010; Southall, 2009; Basset and Clarke, 2008.

who reigns in economic policy has come at the same time as the international debate about the architecture of the financial system has opened up significant amounts of space for discussions over South Africa's economic constitution. Draper and Dawe (2010) suggest two broad tendencies contesting: on the one hand the 'disciplined left', favoring a stronger role for state-owned enterprises (SOE), limited nationalization, less orthodox monetary policy and deliberate exchange rate management in support of interventionist industrial and potentially protectionist trade policies; and on the other hand the 'orthodox right', supporting market-led reforms including privatization of SOE, no nationalization, more orthodox monetary policy, no exchange-rate intervention and micro-economic reforms including trade liberalization.<sup>21</sup> Within the government, the latter is being supported by the treasury, the Reserve Bank and possibly the national planning commission while the former is evident in the trade and industry economic development departments, backed by COSATU and the SACP. As of now it is hard to predict an outcome of this complex mingling of actors, interests and institutions.

#### **4.2.2 Features of the post-apartheid labor system**

##### *4.2.2.1 From excess demand for low-wage to shortage of skilled labor*

Shortages of unskilled, low-wage African labor had been a critical problem for the mining industry in general and the gold mines in particular, leading Leys (1975: 198) to contend that 'the history of Southern Africa in the last 85 years [1890-1975] is essentially a series of attempts, by political violence, to produce docile, cheap, black labour'. Even though slightly exaggerated his basic notion is correct. Indeed, as shown in the previous chapter, the mining industry (and the overwhelming rest of the economy as well) was, by the 1970s and 1980s, becoming ever more conscious about the harmful consequences of 'many decades of deliberately diminishing the quality of work done by the majority of the labour force' (Feinstein, 2005: 250-251). Shortages of unskilled labor have effectively ceased to exist as the unemployment rate has risen sharply and industry has become more capital intensive. Even though labor market data for the post-1994 period in South Africa

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<sup>21</sup> In addition to these two principal contending tendencies, Draper and Dawes (2010) see another group, spearheaded by the Black Management Forum and ANCYL leader Malema, that seems to be favoring accumulation of state-linked or -owned assets for the purpose of maximizing patronage and political power but without a coherent or obvious economic policy program.

are problematic for various reasons (such as differing sampling, non-coverage of former homelands in some surveys, small samples, etc.) it is possible to describe broader and long-term labor market trends rather than specific numbers (Kingdon and Knight, 2005: 2). A comparison between labor market statistics in 1995 and 2002 indicates that while the working age population grew by about 2.2 per cent per annum, the economically active population (labor force) grew by about 4.8 per cent per annum resulting in an employment expansion that has been, in net terms, relatively poor, and increased the rate of the expanded definition of unemployment from 30 to 40 per cent and that of the narrow definition of unemployment from 17 to 29 per cent (Burger and Woolard, 2005: 5-6). By the first quarter of 2010 the official unemployment rate was down again to 25 per cent (StatsSA, 2010b) while the unofficial rate is likely to remain significantly higher. On the demand side the mining industry has experienced large declines in employment shares over the same period. The number of workers employed decreased by 18 per cent from 593'000 (equivalent to 6 per cent of the total South African workforce) in 1995 to 481'000 (4 per cent) in 2002 (Bhorat, 2004: 952). In the first quarter of 2010, this number stood at 296'000 (2.3 per cent) (StatsSA, 2010b) more or less exactly equivalent to a reduction of the workforce by 50 per cent compared to 15 years ago, a decline which according to Burger and Woolard (2005: 17) 'has evidently come at the cost of unskilled labourers'. Between 1995 and 2002, the proportion of skilled labor in the mining industry remained constant whereas the proportion of semi-skilled workers increased and that of unskilled labor decreased by 7 percentage points respectively (Bhorat and Oosthuizen, 2005: 23). The infinite supply of unskilled, low-wage labor has thus ceased to be of critical importance and was replaced by rising demand for semi-skilled labor. In the wake of the recent global economic recovery after the 2009 recession, the mining industry is facing once again another labor shortage, this time in the form of skills shortages which according to a Landelahni survey (2010: 2) 'could hamper future growth'. Considering that the South African mining industry has an aging workforce, notably in respect of engineers and artisans, the current skills shortage is, *ceteris paribus*, not likely to dwindle in importance over the next 10 to 15 years (*ibid*: 7).

#### 4.2.2.2 *The continuation of the migrant labor system and new patterns of exclusion*

One of the most striking features in the relationship between the state and the mining sector is the migrant labor system for the simple yet conclusive reason that it has been surviving ever since it had evolved in the mid-19<sup>th</sup> century. By the late 1980s, the stabilization of the workforce had gathered momentum as a result of the growing influence of the National Union of Mineworkers (NUM) and, partly, industry initiative. The union was able to consolidate its success partially in the early 1990s when single-sex houses were converted into family units and living-out allowances broadened (Bezuidenhout, 2008: 182). Nonetheless, the plan to replace the migrant with a stabilized workforce lost momentum and did not materialize as the mining industry experienced economic difficulties in the 1990s and labor militancy markedly declined (the latter largely as a result of political transformation, retrenchments and the move of key labor representatives into politics and the private sector, notably Motlatsi, Ramaphosa, Golding and Motlanthe) (Crush and Dodson, 2007: 437). The industry reduced labor costs through a number of processes usually referred to as 'casualization' (see below) and by securing their continued access to foreign labor markets. In 1997, a Draft Green Paper on International Migration by the government proposed a fundamental overhaul of the migrant labor system. The proposal was successfully contested by the Chamber of Mines<sup>22</sup> and the 'status quo was embedded in successive proposals for new legislation, culminating in the Immigration Act of 2002' (*ibid*: 438). The act provides companies the opportunity to apply for a corporate work permit to employ a predetermined number of foreign workers (instead of separate permits for each individual worker) and maintains the bilateral labor agreements by allowing corporate entities to regulate the recruitment and employment of foreign workers with their respective governments directly (*ibid*).

Additionally, the industry sought to reduce its labor cost through casualization. Bezuidenhout (2008: 186) differentiates analytically between three distinct processes that overlap significantly in practice and are mutually reinforcing: casualization, externalization and informalization. Casualization refers to deviations of full-time contracts, implying part-time, fixed-term, casual or piece work. Externalization describes

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<sup>22</sup> For a review of the strategies deployed by the mining industry in the policy formulation process see Crush and Tshireke (2001).

the interposition of a third party in the recruitment process leading to triangular contracts of employment with the mines as the end-user, so to say, of labor, the employee who offers his or her labor and an intermediary broker, agency or subcontractor. The upshot for the employer and the downside for labor is the resulting informalization of employment relationships which, as a result of its growing complex nature, makes it 'almost impossible to enforce regulations designed for standard employment relationships (*ibid*: 187). This may therefore imply clandestine employment with the resulting loss of power of illegally employed workers to challenge the prevailing working conditions. Particularly externalization contrasts sharply with the efforts in the first two decades of the 20<sup>th</sup> century when the COM was finally able to get a hold over the local labor market and consolidate a centralized recruiting system under its control (see above). Even though the proportions differ across different mines and minerals, by 2005 some 28 per cent of the total mining industry workforce was employed by outside contractors (*ibid*: 190).

### 4.3 The state of democracy

As shown above, apartheid came under increasing and sustained pressure in the second half of the twentieth century both from within and from without. Serious signs of disintegration had already surfaced in the 1970s and the 1980s could be dubbed in retrospect a lost decade for South Africa as she stagnated economically and didn't advance in the single most important political matter, democratic elections open to all races. Notwithstanding the interesting question about the causes behind the eventual fall of apartheid and the negotiated transition, this chapter focuses more on what evolved after the seminal political change and how this affected both macro-economic and mining-industry specific policies. The most particular changes discussed in the following section include the irrelevance of inner-white cleavages, the rise of the ANC, its meaning for macro-economic policy making in post-apartheid South Africa and the debate around the nationalization of mines.

#### **4.3.1 The end of the old white hegemony and the new irrelevance of inner-white cleavages**

At the end of 1989 and after general elections, de Klerk (State President and leader of the NP) decided to open up negotiations over a democracy with the ANC and shortly thereafter unbanned the liberation movements. After four years of negotiations, South Africa's first (interim) democratic constitution was enacted in December 1993 and followed by the first elections in April 1994. The ANC won the election with 62 per cent; the NP came second with 20 and the Inkatha Freedom Party third with 10 per cent of the votes (African Election Database, 2010). After the final constitution was adopted by the National Assembly on May 6, 1996 the NP left the Government of National Unity (GNU). It reconstituted itself in 1997 as the New National Party but was inexorably heading south in terms of its percentage of votes. In 2005 and after two defeats at the ballot boxes in 1999 and 2004 National Assembly elections (in the latter case, the party was reduced to a mere 1.65 per cent) the party disbanded and its members of parliament crossed the floor to join the ANC (Kane-Berman, 2005). As a result, one of the most important political cleavages of the pre-1994 history of South Africa has vanished for good. The English-Afrikaans division, which had led inter alia to the Great Trek, intense frictions and even several wars, had simply and in an unspectacular manner evaporated following the first democratic elections. This is of course not to say, that these animosities are not existent anymore. Indeed, it is safe to assume that the English-Afrikaans cleavage will survive for quite some time in one form or another. However it no longer has an impact on the political system and therefore falls out of the scope of this thesis as it becomes irrelevant for state-business relations in the mining sector. In the following, the attention will thus be turned away from the now insignificant inner-white cleavages and towards the new power in government, the ANC.

#### **4.3.2 Electoral success and political dominance of the ANC**

A cause as well as a result of the fall of apartheid was the simultaneous rise of the ANC from a liberation movement to a governing party holding a more than comfortable majority in parliament ever since free elections. As 'the historic standard bearer of democracy, the party of the racially-oppressed black majority, of the working class and the wider poor' (Letsholo, 2005: 5), the ANC capitalized on its liberation credential in the

first elections in 1994 with 62.25 per cent. In the years 1999 and 2004 the party could even extend the lead to 66.35 and 69.69 per cent respectively, securing a two-thirds majority. At the last National Assembly elections in 2009, the party lost percentage points for the first time, though still securing a reassuring 65.90 per cent (African Election Database, 2010).

Given this overwhelming majority, it is no understatement to describe the ANC as being politically dominant. Despite its central role in South African politics, scholars have struggled to characterize its internal workings. According to Butler (2007: 35), the politics of the ANC have since the early 2000s become 'increasingly unpredictable'. This uncertainty was owed to a large degree to an intense, internal power struggle over the party leadership between two camps led by Zuma and Mbeki respectively (see above). The two junior partners in the tripartite alliance (ANC, SACP and Cosatu) have depicted Zuma as 'part of a socialist project' and 'involved themselves deeply in this rising against the ANC presidency [of Mbeki]' (*ibid*). The role of the alliance partner and their influence on governmental policy has since become a hotly debated issue (de Klerk, 2010: 31 and Suttner, 2010: 24) and intensified with Zuma's inauguration as President of South Africa in May 2009 and the more definite reshuffling of cabinet than under interim-President Motlanthe (now Deputy President under Zuma). The question is, whether the SACP and Cosatu are in fact 'driving the Zuma project' (Suttner, 2010: 24) as well as how and to what extent they are able to establish their vision of a 'radical, working-class led developmental state' (Nzimande, 2009). Needless to say this would result in a much greater involvement of the state in the economy and reflect a rupture with the macro-economic policies of the Mbeki-era. By mid-2010 however this did not seem to have materialized and Cosatu and the SACP do not enjoy more privileged access than before.

### **4.3.3 Macro-economic policy in post-apartheid South Africa**

Despite being one of Africa's oldest liberation movement the ANC didn't have clearly formulated economic policies as late as the early 1990s but instead relied on 'an emotional attachment to the principles of the 1955 Freedom Charter' (Williams and Taylor, 2000: 24), which was rather vague but contained some prominent redistributionist appeals.

In February 1990, Mandela asserted that ‘the nationalisation of the mines, banks and monopoly industry [in South Africa] is the policy of the ANC and change or modification of our views in this regard is inconceivable’ (cited in (Nattrass, 1992: 64)). Inconceivable as it seemed, change did occur nonetheless. The first signs of what would later become a policy shift were evident in a resolution on economic policy prepared for (though not adopted at) the 1991 ANC National conference (Lodge, 1999: 8) and the concessions that the ANC made at CODESA<sup>23</sup> (Handley, 2008: 74). In the first instance, the ANC still called for a mixed economy with a large role for the state and redistribution but new emphasis was put on the importance of generating economic growth. While CODESA was primarily concerned with political matters, the future government was committed to a number of key economic regimes, most importantly the independence of the South African Reserve Bank (SARB) and its priority on price stability as well as a financing facility with the IMF which obliged the new government to moderate macro-economic management (Michie and Padayachee, 1997: 32).

In the early 1990s, the Macro-Economic Research Group (MERG) was the closest to an economic policy think tank that the ANC had and, along with Cosatu, it supported ‘closed economic Keynesian’ policies’ (Handley, 2008: 75). The first comprehensive statement from the ANC on economic policy came with the RDP in February 1994. According to Handley (2008: 76), this (February 1994) RDP Base Document drew on numerous sources but predominantly on the work of the MERG in the sense that it listed ‘a large number of social and economic inequalities that needed to be addressed by the new government, but provided few suggestions as to how to prioritize these given a limited budget’. After the election and a number of drafts later, an RDP White Paper was published in September 1994, which revealed a shift away from the MERG position. Fiscal discipline had ascended from a means to achieve development to an objective in its

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<sup>23</sup> CODESA, short for Convention for a Democratic South Africa, was a negotiating forum, established by the end of 1991 and aimed at producing a new constitutional dispensation for a post-apartheid South Africa. All political parties with a proven support base could send representatives (though some parties decided not to participate, including the CP, AZAPO, the PAC and far-right groups). There were two rounds of CODESA-talks. CODESA I laid an important foundation for future multiracial talks and decided that a second round of talks, CODESA II, would be held in March 1992. CODESA II soon reached a deadlock and eventually failed over important issues, notably an interim government and constitution. Talks resumed later within the framework of the Multi-Party Negotiation Process and were brought to a successful end. (SAHistory, n.d.)

own right, the interventionist role of the state in the economy had been cut back and reduced to a 'neutral' source of management' (Williams and Taylor, 2000: 31). Critics have argued that 'the RDP WP [White Paper] represents a very significant compromise to the neo-liberal, 'trickle down' economic policy preferences of the old regime' (Adelzadeh and Padayachee, 1994: 2) and therefore went too far. The markets on the other hand were surprised and pleased by the ANC in office as by 1995 exports had responded well to the new environment and business confidence surged to a ten-year high (Handley, 2008: 77). Volatility of the rand in February 1996 showed that all was not entirely well. The chance sighting of an ambulance in the vicinity of Mandela's Cape Town residence, leading to rumors that Mandela was ill, triggered a run on the currency (Handley, 2005: 225). The replacement of Chris Liebenberg by Trevor Manuel as Finance Minister and the NP's withdrawal from the GNU further increased business fears about political instability (*ibid*).

In February of the same year the South Africa Foundation, representing big business, had produced its own growth document, entitled Growth for All (GFA), which rested on five pillars (law and order; macroeconomic stability and financial liberalization; reduction of budget deficit, tax cuts and reforms; deregulation, privatization as well as increased wage flexibility in the labor market; trade liberalization and encouragement of foreign capital inflow) (SA Foundation, 1996: 11). These pillars were conceptualized as equal in importance yet two elements stood out as central: the call for greater wage flexibility in order to ensure increased employment and the demand for a reduction of the budget deficit (by decreased government expenditure) in order to signal sustainable macroeconomic stability to investors (especially foreign ones) (Lundahl, 1999: 218). Naturally, the Growth for All strategy did not appeal to the trade unions who produced a counter strategy along Keynesian lines, called Social Equity and Job Creation. The government in turn released its own new macroeconomic strategy GEAR, short for Growth, Employment and Redistribution Programme in June 1996. The program was justified as a continuation of the RDP by other means even though it exhibited a 'commitment to conservative fiscal policies, trade liberalisation and a shift from consumption to investment spending' (Williams and Taylor, 2000: 33) and largely followed the suggested solution of the South African Foundation (Lundahl, 1999: 219).

As such it also highlighted the extent to which the government had come to see the importance of foreign direct investment (FDI) as well as its adherence to 'such neo-liberal tenets as reduction of the deficit; rapid tariff reductions; exchange control liberalisation; privatisation; and even reform of the labour market (although it contained no programme for how to achieve this)' (Handley, 2005: 227). The new framework stunned the political left within the ANC alliance as it was regarded as offering 'conclusive proof that the neoliberal path to development was finally entrenched in government thinking' (Williams and Taylor, 2000: 33). On the other hand, the market-oriented approach elevated inflation targeting (formalized in February 2000) and the use of interest rates above employment creation and an active role of government in stimulating investment and growth. It thereby 'becomes one [the role of the state] that attracts foreign exchange and stimulates interest in the Johannesburg Stock Exchange' (Roberts, 1997: 68) and found appraisal for being 'investor friendly and responding to many of the concerns expressed by business' (Williams and Taylor, 2000: 34). The launching of GEAR did not actually end the RDP but from 1996 the separate RDP office was disbanded and the program deemphasized in favor of GEAR which occupied center stage.

In the light of poor initial conditions, GEAR achieved impressive macroeconomic stabilization (OECD, 2008: 19) and real GDP growth accelerated to 3 per cent on average per year over the period from 1995 to 2004 (which compared favorably to the annualized 0.8 per cent growth of the preceding decade) (Du Plessis and Smit, 2006: 28). However, per capita growth averaged at 1.1 per cent per year only and unemployment, inequality and poverty continued to rise (Hausmann, 2008). The recognition that the fruits of substantial economic achievements have not been shared widely enough and that those who had suffered most under apartheid were continuously failing to improve their living standards led the government to propose the third major development strategy since 1994, the so-called Accelerated and Shared Growth Initiative for South Africa (AsgiSA) in 2006. Guided by its mandate to halve poverty and unemployment by 2014, the government consulted with a range of stakeholders and identified six binding constraints preventing South Africa from achieving elevated levels of economic growth (The Presidency, 2006: 3-4). These constraints include volatility and level of the currency; the

cost, efficiency and capacity of the national logistics system; shortage of suitably skilled labor amplified by the impact of apartheid spatial patterns on the cost of labor; barriers to entry, limits to competition and limited new investment opportunities; regulatory environment and the burden on small and medium enterprises (SMEs); deficiencies in state organization, capacity and leadership. AsgiSA thus targeted ‘massive expansion of infrastructure and skills [...] to boost employment by prioritising the tourism and business process outsourcing sectors, both labour-intensive export sectors with opportunities for small and medium-sized businesses’ (Gelb, 2007: 27). The initiative has been welcomed by the SACP and (albeit to a lesser extent) Cosatu who are both ‘embracing the notion of a 'developmental state', which they take to mean an interventionist State machine that can actively shape the capitalist economy – hopefully in the interests of the masses’ (van der Walt, 2007: 2). Nonetheless, AsgiSA also drew criticism similar to that directed at the GEAR program ten years ago in that it follows the same ‘trickle-down theory of growth leading to redistribution’ (Ronnie cited in Bell, 2006) and that ‘having social democratic aims within a neo-liberal system is contradictory’ (Bell, 2006). In the meantime, the six constraints have been surmounted somewhat by the urgent priority of the energy crisis, conflicts within government concerning the best economic strategy that continue unabated and a new government in office. Despite remaining the ‘clearest overall strategy for South Africa's economic development over the medium-term’ (OECD, 2008: 18) 'clearest' in this instance is not clear enough as the role of the initiative remains rather murky and ‘the silence around AsigSA has been deafening since President Jacob Zuma's government took office in May 2009, and the programme appears to have died a quiet death [... being] dead all but in word’ (Lunsche, 2010: 43). A new attempt at developing a long term plan is currently being pursued by the Minister of National Planning, Trevor Manuel. To that end a green paper dating from September 2009 ( (The Presidency, 2009: 17) proposes a National Planning Commission in order to mobilize society around a commonly agreed set of long term goals, ensure greater coherence in government's work and longer term planning. As the country's past growth performance is examined and the underlying policy framework revisited under the Zuma administration, the concept of the 'developmental state' ‘has become a buzzword for certain officials and political figures’ (Poon, 2009: 2) and enjoyed a boost amidst the

global economic crisis but did not reduce uncertainty in economic policy making.

The policy shift from the more 'redistributionist' RDP at the beginning of the democratic era to the more 'neo-liberal' GEAR and AsgiSA was generally regarded as having worked well for and in favor of the business community (Handley, 2008: 92). The results however do look mixed if pitted against the GFA document. The government succeeded impressively in reducing the fiscal deficit and the public debt to GDP, facilitated amongst others by the modernized SA Revenue Service, resulting in greater efficiency, a wider tax base and greater taxpayer compliance (Gelb, 2007: 19). Despite being one of the most important areas to business, the broader business community saw little positive progress in the labor framework (Handley, 2008: 91). The trade and currency liberalization attracted a mixed verdict. While the government's achievements on trade liberalization were assessed more positively, the lifting of exchange controls was argued to leave room for much further improvement (*ibid*). Even though some privatizations did occur (most notably Iscor and partially at least, Telkom), in general, privatization in post-apartheid South Africa had been slow, 'with few visible results and a general feeling among observers and donors that governments' commitment to the process was generally half-hearted' (Jerome, 2004: 3). By the end of 2006, 43 per cent of the country's capital stock was in the hands of the state and municipal authorities while the SOEs alone controlled around 19 per cent, compared to 22 per cent in 1995 and 20 in 2000 (OECD, 2008: 65). In addition to these four key reform areas proposed in the GFA strategy, competition policy and BEE (see above) were two more policy areas of greater importance to business-government relations and in both instances reforms were introduced on the initiative of the state (Handley, 2008: 92).

Thus the initial business hysteria at the beginning of the democratic era about a radically redistributive ANC gave way to surprise and relief that the new government 'had proved amenable to many of business' views on macroeconomic management' (*ibid*). Business undoubtedly influenced this process but not primarily through a concerted strategy by resourceful 'pro-neoliberal civil society groups' aiming to swamp 'any lingering socialist tendencies within the ANC' in an 'ideological tidal wave' of 'corporate scenario planning' (Williams and Taylor, 2000: 26-28). Handley (2005: 211) instead suggests that business' influence was much more indirect and derived mainly

from two sets of sources: First, the international consensus after the Soviet collapse around the neo-liberal reform agenda and second, indirect signals from the marketplace by such means as the value of the currency or investor and business confidence.

#### **4.3.4 Nationalization of mines in the making or just a storm in a teacup?**

The lack of a transparent and coherent economic policy in combination with politicians 'more frequently invoking the ANC 1955 Freedom Charter – with its reference to nationalising the country's mining industry – than AsgiSA' (Lunsche, 2010: 43) have provided a fertile ground for a renewed debate about nationalization, which has been spearheaded by the ANCYL (Mail and Guardian, 2009). According to Julius Malema, ANCYL President, at the moment 'when the imperialist forces are accepting the failures of capitalism, we should ask whether the time has not arrived for the government to make sure that the state owns the mines and other means of production as called for in the Freedom Charter' (*ibid*). Unsurprisingly the Youth League has come to the conclusion half a year later that the debate is not 'whether nationalisation should happen or not, it is on how best we nationalise mines in South Africa' and that 'investors, businessmen, government bureaucrats and mining practitioners should begin to adjust to the reality that the democratic state is going to have greater control and ownership of minerals and the actual process of mining in South Africa' and that it 'will happen not in the distant future' (ANCYL, 2010a; ANCYL, 2010b).

The surging ahead by the ANCYL has ignited a debate which slowly gathered pace and reactions were not long in the coming. Mineral Resources Minister Susan Shabangu declared that the 'nationalisation of mines is not government policy. In my lifetime there will be no nationalisation of mines' (Mail and Guardian, 2010). In an address to the COM, Deputy President Kgalema Motlanthe assured the mining sector somewhat ambiguously that it should 'take comfort in knowing that there are no immediate plans from the state to nationalise the mines' (Motlanthe, 2009) and Jeremy Cronin, deputy general secretary of the SACP and Deputy Minister of Transport, reasoned that 'extensive state ownership of the mining sector would on its own not change any of the underlying systemic problems in our broader economy' and that unless it was part of a much more fundamental transformation of the economy 'it would also not change the semi-peripheral status of South Africa in the global economy - it might even

worsen this status' (Cronin, 2009).

Both sides of the nationalization debate agree on the continuing challenge to address historical inequalities through the participation of the masses in the fruits of the nation's wealth and adhere to the overall thrust of the Freedom Charter. The question is not so much about what but how to achieve it. Indeed, a form of nationalization has already occurred silently and unspectacularly as the MPRDA had vested custodianship of all minerals in the South African state and the call for nationalization of mines should therefore be evaluated against the effectiveness of this legal framework to meet the objectives set out in the Freedom Charter (Ngungunyane, 2010).

In this light, the nationalization debate could be seen as a proxy debate for the more general economic policy direction between the three sections discussed above (the 'disciplined left', the 'orthodox right' and the 'predatory patronage maximizers'). Given the overwhelming though ambiguous rejection from the side of the government, the implementation of a 'nationalization' of the ANCYL sort, seems unlikely but should nonetheless be prematurely dismissed as a mere storm in a teacup either.

#### 4.4 Conclusion

In comparison to the 1970s, the post-apartheid period seems to indicate yet another shift in the balance between mining capital and the state. The corporate restructuring and delisting from the JSE are probably the most seminal changes affecting the state-mining business relationship since 1994. The traditional mining houses ceased to exist as such and were transformed into much more streamlined operations by shedding non-related assets, diversifying, going global and focusing on core competencies. In consequence, the mining houses were no longer controlled by a small number of South African families but instead owned by over 60 per cent by foreigners. *In sum, these developments decreased the leverage of the state over the mining companies.* On the other hand, the contribution of the mining industry declined when measured against its contribution to GDP and employment. Nonetheless it remains crucial largely due to the industry's many and diverse linkages with the rest of the economy, due to its role as an employer (500'000 directly and another 500'000 indirectly) and as a foreign exchange earner (between 30 to 50 per cent). The decline of gold production continued unabated (though temporarily

reversed in the wake of the latest financial and economic crisis, if not in terms of volume certainly in terms of value) but was more than offset by the rise of other minerals notably pgms, coal, iron ore, and other minerals.

The impact of the decline of gold production was more severely felt on the labor market as the workforce in the mining industry halved over the course of 15 years from 1995 to 2010. In combination with growing unemployment hovering between roughly 25 per cent officially and 40 per cent in an expanded definition, one of the major concerns of the mining industry for a very long period, the supply of unskilled, low-wage labor ceased to exist. Instead, as late repercussions of apartheid policies such as the color bar and bantu education, the new shortage is that of skilled labor which is affecting the mining industry to the point that it could hamper future growth.

In contrast to the color bar, the migrant labor system has survived the long 1970s and the mining industry was able to preserve it against government plans that sought to overhaul it. Concomitantly, the stabilization of the workforce has only seen partial success and new patterns of exclusion have been introduced through casualization, externalization and informalization of the labor conditions.

Organized labor (most notably in the form of Cosatu) has found itself in a position where it could pursue a strategy of incorporation into both the new government coalition and tripartite labor, state and business forums. Despite various advancements the strategy to shift economic policies towards a more redistribution through incorporation largely failed, which led the unions to believe that the only way to challenge the prevailing economic framework was through a change in leadership in the ANC and the state. Even though a coalition of the left and politically disgruntled had successfully supported Zuma in his bid to power this change in leadership did not actually represents a shift to the left.

Likewise, the macroeconomic post-apartheid policies have seen a gradual shift to more business friendly policies based on sound macro-economic fundamentals, notably price stability, reduction of deficit and debt, exchange control as well as liberalization, privatization and tariff reductions. In the case of the introduction of GEAR this was perceived by some as the definite proof that the state has firmly adopted the neoliberal path to development. Lately however an increased usage of developmental state rhetoric can be observed in general and more particularly in the debate around a South African

developmental state and the National Planning Commission. In what direction a possible new shift might be heading remains unclear (see above). The paradigm shift of the ANC from nationalization in the early 1990s to a more and more neoliberal framework was largely influenced by the international consensus after the collapse of the Soviet Union around the neoliberal reform agenda and indirect signals from the marketplace such as the value of the currency or investor and business confidence. It seems therefore highly unlikely, despite a modest relaxation of the neoliberal reform agenda, that a nationalization of the ANCYL sort will be considered a serious option.

However, other strategies of transformation might be pursued more vigorously in the context of the mining charter whose review has not yet been published despite having been due and indeed completed a year ago. A leaked draft indicates that the industry falls short of the targeted 15 per cent ownership of HDSAs by 2009, when only 9 per cent seem to have been achieved as well as shortcomings in the area of community empowerment and working conditions.

The recent developments in post-apartheid South Africa therefore *suggest no further juncture but a continuation of the long 1970s further shifting the balance of power in favor of mining capital*. This notion therefore rests largely on the three arguments that *firstly, the processes of corporate restructuring and offshore listings reduced the state's leverage considerably while secondly, the industry was able to conserve and continue the migrant labor system despite attempts to overhaul it by the state and thirdly, the macro-economic policies in general which were emphasizing growth over redistribution*. Two developments that work against this shift in the balance of power include the skill shortage and the failure on the part of the industry to comply with the mining charter. Particularly the latter contains a latent potential danger for the mining sector as it increases the pressure on the government to 'do something' in order to satisfy the calls (be they now populist or expressions of real grievances) for redistribution of assets and incomes from the nation's mineral wealth, including major transfers of ownership and changes in the racial profile of management. BEE policies that result in only modest changes will most likely be met with much black opposition, particularly if it continues to disproportionately benefit politically well connected individuals. If furthermore the mining industry does not comply with the mining charter by 2014 (as it

seemingly hasn't by 2009), this could provoke a backlash carrying the weight to undo the advantages the industry was able to secure over the last 15 years.

## 5 Conclusion

The objective of this study has been to trace the development of the state-mining capital relationship over an extended period of time in order to embed the current nationalization of mines debate in a broader historical context. The paper set out to confirm or dismiss Yudelmann's argument that neither state nor capital have been able to dominate each other wholly but retained their respective relative strength and independence. *This most central characteristic of state business relations was found to be valid until fifteen years after the end of apartheid.* Nonetheless the balance of power between state and mining capital has experienced a number of shifts which suggest a periodization with two critical junctures, one in the 1920s and one in the long 1970s. Recent developments in post-apartheid South Africa seem, as of now at least, to represent more a continuation of the shift that materialized in the long 1970s rather than a new conjuncture of its own or a new one in the making (see above).

The first critical juncture of the 1920s saw a mining industry that was determined to a large degree by the huge amounts of capital and labor required for the extraction of the geologically not easily accessible gold, the single most important mineral of the time. Together with the internationally fixed price of gold, the obvious area for cost reduction was labor, making an efficient and effective management thereof all the more important. Owing to this centrality of labor, the second chapter has in some detail outlined the origins, development and eventual consolidation of the vertical (job color bar) and horizontal (migrant labor system) controls. Capital engaged in the South African economy has been divided into national (mainly non-mining) and international (mainly mining) capital based on their respective social base and the nature of their inducement. This division overlapped with the inner-white ethnic cleavage between Afrikaners and English. The former ascended politically to power in the context of the Pact government in 1924. Based on the arguments that one, mining capital has lost the struggle over the color bar and two, the political rise of Afrikaner nationalists led to a shift of power from mining to non-mining capital, the 1920s were classified as a juncture that *saw the balance of power between state and mining capital working against the latter.*

The second critical juncture was characterized most importantly by the apartheid

system which was approaching its own inherent frontiers and eventually disintegrated as a result of its contradictions. The three areas discussed (capital, labor and the state) followed the same lines as chapter two but led to the conclusion that the long 1970s marked a turnaround shift in the state-mining capital relations *in favor of the mining industry*. This notion was informed by the fact that major apartheid economic institutions and policies generally and more specifically the job color bar were finally abolished. At the same time the migrant labor system was kept in place and the growing convergence of attitudes towards the role of the state in the economy among English and Afrikaans South Africans (notably capitalists) provided a stronger basis more generally for the advance of pro-growth rather than redistributionist macroeconomic policy.

The fourth chapter has covered the post-apartheid period since 1994. While it was rather difficult to dismiss or confirm another juncture entirely, the discussion of mining capital, labor and state related aspects in this period suggested no new or changed juncture. Instead, the processes of corporate restructuring and offshore listings, the preservation of the migrant labor system and the development of macro-economic policies in general indicated that the post-apartheid period was a continuation, indeed confirmation of the 1970s juncture *further shifting the balance of power in favor of mining capital*. However the failure or unwillingness on the part of the mining industry to comply with the mining charter, notably the transfer of ownership and management was identified as a major caveat which carries a degree of potential conflict that could well override the gains made by the mining industry and lead to a future reassessment of the early 21<sup>st</sup> century as the beginning of a new juncture in the making.

Overall, it has been shown that *neither the state nor mining capital has been able to dominate the other wholly and that they both retained their respective relative strength and independence*. The historical development of their relationship across two critical junctures in the 20<sup>th</sup> century and the recent developments in post-apartheid South Africa lend credible support to this assertion. Thus, pitting these findings against the nationalization of mines as brought forward by the ANCYL answers the research question stated at the outset and raises other questions. Without even taking into consideration further crucial aspects of nationalization such as practicability, related costs and not to mention the required capabilities, the historical account of state-mining capital

alone would suffice to put the ANCYL's call in the realm of fantasy and utopia. It seems particularly unclear how a nationalization of mines could achieve better than other means, if achieve at all, a number of the otherwise more than valid goals as defined by the ANCYL. These include namely the transformation of the accumulation path of the South African economy; to safeguard sovereignty; to bolster industrialization, job creation and beneficiation; to transform unequal spatial development patterns; to increase the state's fiscal capacity and ensure better working conditions (ANCYL, 2010b).

The combination of unlikely nationalization (informed by the historical account of the balance of power between the state and mining capital) and adamant calls for nationalization by the ANCYL thus raises the question whether the latter have more to do with ANC internal struggles and the not so far ahead policy conferences in the next three years (the national general council in September 2010, the national policy conference in 2011 and the national conference of the ANC in 2012). Or has the ANCYL's recent attention to nationalization been sparked by apparently little progress of the mining industry in the transformation process? And if so, does this indicate an ever growing impatience on the part of the ANC over the slow pace of transformation that could provide the basis for a shift in political power and potentially initiate a new juncture to the detriment of mining capital and in favor of the state possibly even on behalf of the masses which after all, apart from (at times indelicately low) wages, have seen more dust than glitter?

The history of the state-mining capital relationship in general and the recent developments do not indicate future shifts in the balance of power. There is a great deal of uncertainty with regards to the mining charter and how the industry has complied. It is likely that should a shift occur it would emanate out of this review process. Admittedly, the mid-term review process has neither been on time nor transparent but it is hard to imagine how the 2014 review of the mining charter (completing the 10 year cycle the industry was given to adapt to the requirements) could not have some sort of consequences. Future research into the assessment of the state-mining capital relationship should therefore focus appropriate attention to this review process.

There is a further dimension to the state-mining capital relationship which has not been attended to in detail but whose importance will continue to grow in the democratic

era. It is the question of how the people as a whole could benefit best from the country's huge mineral wealth. Conventionally the discussion tended to see if not the state, than the society as a whole on the one hand and the mining industry on the other hand to be inextricably in opposition to each other. However, this thesis has shown that such a departing point had always been and continues to be impracticable and unsustainable. Maybe the time has come to think about this differently. How can the central characteristic of the state-mining capital (which some see as an anathema and others as a blessing) be approached to make it work for the benefit of all South Africans and the development of a more sustainable and equitable development path (rather than simply overturning it for example by way of nationalization)?

Future research will also have to deal more in detail with the impact of the recent global financial and economic crisis on the state-mining capital relationship, particularly with regards to BEE. The 1998 emerging markets crisis had exposed the unsustainable financial structuring of most BEE deals during the first voluntary phase of black empowerment and drastically reduced black ownership on the JSE (from 7 per cent to 2.2 per cent). How the recent crisis has affected the ownership structure in the mining sector in detail remains unclear. The leaked mining charter draft review so far speaks of 9 per cent ownership in the hands of historically disadvantage South Africans. However it is not clear how recent the data is and how accurately it reflects the current situation.

Thus, while this thesis has developed a historical understanding of the state-mining capital relationship in South Africa reaching into the democratic era and provides a coherent narrative of its central characteristic (that is that neither the state nor mining capital has been able to dominate the other wholly), there are a number of aspects that could not be covered and to which further research could add valuable insights. This paper carries the hope that it can provide a minutest assistance in understanding how to move this relationship forward and to the benefit of the people as a whole.

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