

**A vitally important analysis of the Nationalists'  
"Grab" that failed.**

# **NAT CAPITALISM AND THE SOUTH AFRICAN MINING INDUSTRY**

**By G. FASULO**

**O**N May 23rd, 1957, the City Editor of the *London Times* announced that :. . . Any struggle that might have developed for control of the Central Mining and Investments Corporation, with its large holdings of liquid funds and its widespread mining interests, seems to have been prevented. A group of City bankers and mining finance houses, along with American interests, have acquired sufficient of the Ordinary and Preference shares in the corporation to forestall its acquisition by other parties. The majority of the shares of this new company (set up to hold the controlling shares in Central Mining—G.F.) will be in British and South African hands." This announcement was very striking for three reasons. Firstly, the announcement came without warning as far as the public was concerned. Secondly, at no time did anyone indicate who was trying to gain control. Thirdly, Central Mining—Rand Mines (Corner House) is a huge international group. Its South African interests constituted the second largest holding in the South African mining industry. The liquid funds referred to by the *Times* were the dollars received for the sale of Trinidad oil to American interests. This sale of "Empire Oil" had been sufficiently important to lead to loud indignation in the British Parliament at the time. Through the Rio Tinto Mining Company the Central Mining group also had a large share in the Canadian and Australian mining industry. Thus the Central Mining take-over combined first rate importance and drama with an element of mystery.

This article attempts to show the nature of the capitalist groups involved in this great struggle for power in the South African economy (and to a minor extent in the world capitalist economy). The political importance of the incident lies in the fact that the defeated group was the central institution of Nat. capital. It will be shown that the Nat. capitalists have become strong enough to act against the formerly unchallenged mining houses. The threat proved so serious that British and American help had to be called in on a large scale in order to defeat the Nat. bid.

## ***The Background I: American-linked Mining Houses versus British-linked Mining Houses***

Two years before the take-over M. Dickson wrote <sup>(1)</sup> that “. . . an examination of the growth of the assets of the major mining and financial houses since the war indicates very clearly that it is precisely those groups which have allied themselves with American capital that have flourished to an extreme degree, whereas the purely British groups have more or less stagnated. This is shown in the following table:—

<i>Strong U.S. Influence</i>	<i>Assets in millions of £</i>	
	1945	1952
Anglo-American Corp. ....	25.3	56.8
Anglo-Transvaal Consolidated .....	3.0	8.8
Selection Trust .....	3.4	6.3
 <i>British Groups</i>		
Central Mining and Investment .....	24.7	25.2
Johannesburg Consolidated Investment —	11.8	15.4
 <i>Mixed</i>		
Union Corporation .....	13.7	18.6
New Consolidated Goldfields .....	10.0	19.0

“If we compare the two giants, Anglo-American and the Central Mining and Investment Co. of Lord Ballieu, we find that whereas the British group has increased its assets by a mere 2% since the war, the American affiliated group has more than doubled its assets to reach a position of enormously superior strength . . . the time is not far distant when practically all the South African gold mines still in production will be in the control of groups linked with American interests.” <sup>(1)</sup> Thus we may regard the Central Mining take-over as the movement of South African and American capital into a mining group which had been stagnating due to the inability of its British owners to make large amounts of new capital available.

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(1) *New Age*, April 14, 1955. Dickson's articles are, to the best of my knowledge, factually accurate and, in general, I agree with his comments. However, he forgets that capitalists live by the rule of gold: every man for himself. For example, Dickson writes that “. . . in any case the representatives of the most powerful financial group associated with any enterprise can always secure obedience to their wishes by the mere threat of their superior economic might. Thus companies with mixed British and American capital nowadays always dance to the American tune because the weaker British partners know that they are only tolerated as long as they behave themselves.” (My emphasis—G.F.) This simply is not true. The relations between collaborating capitalists are both co-operative and antagonistic. They co-operate when the largest profits may be obtained in this way. They fight when the profit motive dictates that they should. The fact that in general, American capital is more powerful than British which in turn is more powerful than South African capital does not mean that South African capitalists are “always obedient.” To claim this is to deny the possibility of capitalist conflicts and is contrary to the facts. South African capitalists will fight British, American or any other capitalists when the profit motive requires them to. They will co-operate with foreign capitalists of any description when and in so far as that is the way to the maximum profits and economic power.

## ***The Background II: Nat. Capital and the South African Mining Industry***

In the last twenty years a very powerful and rapidly growing group of Nat. capitalists has been brought into being. <sup>(2,3,4,5)</sup> Dickson described the position in 1955 as follows: <sup>(4)</sup> "The economic power of Afrikaner finance capital is concentrated in the great financial institutions Volkskas and SANLAM, and in a number of investment companies all tied to a greater or lesser extent to these two giants. The power of these investment companies is surprisingly extensive, and the rate at which their assets have increased since the war can only be described as breath-taking. . . . The total capital assets of the SANLAM group are today well over £50 million, that is to say, of the same order as those of Anglo-American. . . . The Volkskas bank itself has seen a truly meteoric rise in its fortunes in the last ten years. Between 1944 and 1953 it increased its assets from less than £7 million to about £45 million." Three most important features of the position of Nat. capital in 1955 were also discussed: <sup>(4)</sup> ". . . the Small Mines and General Investment Co., (is) an Afrikaner financial group which is actually trying to muscle in on that stronghold of British capital, the gold mining industry. . . . The big established financial institutions of the country have been forced to recognise Afrikaner capital's rise to a place in the sun. The latter's representatives now sit on the boards of the biggest financial institutions; for example, Havenga is now a director of Barclays Bank, and Sauer, the Nationalist minister, has for some time been a director of the Old Mutual. . . . And how well our financial groups have known to cash in on the nationalistic sentiments of the ordinary Afrikaner! They have induced him to insure only with Afrikaner insurance companies, to bank only with Afrikaner banks, to build his home through an Afrikaner building society, to patronise Afrikaner shops, as far as possible."

The Central Mining take-over bid carried the attempts of Nat. capitalists to "muscle-in" on mining to an entirely new level. The aftermath of the

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(2) S. Patterson, *The Last Trek*.

(3) A. Hepple, *Trade Unions in Travail*.

(4) M. Dickson, *New Age*, July 14, 1955.

(5) M. Dickson, *New Age*, July 21, 1955. Dickson refers throughout to "Afrikaner Capitalism." In a country so ridden by racialism as South Africa such terminology is dangerous. It is also wrong. The home language, religion or skin colour of a capitalist is not the important thing. What is decisive is the nature of the economic interest which he represents and the political and social policies which he supports. For example, the important thing about the directors of Krupp, Mitsubishi, Schneider-Creusot, Vickers and Du Pont in the 1930's was not that they were German, Japanese, French, British and American, respectively. The important thing was that as arms manufacturers their economic interests favoured to various degrees, militarism and war. Similarly, the important thing about Thyssen was that he financed the Nazi party in its hour of need. The important thing about Eric Louw, Dr. A. Hertzog and Dr. N. Diederichs, now all cabinet ministers and participants in the development of the Nat. capitalist institutions, is that they are Nats. An Afrikaner (even an Afrikaner in business) may be for or against democracy. A Nat. is an enemy of democracy.

take-over bid gave rise to an important new example of the recognition of Nat. capital by "big established financial institutions." The aftermath was also characterized by an intensified drive by Nat. capitalists to "cash in on" the nationalistic sentiments of ordinary Afrikaners as we shall see.

### ***The Central Mining Take-over Bid***

The Central Mining take-over bid came from the Glazer brothers. The "Times" announcement quoted at the beginning of this article indicated that they had lost. They went to London at the time of the decisive shareholders meeting, but did not attend the meeting to make any offer to the shareholders.

Who are the Glazer brothers? Clearly they were not men acting on their own behalf. The funds involved were tens of millions of pounds. Only two groups in South Africa to the best of my knowledge command capital resources of this size: the Anglo-American group and the SANLAM-Federale group.<sup>(4)</sup> I know of no published statement that the Glazer brothers acted on behalf of SANLAM, but it is widely believed that they did. As Anglo-American were among the victors, no alternative explanation seems possible. It is also widely believed that previously the Glazers had made a bid for control of Johannesburg Consolidated Investment Company. This offer had not been sufficiently attractive to be taken seriously. The Central Mining take-over bid however, was taken very seriously indeed. It will, therefore, be assumed that SANLAM had quietly tried to gain control of a smallish mining house and then, more seriously, tried to get control of the second largest and had been defeated.

Who were the victors? Rand Mines Ltd. (the South African mining house which formed a part of Central Mining) in an announcement of plans to issue new shares to the victors described them as "the consortium consisting of Mr. C. W. Engelhard and Mr. G. V. Richdale, Anglo-American Corporation of South Africa Limited, Union Corporation Limited, the banking firms of Robert Benson, Lonsdale and Co. Limited, N. M. Rothschild and Sons, J. Henry Schroder and Co., and Mr. C. S. Barlow." Anglo-American and the Union Corporation we already know. Rothschild and Schroder are two of the great "merchant banks" of the City of London, which is the financial centre of the British Empire. Rothschild's have long-standing connections with the other groups. For example, they financed De Beers and Rhokana which are major Anglo-American companies. On the Central Mining side they also finance Rio Tinto.<sup>(6)</sup> Mr. C. W. Engelhard was an American newcomer into the directorships of the big South African mining houses. He is the head of Engelhard Industries which is an American-based industrial empire. Its field of operation was originally the refining and working of precious metals. Engelhard Industries has "interests stretching from South Africa to Canada and South America, with branches in Europe and farther afield." Its headquarters are in Newark, New Jersey. The total sales volume of "its products in 1956 was approximately equivalent to £60-million."

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(6) The Observer (London), Jan. 11th 1959.

Mr. G. V. Richdale is Engelhard's associate and has long-standing connections with the South African mining industry. Richdale was a director of the Central Mining and Investment Corporation and of Rand Mines long before the take-over bid.<sup>(7)</sup> Engelhard had for some time been gaining control of the sources of supply of his raw materials. He had control of Lydenburg and Rustenburg Platinum Mines before the Central Mining take-over bid. Engelhard is a big capitalist but does not himself occupy a commanding position in the ranks of American capitalists. However, he is closely connected with the banking firm of Dillon, Read and Co. who are a classical Wall Street firm. With sixteen other firms they were involved in an anti-trust suit brought by the American government for monopolising the securities business of that country. Dillon, Read has handled loans for many countries in the post-war period and taken the lead in financing the rearmament of Germany. Its links with the American government are unusually close. Its former president, James V. Forrestal, became Secretary of the Navy during the Second World War and later Secretary of Defence in the Truman cabinet. This post he held until the time he was certified insane. He committed suicide shortly thereafter. Major General William H. Draper, Jr., a vice-president of Dillon, Read, was chief of the economic division in the Control Council of Germany, then returned to America to become Assistant Secretary of War, and in 1949 resumed his vice-presidency in the firm. P. H. Nitze, a former vice-president of Dillon Read returned to the American State Department in 1946 to direct the strategic office of international trade policy. In 1950 he was still helping to shape State Department policy and in 1947 he was one of the planners responsible for the European Recovery Programme.<sup>(8)</sup> The newcomers thus represented most influential circles among America's rulers.

### ***The Aftermath of the Struggle:***

#### ***1.—The Victors Strengthen their International Connections***

Rand American Investments (Pty.) Ltd. was set up with £3,500,000 to take over control of Central Mining. The money came from Anglo American, Union Corporation, Baker and Co. (one of Engelhard's companies), International Nickel Co. of Canada (closely associated with Engelhard and closely linked with J. P. Morgan), Thos. Barlow and Sons, and a banking group consisting of Robert Benson, Lonsdale and Co. Ltd., N. M. Rothschild and Sons, and J. Henry Schroder and Co. Ltd." Thus the take-over involved the investment of American and Canadian capital (from Baker and International Nickel) in South Africa.

Later it was announced that Engelhard was to head an investment trust to be floated in America by Dillon, Read. This trust was to take up large blocks of shares in the main South African mining houses. On June 12, 1958, this American-South African Investment Co. was registered in the Union. When the shares of this company went on sale in America the

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(7) The S.A. Financial Year Book for 1953, pp. 267 and 227.

(8) Monopoly Today, International, New York, 1950, pp. 35, 38, 39.

response was so favourable that £12 million was raised instead of the £10 million originally intended. Thus the flow of dollars into South African mining was greatly increased above the amount involved in the Central Mining take-over.

As a result of the interest shown by American investors in these developments two of the biggest American banks opened branches in South Africa. These were the First National City Bank and the Chase Manhattan Bank. Some idea of the power and influence of these banks may be gained from the following facts. John J. McCloy, the Chairman of the board of the Chase Manhattan in 1941 became U.S. Assistant Secretary of War, a post which he retained until the end of the Second World War. Later he became president of the World Bank. He resigned to take over from General Lucius Clay as U.S. High Commissioner for Germany in 1949. He is a close friend of President Eisenhower. The National City Bank is the central financial institution of the huge Rockefeller group in America which was founded on oil (Standard Oil, Socony-Vacuum, Atlantic, etc.) The National City Bank is the central financial institution of the largest capitalist group on earth: the J. P. Morgan empire which has long had close links with Anglo-American. In 1950 the National City Bank was the second largest in America and the Chase Manhattan was the third largest. Thus again the newcomers are seen to be very powerful and to have close links with the United States government.

In September 1958, the Anglo-American Corporation became the first non-German firm to raise capital in Germany for many decades. They obtained a loan of £4,250,000 from the Deutsche Bank of Frankfurt. This bank before the war had been the biggest in Germany. It has been classically regarded as the prime example of a German monopolistic finance capital institution. The loan was presumably raised because Anglo-American's cash resources had become depleted by the take-over coming on top of the enormous investments in the Orange Free State gold fields, titanium mining, and the take-over.

The South African Government was apparently also involved. The immediate cause of the move was given by the financial columnist of the "New Statesman" who wrote that ". . . De Beers recently agreed with the Tanganyika government to go half shares in the Williamson diamond mine: the transaction will cost it £4 million odd in foreign exchange and the South African central bank was anxious to have an equivalent sum raised abroad. Anglo-American Corporation has now arranged to lend De Beers its £4m and to raise the same amount from a German bank through an issue of convertible bonds."<sup>(9)</sup> This incident well illustrates the remarkable character of Anglo-American: the pan-African scope of its operations and the fact that it acts almost as a State—partnering one government in a mining enterprise and raising an enormous loan to save another government from financial difficulties which its transaction would otherwise have caused.

This raising of capital in Germany apparently was an open ratification of a process that had been going on for some years. Anglo-American had raised three large sums of money in Switzerland in 1950-1954. These were (i) £4,081,000 obtained in June 1950 by Anglo-American; (ii) £2,040,000 borrowed by the O.F.S. Investment Trust two years later and (iii) £2,040,000 borrowed by the West Rand Investment Trust. The latter two are Anglo-American firms and all three loans were made by the Union Bank of Switzerland.<sup>(10)</sup> Swiss banks are generally regarded as a channel for the investment of continental capital in general, and German capital in particular.

Thus we have seen that after the take-over the victors raised £12 million in America and £4,250,000 in Germany. These sums are in addition to those used to buy control of Central Mining. In the process the connections of the victors with British, American, Canadian and German capital were improved for the future.

## **2—The Nats. Rally their Forces**

It is not known what went on in the Broederbond, the Ekonomiese Instituut of the F.A.K. or the other organs of the Nat. leadership during this period. Silence hung over the ranks of the defeated from the "Times" announcement of the Nats. defeat on May 23rd 1957, until the SABRA conference in April 1958. This conference occurred before the announcement that the American-South African Investment Trust and the South African branches of the big American banks were to be established. Negotiations for these developments must have been in progress and must have been known to the South African government at this time, however. It is therefore significant that at the conference cabinet minister P. O. Sauer made his notorious speech condemning the American economic "dollar imperialism" which he said was replacing the political imperialism of the older capitalist powers in Africa. Only the very backward such as Nat. voters and Sabra "intellectuals" are likely to be impressed when a protectorate-grabbing Nat. big businessman<sup>(12)</sup> accuses others of economic imperialism. Nevertheless, this attack greatly angered the Americans. The U.S. government made an official protest to the South African government about it. Subsequent developments indicate that the Nats. came to realise that Sauer had overstepped the mark in making an open political attack on American imperialism. However, this first shot was a signal for the Nat. capitalists to begin their counter-attack.

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(9) The New Statesman, Sept. 13th, 1958.

(10) Foreign Commerce Weekly (U.S. Dept. of Commerce), Vol. 51, No. 13, March 29th, 1954.

(12) Sauer is a director of the Old Mutual Insurance Co.—S.A. Financial Year Book, Beermans, Cape Town, 1958.

The second shot was fired by Dr. M. S. Louw. One of the top Nat. businessmen, Louw is a director of the SANLAM-Federale financial empire. He complained of the extent of "foreign" control of the South African economy. The object of these speeches was understood by the spokesman of the "English" capitalists on the "Star." Their discussion of this development was headlined: "Save more for the Republic. Nationalists rally to call for financial independence." In other words, the Nats were calling on all Afrikaners to put their economic resources and purchasing power at the disposal of Nat. firms only. The object clearly was to strengthen those firms for future battles with their capitalistic competitors.

Some Nats. realised the damage that this could do to their international support, to their support from the non-Nat. white South Africans and to the general economic development of the country. Mr. Naude, the Minister for Finance, was forced to attempt to neutralise Louw's speech by issuing a press statement that "perhaps more was read into Dr. Louw's statement than he intended" and that "... It is, and remains the Government's policy to welcome foreign capital's part in developing the country."

The more diplomatic phrase that South Africans needed to supply their own capital so far as possible was used at the annual general meeting of Bonuskor, one of the SANLAM-Federale firms. The spokesman was the ubiquitous Dr. M. S. Louw. His report was seconded by Dr. van Eck of the Economic Development Corporation—a vast state corporation. The close relation between State capital and Nat. capital is a continuous feature of the rise of Nat. capital.

Van Rhijn, the Minister of Economic Affairs, made an attempt to calm the Nat. fire-eaters in a speech to the Akademie vir Kuns en Wetenskap in Johannesburg. He said that "... We recognise that foreign capital made an extremely important contribution to our economic development. . . . It could perhaps be argued that foreign investments rob the Union of a measure of autonomy. Under the conditions of today there is, however, little validity in such an argument. The days of deliberate imperialistic investment are past as far as the Union is concerned. By means of the laws of the country the Government is in a position to see that national interests are not harmed. It would, in any case, be shortsighted and wrong to try to keep foreign capital out of the country on the grounds of such a fear—which will perhaps never be fulfilled. Since 1955 there had, on balance, been no foreign capital coming into the country. The country's own capital sources were not yet strong enough, however, for the fast development tempo of a few years ago." Van Rhijn's point that the Government has power legally to control "foreign" capital is important. So too is the point that South African capital accumulation cannot sustain the former rate of development (nor, therefore, the high and sustained rate of profit of the former period.)



In his budget speech Naude went out of his way to welcome American investment in South Africa. The pattern seems to be that Nats. primarily concerned with the general interests of the Nat. party were concerned by the international, the political and the general economic repercussions of the uproar. These men tried to smooth things over. The Nat. capitalists, however, continued to drive towards greater power and profits.

On July 31st 1958, Dr. S. M. Louw called on all Afrikaners to keep their savings in institutions of their "own stream." Thus funds could be obtained to buy up foreign owned shares in South African firms. A similar speech was made at a Sakekamer meeting six weeks later by a Nat. insurance man.

The overall picture is of a greatly intensified drive to mobilise Afrikaner economic power behind the Nat. business drive. At the same time "responsible" Nats. were engaged in attempts to "neutralise" the effect of speeches of the Nat. business wing on other capitalists. How much power do these two groups have within the Nat. movement? It is not easy to give a simple answer. However, it is very interesting to see how these fellows fared in the cabinet shuffle which followed Dr. Verwoerd's assumptions of the premiership. The important changes are as follows: Dr. van Rhijn was to remain at his post for a few months and then relinquish his cabinet rank for a diplomatic appointment as Union High Commissioner in London. Naude moved from the Health Ministry to the Ministry of the Interior. That is, those who had spoken up in favour of foreign investment were moved from the seats of economic power in the cabinet. Dr. D. N. Diedrichs was to become Minister of Economic Affairs and Dr. J. A. M. Hertzog Minister of Posts and Telegraphs and Health. Neither of these men had previously held cabinet rank. Both have been leading figures in the Nats' economic drive ever since its small beginnings. It is clear that the Nat. capitalists like M. S. Louw and the capitalist Nats. like Diedrichs and Hertzog are stronger than ever in the councils of the Nat. movement.

### ***Toenadering?***

In October 1958, prospectuses of the new Zandpan Gold Mining Company were published. This mine belongs to the Anglo-Transvaal group (which is a subsidiary of Anglo-American) and was underwritten by Anglo American, Anglo-Transvaal, General Mining and Finance, Middle Witwatersrand, West Rand Investment and *Federale Mynbou*. The latter is a financial corporation in the SANLAM-Federale group. Federale Mynbou underwrote the third largest sum of the above corporations and obtained a seat on the board of directors of Zandpan.

By coincidence, no doubt, there appeared the same day reports of a speech by Dr. M. S. Louw who is one of the directors of Federale Mynbou to the P.E. Sakekamer in which he said that "... Unless Afrikaans-speaking

people got a better share in the control of industry, mining and finance they might resort to nationalization. . . .”

This situation in business is reminiscent of that in parliamentary politics, in which the U.P. continually makes concessions which lead only to increased Nat. attacks.

### ***The Nat. Drive Continues***

In November 1958, Diedrichs made his first policy statement after the announcement that he would take over the Ministry of Economic Affairs at the beginning of December. He said that “. . . The idea of ‘South Africa First’ must also be applied in the economic sphere and the country must not be a refuge for strangers. . . . South Africa must now look after her own children. . . . The Nationalist Party gave South Africa back to us in the economic sense in 1948. . . . If the Nationalist Party had not come into power the control would have gone over into the hands of the capitalist, for the United Party is a party of big capitalists.” The latter statement is remarkably insolent coming from such a prominent Nat. capitalist as Diedrichs.

The same pattern is continuing. On April 14, 1959., G. J. van der Merwe, president of the Handelsinstituut, discussed the possibility of forming a central finance company to be the basis of the more complete mobilisation of Afrikaans capital through Afrikaans channels. This, he felt, had never been more necessary than at present in view of the proposed republic. On the same day Dr. Diedrichs was reported as saying that “. . . The Union Government fully appreciates the valuable role foreign capital could play in the development of the Union’s economy and has, therefore, consistently followed a policy aimed at the encouragement of investments.”

For one audience the Nats continue to whip up nationalistic feelings with the aim of collecting further funds to establish the dominance of Nat. capitalists in the South African economy at the expense of “foreign” capitalists. For another audience the same Nats. are talking of encouraging foreign capital. The relations of Nat. capital can best be summed up as both co-operative and antagonistic.

The Central Mining take-over bid and its aftermath show that the Nat. capitalists are now the most powerful and aggressive single capitalistic group in South Africa. Their strength lies both in the great funds which they control and the political means which they possess for advancing their interests. However, the Nat. capitalists are still weaker than the South African mining magnates *together with* their British, American and German allies.

[*Editor’s note:* In addition to the sources noted the manuscript makes references to reports in various issues of the Johannesburg “Star.” These have been omitted.]