

THE UNION OF SOUTH AFRICA: A DEVELOPMENTAL STATE?

Bill Freund

The Union of South Africa was formed just 100 years ago in 1910. Historians have in recent years taken more interest in the history of social and cultural institutions in South Africa and they have generally considered with this growing racial exclusivism of Union history but they haven't really tied this together with any new attempt to understand its relatively rapid economic, notably industrial development. A key period in this regard are the 1940s. A recent collection entitled *South Africa's 1940s* edited by Saul Dubow and Alan Jeeves, for instance, took the wartime years especially as a period when there seemed to be a hiatus, an opening which might have led to a substantial liberalisation of the South African system. At the same time, it was a period when there was a legitimacy to debating and considering the reform of the social services affecting the entire population. Jeeves is one of several writers who has rediscovered and focussed on the pioneering work of South African doctors in the field of community medicine in which these years were crucial. But how do these things connect, if they do? Can we understand them simply by following the lines on the ground marked 'racial policy'? I would like in this research to bring together the different aspects of economic and social thought that were part of the discourse of the time into some kind of whole not artificially but as it existed at the time. What was distinctive about capitalist development in South Africa as it took off as an independent country?

One classic way of approaching this problem would be to follow Douglass North's Douglass North's notion of different capitalist growth paths in which the weight of different economic factors can differ appreciably at different times and places. This is because, he argues, the state generates institutions which clearly benefit some party. Those institutions may survive the *raison d'être* of their creation. Property rights, on which he lays such emphasis, are embedded in a particular institutional history which analytically justifies how real histories fail to represent some universal principle that might appear at all instances to offer the better developmental answer. 'We shall be particularly interested', write North & Thomas (6), in those institutional arrangements which enable units to realize... economies of scale... to encourage innovation...to improve the efficiency of factor markets...or to reduce market imperfections.' In their language, this is development. But development is not self-evident. The state may well have its own interests which override what they consider to be market rationalities. In this way, historical contingency retains importance over some kind of pure logic of market perfection as an ideal and differing, varyingly imperfect, growth paths may be justified as having institutional and historic logic.

In the twentieth century, policy makers and intellectuals took up the question of how to achieve growth through deliberate mechanisms initiated by the state while operating within the constraints of a capitalist system that was under strain. I would like to interject the idea of the *developmental state* as a way of talking through these problems with specific reference to South African development, particularly in the period between 1910 and 1990. The middle years of this entire era, the 1930s and 1940s, were globally the ones when our ideas about economic development together with so-called modernisation theory, tied to the project of rapid development of colonies, ex-colonies and societies considered backward, essentially formed. The causes were many: the urge to find ways for governments to respond to the Great Depression, the stark example of the Soviet Union (but also Nazi Germany), the impact of a variety of thinkers notably the British economist John Maynard Keynes, the development of statistical tools, the invention of the idea of a gross national product, the impact of war, the competition engendered by the Cold War.

If the craving for development clearly emerges in this generation, developmental state idea per se did not stand out from the economists and political scientists' language of the time, which assumed a major role for government in furthering economic growth within a capitalist paradigm. It was rather the end of the golden post-war growth years from about 1970 which created a very different way of talking about growth. If restoring the rapid growth rates of the past was urgently desired, the means of doing so now

altered drastically from Keynes' priming of the pump to monetary manipulation and belt-tightening and various mechanisms that would get supply side led growth, increasingly dominated by financial manipulation. Neo-liberalism went out of its way to denigrate state intervention as a brake on development whether from the perspective of reformist social democracy to the apparently disastrous planned economies where the market system had largely been eliminated. It was assumed that market forces alone, when suitably liberated, could unleash growth and the formation of wealth, however much this might fly in the face of actual modern history. It was paradoxical that some of the rapidest economic growth of the period, (Japan in the passing lane) fit this neo-liberal model rather poorly. We can probably identify the 1990s as the heyday of neo-liberalism as a dominant ideology although it has been far from entirely discredited or discarded today.

However, it is certainly the case that by the 90s, a response emerged from a variety of quarters. Particularly effective, because it spoke to policy makers in terms that neo-liberals were already addressing, were those who pointed to the example of East Asia. The neo-liberals stressed that Asian development had tied in to a commitment to foreign trade and international outlook. Moreover they correctly pointed to how little Japanese wealth, for instance, was taxed and went into redistributive channels even though Japan in fact was a relatively egalitarian economy.

True, said critics from within, but this was only a limited part of how to understand our history. Chalmers Johnson interpreted the modern economic history of Japan as one in which the state played an intimate, constant and powerful role in creating what by the 90s was the second largest economy in the world. Alice Amsden wrote a convincing study of the Republic of Korea and why it had done so apparently well from the 1960s on breaking all the market rules while Ha-Joon Chang, a Cambridge based Korean, articulated a clear and easily absorbable history of modern capitalism that showed how critical government intervention had been at key stages. Indeed, Chang's model suggests that laissez-faire orientated governments have actually been very much the exception presiding over success stories only in quite particular historic cases. 'Institutional improvement should be encouraged especially given the enormous growth potential that a combination of truly good policies and good institutions can bring about. However this should not be equated with imposing a fixed set of Anglo-American institutions on all countries.' (p. 141)

Peter Evans rejected a pure dependency model for the development of Brazilian capitalism at a time when Celso Furtado and others thought that this developmental model was largely a reflex motion reacting to the initiatives, depredations and octopus like squeeze of the multi-nationals and the Western governments backing them: Yes, Evans writes, Brazilian capitalists were in some ways subordinate to more powerful Western business leaders but they also had bargaining chips and points of strength and they were not apt to disappear. He later used his own concept of embeddedness (a term not foreign to North) to conceptualise how they related to the Brazilian state. Brazilian capitalism requires understanding the changing movements in a three cornered dance: foreign capital, domestic capital and the Brazilian state.

Over the last decade, as this idea has inspired more and more writers, it has been introduced into other places and times. Some might say that considering, for instance, *dirigiste* politics in France, waters down the ideal-type developmental state model of the Far East but I would certainly insist myself that looking at partial successes and even at failures are as important as looking at success stories which, in any event, are not entirely happy rags to riches stories anyway. Colin Leys' shaping of the so-called Kenya debate on the potential for capitalist development in Kenya is a very thought-provoking allied contribution. Leys, after wrestling for many years with the question of why Kenyan economic development was so limited, concluded that structural dependency, however evident, did not necessarily block change forever. It was rather institutional structuration and the political means by which economically relevant policy was formulated that pushed the country along a particular road. The devastating situation of most African countries in the last quarter of the 20th century made further debate relatively unattractive to parties that were wildly and totally apart in their views. However, recently contingency has moved things again. As mineral prices advance and at least some African countries acquire more capacity and financial chips,

further discussion is beginning to affect writing on other countries, such as Joe Hanlon's recent considerations of Guebuza's Mozambique, analyses of the forces at play in political contestation in Madagascar and writing on such African countries as Nigeria, Angola, Rwanda and Ethiopia. All such discussion depends not merely on considering market factors but in the direction of institutions and therefore the thrust of politics and political culture.

A useful first step may be defining a developmental state. A good starting place is the very clear chapter that marks the originally South African Adrian Leftwich's *States of Development*, published a decade ago. Leftwich is one of those eager to extend the definition globally rather than linking it closely to Asian cultural formation, Confucianism, Buddhism and the like. Another useful starting point is the Meredith Woo-Cumings collection, *The Developmental State*, more or less published simultaneously but far more Asia-centric. I would extrapolate the following points from these sources:

1. Developmental states have a nationalist ideological core and emerge early on with the formation of a nation-state. It is tough to create a developmental state where there are powerful countervailing interest groups and where civil society is already strong. Genuine contested elections that can hobble powerful developmental institutions may also make such a state unsustainable.

Chalmers Johnson writes this about Japan at a time when it had become unequivocally a formal democracy:

'Who governs Japan is Japan's elite state bureaucracy. It is recruited from the top ranks of the best law schools in the country; it is appointed on the basis of legally binding national examinations-the prime minister can only appoint about twenty ministers and agency chiefs-and is unaffected by election results.'

By contrast Vivek Chibber has written an impressive study on the way Indian capitalists severely limited state direction of the economy at the beginning of independence there. It is not that the state failed to be very involved in what was, for instance, a highly protected environment, it was rather that it tended to do the bidding of Indian industrialists and landowners who sought such an environment until the 1980s when they turned to some degree in a neo-liberal direction.

2. While I am less negative than Leftwich on this score, I would agree with him that generally speaking democracy and developmental success of this kind have not gone together. He goes on to say that such states are nonetheless able to achieve broad general, if passive, support from their populations which he calls legitimacy, precisely because they can deliver the material goods and raise living standards, sustaining nationalist ideals. The human rights records of developmental states are generally, however, rather poor.

3. Perhaps it is important to note that of course Communist states were classically developmental. However the model Leftwich and others propose assumes a capitalist economy and a private sector. Big business and the state are partners in an unending marriage with their own platforms secured in the earth. Johnson has made the distinction between what he calls plan-rational and plan-ideological developmentalism here. The latter would have been the inheritance of the 5 Year Plans of the Soviet Union; the former the Japanese story.

What is needed is a purposive state, relatively incorrupt with a strong cadre of dedicated bureaucrats and institutions or agencies (Ministry of International Trade and Industry in Japan) that are virtually untouchable from the point of view of either corrupt practice or democratic oversight. As writers since Johnson have stressed, such institutions have inevitably enjoyed substantial financial clout and autonomy and have thus been able not merely to modify or moderate, but actually to direct investment, and with it, development. This is not to claim that countries such as Thailand or Korea are free of corruption--far from it--but corruption is channelled in such a way as to ensure economic results, not simply private rent-seeking. Capitalists and top government officials, perhaps in the military, come together to form an elite, probably moulded through social associations, common educational background and personal ties. Peter Evans, coming from a Brazilian standpoint, says that members of such an elite 'are embedded in a

concrete set of social ties that binds the state to society and provides institutionalised channels for the continued negotiation and renegotiation of goals and policies' (12). His negative example, where this cannot occur, is the DRC under Mobutu, a predatory state aiming simply at the absorption of wealth and power by a centralised regime hostile to any autonomous source of vitality. Clientelist demand held this state together and Mobutu made sure the national state could deliver on this basis during his effective years of control while promoting the nationalism of *authenticité*.

4. It is difficult to separate the idea of a developmental state from the process of industrialisation although Leftwich fails to consider the role of the state in situations in industrialised countries where the need for new kinds of direction and impetus is not lacking. Evans insists that the state must have 'dense links with industrial capital'; his assessment is that this creates the basis for a continuing commitment in Brazil.

5. Finally, Leftwich labels the developmental state as transitional. He tends to assume that successful developmental states will create interest groups and trajectories that will take on a life of their own with time (example of Korea). Woo-Cumings tells us that Johnson tends to oscillate between a certain horror at the authoritarian and elitist character of the developmental state and a belief that mature capitalist states such as even his own USA will need to adopt many aspects of the model he proposes if they mean to remain dynamic and competitive.

I am going to give short shrift to the argument that South Africa has rejected neo-liberal policies and adapted itself towards becoming a developmental state in recent years. This is true even though official discourse began to shift in Thabo Mbeki's second term to office and with the formal adoption of ASGISA, a transition which has to some extent widened a bit under Jacob Zuma's administration. Only if one takes seriously Joel Netshitenzi's silly definition of a developmental state, one that tries to make up for the less attractive features of an unfettered market through interventions is this a case. The real thing actually is defined by capacity actually to shape and direct the market.

Netshitenzi's idea fits better the model of a 3rd Way, somewhat timid social democracy characterised by high levels of taxation for the middle class, extensive social benefits in the form of hand-outs and public works programmes operating somewhat fitfully. In particular, the ANC has opted for an extremely politicised bureaucracy subjected to its ideas about affirmative action legitimating waves of deployment and redeployment, has to deal with many powerful interest groups and civil society actors, has a poor relationship with big business which invests relatively little in the country and tries to generate a black capitalist class through BEE that will be dependent on the state but in fact is more accurately characterised as parasitic. I have written about this elsewhere and notably in an article published in ROAPE in 2008.

One aspect of this pseudo-developmental state rhetoric, however, has been the remarkable absence of discussion or comment on the many institutions and economic phenomena that are survivals of the developmentalism of the past. For at this preliminary stage, I am going to argue that South Africa has perhaps been a developmental state that is something of a classic. Its racist features, notably the dualism that Mahmood Mamdani has called bifurcated sovereignty and that scholars such as Wolpe and Legassick have considered vis a vis the development of accumulation in the past, are actually a part of that inheritance, of the growth path that this country has known. It is here where I want to pick up the pieces. I cannot see how one can recreate a developmental state without a thorough understanding of the one on whose ageing corpse we actually are seated.

There is no shortage of literature on the role of the 20th century state in South Africa in economic construction and intervention. However it might be useful to start by making a distinction that I shall take from a rejoinder in an American journal to the sociologist Bill Martin by Renfrew Christie. Martin considers the question of the state and industrialisation, as have many others, from the point of view of the tariff question, hotly debated in the interwar years. The Cullinan Report of 1914 began the state's commitment to protecting secondary industry in SA on the eve of WW I. Belinda Bozzoli has written an interesting study of the sort of industrialists who promoted tariff protection in order to boost industry from the time of WW I, and the most articulate spokesman of this group, W.J. Laite, who made the journal *Industry and Trade* his mouthpiece, was the subject of an interesting biography by a family member as well. However it may be noted that Laite was never successful as he had hoped in getting elected to Parliament. Most scholars conclude that while the Pact government, less burdened by a commercial import-orientated lobby and by the mining companies, did introduce tariffs after 1924 (Customs Tariff Act of 1925), these were modest in scale. Moreover the Pact politicians were narrow-minded and it is questionable that they really had any vision of an industrialised society at all: they really saw in industry mainly a source of jobs, especially for the so-called poor whites, who in fact benefited only a little from this kind of intervention, as the private sector was so reluctant to hire them.

Christie however, basing himself on his excellent study of SA electrification and its relationship to the mining industry, took a completely different tack. He stressed the existence of a quite distinct, second industrialising trajectory that had very strong state support and that led to the creation of the giant parastatals, ESKOM, ISCOR and later others such as SASOL with strong state backing. Structurally, South Africa has been relatively backward (or perhaps, better put, uneven) in the production of industrial consumer goods. It is unusual in the relatively minor importance of the clothing industry (nationally) in its industrial history by comparison with virtually every other country. And yet it experienced a leap into heavy industry of considerable dimensions from the late 1930s onwards that is far more impressive.

It was here, and not in the war over tariffs, that the battle for state industrial policy was really fought. It is the Christie line that is taken up by Ben Fine and Zav Rustomjee in their influential study of what they consider to be a dominant *minerals-energy complex* within our economy. Christie tells the story in his thesis and monograph of how ESKOM eventually won control of the electricity sector and made cheap electricity an inherent part of further big industrial growth. I could note here also Nancy Clark's thoughtful monograph that explains the way the private and public sector edged together in this period and the mines were reconciled to the emergence of questionable institutions. We might flag Dave Kaplan's (also Jon Lewis') interesting point that ISCOR early in its history very quickly dropped the poor white story when it became clear that this would never be profitable.

In reconsidering this history, my preliminary hypothesis is the following. We could divide the economic history of SA into three distinct phases up to 1990. First, we have a key foundational period when industry takes off but the chief element is, in the broadest sense, the creation of an infrastructural platform. This includes electrification, the upgrading of agriculture, transport investment, the creation of scientific and educational institutions and the cultivation of relevant skills. For instance, in his recent important book, Saul Dubow itemises the creation of the South African Association for the Advancement of Science 1903, Office of Census and Statistics 1917, the Board of Trade and Industries in 1922 and the creation of a *Public Service Commission*. These initiatives go together with the struggles, involving various interest groups, that led to the formulation of the Native Bills of the 1930s and the movement towards an all-white electorate.

Second, we have had a key period in the 1940s under the United Party government of Jan Smuts, known for his sympathies for the ideas of John Maynard Keynes as well as his championship of what he called trusteeship, which tried to resolve what was seen as racial conflict through consisted paternalistic white supremacy. This man, very unusual amongst politicians for his interest in and grasp of science, was ambitious in his dream of constructing a white run America in the southern half of Africa. In constructing

institutions that helped make real his industrial vision, Smuts had to reckon with the main source of SA export earnings, the gold mines.

It is often assumed that Smuts simply was the mines' man, especially because of his role vis a vis the Rand Revolt of 1922. But this is not entirely fair. There is clear evidence that his thinking about an industrialising SA was already moving ahead in his first term as prime minister in the post WW I years, following Christie. In 1920 he wrote to Laite, "I need your services in connection with the large policy of industrial development which both you and I have been advocating." (Laite, 1943, 57) Smuts was 100% behind mining capital when it came to conflict with workers and he was equivocal about tariff protection which mining interests questioned. However, while the gold mines were not happy with the creation of the parastatals, Smuts also realised that they had to be to some measure accommodated but with a different balance than they themselves sought so their great wealth could be diffused in the right direction as he saw it. He really was therefore really the progenitor of the MEC. The relationship here was complex and changed in different contexts on the particulars.

Third, there is the apartheid era under the control of the National Party. Industrial development here became, according to most writers, far more orientated to self-sufficiency and to security. There was also favouritism shown to chosen trusty allies of the state, normally Afrikaner Nationalists, that transcended market rationality. However, it can be said that this period has not been properly studied in a serious way independent of the polemics of the pre-1990 anti-apartheid movement. What are we to make of the constant harping pro-business critics, eventually including Afrikaner spokesmen, on what was called state socialism? To what degree did the developmental state in its relative infancy in 1948 retain coherence or did it shift dramatically over time? Van Eck, for instance, remained at the helm of the IDC until 1969, outlasting Verwoerd (by contrast to Basil Schonland, the eminent geophysicist who headed the CSIR and emigrated from South Africa in 1954, Kingwill, 14). Some writing, for instance Kaplan on the telecommunications industry and especially Henk on the SA armaments industry--'increasingly adept at rapid research, production and new technology' (5), suggests a wide range and sophistication that does not come into the usual picture. Henk proposes almost a classic portrait of a developmental state venture from the era of PW Botha:

'Still another interesting (if obvious) characteristic of the South African defense industry was the relatively small community of its senior leaders, scientists and engineers. For most of the *apartheid* era, the industry drew its top personnel from the white population, and largely from the even smaller subgroup of Afrikaners. This meant that industry insiders, key military leaders and top government officials came from the same limited population, attended many of the same schools and were strongly connected by bonds of ethnicity, family, church, school and social life. This did not attenuate significant cultural differences or eliminate deep feuds and grudges...but did promote a certain uniformity of world-view and common approach to problems. It also enabled industry, government and military leaders to resort to informal connections to communicate, influence decisions and solve problems. On the other hand, it contributed to a culture of secretive decision-making lacking transparency and accountability.' (6)

He points as well as the close relationship between PW Botha as minister and 'Commandant' Piet Marais, the very effective head of ARMSCOR and his old family friend.

These are important and interesting research questions which in my view can be taken up along the lines I am suggesting. However, for the moment what I want to concentrate on is the question of the 1940s and the developmental state that was being shaped. I would give the following postulates in accordance with what I have said previously in defining such a state in the last part of this paper.

1. Smuts and the people around him certainly had a national vision. It is a mistake to think because he believed there was no alternative to working cooperatively with the British empire and that SA should align itself with what we might call the 'West' generally that this was not true. Saul Dubow calls this outlook *South Africanism* and links it to the emergence of the Union. It was a grandiose and somewhat

intimidating vision vis a vis Africa where Smuts clearly saw SA as succeeding Britain as hegemon. Interestingly Smuts became alienated from imperial interests as it became clear that Britain was not prepared simply to devolve power in central and eastern Africa to white settlers. (Hancock)

2. The ruling circles in SA in this period were small and in fact consisted of people whose family backgrounds intertwined and institutional experiences brought together. The core men (and they were men) who worked under and with Smuts on industrial projects, including the most impressive, HJ van der Bijl, were essentially well-educated Afrikaners who formed a tight circle. Amongst HJ's family friends were Paul Kruger, Smuts, Hertzog, esp Louis Botha and South Africa's first industrialist, Sammy Marks. HJ's father had an early and unusual belief in the economic and even manufacturing potential of the country.

Van der Bijl was German educated, worked in US industry for a major rising corporation, and was an important inventor as well as an awesome industrial planner, only 32 when he became the first head of ESCOM. Beyond the classic parastatals, he was the man who envisioned the application of atomic energy, the creation of Safmarine and other initiatives before the fateful 1948 election which he did not long survive. Hermann van Eck, an engineer who headed the wartime Social & Economic Planning Commission, was his right hand man, first head of IDC from 1940, who carried on deep into the Nat era and held a somewhat different vision. Frederik Meyer, the German trained pioneer advocate of a state steel industry, was another chief player. It is a consequence of the obloquy into which the so-called *Sappe*, Afrikaners who backed Smuts were thrown after 1948, that their creativity, self-confidence and importance has largely been forgotten. Their ambitions for change however did not extend to racial liberalisation or political concessions in the direction of liberalisation although they understood that Africans would inevitably be drawn into the industrial workforce on a massive scale. Less consistently, however, these projects and especially key interrelated policy areas in the social field, such as health and education, were chewed over by English language bureaucrats, the best of whom understood that the Native Bills could not be the last word on social structuration and who certainly at least voted for the UP. This too was a small interconnected crowd. (George Holloway, Ivan Walker, George Gale, Douglas Smit) As early as the 1920s, for instance, the Chief Native Commissioner of the Witwatersrand, Herbert Cooke, moved towards advocating reform in health care, the provision of pensions for black workers and health and safety legislation for farmworkers (in Duncan, 70). The tenure of Dr. Henry Gluckman as Minister of Health and Housing was remarkable because of his ability to treat sympathetically with both of these crowds. Jan Hofmeyr was an Afrikaner whose tenure at Wits and time in the UK promoted an open door for English liberals. Ernst Malherbe, an American educated Afrikaner who promoted what he called 'scientism' in the administration of education, could live with segregation but was also open to liberal thought and ended up as vice-chancellor of an English language university (Natal) that presided over the medical school created for blacks. (Dubow, 2001)

3. On the question of democracy, it might be worthwhile quoting van der Bijl himself. "The best that can be said of dictatorship is that it has in some cases resulted in more expeditious material development but the same can undoubtedly be achieved by democracy more suitably constituted. I do not see why it should not be possible to form a democratic constitution that will enable a country to be more like a business concern." (Alice Jacobs, 224). Smuts would surely have endorsed this standpoint, pragmatic as he was between different lobbies. White democracy was of course matched by what he called trusteeship over the lesser breeds subject to some consultation from leaders prepared to work within the framework of segregation.

Interest groups were not so highly developed in SA at this time apart, of course, from the immense gold mining power. This did mean that the economics profession was very divided about the thrust of state policy. Solly Frankel and C.S. Richards at Wits were articulate and voluble enemies of state intervention in the economy; Frankel left SA in pique at being excluded from the planning milieu he craved after the war. His Wits colleague, C.W. de Kiewiet's influential history largely reflected their views about the artificiality and questionability of such intervention. It is true that there was a dearth of intellectuals who could give full measure in support of the state's perspectives. The 1942 Social and Economic Planning

Council, for instance, notoriously contained no economists. It was described with contempt by Richards, for example as 'the Blue-Print of the New Order in SA' aimed at enthusiastic but untrained amateurs' (Richards, 1942, 48). Perhaps Smuts' own bent was far more towards physical and natural scientists as well as engineers such as van der Bijl. Richards and to a greater extent others were at the same time proponents of liberal reform aimed at desegregation and opening opportunities to workers of colour without hindrance.

Industry itself was not so developed in particular and in this way things were quite different under the Nats especially from the 1960s when many spaces on the board were already occupied and the state's capacity to innovate was certainly less despite its far richer resource base and apparent capacity.

4. A major feature of the wartime years was the emergence of specific institutions such as the Council for Scientific and Industrial Research and the Industrial Development Corporation. The National Council for Social Research, later to become the HSRC, for instance, was set up in 1946 just after the end of the war. Hot debate took place over the social policies that should be enacted to match the intensification of industrialisation, social policies which Smuts and his Afrikaner crowd (except for the marginal figure of Jan Hofmeyr) wanted to fit the segregation dictates of the Native Bills while bringing black people into industrial arena as efficient semi-skilled workers. Deborah Posel has written about this as the ideal of a 'racialised welfare state'. (in Jeeves and Dubow) Simon Biesheuvel's National Institute for Personnel Research which emphasized the educability of black South Africans was a key factor here. A considerable literature has grown up concerning the somewhat visionary pioneers of community medicine such as Sidney and Emily Kark who won the support not only of George Gale, one of the most impressive of the bureaucrats of the age but also of Gluckman, who became SA's first Minister of Health. Nonetheless especially after 1948 this vision was clearly channelled along segregatory lines with the Karks playing a key role in the formation of the medical school for non-whites linked to the University of Natal and the first chair offered in community medicine while exposing the iniquitous health consequences of migrant labour despite the growing health regime of the mining companies.

Housing can be said to have been more of an unsolved issue despite the construction of important family housing units in what is now Soweto and elsewhere by the late 1930s. The Slums Act and the struggle to lower building costs through reducing the number of white building workers were markers in the development of suitable housing for black urban workers that only was put into practice in a somewhat uneasy compromise between the national regime and various municipal governments such as those in Durban, Cape Town and Johannesburg from later in the 1950s; this involved the destruction of racially ambiguous and hard to control neighbourhoods planned in the 1940s and later ruthlessly carried forwards. The institutions associated with economic and social policy making were relatively incorrupt (as opposed to say, the daily realities of the pass laws) and ring-fenced from political intervention and in this sense fitted the developmental state model very well.

Over black rights to form trade unions, the Smuts government hemmed and hawed but, eventually, it proposed recognition outside the gold mines and activities concerning state security. However this was a bridge too far for the post-1948 government and fell away for thirty years.

E.. G. Malherbe with his work in adult education for soldiers during the war, the future UN principal, was probably the most dynamic figure in education but this too was an area that failed to live up to a vision that was not well developed.

5. The developmental state in SA was certainly intimately tied to the process of industrialisation. I am less sure about its transitional character. It is probably true that from the 1960s, powerful interests chipped away at its prerogatives towards autonomy. However, nonetheless the security state that we associate with P W Botha's years still bore many of the developmental hallmarks of the past.

6. A blind spot in the SA developmental state was the adoption of an ISI strategy in which exports hardly featured. There was an assumption that massive gold exports could pay for industrialisation and provide the foreign exchange South Africa needed. Even exploring the black consumer market remained a novelty until the late 1930s for business although this would change. ||This went together with a mood of compromise that gave mining interests some advantages. It is true that Smuts thought about SA gradually building up business partners in British Central and East Africa but the extent to which gold mining continued to dominate exports gave it a continued power, especially with the renewal of deep level gold mining in the OFS after WW II.

However the weakness in industrial exports was an Achilles Heel noted by the likes of Harry Oppenheimer and the enemies of the developmental state gathered in the English language universities despite the success of secondary industry in supplying jobs. This theme was taken up, if unsuccessfully by the Reynders Commission in 1972 and forcefully and politically by Andries Wassenaar and others among Afrikaners in the later apartheid years.

6. In two respects, government initiatives, albeit less in wartime conditions, were limited. The first lay in the need to appease the gold mines. The second was the existence of a white electorate capable of throwing Smuts out of office as indeed happened in 1948. These defined parameters beyond which 'economically rational' actions in the sense of North were not going to be enacted. These were the barriers on the highway which we might like to call the twentieth century South African growth path.