THE MINING INDUSTRY IN THE CONTEXT OF SOUTH AFRICA'S ECONOMIC DEVELOPMENT, 1910-1940

by

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This paper attempts to raise and come to terms with some of the more general issues concerning accumulation in the mining industry of South Africa. In order to situate the process of mining accumulation within its social context, the paper first deals with the relationship of mining capital to other fractions of the South African bourgeoisie, concentrating in particular on the question of industrial expansion during the twenties. An examination then takes place of the relationship between the different groups within the mining capitalist class in order to explain the shifts in dominance that occurred within that class.

I The Context of Mining Accumulation

The task of defining the context in which mining capital is situated is extremely complex, since it involves not only an analysis of the development of South African capitalism in general but also its relationship with international capitalism, and not surprisingly there are a number of different views on the subject. The period to be considered in this paper is in particular open to a number of interpretations and I will have to begin by distinguishing my position from one which is currently held by certain academics and has been argued most forcefully by Dave Kaplan. (1)

This view explicitly argues that mining capital is synonymous with imperialism and that mining capital during the twenties and thirties was opposed to the industrialization of South Africa. Implicit in this argument, it would seem to me, is a theory of the nature of the development of capitalism in general, which argues that imperialism aims at expanding capitalism in the centre by the underdevelopment of the periphery. Since mining capital in South Africa is a branch of the imperialist network, it is assumed to have an interest in the underdevelopment of South Africa. (2) It is further argued that mining/imperialist capital was hegemonic in South Africa from 1870 until 1924. However, in 1924, according to this view, mining capital lost hegemony, as represented by the rise to power of the Nationalist/Labour Pact Government (representing "national" interests), which initiated a process of industrialization in South Africa that was not in the interests of mining capital. In fact, according to this argument, mining capital did all it could to stop this industrialization but without success (even during the period of fusion when its so-called political representatives, Smuts's party, shared power with the Nationalists), and it was only much later that they, together with other fractions of imperialist capital, came to see the benefits to be derived (i.e. the profits to be made) from industrialization and therefore began to support it (and in so doing undermined the independence of the national bourgeoisie). (3)

While I do agree with some aspects of this analysis, I think it is necessary for me to reject it in its present form, firstly because I am unhappy with some of the terminology in which it is couched (and this is not just a semantic but a conceptual objection) and, secondly, because I think it has a number of serious weaknesses, both theoretical and empirical.

The first major theoretical objection that I have to this argument is the validity of the premises on which I think it is based - that is, the assumption that international capital expands through the underdevelopment of the periphery. (4) International capital does not necessarily undermine or destroy the industrial potential of the periphery, it rather attempts to ensure that development in the periphery occurs in a way which is conducive to the expansion of international capital - i.e. it distorts economic development in the periphery rather than underdeveloping the periphery. This distinction on a theoretical level is crucial because it means that while at some periods it may be necessary for international capital in its own interests to destroy various developing industries in the periphery, at other times, theoretically at least, it may be in its interests to encourage the rise of peripheral industries.

My second objection relates to the way in which the centre - the developed capitalist world - is conceived. Although verbal homage is paid to the class nature of the centre, none the less it is in effect conceived as a homogeneous entity, which has only one interest. (5) The fact that the centre is composed of different classes and fractions of classes which have different interests which can at times be contradictory is excluded from the analysis. Instead, "international capital" is always presented as a single force which is always in opposition to "national capital" interests. The question needs to be asked whether there are not some classes or fractions of the ruling class in the centre which may at certain times have broadly similar interests to those of fractions of "national" capital in the periphery.

Having outlined two of my major objections to Kaplan's thesis, let me now briefly outline my own position. My starting point is that the expansion of international capitalism involves not the necessary underdevelopment of the peripheral economy, but rather its distorted development. That is, in order for capitalism to expand on a world scale, it is inevitable that some industrial development will occur in the periphery as well as in the centre. The forces that will militate against industrial development in the periphery will be, in particular, those manufacturing classes situated in the centre whose growth depends on supplying the markets of the periphery with certain goods. (6) However, there are those classes in the centre which may develop a definite interest in some form of industrial development in the periphery. For example, investors in foreign mining concerns have an interest in securing cheap and steady supplies of inputs for their mining operations. To the extent that these needs can be met by imports from the centre there is no conflict of interest between this class of investors and the class of industrialists which supplies their needs. But, as soon as the centre is unable to meet their needs - as soon as the price of inputs escalates through monopoly pricing (e.g. the dynamite monopoly), rising wage costs, etc., in the centre, or as soon as deliveries are disrupted as a result of international disturbances (depressions, wars, etc.) - then the class of investors develops an interest in establishing industries and infrastructure in the periphery which will enable their needs for cheap and reliable inputs to be met by local production. And to the extent that the development of these industries requires protection from the states in the periphery, this class will support those measures.

It is my contention that precisely these conditions existed in South Africa between 1914 and 1924, and that therefore at least a powerful section of international mining capital favoured and encouraged the expansion of industries in the country prior to the advent of the Pact Government. Therefore, while industrial development in South Africa can be seen as being in the interests of agricultural and manufacturing capital (as Kaplan argues), we must also look at industrialization from the point of view of mining capital to see how it could benefit thereby as well (a point which Kaplan ignores). If it can be established that mining capital did have an interest in industrialization, then Kaplan's whole argument concerning mining capital's loss of hegemony over the State is, it seems to me, brought into question. Because, if industrialization is conceived of as being in the interests of mining capital as well, then the advent of the Pact Government must be seen not as a response to a fundamental shift in class power with a consequent loss of mining capital's hegemony over the State (as Kaplan argues), but rather as a response to changes in the"political scene", which do not have any effect on hegemony at all. (7) Explanations for the fall of the Smuts Government can then be sought, inter alia, in its popular rejection following its brutal suppression of the 1922 mine-workers strike. Furthermore, viewing the political change of Government in this light makes the explanation for the establishment of the Coalition Government in 1932 a far simpler affair in that it can be interpreted as necessary that mining capital, which is still hegemonic, should have direct representation in the Government as well as the other major capitalist classes, in whose joint interests industrialization is being carried out. Kaplan, by arguing that mining capital lost hegemony in 1924, has, in my opinion, great difficulty in explaining why it was that Smuts's Party, according to him the only representative of mining capital and therefore bitterly opposed to industrialization, should participate as fully as it did in stimulating the process of industrialization after 1933. Part of the problem of Kaplan's analysis would seem to lie in his reliance on the explanatory force of the concept of hegemony which he does not actually define, and at times he seems to me to come dangerously close to be saying that the change in Government in 1924 is proof that hegemony had passed from class to another (8), whereas at other times he points out clearly that hegemony is a concept which embraces a much wider sphere than that of party political activity, and that therefore changes in Government do not necessarily say anything about changes in hegemony. (9)

It is not possible to deal more fully with the problems of Kaplan's analysis here since there is a restriction on space. Nor can I do more than sketch out my own position and add a few important empirical statements to support the major plank in my argument, which is that South African mining capital in general was not necessarily opposed to industrial development and, indeed, that it found its direct political representatives, Smuts's Party, wanting in some spheres of promoting and protecting local industries.

In 1910/1911 the gross output of secondary industry in South Africa was a little over £22m and its net product was 6.8% of the total national income of the Union. (10) Small though this output was, the influence of imperialist mining capital in the total was not inconsiderable, with groups like De Beers Consolidated manufacturing explosives, Central Mining providing a considerable portion of the country's electricity via the Victoria Falls and Transvaal Power Company (founded in 1906), and Lewis and Marks manufacturing a wide range of commodities. Even at this stage some protection for local industries, through import duties and preferential rail rates, existed, and these were extended by the Government after the Cullinan Commission on Trade and Industries (1910-11) recommended that adequate protection be given to agriculture and industrial undertakings. (11) But it was the Great War which provided the major stimulus to secondary industry in South Africa, for, with shipping space reduced to a minimum and prices soaring, South African industry was able to expand to a considerable extent. Industrial production rose from £22m in 1910-11 to £40m in 1915-16, £49m in 1916-17, £60m in 1917-18 (12), by which time it accounted for 9.6% of the Union's National Income (compared with 21.6% for farming and 20.3% for mining).

Furthermore, the stimulus given to secondary industry by the war did not stop in 1918. By 1920/21, industrial production had risen to £98m (12.3% of the national income - farming 18.2% and mining 15.7%), and it is estimated that the volume of output increased by approximately 43% between 1916/17 and 1920/21. (13) Between 1910 and 1921 employment in secondary industry rose from 55,000 to 180,000 and salaries and wages from £5m to £22m. The period also saw the establishment on a significant scale of new industries - in particular, steel, engineering and breweries - controlled by mining capital. In 1918 the Directors of Consolidated Gold Fields reported that "industrial development [in South Africa] has been so stimulated by war conditions that South Africa's annual value of manufactures is now ... above the value of the Transvaal gold output - a remarkable advance. Expansion in local industries continues apace, especially seeing that competition from other parts of the world is eliminated owing to war conditions". (14) By 1919 the Directors had noted that as a result of war conditions interrupting the supplies and raising the prices of imported mining materials 57.5% of the total spent by the Group on mining materials during the year was spent on locally manufactured goods. Furthermore, the directors were adamant that "industrial conditions in England and America do not tend to give encouragement for any hope of a marked reduction in the manufactured cost of imported articles for some time", and they concluded that "we should turn to a policy of fostering and encouragement of local manufactures (dependent as little as possible upon the importation of raw materials) with a view both to lessening our dependence on overseas industrial conditions and to being able, by creating internal and industrial competition, to take full advantage of cheaper local manufacturing costs". (15) By the following year Goldfields had acquired, inter alia, an engineering works, a building works, a furniture company, a trading company, and a brick and tile company. (16) Nor were Goldfields alone among the imperial concerns in their diversification into industry at this time. By 1920 the African and European Investment Company, in addition to its large farming interests (1.5m English acres), had bought substantial shareholdings in South African Breweries and the Union Steel Corporation of South Africa. (17) In 1917 De Beers took a 50% interest in the South African Marine, Fire and General Insurance Company '18), and in 1919 "the Company decided to embark upon a policy of industrial expansion of their (explosives) factory at Somerset West ... [In addition] It has been decided to erect a fertiliser factory which will be capable of producing large quantities of various classes of fertilisers, and which it is hoped will place these essential commodities at reasonable prices within the reach of all agriculturalists in the Union at an early date". (19) There are numerous other examples of mining capital's expansion into non-mining areas at this time, e.g. Central Mining's new interests in pipe works, brick and tile works, cement works, etc. (20)

These interests, however, did not expand as rapidly as mining capital had hoped and the cause of the problem was not difficult to discern, for by the early'20s industrial expansion in Europe was underway again. Mining capital was neither slow to understand the nature of the problem nor reticent in beginning immediate agitation to rectify the position. The Chairman of De Beers said to his shareholders: "You will be sorry to learn that the manufacture of fertilisers has been most disappointing ... We look to the Government to protect us against dumping from outside countries ... Well, superphosphates from overseas have been sold in South Africa at lower prices than ever before; the Government was approached and ... a dumping duty of 5/- per ton was imposed; but this is wholly inadequate ..." (21) The Chairman of Consolidated Goldfields blamed the setback in his company's industrial ventures on the fact that "competition from overseas has been severe and is likely to become increasingly keen in future. The Government of the Union", he continued, "has been urged to bring in a large measure of protection for the benefit of local industries, but, although it has done something to assist certain manufactures, it has stopped short of the general demands." (22) There are a number of other similar statements in the reports of this period, probably the most eloquent coming from the Chairman of the Central Mining and Investment Company in 1923, following his consulting engineer's comment that "were it not for the continuance of dumping by foreign manufacturers the Company's businesses would show considerable expansion, especially in the coastal areas ... Suitable representations have been made to the Union Government". (23)

It would, however, be wrong to infer from the above criticisms that the Union Government had done nothing to promote industrialization in the country. The increased protection provided by the Government enabled the emerging industries at least to maintain themselves during the onslaught from European industries, and the Report of the Secretary of the Department of Mines and Industries in 1919 shows that the Government was keen to promote the expansion of certain industries in the country, especially steel, coal by-products, maize by-products, woollen manufactures, ship-building and repairing. Furthermore, it was of course the Smuts Government which passed the Electricity Act in 1922, which established the Electricity Supply Commission (ESCOM), whose explicit aim was ultimately to expropriate the Victoria Falls and Transvaal Power Company, controlled by mining capital, and to centralize the whole electricity network in the country. (24) But, despite evidence to show that the Smuts Government did make some moves to protect and encourage the emerging industrial sector, these efforts were clearly insufficient to meet the needs of the emerging class of businessmen. However, as the above statements indicate, these efforts were also inadequate for those elements of mining capital who by this time were involved in industry,and those elements included the three most powerful mining groups: De Beers, Consolidated Goldfields, and Central Mining. Thus it would not seem unreasonable to say that to the extent that the Pact Government moved to protect and encourage industrial expansion in South Africa, it was doing precisely what these powerful mining capitalists were agitating for. (It is not surprising that one of the first Acts passed by the new Government - to provide bounties on the local production of iron and steel - was welcomed by African and European as a major stimulus to provide "a great iron and steel industry" in the country and resulted in the Union Steel Corporation embarking on significant expansion.) (25)

It would therefore seem true to say that by 1924 all of the major capitalist classes in South Africa favoured some form of industrialization and that where there were differences between these classes these were over what form the industrial development should take and over the rate at which it should proceed. Here, clearly, mining capital hoped for a slower and more subdued advance than the other two major capitalist classes and their direct political representatives advocated. But this struggle revolves, essentially, around the degree of industrialization in the country - it does not involve a qualitative change. (And the relatively slow rate of industrialization in South Africa prior to the outbreak of World War II would tend to suggest that mining capital's influence over the country's economic development was not as weak as Kaplan would have us believe.) Thus it would seem to me that to put forward the argument that the Pact Government carried out a policy of industrial development as proof that mining capital had lost hegemony is incorrect in that it ignores the fact of mining capital's interest and involvement in industrial expansion. (26)

The question of the degree to which the different capitalist classes favoured industrial development is important because it relates to the problem of "international" versus "national" interests. As we have seen, following 1914, mining capital began to develop an interest in industrial development in South Africa to the extent that it served to build up a base and infrastructure which could supply them with cheap and reliable inputs to the mines. In this regard, then, the interests of this class moved closer to the interests of the local manufacturing and agricultural bourgeoisie who favoured industrial development. But clearly the interests of this locally based bourgeoisie are more closely bound up with industrial development than are those of the mining capitalists, because without such development these local classes can never expand their base. It is precisely for this reason that the local capitalist classes adopted a more aggressive approach to this question than did the mining capitalists. Furthermore, mining capital, which knows that it must provide much of the capital to finance this expansion, which in turn means cutting back on its other foreign operations and dealing with irate shareholders in the centre, will adopt a more cautious approach to the matter. Ultimately, of course, for most mining capitalists South Africa was only one area of their interests, albeit by far the most important single area. But the principle remains that, whereas mining capital's concern lay in promoting their operations on a world-wide basis (and therefore in channelling surplus value back to London for investment in other parts of the world) (27), for the local capitalist classes their concern was to reinvest their surplus value locally to broaden their base.

Having said that, it now seems to me to be important that we examine the mining capitalist class itself in order to see whether, at this time, they were all as "internationally-oriented" as is often suggested. If we can establish that some fractions of the mining class had a greater interest in the development of the local economy than others, we shall have established an important structural difference fractions of the mining class which could become the basis of a subsequent analysis to explain the changes that occurred in the power relationships between the various fractions of the class over the next two decades.

II Changing Relations within the Mining Industry

By the time of Union the South African gold mining industry, concentrated on the Witwatersrand, was dominated by a small number of powerful groups, the most important of which were the Central Mining-Rand Mines Group, and, to a lesser extent, the Consolidated Goldfields Group. It was around this time, however, that an important shift began to occur in the centre of gold mining activity. The mines of the central Rand, many of which had been in operation since the early 1890s, were by now low-grade producers and profitability on these mines was falling. By July 1914, 13 Witwatersrand companies were making a working profit of 5/- or less per ton, while by 1918 the number of companies in this category had risen to 31 - which was 3/5 of the total number of producing mines. (28) This serious decline in the profitability of the central Rand mines (the vast majority of which were owned by the major groups) was, however, offset by the increasing production of mines on the Far East Rand. Between 1914 and 1918 the number of operating mines on the Far East Rand rose from 9 to 11, while their gross profits rose from 12/11 per ton to 16/3 per ton. Over this same period the gross profits of the central Rand mines fell from 8/5 per ton to 3/9 per ton, and the number of operating mines fell from 43 to 38. This increasing difference in the profitability of mines on the two fields (from 4/7 in 1914 to 12/6 per ton in 1918) was achieved through a rising revenue per ton and a lower increase of working costs per ton of Far East Rand mines compares with those on the central Rand. (29) These changes, of course, had far-reaching consequences on the fortunes of the companies which controlled the mines in the two areas. In 1914 the Far East Rand mines distributed less than 20% of the total dividends for the mining industry as a whole. In 1919, with their production a mere 27% of the total Transvaal tonnage, they none the less accounted for a massive 70% of the total distributed dividends. (30)

Most of the mines on the Far East Rand were, by 1917, controlled by two companies, the Consolidated Mines Selection Company and the Rand Selection Corporation. Consolidated Mines Selection had held mineral rights on the Far East Rand since the previous century. In 1905 this company was taken over by Dukelsbuhler and Co., a diamond trading concern controlled by the Oppenheimer family. By 1916 Consolidated Mines Selection had gained control of the Rand Selection Corporation, which was then known as the Transvaal Coal Trust and which held substantial mineral rights in the area. Thus the Far East Rand was in fact dominated by one Group - the Consolidated Mines-Rand Selection Group. In 1917, in order to expand its operations in the area, the Group established the Anglo American Corporation, under the Chairmanship of Ernest Oppenheimer.

There was one important difference between the group which controlled the Far East Rand and the other major gold mining groups. These latter were typical imperialist concerns in that their main interest in South Africa was to develop the goldfields and channel the surplus value gained therefrom back to London, where it was used to finance expansion on an international scale. In other words, South Africa was always conceived of by these groups as being only one part of their world-wide operations. Certainly it was an important area, but it was by no means the only one. In 1920 less than 40% of the Central Mining-Rand Mines Group interests were in Southern Africa, the rest being spread throughout the world: in Nigeria, the Sudan, Trinidad, Britain itself, India, Burma and the USA, to mention a few. (31) Also, almost half of the 40 principal investments of Gold Fields were outside southern Africa, and South African interests accounted for less than 50% of the total. (Gold Fields had a large expansion programme in the USA.) (32) This spread of interests contrasts markedly with the position of the Consolidated Mines Selection Group. In 1917 over 86% of the Company's interests were in South Africa, the remainder being mainly in the US and Europe. (33) In 1919 over 88% of the company's interests were in South Africa. (34) By 1922 the Group felt that it was so heavily involved in South Africa that its head office should be transferred to Johannesburg, and, furthermore, that the head office should come under the management of the Anglo American Corporation of South Africa, which would "take over all the Company's South African assets". (35) In other words, Anglo American was to become the centre of the Group's operations (control over the Rand Selection Corporation had already passed to Anglo American in 1919). Consolidated Mines Selection remained a London-based company whose source of wealth was confined to dividends received from its holdings in Anglo American (most of which were redistributed to its own shareholders) and small profits made from stock exchange speculation, until the 1960s, when it was revitalized by Anglo American as part of the new Charter Consolidated. The Anglo American Corporation itself had no interests outside of southern Africa.

This difference in the size of the Anglo Group's international holdings, compared with those of the other major groups, is crucial in any explanation of the subsequent developments within the mining industry, for Anglo American, with a highly profitable base on the Far East Rand and oriented towards local as opposed to international operations, was well placed to become a powerful force in the mining industry. The question, however, arises of why it was that the Anglo Group chose to expand its interests in southern Africa and why it did not, instead, follow the path of other imperialist concerns and develop an international orientation. First of all, as we have seen, the proportion of its interests outside of southern Africa was small and therefore its facilities for expansion outside of the area were limited. Secondly, the increased profitability of the Group (arising out of its Far East Rand interests) which made expansion possible occurred at a time when opportunities for new investment in many parts of the world were hampered by both the Great War and the depression which followed it from 1920 to 1922. Finally, and this is by far the most important reason, opportunities for the type of investment which suited the character of the company suddenly presented themselves to the Group in southern Africa in 1918. The end of the War saw the large German diamond interests in South-West Africa put up for sale to British companies. The Anglo American Group, via the Dunkelsbuhler connection, had long been involved in diamonds, and it was thus logical for this Group, with strong links with the diamond industry and funds available for expansion, to buy up most of the German fields, which it in fact did in 1920. Thus by 1921 the Group's future expansion was clearly dependent on its southern African interests, for not only was its major vehicle for expansion, the Anglo American Corporation, in control of most of the operating mines on the Far East Rand and of the large diamond fields in South-West Africa, but, furthermore, it was at this time forging important links with the emerging copper industry of Northern Rhodesia. The extent of the Group's interests in southern Africa and the development work still to be undertaken to bring these investments to maturity - by 1925 two of Anglo's Far East Rand mines had not yet reached the production stage, construction on its South-West African diamond mines was still underway, and the Rhodesian copper industry was in its infancy - meant that the Group as a whole, and the Anglo American Corporation in particular, had a commitment to southern Africa which far exceeded that of any other Group (this commitment is symbolized in the Group's decision to transfer its head office to South Africa in 1922). The result was that Anglo American was to develop a far more aggressive policy of local reinvestment than the other Groups and it was this policy which, combined with the fact that her access to the most profitable mineral resources in the area gave her the means to carry it out, was ultimately to lead her to domination of the mining industry in South Africa. (36)

I shall do no more here than sketch out, very briefly, the path which this struggle within the mining industry took. (37) As a Group with large diamond interests and an aggressive local reinvestment policy, the Anglo American Group differed from its major competitors. This meant that, in order to capture potential mineral prospects for itself, Anglo American had not only to spend more time and money than most in seeking out new interests but they had also to keep themselves sufficiently liquid to buy up prospects as soon as they presented themselves. Sir Ernest Oppenheimer told his shareholders in 1924: "As you know, we have confined our activities to Southern Africa, and I believe as much as ever in the future possibilities of this sub-continent and the great developments we are likely to see in the near future ... It will be seen that the Corporation is in a very strong cash position and able to undertake any new and attractive business that may come along." (38)

Their first major area of expansion occurred in the diamond industry, where a fierce struggle waged over a number of years as Anglo American sought, first, to oust De Beers from its dominant position in the industry (by buying up all available diamond fields outside the control of De Beers) and then to capture De Beers itself. This was eventually achieved in 1929. With its control of the diamond industry secured, Anglo American was in a unique position vis-à-vis other mining houses to have an alternative support during the times when the gold industry was in difficulty. Furthermore, by 1930 Anglo American had secured, via the Rhodesian Anglo American Corporation, control over 50% of the huge Rhodesian copperfields, thus continuing to widen its base. The end of the depression saw the price of diamonds soar to new heights (De Beers made £40m from the sale of stocks of diamonds accumulated between 1929 and 1934 alone), the copper price jumped, and, after South Africa left the gold standard, the price of gold also rose. The mining houses began to release capital for gold mining expansion and the Anglo American Group, utilizing profits from its gold and diamond interests, was in the forefront of the rush. By the mid-thirties Anglo American, together with new Consolidated Gold Fields, had opened up a new gold field - the Far West Rand and

Klerksdop areas. By the end of World War II Anglo American had secured for itself the prime pickings on the fabulous Orange Free State goldfield (Anglo American controlled over half of the mines in the Free State, including six of the seven most successful mines). By the time the Free State mines were coming into production Anglo American's dominant position in the industry was beyond doubt, and over the next few years Anglo moved to secure this dominance. By 1960 Anglo American had acquired over 50% of the shares in both the Central Mining/Rand Mines Group and the JCI Group, and had thereby enmeshed both of these in its own Group network. It had, furthermore, acquired significant shareholdings in all the other Groups (over 40% in General Mining and around 10% in the three remaining groups).

The story of Anglo American does not, of course, stop there, but an important chapter in its history does close at this point. That is, Anglo American may be seen as a mining group oriented towards expansion in southern Africa (with the exception of some diamond interests further afield) only until 1960. From then on, however, Anglo American evolved a new dimension to tis activities - an international dimension which was to convey it to almost all parts of the globe.

Conclusion

In this paper I have attempted to raise some problems concerning the way in which it seems to me much of the literature on South Africa conceptualizes the role of imperialist capital in South Africa, the relationship between various classes that developed as a result of imperial involvement in the area, and the way in which mining capital itself is conceived.

I would argue that some of the misconceptions, as I see them, in our treatment of the issues referred to here arise out of an inadequate conceptualization of the way in which international capitalism operates on a world scale. While it remains true that international capital expands on a world basis through the extraction of surplus value from one area and its re-employment in new ventures, it is necessary to stress that it in no way contradicts the exploitative nature of imperialism for such re-investment to occur within the same social formation as the original extraction took place. If we accept this premise, then clearly, should conditions arise which encourage international capitalists to involve themselves heavily in one particular area, this can occur in a number of forms. Two possibilities are that it can either occur through their involvement in expanding the industrial base of the area in their own interests or it can occur through their total commitment to that area in terms of the reinvestment of their profits. In the first case, international involvement may still be seen as simply to secure for foreign investors the greatest amount of surplus value which, following repatriation to the centre, they seek to relocate elsewhere (although even here new possibilities for alliances with local classes and greater involvement in the development of the area arise). In the second case, however, the commitment of this fraction to one particular region as the sole area of their operations means that that fraction must be viewed in a fundamentally different light. It, of course, still remains a fraction of international capital in that a large proportion of its shareholders (the majority) are situated in the centre and it remains dependent on the financial markets of the centre to raise much of its capital. But, given that it, unlike the other international concerns, stands or falls solely on the performance of its local ventures, it acquires an interest in the local social formation which is much closer to the interests of the locally based capitalist classes. This means that standard interpretations of mining capital as "foreign" or "metropolitan" capital, which ignore these dimensions of the problem, are inadequate to explain both the structural divisions within the mining industry and the implications of this for mining capital's relationship to the development of the South African social formation.

It is my contention that the Anglo American Group, as a fraction of international capital with a strong local commitment, had a far greater interest than any other fraction of mining capital in the expanded reproduction of the South African social formation, and that it is this which explains both its heavy economic and political involvement in the area as well as the relative ease and eagerness with which it has sought to form economic and political alliances with other local classes. Its international links notwithstanding, Anglo American should thus be seen as being, in a profound sense, a "representative" of South African capitalist interests - a Group whose interest in the expanded reproduction of the South African economy, as the basis of its own activity, gives it a particular South African character that other international concerns operating in the country do not possess. Its future is interwoven with the destiny of the country. Its interests, and the struggle to preserve and promote these, are inextricably bound up with the interests of the other capitalist classes in South Africa. Unlike them, though, it is also historically linked directly to the centre of international capitalism and thus provides a bridge between the centre and the periphery, a bridge which daily grows stronger as South Africa's incorporation into the world capitalist system at the level of a rising industrial power increases.

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(1) The most articulate form of this argument is to be found in D. Kaplan, "Capitalist Development in South Africa: Class Conflict and the State", University of Sussex, IDS Discussion Paper, 1974. Though the thesis contained in Kaplan's paper is also adhered to and advocated by a number of other writers, I will be confining my remarks to the treatment given to the subject by Kaplan.

(2) By underdevelopment it is meant that imperialism and mining capital have an interest in undermining and even destroying the industrial potential of the periphery, or at any rate to have no interest in developing the industrial potential of the periphery (which amounts to the same thing in the end).

(3) See the following quotes from Kaplan, op. cit. (pp. 23 and 24): "At a later date, the primary division in capital, i.e. that between 'foreign' and 'indigenous' capital, is increasingly rendered less meaningful ... The State again plays an essential part in this process that renders this possible through facilitating, and at times enforcing, the '<u>interpenetration</u>' of capitals ... The process of capital interpenetration ... is a key manifestation of the South African bourgeoisie into the international system and as such undermines their existence as a differentiated fraction with distinct economic interests apart from those of international capital." (Kaplan's emphasis)

(4) See, for example, Kaplan's references to Bettelheim on p. 6, and, further, the following quote (from p. 7), which makes clear his view of mining capital's lack of interest in promoting industrial development: "At the level of the capitalist mode, the metropolitan bourgeoisie needed to exercise hegemony to ensure that surpluses earned would be 'repatriated', and/or retained by the mining companies to finance their <u>own</u> further development. On the other hand, the two elements of the indigenous bourgeoisie - the capitalist agrarian class and the embryonic urban bourgeoisie - were desirous of channelling such surplus into their own activities and/or into internal infrastructural developments which would aid their own operations." (Kaplan's emphasis)

(5) See Kaplan's continuous references to the "metropolitan bourgeoisie" without ever specifying whether he is referring thereby to a fraction of the ruling class in the centre (and, if so, which fraction) or to the ruling class as a whole (and, if so, of which fractions it is composed).

(6) Even here, however, there is a contradiction since industrialization of the periphery will increase the area's buying power and is therefore also in the interests of the manufacturing class in the centre. Part of the "solution" to this contradiction lies in selective - i.e. distorted - industrial development in the periphery. Furthermore, expansion of industries in the periphery will of course be in the interests of that fraction of the manufacturing class in the centre which produces capital goods.

(7) See D. Kaplan, "An Analysis of the South African State in the 'Fusion' Period, 1932-39", University of London, ICS Paper, 1976, in which, basing himself on Poulantzas, he brings out the distinction between the "political scene", in which party political changes occur but hegemony is not affected, and "the sphere of political practices", a wider concept of which the party political is only one aspect and which is the sphere in which hegemony is determined (p. 4).

(8) See, for example, p. 17 of his 1974 paper, in which he stated that: "The fruits of the [Nationalist-Labour] alliance were evident in the Pact Government of 1924 - a crucial watershed in S. African history. Prior to this date, hegemony lay with the 'metropolitan' bourgeoisie, and even after this date the 'metropolitan' bourgeoisie remained a potent force, though not the dominant one, in the South African political arena." See also his statement on p. 16 in which he argues that the Nationalist Labour "alliance ... would effectively end the hegemony of the 'metropolitan bourgeoisie' at the level of the capitalist mode. State power could now pass under the hegemony of an ascendant bourgeoisie ..." A further example is to be found on p. 19.

(9) It would seem to me that ultimately my disagreements with Kaplan will centre on his use of the term "hegemony" and the precise meaning he attaches to it. It is regrettable that neither in his 1974 nor in his 1976 paper does he offer a clear definition of the term. The concept is obviously intended to refer to a substantial shift in class power, but the problem is to define precisely what the indices are to be by which that "shift" is to be measured. Without such precision the concept seems to be so broad as to be capable of being used in a number of different ways and as such is not helpful to scientific research.

(10) C. W. Pearsall, "Some Aspects of the Development of Secondary Industry in the Union of South Africa", SAJE, 1937.

(11) Ibid.

(12) Ibid.

(13) Ibid.

(14) The Consolidated Gold Fields of South Africa Ltd, Report of the Directors, 30th June 1918.

(15) The Consolidated Gold Fields of SA Ltd, Report of the Directors, 30th June 1919, pp. 14-15.

(16) The Consolidated Gold Fields of SA Ltd, Report of the Directors, 30th June 1920.

(17) Ibid.

(18) De Beers Consolidated Mines Ltd, 30th Annual Report, for the year ended 30th June 1918.

(19) De Beers Consolidated Mines Ltd, 31st Annual Report, for the year ended 30th June 1919.

(20) See company reports 1917 to 1920.

(21) De Beers Cons. Mines Ltd, 35th Annual Report, for the year ended 30th June 1923. Minutes of the Ordinary General Meeting, p. 31.

(22) The New Consolidated Gold Fields Ltd, Report of the Directors, 30th June 1921, p. 25.

(23) The Central Mining and Investment Corporation Ltd, Report of the Directors, 31st December 1923, p. 15.

(24) Section 31 of the Act gave the Government the power to expropriate the Victoria Falls Company by 1950 after two years' notice had been given.

(25) The African and European Investment Co Ltd, Chairman's Report, in the Mining World, 27.12.24.

(26) There are a number of other areas in which, according to Kaplan, the Pact Government attacked the mining industry, and these he presents as further evidence to support his case that mining capital had lost hegemony. The most important arguments advanced in this regard are that the Pact Government increased white mine workers' wages and that it significantly increased mining taxation. There is no space to deal with these arguments in detail here, but two points can be made. The first is that, although white mineworkers' wages

did rise under the Pact Government, at no stage did they ever reach the level they had achieved prior to the 1922 strike. Furthermore, over this period significant improvements occurred in the level of productivity on the mines (as a result of important technological advances such as the large-scale use of the revolutionary jack hammer drills). Secondly, the first really significant increase in mining taxation only occurred in 1934 - i.e. long after the period of the Pact Government had ceased. This tax increase (resulting in a jump in State revenue from mining from £4.3m in 1933 to £14.5m in 1934) was imposed by the Smuts-Hertzog coalition Government and was in response to the sudden rise in gold mining profits which accompanied the abandonment of the gold standard. Despite the new tax - and surely this is the crucial index - gold mining profits after taxation show a considerable increase after 1933. Finally, of course, public statements of leaders of the mining industry expressing fears that industrialization would ruin the industry (which it did not do) are often used as evidence that mining capital as a whole rejected industrialization per se. I have already made the point that mining capital was involved in a struggle over the form that industrialization should take, and I would suggest that most of these statements should be read in this light. Furthermore, it is worth mentioning that mining leaders have since the inception of the industry made public announcements about the forthcoming demise of the industry, and their attacks on the Pact Government are not qualitatively different from their attacks on the previous Smuts Government, which they claimed, inter alia, acted too often in the interests of white mineworkers, did nothing to help them secure an adequate supply of black labour, and taxed them to death. (See Mining Company Reports, 1917-1924.)

(27) This argument should not be seen to be contradictory to my earlier remarks concerning mining capital's support for industrial development, for it is precisely through such development, which would cheapen their inputs, that mining capital would ultimately achieve its purpose of increasing the share of surplus value which it could repatriate.

(28) Consolidated Gold Fields of SA, Report of the Manager of the Company in Johannesburg, 30th June 1918.

(29) Ibid.

(30) Consolidated Gold Fields of SA, Report of the Manager, 30th June 1919, p. 17.

(31) The Central and Investment Corporation Ltd, Report of the Proceedings at the Ordinary General Meeting, 18th June 1920, p. 3.

(32) Consolidated Gold Fields of SA, Report of the Directors, 30th June 1918, Schedule No. 1.

(33) The Consolidated Mines Selection Company Ltd, Balance Sheet for the year ended 31st December 1917.

(34) The Consolidated Mines Selection Co Ltd, Balance Sheet for the year ended 31st December 1919.

(35) Circular to Shareholders, 18.10.22.

(36) This structural difference between Anglo American and the other groups, so crucial to an understanding of the reasons for Anglo American's domination of the industry, is not mentioned in any of the available literature on the subject. The result is that, in trying to explain how it was that Anglo American rose to the position of prominence in South Africa that it did, most writers are forced to resort to referring to the "genius" of Sir Ernest Oppenheimer as the driving force behind the group's expansion. Without wishing to deny that Sir Ernest was a man with immense financial, management and even technical skills, this would seem to me to be wholly inadequate as an explanation. After all, the leaders of the other Groups were no fools either, but their "duties" to steer their concerns on a path of world expansion were different from Sir Ernest's, which was to capture dominance of a particular area.

(37) For a more detailed account of this process, see Duncan Innes, "Accumulation and Expansion in the South African Gold Mining Industry, 1945-60" (mimeo, 1976).

(38) The Anglo American Corporation of South Africa, 7th Ordinary General Meeting, Minutes of the Proceedings, 27th May 1924.