CHAPTER 3

Buying In: British, Afrikaners, and Americans, 1940–1960

> Colonel Smithers got up from his chair. "It took me five years, Mr. Bond, to find out that Mr. Goldfinger, in ready money, is the richest man in England. In Zurich, in Nassau, in Panama, in New York, he has twenty million pounds' worth of gold bars on safe deposit. They're bars that Mr. Goldfinger has melted himself. And that gold, or most of it, belongs to England. The Bank can do nothing about it, so we are asking you to bring Mr. Goldfinger to book, Mr. Bond, and get that gold back. You know about the currency crisis and the high bank rate? Of course. Well, England needs that gold, badly—and the quicker the better.
>
> —IAN FLEMING, *Goldfinger*

WHEN the literary James Bond, in a tale set in Britain, Europe, and America, succeeds in foiling the plot of master criminal Goldfinger, the South African connection is mentioned only in passing, as British secret agent 007 is briefed on gold and its origins. In real life the connection was closer.

For Fleming modeled the Goldfinger character, if not the plot, on his American friend Charles W. Engelhard, who built his precious-metals company into the world's largest and himself into the leading individual U.S. investor in South Africa. His first venture there, the Precious Metals Corporation, evaded South African law against export of gold by melting gold bars into jewelry for export, afterwards reprocessing the jewelry into bullion. Engelhard undertook his scheme, and incorporated his company, with the aid of Robert Fleming and Company, the London investment bank founded by Ian Fleming's grandfather.[1]

British economic weakness after the war, as suggested by James Bond's mission, opened up opportunities for Americans and South Africans themselves to gain a larger share of South Africa's gold wealth. In some years virtually all the gold produced, though marketed through London, ended up on the other side of the Atlantic. The South African-based Anglo American Corporation increased its share of the industry at the expense of

British-based companies. In 1958, with capital assistance from Engelhard's American connection, Anglo preempted an attempt by London-based Gold Fields to gain control of Central Mining—the third largest group in the field.[2] By the early 1960s Anglo American was clearly the dominant group, with assets more than double those of its closest rival and expanding investments in all sectors of the southern African economy.

The growth of the Oppenheimer interests and of new U.S. investment coincided with other significant changes: a new wave of European immigration into southern Africa, the rapid growth of manufacturing in South Africa, and, in the political arena, the rise to power of resurgent Afrikaner nationalism. Each of these new developments rearranged the beneficiaries of southern African wealth. But they did not alter the bedrock on which the system rested: the joint exploitation by foreign and local capital of politically powerless, cheap black labor.

Foreign capital, replaced by South African in some spheres, took on new roles, but its significance was undiminished. The rapidly modernizing manufacturing sector provided opportunities for surplus South African mining capital. It also attracted expanding direct investment in branch plants by the globally dominant U.S. multinationals and an even larger number of British companies.

At the time, some liberal-minded capitalists argued that the growth of manufacturing made racial reform imperative. South Africa's old racial order, it seemed, would become increasingly incompatible with the needs of a modern industrial economy for skilled labor, labor mobility, and a larger domestic market. Harry Oppenheimer, who took over leadership of the family empire from his father, Ernest, after World War II, was one advocate of such views. He argued that South Africa would have to admit the permanence of black urban workers, and he even experimented with married quarters for a few of the workers on his mines. Referring back to Rhodes, he deplored the denial of opportunities to any civilized men.

The young Oppenheimer took office as a United Party MP in 1948. For Afrikaner ideologists, savoring their electoral victory the same year, he was a symbol of big money and English liberalism. They feared that the "Hoggenheimers," as they were caricatured by Afrikaner cartoonists, would use their economic power to beat down Afrikaners and to replace them with cheap black labor. The system of *apartheid,* or "separateness," the National Party contended, would protect both whites and blacks from such soulless capitalism. The state would ensure that the whites kept control and safeguarded their privileged place in the economy, while blacks would be kept securely attached to their rural origins and traditional ways. Black presence in the white urban economy would be strictly limited to the necessary minimum. Not least important, the Afrikaners would gain a larger share of the expanding economy.

In the struggle between the two views, the National Party emerged as victor, after winning political power in 1948. The Afrikaners used state revenues from gold mining to promote state and private companies they controlled, and introduced a host of new racial laws. But they also provided a hospitable climate for the Oppenheimers and other non-Afrikaner investors, new as well as old. Shortages of skilled labor proved only a minor impediment to growth. The more cosmopolitan capitalists might complain on occasion about the inefficiencies of apartheid bureaucracy or overpaid white workers, but in practice they seemed to have little difficulty adjusting to the system.

Almost twenty-five years after apartheid's advocates took charge, *Fortune* magazine could reflect that "the Republic of South Africa has always been regarded by foreign investors as a gold mine, one of those rare and refreshing places where profits are great and problems are small. Capital is not threatened by political instability or nationalization. Labor is cheap, the market is booming, and the currency hard and convertible."[3] The social order of segregation, far from withering away, had been systematized and bureaucratized under the apartheid label. In theory this might be irrational for modern capitalism, but like Ian Fleming's Goldfinger, investors in Zurich and New York as well as in London and Johannesburg found it profitable.

Golden Opportunities

In the years after World War II, southern Africa provided abundant opportunities for new white settlement and for foreign investors. Over one hundred thousand white immigrants arrived in South Africa from 1946 to 1950, for example, more than two-thirds of them from Britain.[4] An even larger total number found their way to other territories, such as Rhodesia, Angola, Mozambique, and even the Belgian Congo. "Africa is still a land of opportunity," Sir Ernest Oppenheimer told Anglo American stockholders in 1954, speaking of Rhodesian economic progress.[5] His vision was widely shared.

As in the prewar period, the major prize for investors was the gold fields of South Africa. Between 1887 and 1932 the Rand had already absorbed some £200 million in capital (of which roughly £120 million came from abroad). The investment produced a return of £1,145 million, of which £255 million was paid out to shareholders.[6]

By 1912 South Africa was producing almost 40 percent of the world's gold. Its share thereafter was often over 50 percent and did not fall below 33 percent until the early 1940s. Renewed expansion gradually increased its share again (excluding the Soviet Union) to 49 percent by 1953 and eventually to 69 percent by 1962.[7] Gold continued to be South Africa's leading export, providing between 60 percent and 70 percent of export revenue through the 1930s and up to half after the war.

Investment in the 1940s and 1950s, however, displayed new characteristics. The scale was enormous, with more invested in the ten years after the war than the prewar total. In contrast to the earlier period, when individual shareholdings predominated, investments in mining were largely channeled through financial institutions. Sources of capital outside Britain became more and more important.

The new investment went in large part to highly mechanized mines. The new gold mines of the Orange Free State, in which Anglo American dominated, took the lead, but older mines on the Rand also introduced new techniques and new machinery. Productivity increased, and the number of workers per mine decreased. In large mines, the average number of black workers per mine declined from over twenty-five thousand in 1936 to fourteen thousand in 1969. The value of gold produced rose by 75 percent between 1945 and 1960, while the black labor force only increased by 25 percent over the same period. Working profit per ton of ore milled almost tripled. The productivity gains, combined with a 1949 hike in the international price of gold, brought gold revenues by 1960 to more than twice the 1945 value.[8]

The investment needed for this capital-intensive expansion was staggering. In the fifteen years after World War II, the mining groups invested some £370 million (£260 million in the Orange Free State), a sum exceeding by 50 percent the total invested between 1886 and 1945. Slightly more than two-fifths came from reinvested profits, but the rest was financed by issuing new stock and convertible bonds. With bonds, investors in South Africa and overseas could share in the gold profits and count on a guaranteed return, while the mining houses assumed the primary risk. British financial institutions came through with some £100 million. An additional flow of funds from the European continent was facilitated by the South African Trust Fund, set up in Switzerland in 1948. Funds from the United States and Europe together totaled £85 million. Local investors in South Africa provided another £26 million.

American postwar mining investment was pioneered by Kennecott Copper Corporation, which advanced more than $21 million to Orange

Free State mines. Kennecott worked in conjunction with the South African Anglo-Transvaal Company, which also raised $20 million from New York and London banks.[9] Under a 1950 agreement, the U.S. Export-Import Bank provided as much as $130 million in loans to finance uranium extraction from the gold mines. Charles Engelhard moved up from gold dealing to acquire a controlling interest in Rand Mines. Newmont Mining Corporation acquired ownership of copper-lead-zinc mines at O'Okiep in South Africa and Tsumeb in South West Africa. In 1958 Engelhard set up the American-South African Investment Trust, including a Newmont official as a director, to raise funds for investment in a variety of South African ventures.

Other countries in southern Africa could hardly rival the compelling attraction of South Africa's gold fields. But they shared in the new postwar surge of economic expansion. Stimulated by high world-commodity prices after 1948, and particularly by the Korean War surge in demand, sub-Saharan African trade expanded almost sixfold between 1945 and 1960. South Africa's trade increased from £270 million to more than £1200 million, while the total for the rest of southern Africa went from £130 million to almost £900 million. Copper production, principally in Northern Rhodesia and the Belgian Congo, more than doubled between 1947 and 1957, where the prewar companies (Belgian, British, American, and South African) maintained their dominance unchallenged.[10]

Southern Rhodesia saw expansion of white-led agriculture to new levels. Tobacco planters increased production in response to favorable prices, and tobacco soon surpassed gold as the country's premier export. Foreign capital fed the growth of a manufacturing industry which, though small in comparison with South Africa's, was providing over 18 percent of the Gross Domestic Product (GDP) by the early 1960s.[11]

The white population of Southern Rhodesia, only 33,600 in 1921, had grown gradually during the interwar years, despite a slowdown during the depression, to reach 69,000 by 1941. Over the next twenty years it more than tripled to 221,500.[12] Net white immigration averaged almost 10,000 a year in the first five years after the war, declining to roughly 7,000 a year in the late 1950s. By the mid-fifties, as a result, only one out of three white Rhodesians had been born in the country; slightly more than 40 percent of the immigrants came from Britain, and almost the same number had lived in the Union of South Africa.[13]

To an even greater extent than in South Africa, this growth was linked to expanding foreign investment. Between 1945 and 1963, an estimated £369 million of new capital entered Southern Rhodesia, far more than the prewar accumulated capital stock of some £60 million.[14] Foreign-controlled capital greatly outweighed capital controlled by local Rhodesian settlers.

Roughly one-third consisted of public-sector loans to build infrastructure; of the estimated £400 million private-sector investment, £250 million was British-owned, £100 million South African, and £20 million from the United States.

In the Portuguese colonies, economic growth was also premised on increasing white settlement. In Angola the white population, which stood at 44,000 in 1940, grew to 173,000 by 1960; over the same twenty-year period the number of whites in Mozambique went from 27,000 to 97,000.[15] The expansion of non-Portuguese foreign capital was limited, however, by Salazar's efforts to build a protected Portuguese economic space. The new development consisted primarily of expanding production of cash crops.

Efforts to settle immigrants in rural areas, giving them land and state subsidies, proved a significant economic success only in the coffee lands of northern Angola. The majority of immigrants, many of them unskilled or even illiterate, went to the growing cities, where they took priority for jobs even over mestiços or Africans classified as civilized. The remaining 99 percent of the African population were subject to forced labor: building roads, working on plantations, or growing cotton for Portugal's textile industry.

A certain amount of industrial development was undertaken by Portuguese capitalists—light industry or first-level processing of agricultural products, even a cement industry in Mozambique. But growth in the colonies was limited by fears of cutting into exports from Portugal's own factories.

The Portuguese-oriented economic policy did not, moreover, extend to expelling the substantial foreign interests that were already well established. Belgium, through the Société Générale de Belgique, retained a leading stake in the Angolan diamond industry and in other sectors as well through its Portuguese subsidiary, Banco Burnay. The Benguela Railway was still controlled by British, Belgian, and South African capital. In Mozambique there was British-controlled Sena Sugar and other plantations. Even more important, the colony's economic growth was linked intimately to South Africa and Southern Rhodesia. The expansion of Beira and Lourenço Marques stemmed from trade with Rhodesia and South Africa. In the 1950s approximately one hundred thousand Mozambicans a year worked legally in South Africa, and the same number in Southern Rhodesia, while almost as many, it was estimated, sought employment clandestinely in these neighboring countries.

From the Congo's copper to South Africa's gold, it was the export of primary commodities that dominated the region's expanding trade links with the West. The bulk of investment, too, went into primary production or into infrastructure serving that sector. In South Africa, however, there was another major attraction as well—secondary industry. Its growth brought more intimate direct links with foreign companies and raised questions about the adequacy of the political economy of cheap labor. Or so it seemed.

Industry and the Multinationals

As significant as was the postwar growth of South African mining, it was outstripped by even more rapid expansion of the manufacturing sector. Net factory output, valued at R49 million in 1925 and at R61 million in 1933, just after the depression, more than doubled by 1939 and doubled again before the end of the war to R276 million. Then, in the first postwar decade, manufacturing output more than tripled.

In 1912 mining, with 27 percent of the GDP, exceeded the proportions of agriculture (17 percent) and manufacturing (7 percent) combined. By 1930 manufacturing had overtaken agriculture, and by 1939 it was rivaling mining's 21 percent share. During the war, manufacturing surged ahead, and by 1945 was producing 20 percent of the GDP, compared with 14 percent for mining. While minerals continued to dominate South Africa's exports, the rise of manufacturing was, in the words of economist Hobart Houghton, "the greatest structural change in the South African economy during the last fifty years."[16]

The new wave of industrialization in part showed continuities with earlier internal trends. The mining companies further developed their service industries, expanding and diversifying production in explosives, cutting tools, metalworking, and machinery. Local English-speaking entrepreneurs, with a few Afrikaner pioneers such as tobacco magnate Anton Rupert, invested in light industries such as food and beverage, tobacco and textiles. Benefiting from both personal and business ties with Britain, these enterprises often involved part-ownership or technical assistance from the "home country." They also enjoyed tariff protection, increased during World War II from the levels set in the 1920s under the Pact government. State capital also played a role, with ISCOR implementing an ambitious program of expansion in iron and steel. The Industrial Development Corporation (IDC), founded in 1942, set up factories in cooperation with private industry.

The industrial spurt, however, also reflected a qualitatively new role for foreign capital in South Africa. In the ten years after World War II, it is estimated, total foreign capital flowing to South Africa amounted to £700 million,[17] as compared with £500 million for the fifty years before the war. As much as half was invested in manufacturing industry. This flood of investment was more than an isolated response to the attraction of opportunities in the South African market. It stemmed from the changing strategies of international capitalism, as direct investment in branch plants by multinational companies became increasingly important.

In the nineteenth and early twentieth centuries, the dominant form of foreign investment was portfolio capital. British investors, above all, had poured funds into government or railway bonds, into stocks in mines or plantations around the world. As long as Britain was the main source of capital, dominating international trade and finance, industrial production at home could still find adequate markets. And even as Britain faced rising competition from the United States and Germany, there were still the special advantages in the Commonwealth-Empire and other countries linked to the sterling monetary zone.

The economic traumas of global depression followed by global war changed the terms of international economic competition. To maintain a competitive position in postwar markets, contested by European nations seeking to rebuild as well as by the powerful United States, British companies found they could not depend on exports alone. "If a British company did not establish a producing unit in the overseas country," concluded one report, "then someone else would, and the British company would have to compete for the market with that alternative producer." The report went on to point out that "overseas investments enable British companies or groups to be much larger than they otherwise would be."[18]

In the period between 1938 and 1955, British overseas investment shifted increasingly from portfolio holdings, many of which were sold during the war, to direct investment by private companies. From 1952–1958, one estimate puts it, less than 5 percent of the annual £380 million outflow of capital from Britain was in portfolio investment.[19] Capital reinvested or added by corporations for their overseas subsidiaries accounted for more than two-thirds of the annual flow.

In 1956 British investments in South Africa consisted of £309 million in indirect investment and £556.1 million in direct investment. This was 53 percent of total indirect investment and 69 percent of total direct investment in South Africa. Sectors in which British companies played a major role, either through direct subsidiaries or through licensing technology, included the electrical goods and metalworking industries, textiles, and chemicals. A prominent example was AE & CI, jointly owned by Oppenheimer's De Beers and the English ICI, which undertook large expansion plans in the 1940s and 1950s, supplying calcium carbide for the mines, urea for fertilizer, and industrial resins and polyvinyl chloride (PVC) for construction. According to a survey of worldwide corporate investment in 1971, only twelve of the British subsidiaries in the study had been set up in South Africa before World War II. Between 1946 and 1952, British firms set up almost seventy subsidiaries in South Africa, half as many as those in all other countries combined.[20]

On a world scale, however, the new phase of direct capital investment was dominated by the United States. The United States was the only major industrial power to emerge from the war physically unscathed, its economy stimulated rather than broken by the conflict. In 1953, the United States accounted for 52 percent of total capitalist world industrial output, and in 1963 the proportion was still 44 percent.[21] United States direct foreign investment, which had risen from $2.7 billion in 1914 to $7.3 billion in 1938, soared to $32.8 billion by 1960, almost half the world total.[22] Most of the capital went to other already industrialized countries or to oil investments, but South Africa also came in for a share.

The U.S.–South African economic link was not entirely new, but before World War II it was limited. As long ago as the Anglo-Boer War, U.S. businessmen had looked to South Africa as a promising export market. Supplies to British troops included canned beef, boots, firearms, and even mules. United States exports expanded tenfold between 1892 and 1902, reaching $30 million in 1903. Subsequently British protective tariffs reduced the opportunity for the United States to compete, and slow growth of exports after World War I made only a limited dent in the British lead as a supplier. The initial U.S. stake in indirect investment in the mines through Anglo American was also subsequently reduced. And few U.S. companies ventured to set up subsidiaries in South Africa.[23]

In several sectors, the United States did make significant inroads—in agricultural machinery, for example, and in automobiles. By the mid-twenties the United States supplied more than two-thirds of South Africa's automobile imports, and was beginning to ship in components and assemble vehicles in South Africa. Ford established a small plant in Port Elizabeth in 1924, and General Motors followed suit two years later.[24] The American car became a familiar sight on South African roads. White South Africans ranked among the top car markets per capita in the world, and by 1952 there was one car for every five whites.

The greatest opportunities for growth in both trade and investment came after World War II. For a few years, the United States even outpaced Britain as a supplier of South African imports, before dropping back to second place in 1949. Thereafter it maintained an average 20 percent of the market. The United States was relatively unimportant as a recipient of South African exports, provoking repeated complaints from Pretoria about the deficit until the issue was partly resolved by U.S. uranium purchases in the 1950s.

As for investment, in 1943 the value of all U.S. investment in South Africa was estimated at $86.6 million, of which $50.7 million was direct investment. Oil companies were responsible for $21.1 million of the total, while manufacturing firms held $10.7 million and mining companies $4 million.[25] In 1947 there were only fourteen wholly owned subsidiaries of American companies registered in South Africa in commercial and industrial activities. Thereafter direct investment began to grow rapidly. It had reached $140.1 million in 1950—$33 million in new funds going to manufacturing, $23.8 million in petroleum-related investment, and $27.9 million in mining and smelting.

The sectors where U.S. investment was concentrated, easily outclassing South African or British firms, were related directly or indirectly to the automobile. Socony-Vacuum (later Mobil) set up South Africa's first oil refinery in 1953 at a cost of almost $20 million, which soon processed up to one-fourth of the country's import requirements. Both Ford and GM expanded their plants after the war, with GM beginning manufacture of truck cabs with local materials in 1953. Studebaker established a plant in 1949. Growing production led to employment of more Coloureds and Africans in an industry that had earlier depended almost entirely on white labor.

The tire industry also grew rapidly. The first tire plant had been set up by the British firm Dunlop in 1935, but it was quickly followed by Firestone, Goodyear, and General Tire from the United States. By the 1950s the tire industry was supplying all of South Africa's needs and exporting as much as £4 million annually, principally to other countries in southern Africa.

The development of manufacturing, and particularly the direct transfer of technology and management techniques through branch plants, might have been a challenge to South Africa's traditional order, based on cheap labor. In the United States the automobile industry had pioneered a phase of capitalism in which profits depended less on keeping wages down than on expanding the productivity of labor. Higher skill levels for workers could produce more goods and more profits even while wages were rising. And the better-paid worker could also widen the market for consumer goods, including such relatively expensive and durable items as motor cars.

The South African system, dependent above all on cheap black labor for the mines and farms, clearly did not fit this pattern. The cheap-labor policy, noted a U.S. Department of Commerce report in 1954, posed deterrents to an otherwise bright prospect for manufacturing in South Africa. "This practice leads to inefficiency and relatively high real costs in industry," the report explained, "and relates directly to internal consumption levels and the size of the market."[26]

South African planners, too, debated the changes in policy that might be necessary as industry developed. But it was not at all clear just how the system should be adjusted and how the proper place for the "Natives" in the new postwar South Africa would differ from that assigned to them by the segregation model that had evolved over the last sixty years. "It is easy to say," commented a British trade report on South Africa, "that the situation demands the full mobilisation of the productive efforts of all sections of the population, but in the actual circumstances of the Union such mobilisation is a most complicated business."[27]

The actual circumstances of the Union, it turned out, might provoke a debate about changes in the labor force. But in practice the modern sector's needs could be accommodated without abandoning and even while strengthening the racial division of labor. Far from eroding South Africa's racial order, foreign as well as domestic industry adapted to its limitations and profited from the benefits it offered.

Industry and the Place of the "Native"

In the segregation period before World War II, black workers in manufacturing were a small portion of the work force. In 1929, for example, only 87,000 "nonwhites," including Coloureds and Asians as well as Africans, were employed in manufacturing, as compared to over 200,000 in the mines, about 350,000 on white farms, and over two million still classified as peasants in the reserves. The farmer could generally rely on tradition, the Masters and Servants Act, and regulations against squatting to ensure an adequate supply of landless black farmhands. The mines, relying on migrants from the reserves, Mozambique, and Lesotho, could maintain production and even expand the labor force substantially to take advantage of the rise in the gold price after 1933. Tighter pass laws limited the opportunity for Africans to seek employment in the urban areas, although never enough to satisfy complaining farmers.

By the early postwar years, the changing economy had wrought massive shifts in this pattern. Total "nonwhite" urban employment (including mining) more than doubled between 1933 and 1946, reaching a total of some 900,000.[28] Even more significant, the proportion of nonmigrant labor rose rapidly. The ratio of women to men among urban Africans, one to five in 1921, had reached one to three by 1946. And the number employed in manufacturing, construction, and electricity, few of them migrants, almost equaled the number of mineworkers. In the ten years after the war, "non-white" employment in manufacturing doubled to almost half a million, while white employment climbed more modestly from 112,000 to 184,000.[29]

Even mineworkers, still locked by contract into the migrant-labor pattern, had a significant stake in the urban economy. In the reserves, a 1948 government study reported, as many as 30 percent of families were landless, and a similar proportion owned no cattle. The vast majority of mineworkers came from those who owned no land; their families, accordingly, depended on the migrants' income. Statistics on the trends in reserve production are highly uncertain, and it seems that the most dramatic decline in reserve production only came in the 1950s.[30] But consciousness was rising that most rural families had little chance of surviving on their own. In 1946, census statisticians reclassified most African rural women as dependents instead of peasants. Even after the reclassification, the total number of African peasants dropped from 17 percent of the economically active population in 1946 to 8 percent five years later.

Whether from the narrower standpoint of economic policy, or from the broader perspective of social control over "Natives" in city and country, the new situation clearly called for adjustments, perhaps radical ones. While Smuts could agree with his Nationalist opponents on "white paramountcy" and an inferior place for "Natives," it remained to specify more precisely the place for the "Native." Just how many were needed in the towns, and under what conditions should they reside there? Just men, or women and children too? What response should there be to African demands for change, and how should Coloureds and Indians, increasingly vital for skilled-labor shortages, be treated?

In most Western countries, labor repression comparable to that in South Africa was prominent in the early stages of industrialization, but later a significant proportion of workers gained political rights, trade-union rights, and increased claims on social welfare. Could South Africa be an exception, or would it begin to follow a similar pattern?

The debate in South Africa in the 1940s and 1950s did incorporate many hints of the reformist language of the Western capitalist democracies. In 1937 Smuts had told a conference in Pretoria that the towns "cannot accommodate more Natives, and we are not going to accept any more except in limited numbers."[31] But by 1942, he was acknowledging that "segregation has fallen on evil days," and an interdepartmental committee was even suggesting abolition of the pass laws and recognition of African trade unions.

Among English-speaking whites in particular, industrialists and liberal intellectuals alike argued more and more frequently that economic realities demanded recognition of the permanence of an urban African population. In 1949 the Johannesburg Chamber of Commerce called for eliminating "interferences with the free market" such as "the traditional attitude which prevents certain classes of the population from making their full contribution to productivity."[32] A multiracial society had already come into being, Harry Oppenheimer argued. "The separation of Black and White into areas of their own . . . if carried out to any significant extent, would destroy the economy of the country with disastrous results for all the races in it."[33] Yet when it came to particulars, these advocates of free enterprise were far more ambivalent than such ringing pronouncements might indicate.

The most elaborate examination of a policy for reforming segregation was a study by the Fagan Commission on Native Laws, which met for two years before presenting a report in 1948 that was endorsed by Smuts's United Party in its campaign that year. The commission concluded that permanent African settlement in the towns was "a natural and inevitable economic phenomenon,"[34] necessary to maintain a supply of workers easily accessible for industry. The pass system should be maintained, they said, but it should be simplified and centralized, avoiding the confusing mixture of passes required in different areas. Moreover, the government could "greatly mitigate, and may in time entirely eliminate, those features of the pass system to which the Natives object."[35]

Migrant labor would continue to be used for the mines, and even a portion of the remainder of the urban work force, the commissioners expected, would continue to be men who left their families at home in the rural areas. Urbanization could be somewhat slowed, they suggested, by greater decentralization of industry. The Industrial Development Corporation was already supporting several such factories, located near African reserves.

The Fagan commission was clear that urban residence would not imply either integration or political rights for Africans. The races differed so radically from each other that separation was necessary. The commissioners noted that some witnesses advocated direct representation of Africans on town councils. Rejecting this solution as too likely to cause conflict, the commissioners argued that Africans could nevertheless take some responsibility for administration in their own areas. The advisory boards that Africans rejected for their powerlessness should be replaced by bodies with slightly greater powers. And a centralized government agency should take more responsibility for Native townships rather than leaving it to local white authorities.

The Nationalist victory in 1948 rendered the Fagan commission conclusions meaningless. In the mid-fifties, with the commission's relevance even further diminished by another large Nationalist election victory, United Party MP Harry Oppenheimer repeated its themes:

> We should face the facts that only about a third of the Native population lives in the reserves and that the vast industrial development on which we depend for our well-being, our homes, our motorcars and our education requires the cooperation of Black and White. . . .
>
> We should accept that no policy will be successful unless it can carry with it the goodwill of the Native people. . . . What we must do . . . is to recognize the non-European population as a permanent part of our urban population and give them a sense of permanence and belonging.
>
> [But] I think everyone in this House will agree that we must maintain the standard of living of the European people, and it certainly would not help the Natives to lower that standard. . . . [and] I think everyone in this House is agreed that it is most undesirable to put political power into the hands of uncivilised, uneducated people.[36]

Oppenheimer's statement, taken by some as a ringing challenge to the apartheid theories of strict segregation of the Nationalists, expounded differences that were at best marginal from the African point of view. Nor did the mining industry over which he presided change its basic labor policy even as its level of mechanization, capital investment, and profits rose.

Between 1931 and 1939, the total number of black workers in the gold mines expanded from 226,000 to 323,000, decreasing slightly during the war years, but rarely dropping below 300,000. Meanwhile, as a 1944 investigative commission reported, black miners' wages were virtually static, and the cost of supporting their families in the reserves mounted dramatically.

The African Mine Workers Union, organized in 1941, demanded wage increases, abolition of the compound system and tribal division of the work force, freedom of movement, and union recognition. But neither the government nor the Chamber of Mines responded even after the 1944 commission recommended that wages should be increased. Their proposal, which would have brought miners up to a bare subsistence family income, would have added £2.6 million to the annual wage bill, less than 7 percent of the mines' working profit for 1943. In August 1946, over seventy-five thousand miners went out on strike, to be driven at gunpoint back into the mines. At least twelve were killed and over twelve hundred injured.

In the wake of the strike, the mines relied increasingly on recruits from more distant areas. The proportion of workers from South Africa and Lesotho, which had mounted to over 60 percent in the 1930s and early

1940s, was cut back to 54 percent in 1946 and 47 percent five years later. Recruitment was stepped up from Mozambique, the Rhodesias, and Nyasaland, where the recruits had less opportunity to seek industrial employment or compare their wages with other urban workers and, arguably, where their families were better able to fend for themselves at home. Between 1941 and 1961 the wages of the still overwhelmingly migrant black miners remained static, even declining as a proportion of the white average.[37]

In manufacturing and commerce during the same period, African trade unions, officially unrecognized, grew rapidly to encompass as much as 40 percent of workers by 1945. In spite of antistrike legislation with increased wartime penalties, illegal strikes grew as well. Taking advantage of the expanding demand for labor, and the absence of large numbers of whites on war service, Africans in private industry were able to increase their real earnings by 9.8 percent from 1931 to 1940, and 51.8 percent over the next six years.[38]

Manufacturing and commerce, while they hardly encouraged the African unions, did have incentives to champion greater freedom in the labor market. In the 1940s and 1950s, both the Associated Chambers of Commerce (ASSOCOM) and the Federated Chamber of Industries (FCI) warned against too great restrictions on African mobility. In 1952 ASSOCOM urged that "nothing whatever be done to restrain Natives from migrating from the reserves to industry, commerce and other forms of employment in the rest of the Union."[39] Native manpower "must be within easy reach of our factories," stressed the FCI's house organ the following year. Industry spokesmen even suggested recognition of African trade unions, so that there could be orderly mechanisms for regulating industrial disputes.

In theoretical terms, one might also argue that the need for an increasingly skilled labor force required not only permanent urban residence, but also a social and educational infrastructure for African advancement. In fact, the number of workers employed in high-skill jobs was limited, and the demand could be met from other sources without significant recourse to African labor. When most industrialists demanded more African workers, their appeal was above all for low-wage, unskilled workers. Most sectors of industry in the postwar period were highly labor-intensive, and many factories were small. In 1953, for example, 65 percent employed fewer than nine workers.[40] As long as government labor policies produced a large enough stream of these workers and maintained a reserve labor supply that could keep wage levels down, concern about racial restrictions on the free market could be comfortably relegated to pious speeches at conventions. And if the threat of deportation to the reserves could adequately weaken the determination to strike, then modern industrial relations and recognition of African unions could be postponed indefinitely.

The point on which industrialists most vehemently criticized the rigidity of racial divisions was the policy of job color bars, restricting certain categories of work to whites. As discussed in chapters 1 and 2, this was already a major source of contention in the mining industry. The "civilized labor" policy after 1924 had swelled the number of white worker entitlements, in state-owned enterprises such as the railways and post office but also in mining and in manufacturing. Such special privileges were secured by government regulation in some cases, more commonly by agreements with white unions or simply by custom. Businessmen, generally content with the system of exploitation color bars, which ensured a cheap black labor force, were aggravated by the job color bars, which forced them to pay "excessive" wages for skilled or even semiskilled white workers.

Businessmen, accepting as given that white workers could not be expected to "descend to the level of the Native," still had strategies they could and did use to keep down the cost of skilled labor. Recruitment overseas could increase the supply, and Commonwealth ties made immigration from Britain in particular convenient. From 1946 to 1955, South Africa gained a net total of almost eighty-one thousand white immigrants from Britain.[41] White women could be substituted for men in semiskilled positions, at less than half the wage rates. In addition, work could be reorganized so that African workers actually did more skilled work without advancing to the job title or pay of their white counterparts. With white/black wage ratios in manufacturing at almost five to one in 1950, for example, one could hire two less-skilled blacks to do the job of one white, pay considerably less in wages, and even hope that they would produce considerably more than the white worker. As long as white men were allowed to move up to other jobs, rather than demoted or fired, resistance from the white unions could be minimized.

The motion of the "floating color bar" fluctuated with the details of technical processes and labor markets in particular industries. But the general pattern is revealed in the ratios of black to white workers in manufacturing, which went from 1.3 to 1 in 1932 to 2.2 to 1 in 1944 to 2.5 to 1 in 1954. At the same time, white manufacturing workers were still earning five times the average wage of blacks in the 1950s. Without legal racial restrictions, perhaps, the proportion of whites might have decreased even faster, and their wage rates been pushed down. But blacks might also have been able to force their wages up, if they had freedom to organize.

If the apartheid system indeed imposed "irrational restrictions" on the development of capital, they do not seem to have been unduly onerous or without compensating advantages. In practice, the Nationalist denouncers of "Hoggenheimer" shaped their system to serve him as well as themselves.

Afrikanerdom, Inc.

In the international press, even today, the apartheid policies of the National Party are most frequently presented as an innovation, with a phrase such as "introduced in 1948" capsulizing the background in a newspaper story. The popular image resonates with the liberal explanation that traces Afrikaner racial attitudes back to the isolated frontier and has them triumph in the election of 1948. Yet, as we have already seen, Afrikaners were by no means a unified political group in the decades preceding 1948. To understand how "apartheid" differed from and how it built on the established segregation system, one has to examine more carefully the origins of the movement that gained power in 1948, and the constellation of interests that it crystallized.[42]

Before World War II, the electoral scene was still dominated by the United Party, grouping Smuts's traditionally pro-British constituency and Hertzog's "South Africa firsters." The majority of Afrikaners still rejected the more extreme Nationalist politicians. But in September 1939, when Hitler's invasion of Poland precipitated World War II, South Africa's leaders were faced with a decision that fractured their political landscape. Prime Minister Hertzog favored neutrality, arguing that the Germans were only seeking self-determination rather than world conquest and that there was no threat to South African security. Smuts argued that the future of South West Africa and of the Commonwealth was at stake, and that South Africa must stand with Britain.

In the cabinet five ministers supported Hertzog, while six stood with Smuts. The Assembly, rejecting a neutrality proposal from the prime minister, adopted Smuts's declaration of war against Germany by eighty votes to sixty-seven. Hertzog called for new elections. Governor-General (and Milner Kindergarten alumnus) Patrick Duncan overruled him, accepting Hertzog's resignation and asking Smuts to form a new wartime coalition. The Afrikaner nationalists who had warned Hertzog against entangling ties with the British saw their fear of South African dependence on London confirmed on the most basic question of national sovereignty, the issue of war and peace.

Hertzog's project to construct a South African nationalism in which English-speaking and Afrikaans-speaking whites would alike consider themselves Afrikaners had collapsed. The Hertzog-Smuts alliance, which had as recently as eighteen months earlier won 111 seats against 27 for Malan's Gesuiwerde (Purified) Nationalist Party (G/NP), was no more. But the alternate project of constructing a corporate Afrikanerdom unified on the basis of a more narrow nationalism was not automatic or easy. The leaders of nationalism had to build their organizational strength, reconcile their own differences, and convince the majority of Afrikaners that indeed they were a community, shareholders in a common enterprise.

In the 1940s there were numerous threats to this unity. There were still those loyal to Jan Smuts, thousands of whom, like famous Battle-of-Britain pilot "Sailor" Malan, would serve with their English-speaking compatriots in World War II. Many Afrikaner women in the garment industry had joined the Garment Workers Union, a multiracial and militantly class-conscious movement. Even among those politically mobilized as nationalists, only a minority had backed Malan's G/NP. Hertzog and his followers joined with Malan in a Herenigde (Reunited) National Party in 1940, but the embittered Hertzog soon retired from politics. Some of his followers formed the small Afrikaner Party. The Oxwagon Sentinels or Ossewa Brandwag (OB) and the New Order Study Circle each sought to build mass political movements, based on theories of National Socialism.

The OB at least had considerable success, and many of its members were even ready to participate in a campaign of sabotage against the war effort. Thousands were interned after incidents such as bombings of electrical installations and rail lines and clashes between off-duty soldiers and OB stormtroopers, who included many police officers and other government workers. Among the most prominent of OB detainees was one of the organization's generals, Johannes Vorster, who was to become minister of justice in 1959 and prime minister in 1966. The National Party itself, however, and most of those who were to lead it in later years, took a more cautious line of neutrality without courting treason charges. Service in the military was voluntary. Many in the police declined to wear the red tag signifying willingness to do military service anywhere in Africa, but far fewer joined the OB saboteurs. After 1941, the HNP launched an open attack on the OB as a rival organization, denouncing the anticapitalist elements of its fascist ideology as hostile to farmers, and its stress on military action as incompatible with efforts to win power through the white electoral arena.

The instrument for achieving the unity that had so far eluded Afrikaners was not one of the open political movements but the conspiratorial Afrikaner Broederbond. The Bond, founded in 1918, had comparatively little influence before the 1930s. But by that time it was building a wide network of influential men in the professions, business, government, and politics.

After Hertzog abandoned the goal of full independence from Britain in 1927 and even gave up his separate party in 1934, the Bond began a systematic campaign for power, promoting both the mythology and the organizational framework for a united Afrikanerdom.

The Bond's membership was concentrated among teachers, academics, clergymen, and civil servants, particularly in the Transvaal. Tight selection procedures and secrecy ensured a loyal body of men who were required to be financially sound, white, Protestant, and Afrikaans-speaking. Bond members were required to give preference to *broeders* in employment and to cooperate with the central strategy of expanding the network to key positions in all sectors.

On the cultural front, the Bond initiated the Federation of Afrikaans Cultural Organizations (FAK), which gained some three hundred organizations as members by 1937, seven years after its founding. The ideology spread within the FAK singled out Afrikaner national identity as its central theme, bolstered by theological and philosophical justifications, ceremony, and literature. The *volk* (people/nation) was taken to be divinely ordained and divinely destined to be united. "Christian nationalism" required that each nation realize its separate identity. Class divisions must be overcome by unity (*volkseenheid*), and the nation as a whole must advance economically and politically. The dominance of British culture, foreign capitalism, and any loyalties beyond the *volk* must be undermined. The *volk* must stand together against threats from "imperialists, Jews, Coloureds, natives, Indians, Afrikaner renegades and so on."[43]

The FAK stressed the need to reinforce this loyalty in school and church, and to maintain it in the everyday life of the city, where many Afrikaners were even abandoning their language in favor of the English that was overwhelmingly dominant there. In 1938 the Bond organized the centennial celebration of the Great Trek, to commemorate the time when large numbers of Afrikaners had left the Cape to escape unwelcome British colonial administration. Replicas of the oxwagons journeyed from Cape Town to Pretoria in a procession that culminated with celebration of the anniversary of Blood River, a battle at which Afrikaners with cannon and firearms had slaughtered a numerically superior Zulu force. The centenniel was a great success. It inspired Afrikaner leaders to more thorough efforts to strengthen their language, culture, and nationalist mythology. Ironically it came scant months after the overwhelming election victory of the United Party, which in contrast brought many of them together with the English.

On the economic front, the predominantly petit-bourgeois Bond had an equally ambitious agenda, with two prongs. On the one hand, Afrikaner capital had to be centralized and mobilized to start more and larger businesses, which could compete in industry and commerce as well as in agriculture. On the other hand, Afrikaner workers had to be led into giving priority to national unity over allegiance to organizations, where they might be led by English-speaking white trade-union officials or even joined with Coloureds or Africans in multiracial unions.

As economic entrepreneurs, the Bond leaders faced a more complex task than in their cultural endeavors. In the Cape, the Sanlam insurance group had built up significant capital between the wars, mobilizing the savings of Afrikaner farmers and others in that province. This emergent financial group was closely tied to Malan's National Party in the Cape but had few links to the northern-based Bond. Nor had it made significant economic inroads with northern farmers, many of whom were still politically linked with the United Party. In 1934, the Bond instigated the formation of a "people's bank" (Volkskas), but this made only slow headway against intense hostility from the large British banks. Bond ideologists urged the *volk* to "buy Afrikaans," but the men with whom farmers or consumers actually did business were far more likely to be British, Jewish, or even Indian.

The road to economic advance, it seemed, could only be cleared by cooperation between the Bond and the Cape Afrikaner financiers. The two came together at an economic Volkskongres in 1939. Originally called to consider the question of the estimated three hundred thousand poor whites, the congress decided to establish a rescue fund. Only 10 percent of the fund was allocated to poor relief, however, most of the remainder being funneled into investment through a privately owned investment trust that was initiated and dominated by the Sanlam group.[44]

The finance company, Sanlam financial strategist M. S. Louw told the congress, would "mesh together the farmer, the investor, the consumer and the employee on the one side and the retailer, wholesaler, manufacturer and credit establishment on the other. . . . For the investor it will create the opportunity to use his capital in the interests of this Afrikaner concern whilst drawing profit from his investment."[45] The congress also stressed the need to support producers' cooperatives and small businesses, and many of the speeches took on a strongly populist tone. But the principal organization that emerged was a large-scale capitalist finance company—the Federale Volksbelegging (FVB).

The economic program of the Bond was also advanced through several other organizations. An Economic Institute of the FAK undertook planning studies. The Rescue Fund organized groups around the country to promote savings and a positive attitude toward Afrikaans commercial enterprises. A rural economic consciousness that was suspicious of all big business had to be modified, planners stressed, and the Afrikaner persuaded to trust *his* *own* enterprises run by fellow Afrikaners. In 1942, at the initiative of the Bond, Afrikaner businessmen themselves organized the Afrikaanse Handelsinstituut (AHI), adopting the recently founded *Volkshandel* (People's Commerce) as its official magazine. Small businesses, cooperatives, and larger businesses linked to Sanlam and FVB coexisted uneasily within the new organization.

Although many small businesses failed, Afrikaners were successfully moving into new sectors of the economy. The Afrikaner share in trade and commerce advanced from 8 percent in 1938 to 25 percent ten years later. The proportion went from 3 percent to 6 percent in manufacturing and construction and from 5 percent to 6 percent in finance, but remained stagnant at only 1 percent of mining.

The majority of Afrikaans-speakers in the urban areas, however, were wage workers, not businessmen. More than half were manual workers, many unskilled. In the mid-1930s over one hundred thousand were unemployed; more than 40 percent were concentrated in four occupations: unskilled laborer, mineworker, railway worker, or bricklayer.[46] Large numbers, moreover, belonged to unions led by English-speaking officials, some of social democratic or even communist bent.

The Bond, through the National Trustee Council (NRT) and other groups, launched a campaign to bring these workers into "Christian-National" unions that simultaneously preached hostility to "foreign" capitalists and monopolies, and harmony within the *volk* between Afrikaner entrepreneurs and their workers. The NRT, composed of clergy, academics, bankers, and politicians, contained no workers, but had some success in backing separatist union movements, particularly in the mines and railways. The organizers played on the corruption and the bias toward craft unionism among the English-speaking trade-union leadership. Significantly, they had little success in the Garment Workers Union until the 1950s, when the Suppression of Communism Act was used to break up the racial unity the government blamed on the union's "Communist/Jew" secretary Solly Sachs.[47]

In the election campaign of 1948, the National Party scored an upset victory, wooing Transvaal farmers from the UP and mobilizing Afrikaner workers in key urban districts. Although more than eighty thousand votes behind in the popular vote, the NP and its ally, the Afrikaner party, benefited from the greater weight of the rural districts to win seventy-nine seats to the UP's sixty-five. In 1953, with the aid of incumbency, the NP won by eighty-eight to sixty-one, to begin more than thirty years of unchallenged electoral primacy. Its apartheid program was enacted into law and put in practice by a burgeoning bureaucracy.

The Apartheid Project

The party's apartheid ideology satisfied the demands of the various sectors of the Afrikaner *volk*. The apartheid state imposed rigid new controls on South Africa's blacks, protecting the jobs of white workers and the cheap labor needs of farmers. Yet it proved capable of meeting the needs of modernized mining and industry as well. It was an updated system of segregation bringing expanded profits to Oppenheimer and his friends, rather than an irrational system depriving industry of its workforce in order to implement rigid racial separation.

The term "apartheid," which in its later notoriety became virtually a generalized synonym for extreme racism, first emerged as a slogan in the 1940s. The 1948 Sauer commission, endorsed in the NP's election manifesto, began to provide more specific content. The election campaign and then Nationalist policies provided ample data to fill out the portrait and to verify its rigid image. Yet the public debate, polarized by the white political choice between the UP and the NP, also served to obscure the substantial structural similarities between prewar segregation, apartheid, and even the adaptations advanced by the Fagan commission. Apartheid was not an entirely new or different song, but a variation on a theme.

There was, of course, a dramatic difference in tone. The apartheid propagandists and the even cruder orators of white *baaskap* (boss-ship; domination) accused the United Party of failing to defend white interests, and in particular the interests of the more economically vulnerable Afrikaners. Christian-National ideology had promoted the unity of Afrikanerdom; apartheid went further to define the shape of a society in which Afrikanerdom could prosper and feel secure, protected against actual and potential peril from other groups. While both English and Afrikaners had fought bitter wars of conquest against Africans, the Afrikaner ideologists exalted their battles into a political mythology. And they could cite as well their sufferings under the English, who had grabbed the lion's share of the country's wealth and disputed their right to exclusive control over African labor.

The word "apartheid" itself expressed part of the strategy against the dominant English. "Apart-ness" would protect the *volk* from the denationalizing influence of British culture, liberalism, and ideas of class division. In contrast to some of the more extreme Afrikaner ideologues, however, the apartheid theorists did not posit a wholesale overthrow of the economic and political order in which English-speakers dominated. Instead, the heights of the state were to be infiltrated and used, with Afrikaner cohesion a key tool for countering the wealth and professional assets of their rivals. The goal was to take over leadership of white South Africa, not to oust the non-Afrikaners. The state would give particular assistance to Afrikaner business enterprises in town and country, strengthening them where their competitive position was weak.

Afrikaners had, for example, moved in force into commerce, particularly rural shops and agricultural trade. But in spite of a market share expanded to 25 percent, many such businesses failed when confronted with competition from chain stores or from Indian traders. One of the prominent early themes of apartheid was the attack on Indians, who were denounced as aliens and unfair competitors. "The continued existence of the white race is at stake," commented one editorial, and the Sauer commission recommended that this alien group be repatriated to India.[48] There was ample anti-Indian prejudice in English-speaking Natal already, and in 1946 Smuts had already removed Indians from the common voter roll there and prohibited Indian land purchases. Even this, the Nationalists contended, was insufficient.

The principal arena for ideological confrontation, however, was "Native policy." The segregation system, with its predominantly rural work force supplemented by the oscillating migration to the mines, had coped with urban Africans in the terms of the 1922 Stallard commission. This body, headed by the fanatically pro-British Col. C. F. Stallard, affirmed that Africans should only be in towns to "minister to the needs" of the whites and be sent back to the reserves when they "ceased so to minister."[49] But with industrialization, urbanization, and economic decline in the reserves, the flow to be regulated seemed overwhelming.

The Fagan commission might recommend a relatively lax attitude, taking the excess urban population as a useful reserve for the factories. For the Afrikaner farmer seeking to expand production with a cheap labor force, or the unskilled Afrikaner worker fearful his boss might replace him with far cheaper African labor, the question of the "urban Native" was a more explosive issue.

Agricultural production was advancing rapidly during the war and early postwar years. From £73 million gross output in 1939, the total reached £131 million by 1945, £186 million by 1948.[50] Farmers, particularly in the northern provinces, opposed government policies that kept prices down in the interests of urban consumers. And they argued that the African flow to the cities was causing a severe labor shortage. African farm labor in Transvaal and the Orange Free State increased only from 365,000 in 1937 to 368,000 in 1946, far short of what the farmers felt they needed. The postwar shift in mine recruitment away from South Africa helped only marginally if at all, as it was accompanied by curbs on "voluntary" workers who might come to South Africa for nonmine employment.

The apartheid theory reaffirmed the necessity to deny Africans any permanent position in the cities, where they might not only escape from their obligations on the farm, but also acquire dangerous ideas of equality that could filter back into the countryside. African eligibility for unemployment insurance under a 1946 act was seen as subsidizing black idleness, and talk of recognizing Africans as legitimate trade-union members was regarded as dangerous both to low-wage Afrikaner employers and to Afrikaner workers. The Sauer commission unequivocally reaffirmed Colonel Stallard's views, arguing that urban Africans "should be regarded as migratory citizens not entitled to political and social rights equal to those of whites. . . . Surplus Natives in the urban areas should be returned to their original habitat in the country areas or the Reserves."[51]

White opponents sought to ridicule the policy by portraying it as an effort to remove all Africans from the towns, destroying modern industry. The Sauer commission's plan, however, stressed the need for central regulation by the state, to manage the flow of necessary African labor to "the various channels of agricultural, industrial, mining and urban employment." Like the Fagan commission, apartheid's planners believed in regulating the stream of labor to supply the needs of all employers; they differed on the best location for the pools held in reserve.

The National Party also stressed its determination to protect white workers. During the war, white wages had remained relatively static. Average real earnings of Africans in manufacturing, in contrast, had advanced by 50 percent. Average white-male wages were still some five times that of blacks, but Afrikaners were on the lower end of the white scale. With capitalists keen on eroding the job color bar and the state failing to keep control of urban Africans, the Afrikaner worker found the promise of stronger state action a comforting thought.

On issues of residential segregation and political rights, moreover, apartheid offered an uncompromising stance to contrast with the apparently wavering posture of the United Party. True, UP leaders affirmed the need to separate the races and maintain white leadership. But they tolerated liberals who hinted at giving the African elite a greater voice in national policy, and their stress on a "permanent" urban black population seemed to open the door to giving in to that group's demands for equal rights. The apartheid scheme was straightforward: Africans should be reincorporated within their traditional tribal structures in their own areas. *Their place,* they should be made to understand, was the reserves—and outside them only those temporary locations the whites decreed appropriate. The agitators who suggested otherwise should be dealt with as Communists and subversives, and the Natives protected from alien ideas.

Once in power, the National Party began implementation of these policies, building on previous racial legislation while closing loopholes, imposing greater rigidity, and expanding the administrative apparatus to enforce the system. The pass laws were one of the first priorities. The government, accepting the Fagan commission's idea of a more centralized system, dismissed their hints of eliminating aspects most objectionable to Africans.

The Natives Laws Amendment Act of 1952 and the Natives (Urban Areas) Amendment Act of 1955 extended "influx control" to all urban areas, reduced the age from eighteen to sixteen, and imposed the requirement to carry a pass on women as well as men. In the ironically named Natives (Abolition of Passes and Coordination of Documents) Act of 1952, separate passes from different authorities were replaced by a standard "reference book" administered by the Department of Native Affairs. The need for an urban black population was conceded, but tightly limited; section 10 of the 1955 law restricted urban residence rights to Africans who had lived in a given urban area since birth, or had worked continuously for one employer for ten years, or for more than one employer for fifteen years. Any other Africans needed special work-seeking or temporary-employment permits to stay more than seventy-two hours.

For control of racial distribution within a given area, the Group Areas Act of 1950 gave the government the right to prohibit interracial property transfers and to reserve specific areas for certain racial groups. In the 1950s, under this act, Indian businessmen and other residents were expelled from central business districts in Natal and Transvaal, and African communities such as Sophiatown in Johannesburg were bulldozed under, their residents relocated to Soweto. Later, in the 1960s, the same law was used to decree destruction of the Coloured community of District Six in Cape Town, torn down to make way for white housing and businesses.

The Nationalists, in the interests of ideological consistency and their own electoral hegemony, moved against residual black representation at the national level. The United Party had already removed Indians from the qualified-franchise common roll in 1945, giving them the chance to be represented by four white members of parliament. The Nationalists eliminated these provisions for Indians in 1948, setting up a separate South African Indian Council with purely advisory powers. In the Cape, where the forty-six thousand Coloured voters could provide the margin of victory in some districts, the Coloured franchise was central to the Cape liberal ideology of "equal rights for all civilized men." It was also an asset for the United Party, since the Nationalists could hardly expect to find Coloured support. After complicated parliamentary and judicial battles, those twenty thousand Coloureds who still bothered to register found themselves in 1956 on a separate voter's roll with the privilege of electing four white representatives in parliament. In 1968 this was eliminated in favor of a separate Coloured Representative Council.

The question of separate political representation for Africans evolved at an even more leisurely pace, since there were not even any functioning token institutions to dismantle. The Native Representative Council, which had been boycotted since 1946, was officially abolished in 1951. Meeting in the 1950s, the Tomlinson commission laid out plans for separate Bantustans, but the Promotion of Bantu Self-Government Act was not passed until 1959. In the meantime, the ideological development of separate rights for Africans was symbolically expressed in the Bantu Authorities Act (1951), under which the Minister of Bantu Administration could appoint traditional tribal authorities. The term "Bantu" (human beings) is used by linguists to refer to a group of African languages with common roots. Here it became instead a label applied by the apartheid state, a symbol of subordination and contempt.

Afrikaner nationalism defined itself both against the dominant British and against competing or potentially competing subordinate groups, particularly the Africans. The National Party in power, however, revealed that the two strands of ethnic exclusion were no simple parallels. Against fellow whites, cultural exclusion and economic competition implied no rigid legal distinctions and no attack on the basic privileges of non-Afrikaners. Apartheid ideology instead promised English-speaking South Africans an even more vigorous protection of their rights as whites against external threat, albeit by means they sometimes found crude and embarrassing. The tacit bargain by which South African capitalists and English-speaking whites in general ceded electoral primacy to the Nationalists contained the proviso that the cost of Afrikaner advance would be paid, first and foremost, by the disenfranchised black work force.

Sharing the Spoils

In spite of its distinct features, the Afrikaner nationalist state was not an isolated nor a totally unique force, as can be illustrated both by comparison and by examination of the results in South Africa itself. In regional context apartheid appears not as some precapitalist countervailing trend, but simply as the variant of white supremacy as it took form in the most advanced state of the region. It was a system that simultaneously profited the dominant economic actors and gave white Afrikaans-speakers a boot up the economic ladder.

In neighboring territories the Portuguese, increasingly stressing an ideology of multiracialism, imposed in practice a harsh domination over the "indigenous" population. Rhodesia, British rather than Afrikaner-dominated, maintained its system of white supremacy, sharing many elements in common with South Africa. In South Africa itself, English-speakers and foreign capitalists were still essential partners in reaping the benefits of the economic boom.

The ideological contrast with apartheid was greatest in the Portuguese territories, where colonial ideologists in the 1950s repeatedly cited the theory of "lusotropicalism" developed by Brazilian theorist Gilberto Freyre. Freyre traced Brazil's unique national character to the positive force of miscegenation and race-mixing characteristic of Portuguese colonization. In a book written in 1953, after a trip to Africa, he applied the theory to the Portuguese colonies there. Portuguese elites, who had previously stressed African racial inferiority, found the new emphasis useful in justifying the empire. The cultural contrast with Anglo-Saxon norms gave the thesis plausibility for external observers.[52]

In fact, the extensive miscegenation of earlier centuries, when there were few Portuguese women among the settler population, had diminished considerably by the mid-twentieth century. Theoretically the separate status for the more than 99 percent of Africans classified as *indígenas* was cultural rather than racial. Africans who met stringent economic, educational, and cultural tests could qualify as *assimilados,* and in principle qualify for equal treatment with settlers. Yet whites, regardless of their personal characteristics, automatically qualified as civilized. *Indígenas* were legally subject to forced labor and other restrictions. *De facto* white supremacy did not require duplicating the particular racial ideology of the Afrikaner.

Rhodesians too, most of them recent arrivals in Africa, lacked the Afrikaner political mythology to justify their racial views. Instead they lauded the British connection, hoping that a powerful British nation could hold "this part of the world firmly to Western Christian civilization."[53] Rhodesians also cited Rhodes's Native Policy of "equal rights for all civilized men." As with their United Party compatriots in South Africa, however, the emphasis was far more on the need to preserve "civilized" standards than on the urgency to extend equal rights.

On the political front, as we will see in more detail in the next chapter, Southern Rhodesian whites gained the dominant voice in a new federation grouping them with Northern Rhodesia and Nyasaland. And Rhodesian politicians were determined to make sure the African franchise did not reach threatening proportions. Contrasting European "civilization" with African lack of any such virtues, they argued that it would be centuries before Europeans could abandon their leadership role.

Sir Ernest Oppenheimer, speaking of African advance in the Rhodesias, where Anglo American was expanding its interests, confidently advised his shareholders in 1954 that they should "derive satisfaction from the knowledge that, in pursuing our enterprises and making our profits, we are . . . acting as a civilizing agent amongst Native peoples to whom European enterprise and European leadership are both their only safeguards against retrogression and their sole hope of advancement."[54]

The Rhodesian theory of Native policy, sometimes called "parallel development" or the "two-pyramid" policy, fit well within the paradigm of white leadership, just as did South Africa's segregation or apartheid. With the land divided, and the towns in the "European" areas, one could conceive two pyramids, one white with a black base of unskilled workers, the other black with an apex of white administrators.[55] There was a place for traditional native authorities, as in South Africa; there were separate "locations" for those Africans needed in urban areas. And there were pass laws to be used to control the movements of Africans.

Without South Africa's intense emphasis on stepped-up influx control, the Rhodesian model more resembled the more flexible arrangements proposed by the Fagan commission. The growth of a permanent African urban population was accepted, although its rights to social amenities or to membership in trade unions were disputed, and only a tiny minority were considered eligible to vote. This contrast with apartheid, while reflecting no compromise on the principle of white supremacy, rested on a different complex of interests within the white community.

Rhodesian farmers, in the first place, were a far smaller proportion of the electorate than in South Africa, their numbers never surpassing ten thousand. In comparison with their South African counterparts, they had less competition with the mines for migrant labor, and were able to recruit up to half their labor force from neighboring territories—Mozambique, Nyasaland, and Northern Rhodesia. This drove down wage rates for nonimmigrant blacks and provided substitutes for those who abandoned the farms for the cities.

Most Rhodesian whites were urban wage workers. Unlike South African whites, however, they were concentrated almost exclusively in white-collar and skilled manual jobs. Competition for unskilled manual work, as in the case of Afrikaner and African in South Africa, was not a significant factor, and that part of the urban pyramid could be assigned by common consent to blacks. The question of Africans moving up the ladder was controversial, but there was little sentiment for wholesale expulsion of Africans from the cities. African urban workers, even though excluded from the more skilled positions, gained in real income in the 1940s and 1950s, a contrast to static or declining incomes in the rural areas.[56]

The Rhodesian opportunities for urban blacks perhaps show what might have been the case in South Africa without the particular demands of Afrikaner interest groups. But the two cases shared the central axiom of white supremacy. In South Africa as well as in Rhodesia, the racial and ethnic hierarchy remained intact. The distribution of wealth among ethnic groups changed only at the margins.

From 1946 to 1960, the South African GDP grew from R1,751 million to R4,983 million, GDP per capita from R154 to R311. When divided up by ethnic groups, the figures show little change in relative position except advance by Afrikaans-speaking whites, whose per capita income increased by 2.5 times from R266 to R673. English-speaking whites went from R561 to R1,050, while Africans rose from a meager R32 to R71, and Indians and Coloureds maintained an average income roughly twice that of Africans. In 1946 the average Afrikaner earned 47 percent of the average English income; 64 percent, fourteen years later. Africans, Indians, and Coloureds advanced marginally at best.[57]

In the manufacturing sector in particular, the trend was similar, although the disparity between black and white was less than in mining or agriculture. The advance in African wages spurred by the war and unionization was checked. In 1950 the average African manufacturing worker earned 19.3 percent of the average white; a decade later the percentage was only 16.8 percent.[58]

Manufacturing industry not only increased its total output in the first years of apartheid. The size of firms also grew, whether measured by numbers of employees or by output per firm. Between 1947 and 1955, the number of workers per firm went from 39.7 to 47.5, and net output per firm more than doubled.[59] Much of the growth, moreover, was concentrated in the larger firms, more likely to be owned by English-speaking businessmen or foreign companies.

In 1960, South Africa's total foreign liabilities (both direct and indirect) had reached a total of R3,024 million.[60] All but 15 percent was investment in the private sector, and of that Britain still had almost two-thirds, far ahead of the United States, in second place with 13 percent. The investment was split between mining (33 percent), manufacturing (27 percent), finance (17 percent), and commerce (14 percent).

The investment was, moreover, highly profitable. For British investors the return on direct investment in South Africa in 1960 was 10.3 percent, significantly greater than the 8.2 percent world average and exceeded only by the even greater return to British companies in the rest of Commonwealth Africa. For Britain, South African investments added up to almost one-tenth of its worldwide total, only slightly less than the sum invested in all of western Europe.

For United States investors, South Africa represented a much smaller proportion of interests around the world—less than one percent of the $32.8 billion total in 1960. The profit rate, however, was a very attractive 17.5 percent, as compared to a worldwide average of 10.9 percent.[61] The United States was indirectly involved in much of the British investment as well. North American loans and grants provided more than 40 percent of the capital Britain had available for export from 1946 to 1957, one authority calculated.[62]

In structural terms, South Africa continued dependent on foreign capital for expansion. In common with other countries pursuing import-substitution industrialization, South Africa faced the need to pay for increased capital-goods imports, the machinery and technology for the factories to produce the consumer goods. But sales of traditional primary exports were difficult to expand fast enough, and South African manufactured goods could only rarely compete in foreign markets with those of more advanced industrial countries. In the 1970s and 1980s, a rising gold price would sometimes provide a partial solution. But while the gold price was fixed, the gap could be filled only if foreign investors were willing to provide more and more capital, in excess of the profits they took out.

For southern Africa, the postwar period brought readjustments in white leadership, as Afrikaners used the state in Pretoria to advance their fortunes. United States investors took a substantial if still secondary role in new investment. Capital directed by English-speaking South Africans claimed a more prominent role, and Belgian and Portuguese interests also advanced. The British lion's economic hegemony was reduced but still substantial. In both political and economic terms, the new phase of white expansion seemed to be a rearranged continuation of the earlier colonial era.

Yet in the same period this colonial pattern was on the verge of losing its international legitimacy. The confident assertions that white leadership would bring benefits to all became more and more defensive. African self-assertion would not only heighten the volume of protest, but would begin to undermine the moral confidence of its Western masters. By 1960, the periphery of white man's Africa was crumbling. And white power in the heartland, while in little material danger, was learning to conduct its international relations from behind a thickening curtain of moral isolation.