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*Controversies About Capitalism and Apartheid in South Africa: an Economic Perspective**

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The controversy about the relationship between apartheid and capitalism is reviewed from an economic perspective. On the methodological side it is argued that different understandings of wage determination and of the distinction between the interests of capital and capitalism, have been a source of confusion. The old 'liberal-radical' debate was concerned with the clash between neo-classical and revisionist Marxist economic ideas to the detriment of alternative economic perspectives. Over the past decade, however, social-democratic ideas have become more popular and represent a potential middle ground between the old extremes.

Introduction

The relationship between growth, distribution and apartheid policy in South Africa has been the subject of debate for several decades. Given that South African economic development was profoundly structured by racial labour policies, moulded by ideology and a violent racially repressive socio-political environment, it is not surprising that the interplay between political and economic forces has received a great deal of academic attention.

The controversy, which has taken many guises and ranged over disciplinary boundaries,¹ has been called the 'race-class' or the 'liberal-radical' debate. Two closely related questions can be discerned: one looks at the origins of racial conflict and the social-historical construction of national or ethnic communities; the other examines the nature of South African capitalism. This article concentrates on the latter question, surveying work by conventional political economists² (or 'liberals')

* I would like to thank Sean Archer, Patrick Bond, Andrew Glyn, Rick Johnstone, Shula Marks, Terence Moll and Jeremy Seekings for many helpful and perceptive comments on earlier drafts.

¹ See C. Saunders, *The Making of the South African Past: Major Historians on Race and Class* (David Philip, Cape Town, 1988) for an over-view of the debate in historiography.

² Conventional political economists are those economists in the non-Marxist tradition who characterize the South African economy as a system profoundly structured by political and

and radical writers in the structuralist Marxist tradition. Although the radical camp is far broader than the world of structural Marxism,³ it was primarily structuralist Marxists who engaged with questions of capital accumulation and economic growth and hence had the greatest impact on conventional political-economists. For this reason they are accorded prominence here.

Despite the debate centring upon economic concepts and trends, economists themselves have been ignored⁴ by many participants in, and most over-views of, the liberal-radical controversy. This article attempts to go some of the way towards correcting this.

Part of the blame for the previous lack of engagement with economists lies with disciplinary autarky. Historians and sociologists tend not to read specialist economic journals and when they encounter arguments with economic content are alienated by the terminology and underlying methodology. For their part many economists have contributed to this by regarding sociology and history as unscientific and largely irrelevant to economic issues, sometimes having particular contempt for Marxist analysis. Other factors, however, such as political and methodological incompatibility (discussed below) have also contributed to the absence of meaningful debate and cross-fertilization between the two sides. Fortunately, changes in these latter factors since the early 1980s have created a more constructive debating climate.

Essentially, the conventional political economists (henceforth referred to also as 'liberals') argued that South African state interference in the economy had a retarding and distortionary effect on the path of capitalist development. In its extreme form, the argument ran as follows: 'the polity has always sought its ideal and ideology — the white man's supremacy. The network of economic development had to follow accordingly'.⁵ In this way the economy was regarded as 'shackled by outworn feudal and racial considerations'.⁶ The radical structuralists, on the other hand, maintained that South African economic growth was premised on the allegedly highly functional nature of state policy (particularly in ensuring a cheap supply of black labour) and that there were no important contradictions between political developments and the requirements of capital accumulation.

The debate thus concerned the issues of distribution (between blacks and whites, wages and profits), capital accumulation, and how the path of economic growth

institutional forces and hence regard the relationship between economic growth, distribution and apartheid as a central question.

³ See B. Bozzoli and P. Delius, 'Editor's Introduction', *Radical History Review*, 46, 7 (1990) for an overview of the non-structuralist tradition.

⁴ To my knowledge, Bromberger's careful and lengthy critique of radical revisionism has never been acknowledged or replied to by any radical writer (see N. Bromberger 'Economic Growth and Political Change in South Africa', in Leftwich (ed.), *South Africa: Economic Growth and Political Change*, London, 1974).

⁵ R. Horwitz, *The Political Economy of South Africa* (Wiedenfeld and Nicholson, London, 1967), p. 12.

⁶ L. Samuels, 'Economic Change in South Africa', in L. Samuels, F. Fourie and D. Hobart Houghton, *South Africa's Changing Economy* (South African Institute of Race Relations, Johannesburg, 1955), p. 16.

was shaped (positively and negatively) by the institutions of apartheid. Unfortunately, key clashes occurred on ideological and theoretical battle-grounds leaving little room for empirical research to shed light on the main questions. This imbalance was exacerbated by political undercurrents running through the altercation concerning how best to get rid of apartheid and what socio-economic system to put in its place.⁷

For instance, the debate between Lipton, and Legassick and Innes, was perhaps the most vitriolic simply because it concerned the very real current political issue of American constructive engagement policy, as well as the question whether capitalists could be potential allies in the fight against apartheid.⁸ This last issue has in effect often provided the dividing line between radicals who saw the fight against apartheid as the fight for socialism and liberals who regarded communism as distasteful as they did apartheid. The latter tended to see in the radical analysis an explicit or implicit argument for the elimination of the market, and radicals in turn saw conventional economists as unconscious or even conscious agents of big business. This resulted in potential areas of agreement being downplayed in favour of an exaggerated divide between those on the extremes.

With the likelihood of fundamental reform and power-sharing increasing in South Africa, rhetoric in both camps is steadily being modified. These days many radicals are proposing social-democratic type solutions which necessarily allow room for capitalists,⁹ and are disassociating themselves with Stalinist planning practices.¹⁰ Similarly, the social-democratic slant in conventional economics is re-emerging in favour of a substantial role for state intervention to further redistribution.¹¹ The possibility of dialogue between radicals and liberals is now a politically acceptable option and hence agreement over the past is also more likely. Nevertheless, not all

⁷ N. Bromberger and K. Hughes, 'Capitalism and Underdevelopment in South Africa' in J. Butler, R. Elphick and D. Welsh, D. (eds.), *Democratic Liberalism in South Africa: Its History and Prospect* (David Philip, Cape Town, 1987), p. 203.

⁸ M. Lipton, 'British Investment in South Africa: Is Constructive Engagement Possible?', *South African Labour Bulletin*, 3, 3 (1976); M. Lipton, 'The Debate about South Africa: Neo-Marxists and Neo-Liberals', *African Affairs*, 78 (1979); M. Legassick and D. Innes, 'Capital Restructuring and Apartheid. A Critique of Constructive Engagement', *African Affairs*, 76 (1977).

⁹ See F. Johnstone, 'Solidarity and Soweto: The Social Democratic Implications of South Africa's New Trade Unionism', *Mimeo*, Sociology Department Memorial University St. John's Newfoundland, Canada (1989); A. Erwin, 'South Africa's Post-Apartheid Economy: Planning for Prosperity', *South African Labour Bulletin*, 14, 6 (1990); J. Slovo, 'Has Socialism Failed?', *South African Labour Bulletin*, 14, 6 (1990); K. Von Holt, 'Class Struggle and the Mixed Economy', *South African Labour Bulletin*, 14, 6 (1990).

¹⁰ See Slovo, 'Has Socialism Failed?'; P. Jordon 'Crisis of Consciousness in the SACP', *South African Labour Bulletin*, 15, 3 (1990); M. Burawoy, 'Painting Socialism in Hungary', *South African Labour Bulletin*, 15, 3 (1990).

¹¹ See F. Wilson and M. Ramphela, *Uprooting Poverty: The South African Challenge* (David Philip, Cape Town, 1989); P. Le Roux, 'The Case for a Social Democratic Compromise', in N. Nattrass and E. Ardington (eds.), *The Political Economy of South Africa* (Oxford University Press, Cape Town, 1990); G. Maasdorp, 'The Role of the State in the Economy', in R. Schire (ed.) *Critical Choices for South Africa: An Agenda for the 1990s* (Oxford University Press, Cape Town, 1990); P. Pillay, 'Reconstruction in Post-Apartheid South Africa: The Potential of the Social Market Economy', in R. Schire (ed.), *Critical Choices*; F. Wilson, 'Poverty, the State and Redistributions: Some Reflections', in N. Nattrass and E. Ardington (eds.), *The Political Economy*.

protagonists are enamoured with this move and a clear ideological cleavage can still be discerned. For this reason an understanding of the basic issues which divide them is important.

The Conventional Economic (Liberal) Position

The most influential of the early liberal analyses of South African economic development since the war¹² were the works of Hobart Houghton¹³ and Horwitz.¹⁴ Other important works include the more narrowly focussed (but theoretically heterogeneous) labour studies, such as Van der Horst,¹⁵ Doxey,¹⁶ Hutt¹⁷ and Wilson.¹⁸ As Hobart Houghton and Horwitz deal with the wider issue of the development path (and represent the theoretical target of the radical critique), their arguments shall be discussed in more detail.

The term 'liberal' has been rather loosely used by radicals to describe conventional political economists from very different intellectual traditions. Keynesians, Post-Keynesians, Neo-Classical economists, Monetarists and even Market-Socialists are all lumped together within this category. Unfortunately, the distinction between economic libertarianism (associated with politically right-wing free-market policies¹⁹) and political liberalism (which can consistently be adopted by social-democrats as part of a package including substantial state intervention) is blurred by this blanket category 'liberal'. Given the association of arguments stressing the contradictions between apartheid and capitalist development with politically liberal organizations such as the South African Institute of Race

¹² This choice of starting date may seem arbitrary. It ignores for example, the work of Frankel, Macmillan, Robertson and other influential welfare-oriented thinkers who dominated economics in the 1930s. However, in as far as this over-view is concerned with the debate between the liberals and radicals (which only took-off in the 1970s) on issues pertinent to understanding South Africa's post-war economic development, this distinction is justified. Nevertheless, there is a need to re-evaluate (and rehabilitate?) these pre-war liberals whose ideas were far more radical than their colleagues in the post-war period (see e.g., H. Macmillan 'Economists Apartheid and the Common Society' paper presented at the *Southern African Economy After Apartheid* conference, University of York, 1986).

¹³ D. Hobart Houghton, *The South African Economy* (Oxford University Press, London, 1964); 'Economic Development 1865 -1965', in M. Wilson and L. Thompson (eds.), *The Oxford History of South Africa. Vol. 2* (Oxford University Press, New York, 1971).

¹⁴ R. Horwitz, *Expand or Explode: Apartheid's Threat to Industry* (Business Bookman, Johannesburg, 1957); *The Political Economy*.

¹⁵ S. Van der Horst, *Native Labour in South Africa* (Oxford University Press, London, 1942).

¹⁶ D. Doxey, *The Industrial Colour Bar In South Africa* (Oxford University Press, Cape Town, 1961).

¹⁷ W. Hutt, *The Economics of the Colour Bar* (Andre Deutsch, London, 1964).

¹⁸ F. Wilson, *Labour in the South African Gold Mines* (Cambridge University Press, Cambridge, 1972).

¹⁹ For example, Hutt believed that political votes should be in proportion to economic wealth (W. Hutt, 'Apartheid in South Africa — A Proposal', in R. Lewis, W. Hutt, F. de Villiers and N. Gash, *Apartheid — Capitalism or Socialism: The Political-Economy of the Causes, Consequences and Cure of the Colour Bar in South Africa* (Hobart Paperback Number 22, Institute of Economic Affairs, London, 1986)) and Hobart Houghton argued that votes should only be extended "to those urban Africans and coloured people who have become fully committed to the modern economy" (*The South African Economy*, p.219).

Relations,²⁰ it is likely that the label 'liberal' originates here rather than from economic libertarianism of the unbridled free-market variety.

To make matters more confusing, conventional political-economic analysis has been linked to pluralist explanations of society as if there was an inevitable theoretical association between the two.²¹ For this reason, those who reject pluralist explanations of South African social and political development often also overlook the contributions of these economists. While it is true that pluralists such as Van den Berge argue in a manner reminiscent of Neo-Classical economic analysis — that owing to the 'dysfunctional' operation of the system of racial domination, the social system must be regarded as 'an equilibrium system that has run amok'²² — it is not impossible for conventional political economists to adopt other sociological or political perspectives. Archer's critique of pluralist explanation is a case in point.²³

The early liberal writers rested their arguments primarily on faith in the free (or free-er) market. Opposition to apartheid segregationist and (white) protectionist policies stemmed logically, though not exclusively, from their understanding that markets functioned better without state interference. Many of these economists recognized that policies restricting the mobility of black workers may have cheapened the cost of labour to capitalists.²⁴ However, the negative effects of state intervention on labour turnover,²⁵ productivity²⁶ and on the 'development of the full use of one of South Africa's greatest resources, the labour of her native population',²⁷ were regarded as far more significant. Horwitz went as far as saying that legislation affecting the efficient utilization of labour was to become the 'Frankenstein of political economy'.²⁸ In sharp contrast with the radical position, the liberals stressed the primacy of questions relating to structural transformation and productivity over those of institutionally depressed wage levels.

The liberals were not blind to the benefits of the migrant labour system for individual capitalists, especially those in the mining sector. For example, Wilson

²⁰ See, for example, E. Hellman, 'Racial Laws Versus Economic and Social Forces', *Presidential Address to the South African Institute of Race Relations* (Johannesburg, 1955), p.1.

²¹ See, for example, F. Johnstone, *Race, Class and Gold* (Routledge and Kegan Paul, London, 1976); D. Stasiulis, 'Pluralist and Marxist Perspectives on Racial Discrimination in South Africa', *British Journal of Sociology*, 3, 4 (1980), pp.468-73.

²² P. Van den Berge, *South Africa: A Study in Conflict* (University of California Press, Berkeley, 1967), pp.212-3.

²³ In reviewing Leftwich's pluralist analysis ('The Constitution and Continuity of South African Inequality: Some Conceptual Questions' in Leftwich (ed.), *South Africa: Economic Growth and Political Change*), Archer observes that the framework seems "vacuous" and leads to "banal assertion" (S. Archer, 'Reaction, Reform and Revision in the Dark South', *Journal of Southern African Studies*, no.2, vo.2, 1976, p.233).

²⁴ See e.g., Horwitz, *The Political Economy*, p.29; Wilson, *Labour*.

²⁵ S. Van der Horst, 'A Note on Native Labour Turnover and the Structure of the Labour Force in the Cape Peninsula', *South African Journal of Economics*, 25, 4 (1957); Hobart Houghton, *The South African Economy*, pp.89-90.

²⁶ H. Burrows, 'Native Incomes, Housing and the Cost of Living', *South African Journal of Economics*, 19, 4 (1951); Wilson, *Labour*.

²⁷ Van der Horst, *Native Labour*, p.324; Hobart Houghton, *The South African Economy*, pp.96.

²⁸ Horwitz, *The Political Economy*, p. 29.

argued that the migrant labour system along with monopsonistic collusion in the mining industry and influx control was a vital component in the economics of gold mining.²⁹ Horwitz, from a more Neo-Classical perspective, recognized the ability of the mining companies to harness the state's aid in promoting proletarianization, but saw it as yet another example of state interference in the rational allocation of resources.³⁰ From the Neo-Classical perspective, any policy which protected white workers or farmers from black competition, even if it also undermined black bargaining power and hence exerted a downward tendency on wages, was regarded as debilitating to economic growth.

In other words, conventional economists focused on the conditions they saw as necessary for maximizing economic growth and structural transformation rather than on the short-term interests of capitalists. Thus a policy which allowed employers to circumvent competitive pressure on wages and raise their profit share was still regarded as distortionary. Protecting employers from the cold winds of competition was seen as encouraging inefficiency and cushioning the pressures for technological change. 'Exploitation' or under-payment in the conventional economic perspective was regarded as good for capitalists but bad for capitalism.

The analytical distinction between the short-term interests of *capitalists* and the dynamic interests of *capitalism* was unfortunately lost on most radical critics. For the radical structuralists, an argument to the effect that apartheid was bad for capitalism implied that it must have also been bad for capitalists (and vice versa). This fallacy of composition is strange given that it draws nothing from Marx's insight into the contradictory nature of capitalist development. Marx, after all, stressed how capitalist development was both encouraged by the individual search for profitable investment, and eroded by the introduction of labour-saving technology which, although good for one capitalist in the short-term, was detrimental to them all in the long run.³¹ Ironically some liberal economists made better use of arguments stressing the potential contradiction between individual short-term and collective (or systemic) long-term interests than did the radical structuralists.³²

The idea that apartheid's negative effects on capitalism outweighed any positive effects (such as cheap labour) was and remains a fundamental tenet of the liberal position. For example, in a more recent analysis, Bromberger and Hughes re-asserted that 'the *net* effect of the major political policies of the post-war period has been to slow economic growth below its achievable level'.³³ A similar position is

²⁹ Wilson, *Labour*, chapters 6 and 7.

³⁰ Horwitz, *The Political Economy*, pp. 46-7.

³¹ See K. Marx, *Capital*, vol.3, *The Process of Capitalist Production as a Whole* (International Publishers, New York, 1967), part 3; and J. Elster, *Making Sense of Marx* (Cambridge University Press, Cambridge, 1985), p. 25 for a discussion.

³² See, for example, Hobart Houghton *The South African Economy*, pp. 218-9; and more recently, R. Tomlinson and M. Addleson, 'Is the State's Regional Policy in the Interests of Capital?', in R. Tomlinson and M. Addleson (eds.), *Regional Restructuring under Apartheid: Urban and Regional Policies in Contemporary South Africa* (Raven Press, Johannesburg, 1987), pp. 69-70.

³³ Bromberger and Hughes, 'Capitalism and Underdevelopment', p. 223.

argued by Moll.³⁴ Although these recent discussions are more sophisticated than the earlier liberal works, they are similar in stressing the negative effects of apartheid on productivity growth. However, these kinds of analyses cannot be 'proved' with reference to empirical sources: no precise figure can be placed on the 'corrosive effect' upon growth of distortions in the labour market, nor on the importance of apartheid repression to political stability and hence as a stimulus to investment and growth. The liberal understanding of the contradictory relationship between apartheid structures and economic expansion, and of the desirability of the market economy, is in the final analysis derived more from a faith in the efficiency of the market mechanism than from empirical findings.

Nevertheless, the liberals were by no means united about the exact nature of South Africa's economic ills. For example, there was a huge debate within their ranks during the 1950s and 1960s over whether black wages were 'too high' or 'too low' when compared to both human needs and productivity. At stake here was precisely the role of labour costs, technology, and the nature of capitalist production. Burrows³⁵ and Hobart Houghton³⁶ saw low African standards of living and poor productivity as a vicious circle and advocated increasing minimum black wages. A similar argument was made by Katzen who claimed that apartheid reduced black bargaining power unacceptably.³⁷ Their main concern was that 'imperfections' were keeping black wages too low, and fragmenting the labour market.³⁸ Knight contributed to the debate by arguing in favour of an increase in unskilled wages paid by British firms in South Africa.³⁹

By contrast, others argued that the market for black labour was responsive enough to supply and demand and productivity pressures and that black wages were not seriously out of line with productivity.⁴⁰ Spandau went so far as to claim that white workers were 'underpaid' and black workers 'overpaid' in respect to their marginal productivities.⁴¹ This argument in turn was hotly disputed by Archer and Maree on methodological grounds.⁴²

³⁴ T. Moll, 'From Booster to Brake? Apartheid and Economic Growth in Comparative Perspective', in Natrass and Ardington (eds.), *The Political Economy*; and T. Moll, 'Output and Productivity Trends in South Africa: Apartheid and Economic Growth' (unpub. Ph.D, Cambridge University, 1990).

³⁵ Burrows, 'Native Incomes'.

³⁶ Hobart Houghton, *The South African Economy*.

³⁷ L. Katzen, 'The Case for Minimum Wage Legislation in South Africa', *South African Journal of Economics*, 29, 3 (1961).

³⁸ P. Van der Merwe, 'The Economic Influence of the Bantu Labour Bureau System in the Bantu Labour Market', *South African Journal of Economics*, 37, 1 (1969).

³⁹ J. Knight, 'Wages in Africa; What should a Foreign Firm Do?', *Oxford Bulletin of Economics and Statistics*, 37, 2 (1975).

⁴⁰ S. Viljoen, 'Higher Productivity and Higher Wages of Native Labour in South Africa', *South African Journal of Economics*, 29, 1 (1961); W. Steenkamp, 'Bantu Wages in South Africa', in *South African Journal of Economics*, 30, 2 (1962).

⁴¹ A. Spandau, 'Cross-section production functions and income shares in South African Industry', *South African Journal of Economics*, 41, 3 (1973).

⁴² S. Archer and J. Maree, 'Over and Underpayment in South African Industry: A Comment', *South African Journal of Economics*, 43, 2 (1975).

Liberals were divided also over rectifying the situation: Katzen,⁴³ for example, was in favour of minimum wage legislation; Steenkamp⁴⁴ supported the idea for urban areas only; while Horwood⁴⁵ stressed getting rid of the market imperfections at the root of the problem. Some argued that black wages should and could be increased with minimum inflationary impact⁴⁶ while others disagreed.⁴⁷

In short, the conventional political economists were by no means united behind the Neo-Classical approach and it is thus misleading to argue (as do Morris⁴⁸ and Hindson⁴⁹) that the liberal position derives logically from a commonly assumed model of perfect competition. It is certainly true that a Neo-Classical framework lends itself to the conclusion that all forms of market intervention (apartheid or otherwise) are a bad thing. However, it is also possible to come to the conclusion that apartheid was bad for growth because it combined *too much interference* in markets (for example, the colour bar and industrial decentralization policy) with *too little intervention* in areas such as black education, export promotion and appropriate technological development.⁵⁰ In other words, opposition to apartheid on the grounds of efficiency can stem logically from both Neo-Classical and Keynesian perspectives.

The Relationship between Economic Growth and Socio-Political Change

Whereas all conventional political economists saw apartheid policies as a fetter on long-run economic growth, they differed markedly over the way in which the contradictory relationship would be resolved. On the one extreme, O'Dowd argued that economic growth would (by about 1980) have brought about the demise of apartheid.⁵¹ This theory, although often cited as a 'central liberal thesis',⁵² is far from representative of conventional political-economic views on the subject. For

⁴³ Katzen, 'The Case for Minimum Wage Legislation'.

⁴⁴ W. Steenkamp, 'The Problem of Wage Regulation', in *South African Journal of Economics*, 33, 2 (1965).

⁴⁵ O. Horwood, 'Is Minimum Wage Legislation the Answer for South Africa?', *South African Journal of Economics*, 30, 2 (1962).

⁴⁶ I. Hume, 'Notes on South African Wage Movements', *South African Journal of Economics*, 38, 3 (1970).

⁴⁷ D. Kessel, 'Non-white Wage Increases and Inflation in South Africa', *South African Journal of Economics*, 40, 4 (1972).

⁴⁸ M. Morris, 'The Development of Capitalism in South Africa', *Journal of Development Studies*, 12, 3 (1976).

⁴⁹ D. Hindson, *Pass Controls and the Urban Proletariat* (Ravan Press, Johannesburg, 1987), p. 5.

⁵⁰ I owe this point to Terence Moll.

⁵¹ M. O'Dowd, 'South Africa in the light of Stages of Economic Growth', *Mimeo* (Cape Town, 1964), reprinted in A. Leftwich (ed.), *South Africa. Economic Growth and Political Change* (Allison and Busby, London, 1974), pp. 35-6.

⁵² See, for example, M. Murray (ed.), *South African Capitalism and Black Political Opposition* (Schenkman Publishing Company, Cambridge Mass., 1982), p. 7 and C. Gutkind, 'The Triumph of Marxist Approaches in South African Social and Labour History', in C. Gutkind (ed.), *Third World Workers* (E. J. Brill, New York, 1988), p. 80.

example, the Neo-Classical economists, Kantor and Kenny, rejected this position in no uncertain terms:

O'Dowd's views are actually a remarkably crude variety of economic determinism and a denial of the complexity of history. This in fact is what O'Dowd and the Marxist revisionists have in common. They all agree on the primacy of economic factors and the residual nature of politics.⁵³

While the liberals had faith in the ability of the market mechanism to operate even under adverse conditions,⁵⁴ this did not necessarily imply to them all that it would triumph over apartheid. Writers such as Horwitz were pessimistic about the potential of economic imperatives to shift white politics,⁵⁵ while according to Wilson, 'economic pressures [could] be accommodated to political necessity'⁵⁶ and 'the prospects of political change being generated by economic growth [were] exceedingly dim'.⁵⁷

Thus, although conventional economists saw the market mechanism as restricted by apartheid and other state interventions, it did not follow that everyone of them believed capitalists would push for political change.⁵⁸ Furthermore, although apartheid was seen as retarding the development of capitalism, this did not necessarily imply to them that apartheid policies were against the short-term interests of some capitalists. The source of confusion over these issues lies in the conventional political economists' use of an abstract ideal-type model of the market economy to show why apartheid was detrimental to economic development and growth. Such a model brings with it little direction for understanding the sociology and politics of actual business practice and socio-political change. Thus it is not surprising that liberals often differed over the question of the relationship between economic growth and political change.

Key Methodological Issues

What is common to both Neo-Classical and Keynesian approaches is a marginalist methodology manifestly unsuitable for answering certain questions about the nature of South African economic development. Marginalist theoretical tools can be applied successfully only to already smoothly functioning market economies and are thus unhelpful in understanding the ways in which non-market forces provided

⁵³ B. Kantor and H. Kenny, 'The Poverty of Neo-Marxism: The Case of South Africa', *Journal of Southern African Studies*, 3, 1 (1976), p. 37.

⁵⁴ Horwitz, for example, maintained that short of the abolition of private contractual freedom and the seizure of private property, the market would survive and expand; "Given any manoeuvring room it will manoeuvre ... Left a breath of life, the market will revitalize" (1967, p. 9).

⁵⁵ Horwitz, *The Political Economy*, p. 9.

⁵⁶ F. Wilson, 'The Political Implications for Blacks of Economic Changes now taking place in South Africa', in L. Thompson and J. Butler (eds.), *Change in Contemporary South Africa* (University of California Press, Berkeley, 1975), p. 182.

⁵⁷ *Ibid.*, p. 199.

⁵⁸ See, for example, Kantor and Kenny, 'The Poverty of Neo-Marxism', pp. 38-9.

the pre-conditions for capitalist development. For example, in explaining South Africa's economic development record, Hobart Houghton argued of the 1950s and 1960s that:

this high and long sustained rate of growth would not have been possible but for ... an elastic supply of labour as more Africans were drawn from self subsistence farming into the industrial labour force.⁵⁹

The absolutely crucial question begged by such an analysis is how that elastic supply of labour appeared so conveniently. To address this issue it is necessary to examine the role the state played in eroding the subsistence base of the reserves and in generating a labour supply through institutional means. Liberals such as Van der Horst⁶⁰ and Wilson⁶¹ managed the task admirably; however others (notably the Neo-Classical economists) did not even attempt it.

As Knight and Lenta point out:

To the question "did capitalism underdevelop the labour reserves?", the Neo-Classical answer is likely to be in the negative. Essentially this is because Neo-Classical analysis ... is framed in terms of the marginal calculus. The question consequently becomes; "would a little more capitalist development have been harmful to the reserve dwellers?". In so far as more rapid economic growth would have raised their wages or their employment, the answer is therefore "no".⁶²

The issue boils down to how one characterizes the nature of capitalist development. Invoking the tools of marginalist analysis provides neither insight into the violent processes of social transformation which wrenched societies out of their pre-capitalist modes of production⁶³ nor into the dynamics which perpetuate regional inequalities.

While it is true that a set of tools cannot be criticized for failing to perform tasks which they were never designed to perform, one may certainly fault their users for overlooking the limitations of those tools when addressing historical questions. The main problem was the way liberals took the *status quo* as given and then proceeded with the analysis on a marginalist basis. The conception (inspired by Lewis⁶⁴) of South Africa as a dual economy⁶⁵ is a case in point. This model may

⁵⁹ Hobart Houghton, 'Economic Development', p. 37.

⁶⁰ Van der Horst, *Native Labour*.

⁶¹ Wilson, *Labour*.

⁶² J. Knight, and J. Lenta, 'Has Capitalism Underdeveloped the Labour Reserves of South Africa?', *Oxford Bulletin of Economics and Statistics*, 42, 3 (1980), p. 193.

⁶³ M. Morris, 'The Development of Capitalism', p. 282.

⁶⁴ W. Lewis, *Economic Development with Unlimited Supplies of Labour* (Manchester School, 1954).

⁶⁵ See D. Hobart Houghton, 'Men of Two Worlds: Some Aspects of Migratory Labour in South Africa', *South African Journal of Economics*, 28, 3 (1960); D. Hobart Houghton, *The South African Economy*; O. Horwood, 'Economic Balance, Dualism and Growth with Application for the South African Economy', *South African Journal of Economics*, 33, 3 (1965); W. Steenkamp, 'Bantu Wages'.

well be useful for analyzing the short-run dynamics between underdeveloped ('traditional') and industrial ('modern') sectors, including the nature of short-run marginal decision-making by migrants, but it says nothing about the origins of the system and hence can also paint a distorted picture of South Africa's economic history.

This does not mean that conventional economic approaches always rule out examining the institutional transformations and struggles over the property rights. Indeed, the 'New Economic History' fostered by American historians such as North, Davis and others, applies marginalist tools within an analysis which takes for granted that economic growth cannot be understood outside of institutional structures.⁶⁶ They realized that 'devising and enforcing a set of rules of the [economic] game is hardly ever costless'⁶⁷ and that the myopic application of the Neo-Classical paradigm begged all the interesting questions in history.⁶⁸ This message appears not to have reached the Neo-Classical economists in South Africa.

As applied in South Africa, the Neo-Classical paradigm left no room for the analysis of economic processes as power struggles between interest groups or classes of unequal bargaining strength. Wolpe argued in a critique of Kantor and Kenny that it is because they 'can only conceive of social phenomena in terms of the actions/motivations of individual subjects that they are totally unable to comprehend an analysis which focuses on social relations or social structures'.⁶⁹ Similarly, Archer, in suggesting a 'Neo-Ricardian' perspective, criticized Neo-Classical economics in South Africa for its 'total silence about property rights, appropriation, class formation [and] bargaining power'.⁷⁰ The importance of class as a crucial explanatory category is of course, precisely what is stressed by the radical position.

The Radical Critique

The radical revision of South African history made its first impression in academic circles with the publication of four important reviews of the Oxford History,⁷¹ by Legassick,⁷² Trapido,⁷³ Marks⁷⁴ and Atmore and Westlake.⁷⁵ The Oxford History

⁶⁶ See over-view by R. Sutch, 'Douglass North and the New Economic History', in R. Ransom, R. Sutch, and G. Walton (eds.), *Explorations in the New Economic History* (Academic Press, New York, 1982).

⁶⁷ North quoted in Sutch 'Douglass North', p. 30.

⁶⁸ D. North, *Structure and Change in Economic History* (W. W. Norton and Company, New York, 1981), p. 5.

⁶⁹ H. Wolpe, 'A Comment on the Poverty of Neo-Marxism' in *Journal of Southern Studies*, 4, 2 (1978), p. 244.

⁷⁰ S. Archer, 'Problems in Explaining South African Income Distribution' paper presented at the *Southern Africa Seminar*, University of Cape Town (20 July, 1973) p. 4.

⁷¹ Wilson and Thompson, *The Oxford History*.

⁷² M. Legassick, 'The Dynamics of modernisation in South Africa', *Journal of African History*, 13 (1972).

⁷³ S. Trapido, 'South Africa and the Historians', *African Affairs*, 71, 285 (1972).

⁷⁴ S. Marks, 'Liberalism, Social Realities and South African History', *Journal of Commonwealth and Political Studies*, 10 (1972).

conveniently drew together a scholarly corpus of liberal political, social and economic historiography — thus providing a both a catalyst and target for the radical critique. These reviews, along with articles⁷⁶ and books,⁷⁷ formed the backbone of the radical approach.

The new school, in so far as it can be considered one, was far from homogeneous. Inspiration was drawn from writers ranging from Poulantzas and Althusser to Arrighi and Frank.⁷⁸ The revisionists differed over whether South Africa was best seen as a 'social formation' incorporating a reserve and a (dominant) capitalist mode of production,⁷⁹ as a single capitalist system,⁸⁰ or as a peripheral capitalist system in the world economy.⁸¹ They agreed that apartheid allowed for 'cheap' labour, but differed over how this was brought about and what political strategy should be adopted to confront it. Likewise, there were substantial differences between the radicals over how the state should be conceptualized. The analyses ranged from the crudely functionalist to more subtle claims.

What united them all was a frustration with the partial and exclusionary focus of liberal economic and historical explanation. The crucial facts which the radicals saw as needing explaining were:

⁷⁵ A. Atmore and N. Westlake, 'A Liberal Dilemma: A Critique of the Oxford History of South Africa', *Race*, 14, 2 (1972).

⁷⁶ F. Johnstone, 'White Prosperity and White Supremacy in South Africa today', *African Affairs*, 69 (1970); H. Wolpe, 'Industrialisation and Race in South Africa', in S. Zubaida (ed.), *Race and Racism* (Tavistock, London, 1970); S. Trapido, S. 'South Africa in a Comparative Study of Industrialization', *Journal of Development Studies*, 7, 2 (1971); H. Wolpe, 'Capitalism and Cheap Labour Power in South Africa: From Segregation to Apartheid', *Economy and Society*, 1, 4 (1972); M. Legassick, 'South Africa: Capital Accumulation and Violence', *Economy and Society*, 3, 3 (1974); M. Legassick, 'Legislation, Ideology and Economy in Post 1948 South Africa', *Journal of Southern African Studies*, 1, 1 (1974); R. Davies, D. Kaplan, M. Morris and D. O' Meara, 'Class Struggle and the Periodisation of the State in South Africa', *Review of African Political Economy*, 7 (1976); M. Morris, 'The Development of Capitalism in South Africa: Class Struggle in the Countryside', *Economy and Society*, 5, 3 (1976); F. Molteno, 'The Historical Significance of the Bantustan Strategy', paper presented at the 8th Annual Conference of the *Association for Sociology in Southern Africa*, Swaziland (July, 1977); B. Bozzoli, 'Capital and the State in South Africa', *Review of African Political Economy*, 11 (1978); R. Davies, 'Capital Restructuring and the Modification of the Racial Division of Labour in South Africa', *Journal of Southern African Studies*, 5, 2 (1979).

⁷⁷ Johnstone, *Race Class and Gold*; R. Davies, *Capital, State and White Labour in South Africa: 1900-1960* (Harvester Press, Sussex, 1979); B. Mugubane, *The Political Economy of Race and Class in South Africa* (Monthly Review Press, London, 1979); B. Bozzoli, *The Political Nature of a Ruling Class: Capital and Ideology in South Africa 1890-1933* (Routledge Kegan Paul, London, 1981); M. Lacey, *Working for Boroko: The Origins of a Coercive Labour System in South Africa* (Raven Press, Cape Town, 1981).

⁷⁸ It is interesting that dependency theory had more impact on the radical structuralists than did the work of Brenner or Barrington-Moore.

⁷⁹ Wolpe, 'Capitalism and Cheap labour Power'; see also A. Mafeje 'On the Articulation of Modes of Production: Review Article' *Journal of Southern African Studies*, 8, 1 (1982) for a critical discussion of mode of production concepts.

⁸⁰ M. Williams, 'An analysis of South African Capitalism — Neo-Ricardian or Marxism?', *Bulletin of the Conference of Socialist Economists*, 1, 4 (1975).

⁸¹ A. Erwin, A. and E. Webster, 'Ideology and Capitalism in South Africa', in L. Schlemmer, L. and E. Webster (eds.), *Change Reform and Economic Growth in South Africa* (Raven Press, Johannesburg, 1978).

the enormous economic expansion which has taken place in the allegedly dysfunctional social system, the continuity of the system of racial domination in the midst of economic expansion and the extensive involvement of property owners in the system of racial domination.⁸²

These outcomes, continued Johnstone (and one can regard him as speaking here for all the revisionists), 'suggest very strongly that there has been something highly functional and causally significant about the relationship between the economic system and the system of racial domination' and that the racial system should be conceptualized as 'generated and determined by the economic system of which it formed a part'.⁸³

The radicals expressly rejected the liberal proposition that South African economic growth, although high, was distorted and retarded. Likewise, the claim that capitalists' acquiescence in the system of racial discrimination was not sufficient evidence to conclude that they desired it was also rejected. The thrust of the radical critique was that the interests of capitalists, capitalism and the apartheid state were in many crucial respects coterminous.

While recognizing that the colour bar may have been costly to employers (by strengthening the bargaining position of white labour), Johnstone argued that it was of limited significance to the core structure of labour domination.⁸⁴ The theoretical starting point of the revisionists was to see 'an economic system based on cheap labour as the key structuring part of the system'.⁸⁵ According to Legassick:

The specific structures of labour control which have been developed in post war South Africa are increasingly functional to capital; though the particular combination of class forces which instituted them and have maintained them may be debated, nevertheless they serve the interests of capitalist growth in the South African situation.⁸⁶

In a widely cited functionalist formulation, Wolpe asserted that apartheid was instituted 'for the purposes of reproducing and exercising control over a cheap African industrial labour force'.⁸⁷

The important innovation of the radical critique was its focus on the previously theoretically neglected class character of South African state politics and policies. The crucial role of legislative and administrative actions in proletarianizing the black peasantry was thus highlighted.⁸⁸ However, the radical structuralists erred by stressing one-sidedly the underdeveloping aspects of capitalist development and by

⁸² Johnstone, *Race Class and Gold*, pp. 211-212.

⁸³ *Ibid.*, p. 215.

⁸⁴ Johnstone, 'White Prosperity and White Supremacy'; Johnstone, *Race Class and Gold*.

⁸⁵ Wolpe, 'Industrialization and Race', p. 171.

⁸⁶ Legassick, 'South Africa: Capital Accumulation', p. 269.

⁸⁷ Wolpe, 'Capitalism and Cheap Labour Power', p. 450.

⁸⁸ See, for example, C. Bundy, 'The Emergence and Decline of a South African Peasantry', *African Affairs*, 71 (1972).

presenting the class struggle as a zero-sum game. The limits to the radical interpretation of capitalism and underdevelopment has been carefully argued by Bromberger and Hughes.⁸⁹

Another insight comprised the economic 'rationality' of racist policies when seen in class terms. Johnstone's analysis of capital and white labour in the mining industry is a classic in this regard.⁹⁰ The idea that both white labour and mining capitalists benefited from the exploitation of labour was, as noted above, acknowledged by liberals such as Van der Horst and Wilson. What was different about Johnstone's approach was that it placed this point at the centre of the analysis. Whether this was sufficiently path-breaking is of course open to question. According to Yudelman: 'on the historical level one is struck how frequently Johnstone's view of the mining industry, workers and the state is exactly the same as those of the liberal historians he claims to be supplanting, although his terminology is different'.⁹¹

Among the radical writers who concentrated attention on the nature of South African capitalist development, the dominant view was that of a distorted (but highly exploitative and profitable) form of capitalism which conserved and 'restructured' certain pre-capitalist modes of production (notably subsistence agriculture in the reserves) in order to maximize the surplus flowing to national and international capital. Cruder variants simply stressed that South African capitalism 'underdeveloped' the reserves and then subsequently the rest of Southern Africa.⁹² Although concepts and ideas from under-development theory often informed propositions about the relationship between the reserves and the core economy, it was commonly accepted by these thinkers that South Africa as a whole was able to avoid being underdeveloped by the neo-colonial powers.

The epistemology, which saw Afrikaner nationalism as expressing the conflict between capitals (mainly agriculture, mining and manufacturing) in ideological terms, was common in neo-Marxian structuralist writing.⁹³ The determinants of racial policies were seen as ultimately rooted in the requirements of the economy. If a system could be shown to be functional to capitalism, then it was assumed that it must have arisen for those purposes.⁹⁴

⁸⁹ Bromberger and Hughes, 'Capitalism and Underdevelopment'.

⁹⁰ Johnstone, *Race Class and Gold*.

⁹¹ D. Yudelman, 'The Quest for a Neo-Marxist Approach to Contemporary South Africa', *South African Journal of Economics*, 45, 2 (1977), p. 205.

⁹² See, for example, A. Seidman A. and N. Seidman, *South Africa and US Multinational Corporations* (Lawrence Hill and Company, Westport Connecticut, 1978).

⁹³ See, for example, D. Kaplan, *Class Conflict, Capital Accumulation and the State* (unpub. Ph.D thesis, Sussex University, 1977); D. O'Meara, 'The Afrikaner Broederbond 1927-1948: 'Class Vanguard of Afrikaner Nationalism'', *Journal of Southern African Studies*, 3, 2 (1977); M. Lacy, *Working for Boroko*.

⁹⁴ See, for example, Davies, *Capital State and White Labour*, pp. 32-3.

Key Methodological Issues

The main weakness of the radical structuralist approach was its functionalist methodology.⁹⁵ Racial policy was simply presumed to reflect economic imperatives. Likewise, the theory that policies were instigated because they were functional for capital, or a section thereof, is inherently untestable and infinitely malleable. It is difficult to imagine any policy which could not be construed as 'functional' in some respect, a criticism raised forty years ago by Schumpeter: 'there is no policy short of exterminating the bourgeoisie that could not be held to serve some economic or extra-economic short run or long run bourgeois interest, at least in the sense that it wards off still worse things'.⁹⁶

Of course not all radicals were equally guilty of reading their conclusions from theoretical premises rather than considered analyses. Johnstone, one of the more subtle writers in this tradition, adopted a class perspective as an investigative tool and came to his conclusions about the nature of gold mining in South Africa at the end of a detailed and tight analysis.⁹⁷ However, with the rise of the Sussex based Poulantzian disciples (for example, Morris, Kaplan, Davies, O'Meara), Johnstone's conclusions about a specific sector (mining) over a specific period (early twentieth century) became crudified, and generalized into a set of axioms which were then apparently applied indiscriminately to history. Johnstone's warning at the end of his book that 'Marxist science arrives at capitalism and class, it does not begin with them'⁹⁸ seemed not to have been heeded.

Although the radical structuralists recognized that apartheid generated many damaging 'contradictions', such talk was often little more than lip-service given the analytical weight attached to functionalist notions by these writers. At their most confusing, they claimed that the dynamic of capitalist accumulation in South Africa was 'essentially exploitative' as well as 'essentially contradictory', generating thereby change and transformation in the mode of accumulation, forms of class struggle and the institutional arrangements.⁹⁹ In this view, when one is analyzing a constantly altering, contradictory social formation, logical concerns such as the precise balance between functional and contradictory forces are out of place.

The variant of historical materialist method which underpins the above methodology has its roots in the Aristotelian philosophical tradition which maintains that reality is complex, diverse and contradictory and is ever changing as a result of these contradictions. Functionalist law-like statements, which abound in

⁹⁵ See D. Posel, 'Rethinking the 'Race Class Debate' in South African Historiography', *Social Dynamics*, 9, 1 (1983) and D. Glaser, *The State, Capital and Industrial Decentralization Policy in South Africa: 1932-85* (MA thesis, University of the Witwatersrand, Johannesburg, 1988), chapter 1 for a critique.

⁹⁶ J. Schumpeter, *Capitalism, Socialism and Democracy* (George Allen and Unwin, London, 1976), p. 55.

⁹⁷ Johnstone, *Race Class and Gold*.

⁹⁸ *Ibid.*, p. 217.

⁹⁹ Legassick and Innes, 'Capital Restructuring', p. 456.

South African radical structuralist writings, are by virtue of this philosophical tradition held to be simultaneously part of a non-functionalist theory explaining dynamic and contradictory change. When the direction of causality becomes blurred in this way, the propounder of Marxian arguments becomes a confusing and slippery opponent for the more orthodox economists.

For example, Legassick and Innes argued that the process of deskilling and job fragmentation would lead to an increase in the rate of exploitation,¹⁰⁰ that is, an increase in the rate of profit. At the same time, however, they maintained that implicit in South African capitalist development was, 'above all, a tendency for the rate of profit to fall'.¹⁰¹ Noting that this allows for a tendency for the rate of profit to fall and an analysis as to why it will not, Lipton asked if any empirical finding could invalidate the theory: 'If the rate of profit is rising this is the growth of super exploitation; if it is falling it is presumably a 'symptom' of the inevitable historical decline of capitalism'.¹⁰² By Popperian requirements of falsifiability, such a theory is clearly irrefutable.¹⁰³

However, there is in Marxist methodology the claim that the concept of contradiction is not a logical contradiction in the Cartesian sense, but rather 'a potentiality ... which will, conditions permitting, be realized, and in being realized, will appear in non-accidental or necessary changes'.¹⁰⁴ Thus society exhibits contradictory tendencies where 'tendential is not meant in a statistical sense, for such tendencies might rarely or never manifest themselves'.¹⁰⁵ The tendency of the rate of profit to fall could be seen in this perspective precisely as one of these contradictory tendencies. However, it is just as possible that we are merely witnessing shoddy thinking, unverifiable simply because of a lack of rigour.

Other examples abound. For instance, the cheap-labour hypothesis came under fire from liberals such as Lipton¹⁰⁶ and Bromberger¹⁰⁷ on the grounds that real black wages had risen. This was countered theoretically by the following:

the point is that the original hypothesis may still hold, regardless of the actual change in real wages over time, for the hypothesis depends on the interpretation of the concept of 'cheapness' which does not necessarily imply either a declining or a static real wage ... Institutions of racial discrimination and/or extra-economic coercion may serve to 'cheapen' labour, to make it cheaper than it would have been

¹⁰⁰ Ibid., p. 449.

¹⁰¹ Ibid., p. 458.

¹⁰² Lipton, 'The debate about South Africa', p. 72.

¹⁰³ K. Popper, *The Logic of Scientific Discovery* (Hutchinson, London, 1959).

¹⁰⁴ S. Meikle, 'Dialectical Contradiction and Necessity', in J. Mepham, and D. Ruben (eds.), *Issues in Marxist Philosophy Vol. 1, Dialectics and Method* (Harvester Press, Sussex, 1979), p. 28.

¹⁰⁵ D. Ruben, 'Marxism and Dialectics', in J. Mepham and D. Ruben (eds.), *Issues in Marxist Philosophy*, p. 69.

¹⁰⁶ M. Lipton, 'White Farming: A Case Study of Change in South Africa', *Journal of Commonwealth and Comparative Politics*, 12 (1974).

¹⁰⁷ N. Bromberger, 'Economic Growth and Political Change', N. Bromberger, 'Economic Growth and Political Change in South Africa: A Re-assessment', in Schlemmer and Webster, *Change, Reform and Economic Growth*.

in their absence, whether or not the absolute magnitude of the wage of employed persons is rising or falling'.¹⁰⁸

Such a position, which reformulates the cheap-labour hypothesis in relative rather than absolute terms, is, as Black and Dollery have argued, impossible to test as it involves counterfactual evidence which is obviously unavailable.¹⁰⁹

At issue here also, is the mechanism of wage determination. At the heart of the 'cheap-labour hypothesis' is the assumption that wages tend towards the subsistence level. If workers always have access to rural subsistence production, then it flows directly from the above assumption that capitalists can pay workers less than they would have in the absence of such production. Labour in this perspective is regarded as absolutely powerless, with wages being a function of the subsistence needs of the worker. The role of individual choice and agency is practically non-existent here and productivity plays little or no part in wage determination. For radical structuralists, the wage contract was seen as essentially conflictual and always exploitative.¹¹⁰

At the heart of the liberal perspective is a very different approach to wage determination. Supply and demand, along with institutional interference by trade unions and the state (which affects the bargaining power of sections of labour and capital), is seen as playing a major role. More importantly, choice rather than subsistence is emphasized. Thus, given a desired level of income, access to production in the reserves would decrease the supply of labour to the towns, thus pushing up the urban wage and vice versa. This model of wage determination comes up with a diametrically opposite conclusion to the radical position. For conventional economists, the wage contract involves both conflict and co-operation as both parties are seen as being worse off in the absence of the contract. The exploitation of labour can only occur when workers get paid less than their marginal product, that is, when markets are not functioning perfectly.

For both liberals and radicals, their conclusions about the relationship between apartheid and capitalism were more a function of underlying theoretical assumptions and premises than the result of inductive reasoning from empirical evidence. Despite the fact that conventional political economists made greater use of empirical data in their analyses, both they and the radical structuralists suffered from the same weakness: reading off their conclusions about the relationship between apartheid and capitalism (and the nature of appropriate research methodologies) directly from their theoretical paradigms.¹¹¹ Consequently there was little scope for recourse to empirical evidence as a potential means of resolving the

¹⁰⁸ M. Legassick, 'Postscript to "Legislation, Ideology and Economy in post 1948 South Africa"', in Schlemmer and Webster (eds.), *Change, Reform and Economic Growth*.

¹⁰⁹ P. Black and B. Dollery, 'Martin Legassick's 'Postscript to Legislation, Ideology and Economy in Post-1948 South Africa': A Critical Note', *South African Journal of Economics*, 47, 3 (1979), p. 299.

¹¹⁰ See J. Roemer, *A General Theory of Exploitation and Class* (Cambridge Massachusetts, Harvard University Press, 1982) for a recent critique of this notion.

¹¹¹ See Archer 'Reaction and Reform', pp. 233-7, for an outline of the conventional political-economic assumptions underlying Brombergers critique of radical revisionism.

debate. Notable exceptions include Bell's¹¹² empirical critique of Legassick, Simkins'¹¹³ investigation of homeland agricultural production (which had implications for Wolpe's analysis), and the more recent discussion of industrial decentralization policy.¹¹⁴

Towards Consensus

The Liberal Re-orientation

Perhaps the most important contribution of the radical critique was to re-set the agenda of South African political economy. In some ways, the shift resulted in the rise of a new paradigm in local historical studies.¹¹⁵ Certainly the legitimacy of the more Neo-Classical interpretations was undermined as a result. Although Neo-Classical analyses of aspects of the South African economy continued to thrive,¹¹⁶ along with anti-government libertarian polemics,¹¹⁷ no substantial Neo-Classical political-economic analysis of South African development (along the methodological lines of Hobart Houghton and Horwitz) emerged in the 1970s or the 1980s. Instead, arguments in favour of social-democratic mixed economy solutions gained ascendancy in economic circles.¹¹⁸

The notion of 'economic power' as a central theoretical concept in explaining the South African political economy gained widespread credibility amongst the more Keynesian and social-democratic liberal economists by the mid to late 1970s and 1980s.¹¹⁹ The importance of this development for the liberal analysis was that it

¹¹² T. Bell, 'Capital Intensity and Employment in South African Industry', *South African Journal of Economics*, 46, 1 (1978).

¹¹³ C. Simkins, 'Agricultural Production in the African Reserves of South Africa: 1918-1969', *Journal of Southern African Studies*, 7, 2 (1980).

¹¹⁴ See the debates in R. Tomlinson and M. Addleson (eds.) *Regional Restructuring Under Apartheid* (Raven Press, Johannesburg, 1987).

¹¹⁵ F. Johnstone, "'Most Painful to Our Hearts": South Africa Through the Eyes of the New School', *Canadian Journal of African Studies*, 16, 1 (1982).

¹¹⁶ See, for example, B. Kantor and D. Rees, *South African Economic Issues* (Juta and Company, Cape Town, 1982).

¹¹⁷ See, for example, L. Louw, L. and F. Kendall, *The Solution* (Amagi Publications, Bisho, 1986).

¹¹⁸ See, for example, S. Archer, 'Economic Means and Political Ends in the Freedom Charter', in Butler et. al. (eds.), *Democratic Liberalism*; J. Nattrass, 'Political Change and Capitalism in South Africa', in Butler et. al. (eds.), *Democratic Liberalism*; P. le Roux, 'The Case for a Social Democratic Compromise', in Nattrass and Ardington (eds.), *The Political Economy*; F. Wilson, 'Poverty, the State and Redistribution', in *ibid*.

¹¹⁹ See, for example, N. Bromberger, 'Economic Growth and Political Change in South Africa', in Leftwich (ed.) *South Africa*; N. Bromberger, 'Economic Growth and Political Change in South Africa: A Reassessment', in Schlemmer and Webster (eds.), *Change, Reform and Economic Growth*; P. Du Plessis, 'Concentration of Economic Power in the South African Manufacturing Industry', *South African Journal of Economics*, 46, 3 (1978); Wilson, *Labour*; Wilson 'The Political Implications', in Thompson and Butler (eds.), *Change in Contemporary South Africa*; J. Nattrass, 'Economic Development and Social and Political Change — A Suggested Theoretical Framework', in Schlemmer and Webster (eds.) *Change, Reform and Economic Growth*; J. Nattrass, *The South African Economy: Its Growth and Change* (Oxford University Press, Cape Town, 1981 (updated 1988)); Wilson and Ramphela, *Uprooting Poverty*.

represented a clear recognition on a theoretical level that political and economic change was a function of conflict and power.¹²⁰

Other economists however found it difficult to move beyond the conventional boundaries of economics.¹²¹ For example, in an attempt to introduce 'a greater degree of analytical rigour' into the debate 'thus far plagued by a surfeit of loose thought', Dollery attempted to situate key liberal-radical claims in a 'common conceptual framework' of general equilibrium.¹²² Not surprisingly he found that profits were lower and black and white wages higher than they would have been in the absence of restrictions on the labour market. Such a conclusion is facile as it follows directly from theoretical foundations which no radical would accept as a common conceptual framework, and which increasingly few liberals relate to. More realistic but still flawed attempts to generate a revised economic model of the South African economy can be seen in the work of Porter¹²³ and Lundahl.¹²⁴ Although they link wages to marginal productivity (with certain provisos and adaptations), they do attempt to bring political factors and economic power-plays into their models.

One important recent study of the relationship between apartheid and capitalism is that of Lipton.¹²⁵ She concluded that capitalists were never unanimously in favour of apartheid and that most capitalists in all the key economic sectors are now against it. Even though she caricatured the Marxian position and based her conclusions more on what capitalists said rather than on what they did, the book provoked surprisingly little reaction from the radical structuralists.¹²⁶ Possibly this was because the radical position had been undergoing a process of re-evaluation for some time.

The Radical Re-orientation

Two developments helped re-orientate the radical approach to understanding the nature of capitalist development in South Africa. One had to do with theoretical shifts within Marxism in general and within social history in particular, and the other with historical changes in the late 1970s and 1980s.

¹²⁰ See, for example, J. Nattrass, *The South African Economy*, chapter 11.

¹²¹ See, for example, Knight and Lenta, 'Has Capitalism', p. 195.

¹²² B. Dollery, 'Capital, Labour and State: A General Equilibrium Perspective on Liberal and Revisionist Approaches to South African Political Economy', *South African Journal of Economics*, 57, 2 (1989), p. 124.

¹²³ R. Porter, 'A Model of the Southern African Type Economy', *American Economic Review*, December (1978).

¹²⁴ R. Lundahl, 'The Rationale of Apartheid', *American Economic Review*, 72, 5, 1982.

¹²⁵ M. Lipton, *Capitalism and Apartheid: South Africa 1910 — 1986* (Aldershot, 1986).

¹²⁶ There were of course critical reviews of her book (see, for example, S. Greenberg, 'Failing Capitalism', *Social Dynamics*, 13, 2 (1987)). However, unlike the radical reviews of the Oxford History in the early 1970s, neither his nor other reviews of Lipton used the occasion as a vehicle for propounding an alternative radical explanation.

Rational choice and analytical Marxism, which profoundly alters the way in which Marx is approached,¹²⁷ has provided an important theoretical challenge to structuralist and functionalist interpretations of Marxism. Accepting that 'Marx could shift from near nonsense to profound insight often within the same work',¹²⁸ many previously held tenets were rejected. The main theoretical casualties have been functionalist forms of argumentation, methodological collectivism and the labour theory of value. Even the idea that capitalists inevitably exploit workers has been challenged.¹²⁹ The older insights accepted and retained include intentional explanation, methodological individualism, the central importance of unintended consequences and the tension between rational individual and collective action. Whether these arguments are accepted completely or not, they have challenged the foundations of Marxism so severely that radicals can no longer get away with using Marxian concepts and laws as if they were self-evident truths.

The new social history of South Africa (centred around the Universities of London and the Witwatersrand) also reflects this move away from grand theorization divorced from micro-foundations. With the publication of Marks and Rathbone's edited volume,¹³⁰ a more nuanced and empirically detailed materialist interpretation of South African social history was born. The idea of the state as an agent of capital was absent¹³¹ and contributors mostly saw the study of history as logically prior to theorizing about it; and by providing more information, they helped undermine the early radical structuralist accounts.

Unfortunately, the social history school has focussed on questions mainly to do with class and consciousness in the pre-1945 period and as such has had little bearing on post-war South African economic history. More recently, however, detailed empirical investigations into the post-war relationship between the state, employers and labour have been completed which illustrate the complexities and ambiguities inherent within these relationships. Posel for example shows the limits of the view of apartheid as monolithic 'Grand Plan'; pointing to the ambiguous and changing response of capitalists to state labour policy and vice versa.¹³² Such careful empirical studies underline the need for the radical structuralist school to reassess its premises.

The second development having a profound bearing on radical thought has been the recent economic and political changes in South Africa. As early as 1976 (the year of the Soweto uprising), political developments placed great strain on the notion of a monolithic state functional to the needs of capitalism, and put the issue

¹²⁷ See A. Carling, 'Rational Choice Marxism', *New Left Review*, 160 (1986) for an over-view.

¹²⁸ Elster, *Making Sense of Marx*, p. 4.

¹²⁹ See Roemer, *A General Theory of Exploitation*.

¹³⁰ S. Marks and R. Rathbone (eds.), *Industrialization and Social Change in South Africa: African Class Formation, Culture and Consciousness 1870-1930* (Longman, London, 1982).

¹³¹ See also, D. Yudelman, *The Emergence of Modern South Africa: State, Capital and the Incorporation of Organized Labor on the South African Gold Fields, 1902-1939* (David Philip, Cape Town, 1984).

¹³² D. Posel, *Influx Control and the Construction of Apartheid: 1948-61* (D-Phil, Oxford University, 1987); See also Glaser, *The State, Capital and Industrial Decentralization*.

of agency back on the theoretical agenda.¹³³ By the 1980s it had become abundantly clear that the engine of growth which drove the 1960s boom had run out of steam. The 1980s crisis (after the decade's initial spurt) and the widespread vocal disaffection of South African capitalists with the government further undermined the old argument that apartheid was functional for capital accumulation and that the interests of capitalism and white supremacy were coterminous.

Two broad responses to the need for theoretical reformulation can be identified in the radical structuralist school: one (associated with Wolpe — see below) argues for a different conception of the nature of capitalism in South Africa; and the other adapts older beliefs and elaborates upon them.

Wolpe has recently proposed an approach in which the relationship between apartheid and capitalism is 'historically contingent' and 'Janus faced, being simultaneously functional and contradictory'.¹³⁴ He targets functionalism explicitly as an obstacle to understanding the contradictory processes generated under apartheid. Although he provides no detailed discussion of the theoretical content of his conception of 'contradiction', it is clear from the discussion as a whole that he means opposing or conflicting developments (understood by means of formal as opposed to dialectical logic) rather than potentialities which may or may not materialize historically.

His treatment of the relationship between economic growth and political change is a great deal more flexible than that of the early radical structuralists. For example, he notes that restructuring the division of labour and black worker struggles in and outside the factories has 'set up pressures for change in the political sphere'.¹³⁵ This formulation is close to the recent liberal argument concerning growth in black economic power and socio-political change (see above) and is thus an area in which the potential exists for consensus between liberals and radicals.

Empirical investigation within the radical camp itself has contributed also to the new conceptualization. For example, in an earlier comparative analysis of race and state in capitalist development, Greenberg concluded that in important respects apartheid was indeed functional for capitalism in South Africa.¹³⁶ However, in 1987, after a more detailed empirical study of the labour bureau structures, he argued that the system was a lot less monolithic and effective than it had appeared, and thus the reforms of the 1980s were more a recognition by the state that the controls attempted in the 1950s and 1960s were a resounding failure than the result of the changing needs of capitalism.¹³⁷

Likewise, Hindson came to the conclusion that the radical conception of the pass system relied overly on 'official pronouncements about the intended aims of the

¹³³ I am grateful to Shula Marks for this point.

¹³⁴ H. Wolpe, *Race, Class and the Apartheid State* (James Currey, London, 1988), p. 8.

¹³⁵ *Ibid.*, p. 56.

¹³⁶ S. Greenberg, *Race and State in Capitalist Development* (Yale University Press, New Haven and London, 1980).

¹³⁷ S. Greenberg, *Legitimizing the Illegitimate: State Markets and Resistance in South Africa* (University of California Press, Berkeley, 1987).

system and official claims about its successes'.¹³⁸ This, he said, blinded radicals to 'the possibility of conflicting functions within the pass control machinery', as also to the need to question the relationship between the labour market and the machinery of labour control.¹³⁹ However, unlike Greenberg, Hindson favoured a modified radical approach in which apartheid labour policy was perceived to be reproducing differentiated (rural unskilled and opposed to urban skilled) African labour power rather than simply cheap-labour power in the form of migrant workers. Interestingly, this argument was made twelve years earlier by the liberal economist Frances Wilson.¹⁴⁰ Recent empirical work by Posel¹⁴¹ has, however, cast doubt on the idea that differentiated labour was the intention of state policy.

Despite the difficulties associated with the concept of a differentiated labour force, radical users of it are more subtle than the proponents of the earlier 'cheap-labour' hypothesis. For example, Webster's study of the labour process and trade unionism in the foundries draws useful distinctions between segments of labour markets.¹⁴² Given that these ideas are common both to recent Marxist and more conventional understanding of the labour market, the potential for communication and agreement is strong here too.

The call for more empirical work and detailed investigation of what actually happened in the South African economy post World War II coincides with the decline of the class reductionist, instrumentalist view of the South African state. Greenberg now portrays the state as relatively disconnected from class interests and, instead of carrying out the dictates of fractions of capital, imposes its own project on a quiescent and pliant manufacturing sector.¹⁴³ Glaser¹⁴⁴ and Posel¹⁴⁵ came to similar conclusions, although they attribute more weight to the demands of capitalists in altering and shaping state policies.

A further recent impetus towards critical re-evaluation amongst radicals has been from the collapse of old-style communism in Eastern Europe under pressure of popular revolt against authoritarianism and economic stagnation. Previous certainties about the inherent worth of central planning have been profoundly shaken and recent work by Johnstone on gold mining in Siberia drives the point home.¹⁴⁶ He presents the infinitely more brutal mechanisms of labour control and exploitation in the USSR as an important warning to uncritical socialists. His work is now explicitly social-democratic.

¹³⁸ Hindson, *Pass Controls*, p. 3.

¹³⁹ Loc. cit.

¹⁴⁰ Wilson, *Labour*, p. 182.

¹⁴¹ Posel, *Influx Control*.

¹⁴² E. Webster, *Cast in a Racial Mould: Labour Process and Trade Unionism in the Foundries* (Raven, Johannesburg, 1985), pp. 195-212.

¹⁴³ Greenberg, *Legitimizing the Illegitimate*.

¹⁴⁴ Glaser, *The State, Capital and Industrial Decentralization*.

¹⁴⁵ Posel, *Influx Control*.

¹⁴⁶ F. Johnstone, 'Rand and Kolyma: Afro-Siberian Hamlet' in *South African Sociological Review*, 1 (1989).

Unlike these writers, another group of radical thinkers has consciously opted for theories which do not involve a break with past standpoints. Gelb makes this point explicitly by arguing that radicals need to develop:

a substantial and consistent analysis of capital accumulation which preserves their view of the earlier relationship between apartheid and capitalism, explains the transformation from long run apartheid boom to economic crisis and then analyses the crisis itself.¹⁴⁷

The first attempt at this was made ten years ago by Saul and Gelb who presented apartheid policies as a highly successful response to an 'organic crisis' in the 1940s, but which by the late 1970s had itself degenerated into crisis, requiring thus the reform of old style apartheid to recreate the conditions for renewed accumulation.¹⁴⁸ During the 1960s 'soaring profits' were allegedly guaranteed by apartheid institutions driving down the black wage bill, whereas by the mid 1970s the contradictions present were argued to have finally manifested themselves in the form of rising capital intensity and a restricted internal market which together eroded profitability.¹⁴⁹

For all its innovative ideas, the work of Saul and Gelb, like the early radical writings, was seriously flawed by the absence of empirical support for, or satisfactory explanations of, the economic trends central to their analysis. No substantive analysis of the dynamic relationships between wages, productivity, profitability and capital intensity, was provided. They simply asserted that profit rates soared because they believed that apartheid policies sufficiently depressed the wage share. Recent work has shown these presumptions to be incorrect.¹⁵⁰

More recently, ideas similar to those expressed by Saul and Gelb have been elaborated. The heyday of apartheid has been represented as a distinct 'Racial Fordist Regulation',¹⁵¹ an 'Apartheid Social Structure of Accumulation'¹⁵² and as a form of 'Peripheral Fordism'.¹⁵³ This work too is flawed by a lack of empirical investigation into key economic trends.¹⁵⁴ However, the theoretical tradition which informs these new interpretations of South Africa has a strong empirical orientation and carries the potential for non-functionalist modes of thinking.¹⁵⁵

¹⁴⁷ S. Gelb, 'Making Sense of the Crisis', *Transformation*, 5 (1987), pp. 33-4.

¹⁴⁸ J. Saul and S. Gelb, *The Crisis in South Africa* (Zed Press, London, 1986).

¹⁴⁹ *Ibid.*, pp. 70-2.

¹⁵⁰ See N. Nattrass, 'Wages, Profits and Apartheid' (unpublished D.Phil, Oxford, 1990).

¹⁵¹ Gelb, 'Making Sense of the Crisis'.

¹⁵² M. Morris and V. Padayachee, 'State Reform Policy in South Africa', *Transformation*, 7 (1988).

¹⁵³ M. Ramos and F. Cassim, 'Beyond Dependency: Peripheral Fordism in South Africa', paper presented at the *Lausanne Colloquium*, University of Lausanne, July 1989.

¹⁵⁴ See N. Nattrass, 'Post-war Profitability in South Africa: A Critique of Regulation Analysis in South Africa', *Transformation*, 9 (1989) for a critique.

¹⁵⁵ D. Kotz, 'Long Waves and Social Structures of Accumulation: A Critique and Reinterpretation', *Review of Radical Political Economics*, 19, 4 (1987).

This is a hopeful sign, especially so given that conventional economics is increasingly recognizing that class forces (particularly those strengthened by state action and policy) and economic power must be incorporated into political-economic analysis at a theoretical level more substantive than as mere 'distortions'. Despite continuing conflicts in methodology, space is being created on both sides of the debate for constructive communication at least, if not yet consensus.

Conclusion

This move towards positive discussion has been made easier by recent developments in the political sphere towards a negotiated transition away from apartheid. Along with the form of the future democratic state, the nature of the future economy is becoming a hotly debated question.¹⁵⁶ As Southall notes, 'the major actors now recognize that the making and viability of any political deal depends heavily upon the simultaneous forging of socio-economic compromise'.¹⁵⁷

Critics of apartheid have suddenly become faced with the need for more detailed analysis of economic trends and for concrete proposals in policy areas where claims on expenditure dwarf the resources available and where tough choices have to be made between equally worthy economic goals. It is no longer good enough to make vague claims about apartheid being bad (or good) for capitalism. The old categories of 'liberal' and 'radical' have become blurred if not meaningless. The need for economic pragmatism and political pluralism has ensured that the terrain now being contested is the nature of a future South African mixed economy or social democracy. Although 'radicals' can still be identified at the left of the spectrum, and liberal social democrats at the right, at least the participants are all broadly speaking the same language. Hard-line free-market and old-style socialist positions can still be heard, but they no longer appear to occupy the political or theoretical centre stage.

¹⁵⁶ See for example debates in *South African Labour Bulletin*, 15, numbers 2, 3 and 5 (1990), and discussion of the ANC Harare document in *Transformation*, 12 (1990).

¹⁵⁷ R. Southall, 'Negotiations and Social Democracy in South Africa', in *Journal of Modern African Studies*, 28, 3 (1990), p. 502.