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## *White-run South Africa as a Developmental State*

### *An Interpretive Economic History of Twentieth-Century South Africa*

For many years as a historian increasingly taken up with issues in political economy, my thinking was powerfully influenced by dependency theory. In brief, dependency theory proposes that deeply wrought structurally one-sided relationships mark the economic interactions between the West and the rest of the world. These interactions, if one followed the work of Andre Gunder Frank or Immanuel Wallerstein, changed in detail considerably over time but retained their dominance over the centuries, basically from the first intrusion of Europeans into the wider world (Brewer 1980, chapter 4; Frank 1969; Wallerstein 1976).

Dependency theory was in several respects an awkward fit to Marxist political economy, with its emphasis on the dynamism of capitalist accumulation and the potential for elites to look into the mirror, observe the early phases of the Industrial Revolution and promote the same processes in their own backyards. It was associated with the Economic Commission for Latin America and the Argentine economist Raul Prebisch, who headed it, and it seemed apt to explain the limited and frustrating development experience of Latin America, where episodes of slow growth, dominance of foreign capitalists and debt crises prevented a ‘take-off’ of the Rostovian kind. Africa ranked on average far behind Latin America and experienced a more modern form of colonial conquest and rule, yet was it not in line in the same queue? To what extent could we blame post-independence African development problems on the structural fix that the *dependencistas* delineated? Claude Ake’s work, not without subtlety and refinement, seems to make the strongest case for this sort of approach (Ake 1981). There was one obvious link to the writings of socialists: as the history of the Soviet Union or China appeared to demonstrate, a high degree of isolation or delinking was essential for a set of rulers determined to build an economy structurally very different from that of the capitalist

West, one that could build ‘socialism in one country’, even if this formation itself created a substantial number of problems.<sup>1</sup>

After a time, however, doubt set in. Did dependency interrelationships completely counter the free trade advocacy enshrined in Adam Smith’s *The Wealth of Nations*? Isn’t the evidence largely in the direction of seeing economies flourish when wide-ranging intercourse between them takes off? Don’t capitalists do best when this intercourse is most favoured, most possible? It is true, of course, that interest groups may prefer a fixed set of interactions that benefit particular businesses and individuals.<sup>2</sup> This is a commonplace and demonstrably very largely the case in the heyday of colonial rule in Africa, but didn’t independence allow for a redirection of the economy in new ways that underscored growing complexity, higher consumption levels, internal structural change as well as the holy grail of growth?<sup>3</sup> A determined state could surely preside over a learning process in which the pupils could even potentially overcome the impediments that affected their teachers and surpass them.

To a historian, two further contradictory realities seemed to intrude. After the first few years of mere neo-colonial forms of development, many, probably most, sub-Saharan African countries drifted into chaos and economically incoherent situations. The treasured primary products that Africa sold to the world, notably the ex-colonial powers, for the most part lost value compared to the complex consumer goods such as automobiles and airplanes, as well as the machinery for producing them, which Africa imported, causing deep problems in the world of international trade. This kind of chaos actually echoed to a degree the problems of Latin America in the first decades of independence in the nineteenth century (or the situation of the self-liberated slaves of Haiti). However, there, with time, so-called ‘neo-colonial dependency relationships’ reasserted themselves or took off once

<sup>1</sup> For a recent and convincing re-examination of the Soviet economic experience without any apparent ideological spin, see Allen 2003.

<sup>2</sup> For the rather shameless French case, see Marseille 1984.

<sup>3</sup> For a defence of the view that African states in the first decade of independence in the 1960s and into the 1970s had at least an important developmentalist component and some features of the developmental state, see Mkandawire 2001 and Freund 2016. Mkandawire, however, does not even mention South Africa. For a current view that suggests a few African states, especially Rwanda and Ethiopia, are once again to be seen from this perspective, see Kelsall and Booth 2010.

again in the second half of the century, although only to a very limited extent in the case of Haiti. Would this also happen in Africa eventually? To what extent did the situation within Latin America rather than the dependency relationship, the built environment and the infrastructure but also the social situation, the class structure, the values and orientation of the continent's dominant men, determine things in fact?<sup>4</sup>

Moreover, and secondly, imperialism and colonialism, these bugbears, generated not just oppression but its very opposite, where settlers from the metropole were numerous and strong enough to present coherence and eventually dominate new nations: Australia, Canada and above all, the USA. The USA was, of course, not merely a success story; it had become the very core of world capitalism, the most successful state of them all. It is also a truism that the USA as a system witnessed the flourishing of capitalism without having to deal with the historic residue of earlier social and political forms, as was true even in Britain; colonialism was the platform for spectacular long-term development in this case (Moore 1966). Yet it was also a basic historic fact that the southern states before the Civil War, characterised by the widespread presence of plantation slavery and given over to selling plantation-grown crops, especially cotton, lagged behind, even though the dominant group were also settlers with British origins. At first this was the richest and most economically important part of the new nation but with time it gradually fell behind the rest of the country.

At this point, although it came later in my intellectual trajectory, it seems most useful to take this further and refer to the work of British and Dutch historians considering, as they do (usually with some self-satisfaction), how capitalism arose in early modern times (Landes 1998). I would refer particularly to the work of Berkeley historian Jan de Vries and his conceptualisation of 'industrious' society, in effect of the capitalism emerging from below, from the endeavours and values of the middling sorts of men and women over many centuries (de Vries 1994; Luiten van Zanden 2012; Brenner 1993). Such people found the establishment of new societies through conquest and the often ruthless elimination of native peoples an ideal setting for success along these lines. In both the Netherlands and Britain, it was the state that in time adapted to the needs of this kind of society and encouraged it to flourish

<sup>4</sup> For an early critique along these lines, see Laclau 1977.

(Hobsbawm 1968). In other words, the Industrial Revolution itself emerged, in stages (albeit in the last stage increasingly rapidly), as a process with unpredictable consequences out of many centuries of social change. The Netherlands and Britain were great colonial powers but what is striking was their ability to correlate imperial culture, imperial dreams and the thrust for conquest, often very brutal conquest, with enabling economic actors to move in directions that promoted capitalist growth. Imperialism itself was not a sufficient condition. This trajectory was far less true of the legacy of the Spanish conquistadores and particularly less true of those imperial pioneers, the Portuguese, who never developed an impressive industrial society and who came out of imperialism and colonialism startlingly poor. Even wider reflection, considering the Romans or the Vikings or indeed China, lends one to thinking that empires can be ‘successful’ in many ways but these ways reflect the social dynamism within the imperial society first and foremost whatever the wealth that may be uncovered overseas. Imperialism is not irrelevant but itself it does not explain remotely enough.

If one explores the European dimension from the inside, the historic picture, as the early modern historians frequently insist, is one of stark divisions. There is no superior form of development to be correlated to ‘whiteness’. It is only in this north-western corner of Europe that capitalism took off at first. Even today, much of eastern and southern Europe displays, even to a fairly casual visitor, signs of relative historic backwardness.<sup>5</sup> At some point, of course, more and more parts of Europe benefited from capitalist growth both through conquest and learning processes albeit without forgetting that the European world ‘we have lost’ was regretted and resisted everywhere – at times through radical cultural and political resistance. At every stage, there were losers as well as winners. Every example of European success one can give is matched by much larger examples of failure elsewhere within Europe and, indeed, partial successes need to be considered as well. Within Europe there is the halfway house of France, the

<sup>5</sup> When I spent a day in a car in the rural western Ukraine, it came to me that I wished I had some African company to show that company the poverty in a region where somatically the people were just as white as I am, just as white as the population anywhere in western Europe. Backwardness has nothing to do with skin colour as they might mistakenly deduce from their own perceptual world.

spectacular late bloomer, Germany and the late industrious transformation in Scandinavia for starters, as well as the problematic south and east.

Returning to the colonial world and to Africa in particular, it is striking that there seems to be one country, dominated by white settlers primarily with Dutch or British origins, which was a relatively dynamic success story. This was South Africa. The most thoughtful and comprehensive writer on dependency in Africa, Samir Amin, in his major work *Accumulation on a World Scale*, is disturbed by, and denotes, this South African example (Amin 1974). In my view, Amin is perceptive in seeing the importance of this example but it upsets his whole picture (Amin 1974). Capitalism structures dependency, but white settlers are the ones who can modify this so extensively as to open the door to impressive forms of economic development. In effect, they are in a position to make dependency work for them with beneficial effects on their own living standards in particular. This settler exceptionalism seems to me an important thread to retain. Donald Denoon, an expatriate South African historian settled in Australia, has proposed the idea of a 'settler capitalism', even though his work is descriptive rather than theoretical. It continues to resonate, though, as one platform for finding a key to explain South Africa (Denoon 1983).<sup>6</sup> In my view, settler capitalism, which brought to this region a version, limited as it was to be sure, of the Industrious Revolution of de Vries, was important in creating instruments which a purposeful developmental project, partnered and managed by the state in the twentieth century, could use before its contradictions in terms of racial exclusion created increasing problems.

Into this conundrum came a new literature to which I began to be exposed and which has inspired me. This literature has focused on what is termed the developmental state. If the *dependencista* literature was mainly forged by Latin American, African or South Asian writers, the developmental state literature has been the handiwork of East Asian scholars and sympathetic Westerners. It is, moreover, radically divorced both from the shadow of Communism and its dream of political and sociological development counter to 'the West' or

<sup>6</sup> Denoon is under-theorised but he cites writers such as Louis Hartz, historian of the US frontier, who expounded on the particular social advantages of US development, the master theme for settler capitalism.

Europe – *socialism in one country*. Classic studies are those of Chalmers Johnson on Japan and Alice Amsden on Korea (Johnson 1982; Amsden 1989). Perhaps the most striking populariser of this paradigm is the Cambridge based Korean Ha-Joon Chang (1992). However, amongst other writers, one should perhaps mention particularly Peter Evans and his concept of embeddedness as a way of exploring state-capital relations in Brazil (Evans 1995). One of the more successful applications of this paradigm has been in pointing not merely to early capitalist development but to the role of planning in the *reconstitution* of capitalism, a far more dynamic capitalism, in post-Second World War France and Japan. And, of course, Chang is particularly forthright in insisting that Britain itself only ‘kicked away the ladder’ of protection, imperialism and mercantilism on which wealth and power were necessarily built before taking on (some of) the Smithian virtues of the self-regulating market.

What are the main tenets of the developmental state literature? The developmental state is conceptualised as one where close relations exist between a significant part of the capitalist class, sections of the state apparatus and key political figures. This relationship goes beyond alliance. ‘The common thread . . . is that a developmental state is not an imperious element lording it over society but a partner with a business sector in an historical compact of industrial transformation’ (Woo-Cumings 1999: 4). A key defining element is *agency*, the existence of a state-formed body that transcends bureaucratic rules; in Weberian terms, this means bureaucratic rules *plus* charisma. Such agencies are capable of directing capital and defying the logic of market forces which may constrain structural transformation.

Also crucial, therefore, is the capacity of the state to discipline capital and in so doing affect the direction of investment and innovation. While the state may tolerate large-scale corruption, favourites are channelled in such a way as to ensure economic results, not simply to result in private rent-seeking activities. Such negatives are counterbalanced by the state’s ability to override dominant existing interests in pre-capitalist forms of power and wealth. Capitalists and government officials, perhaps in the military as well, come together to form an elite, probably moulded through social associations, common educational background and personal ties. Peter Evans, in his noteworthy study of Brazil, proposes that members of such an elite ‘are embedded in a concrete set of social ties that binds the state to society and provides

institutional channels for the continued negotiation and renegotiation of goals and policies' (Evans 1995, 12). Chalmers Johnson's original Japanese model was the Ministry of Trade and Industry, which drove development as well as trade (Johnson 1982). They thus fulfil the requirements suggested by Ronald Coase's Nobel Prize winning theory: costs are reduced to a minimum where economic interactions are embedded in social forms and cease to rub against them (Coase 1937).

For Korea, Alice Amsden has insisted that the willingness existed to drive economic policies beyond the logic imposed by the market price mechanism (Amsden 1989). *Getting prices wrong* and defying the logic propounded by the Washington Consensus institutions proved in fact to be crucial to the successful outward drive of Korean industry in the 1970s and 1980s. If we look back at W.W. Rostow's stages of economic growth theory, we can find it governed by an assumption that the same rules apply to all. Japan – one of his case studies – industrialised essentially along the lines of universal stages that would apply anywhere (Rostow 1960). In fact Japanese officials were so annoyed at the World Bank formulae for approved national economic behaviour thirty years ago that they insisted on writing up an alternative economic historical model for how Japanese industrialisation actually took off. The Japanese state defied market rules in crucial phases to promote a drive for industrialisation, fundamental to the Meiji Restoration of the late nineteenth century, and then to deepen and widen it after the catastrophic events of the Second World War. It is not only the future rules of the Washington Consensus that were rejected here.

Developmental state analysis might be seen as also part of a process of provincialising European history and casting it as a deviant, if interesting, historical model rather than the model for all successful nations to follow, the first flying goose pursued dutifully by the rest. Of course, to take things this far is to forget that the economic history of European countries, taken as a whole and as already noted, itself contains failure as well as success and considerable deviation from any norm (Chakrabarty 2000). The developmental state narrative has been increasingly attractive to contemporary regimes that wish to consider themselves developmental and look for a way forward where other models seemingly have led to blockage (Chibber 2013). Indeed, it really found its feet in the teeth of the ideological triumph of neoliberalism with its reification of market forces and its hostility to the state as a director of economic initiatives. South Africa after 1994 endorsed

neoliberalism controversially but the limited success of that agenda led President Thabo Mbeki to embrace, perhaps half-heartedly, what he called the ‘democratic developmental state’ (Freund 2007b).

Having put this forward as a way of making sense of South African successes under the segregation and apartheid regimes, I would like to suggest two obvious limitations to the developmental state literature in order further to understand the circumstances for the real developmental states to have emerged historically. These limitations clarify, but do not eliminate, the value of the approach. The one is marked by the typical presentation of the developmental state in an abstracted form as virtually a Weberian ideal type. When one casts one’s eye around, there are very few historic examples of such a state. Even these few do not necessarily suggest that particular countries will carry on in this way permanently. The developmentalism of the developmental state paradigm can, in fact, in this sense be seen as a more spectacular and deeper means of overcoming teething problems, as an extension of the classic economic protectionist defence which sees tariffs and other forms of preference to local manufacture as a crucial but finally temporary measure until a competitive environment can be entertained, and the props eliminated, just as in the classic studies of Hamilton or List (Hamilton 1934; Selwyn 2009). However, it is interesting that some of the most critical cases are not about the emergence of modern industry but about its adaptation and re-launching at a different phase, notably France and Japan after the Second World War (Johnson 1982; Woo-Cumings 1999). This surely needs to be set against what had already taken place earlier in those same countries.

A modified view would stress the importance of continuing to consider the model for examples of partial success or even failures. This is the only way in which the developmental state concept can be integrated into a broader understanding of economic development, certainly of capitalism. Here there are many cases to consider indeed. One of the most interesting writers on development today is the Indian Vivek Chibber. Chibber sees newly independent India as a developmental failure and explains very clearly why this position can be justified apart from the slow measured growth rate, the infamous ‘Hindu growth rate’ India experienced for up to forty years after independence (Chibber 2003; 2013). For Chibber, above all, it is the considerable power and influence of the actually existing Indian industrialists and the class they represented compared to that of the



nationalist politicians by the time of independence who caused the failure after an initially promising start at a brief historic moment. In the early 1940s, however, the Indian business elite reasserted themselves decisively. While Chibber's views on the relationship between industrialist (or bourgeoisie) and state are unexceptionable, it is not so clear that this marked complete failure unless one insists on applying an ideal type of developmental state to the story. It can also be argued that the interventions of the state into industry, the growing emphasis on infrastructure and heavy industry and the ties with the Soviet Union, which broke the old links to Britain substantially without creating the same sort of dependence, were actually impressive achievements – achievements, moreover, on which further transformations were built in the late twentieth and early twenty-first centuries. In fact, as I have earlier pointed out, the relative levels of development of India and South Africa have over the whole period changed dramatically (Freund 2014). Even today, Indian development has various limitations, compared say to China. Yet today it is India which trades to South Africa through a variety of sophisticated industrial products on a big scale and invests more than China. This is not so easily to be dismissed as failure on the part of India, while richly illustrating the flaws from the point of view of equity and democracy of the Indian example.

When we move in eastern Asia beyond ex-Japanese colonies and countries or territories with a very strong Chinese social influence, there is less success than in Taiwan, Singapore or Korea but, in fact, a mixed picture that partly reflects the continued commercial importance of rich natural resources in the former (Thailand, Indonesia). Understanding these mixed bag cases, rather than concentrating only on the flaws in order to dismiss them, may be more helpful. Brazil, Evans' prototype developmental state for Latin America, is also a case in point.<sup>7</sup> From the perspective of development, we should not dismiss any of these but rather focus study on them. China, with its often harsh history, its immensity and particular Communist foundational decades,

<sup>7</sup> The currently disastrous state of the Brazilian economy makes one wonder what we make today of the embedded structures Peter Evans highlighted in his analyses. The circumstances of a decade ago have dramatically shifted for the worse already. For a careful and circumspect look at Argentina, see Brennan and Rougier 2009; Hurtado 2010. Other Latin American countries seen from a developmental focus are studied in Coronil 1997 and Hamilton 1982.

also needs consideration and study and this must involve moving the deck chairs around for a somewhat different view. The task of integrating Pomeranz' very long-term historic comparative perspective, comparing parts of China, especially the Yellow River Delta to north-western Europe, with an assessment of early Communist and contemporary China, is a huge and important, if very daunting, one (Pomeranz 2000).

The second stricture I want to introduce is the socio-political one. The idealisation of development in general, and certainly any portrayal as a shining image of the developmental state, can lead us to forget or gloss over the context. The big political battles in early Meiji Japan were over the choice between invading and conquering Korea or focusing on borrowing and indigenising European industrialisation techniques. When Japan's export orientation was stymied in the years after the First World War, the ruling elite turned to militarism, brazen imperial conquest and borrowed fascist ideas, going into alliance with the Axis and initiating the Asian side of the Second World War. Korea and Taiwan, for example, were not merely dictatorships as they turned on the juice economically; they were also committed crucial junior allies of the USA in its Cold War, and keen participants in the Vietnam War. It can be argued that the USA was not going to insist on imposing an economic model on countries where stability and military commitment to the cause of anti-Communism were crucial; a reactionary foreign policy gave these states some policy freedom to defy metropolitan shibboleths.

A final subject which needs to be taken up is indeed Communism itself. How can we evaluate the development trajectory of the Soviet Union? A recent study of the Soviet experience, which seemed dispassionate and convincing to me, gives a far more nuanced account of this very difficult history. Allen's recent study, with considerable quantitative methodology applied, vindicates in large part the classic assessments of Deutscher and Carr. This is a huge lacuna in most of the developmental state literature. In the Soviet Union we confront on the one hand dramatic advances in industrialisation accompanied by big improvements in human welfare indicators and a massive shift in urbanisation with little unemployment after the first decade, plus, of course, the remarkable victory over Germany in the Second World War. On the other hand, there is both the abusive history in terms of human rights on a staggering scale but also a subsidence after half