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# THE NATURE AND ORIGINS OF CAPITALISM IN SOUTH AFRICA

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In economic history, capitalism is a crucial concept. It draws attention to the role of social institutions in the rapid and sustained productivity increases of the past two hundred years. It was Karl Marx who first advanced a coherent view on how particular social forms affect the rate of economic innovation. As Cohen points out, 'the Marxist approach compels one to analyse social forms as totalities and to integrate economic with non-economic factors'.<sup>1</sup> Thus, within the Marxist approach, the capitalist system consists of particular social relations that allow the forces of production to develop more rapidly than in previous systems. Such a framework represents an important advance from the point of view of institutional economic historians, who, in contrast to orthodox economists, seek to explain how social contexts influence the way in which people utilise and develop the factors of production.

However, the weakness of the Marxist definition of capitalism is that it remains at a level of abstraction which obscures, rather than illuminates, the nature and origins of actual capitalist systems. Nor has the Marxist definition been effective in explaining the various changes that modern systems have experienced.<sup>2</sup> Subsequent attempts by authors to either build on the Marxist definition or to offer an alternative have suffered from similar limitations. Applications of the concept capitalism have therefore shed very little light on the economic history of countries such as South Africa.

This paper consists of two separate sections. Section one explores theoretical issues in pursuit of a new definition of capitalism. The section establishes the need for a new definition of capitalism; it demonstrates that no fully formed alternative that can fruitfully be applied to the history of South Africa exists; it then sets out to construct a more useful definition. Section two examines the early development of capitalism in South Africa from the point of view of the theoretical definition constructed in section one. There is a brief discussion of the pre-colonial period followed by an exploration of the colonial period until about 1840.

## SECTION ONE

### USING 'CAPITALISM' AS A CONCEPT

In the 1940s, Maurice Dobb used the Marxist definition to explain both the specific origins of capitalism in England and the nature of capitalist development in general. Dobb was an economist who was opposed to the theory and the method of orthodox economics. In opposition to the free market theory and abstract methodology of the orthodoxy, Dobb employed Marxist theory and a more historically orientated methodology. 'The justification of any definition must ultimately

rest on its successful employment in illuminating the actual process of historical development', Dobb claimed, and then went on to demonstrate why the Marxist definition of capitalism was best suited for such a task.<sup>3</sup>

Dobb rejected the idea that capitalism represents a free-market system where individualism rules supreme on the grounds that this definition does not conform to any broad historical reality. 'The deficiency of so confined a meaning is evident enough', Dobb maintained. 'Few countries other than Britain and the USA in the nineteenth century conformed at all closely to a regime of "pure individualism" of the classic Manchester type; and even Britain and the USA were soon to pass out of it into an age of corporate enterprise and monopoly or quasi-monopoly'.<sup>4</sup> Dobb also rejected the definition of capitalism as a system of exchange which began 'the moment the acts of production and of retail sale came to be separated in space and time by the intervention of a wholesale merchant who advanced money for the purchase of wares with the object of subsequent sale at a profit'.<sup>5</sup> This definition is not restrictive enough because there is nothing particularly modern about such behaviour. The 'acquisitive employment of money', Dobb pointed out, was present in medieval Europe and in classical Greece and Rome. Consequently, 'capitalism must have been present intermittently throughout most of recorded history'.<sup>6</sup> Marx's definition avoids these problems by focusing on those social relations that are connected to the process of production. Capitalism is, in this scheme, the system in which labour power has itself become a commodity and is bought and sold on the market like any other object of exchange.<sup>7</sup>

Dobb therefore made a case for a definition of capitalism that focused attention on a particular social arrangement that seemed to correspond with specific historical events. However, Dobb was aware that the Marxist definition did not fit very clearly with actual phases of economic development. He argued that:

systems are never in reality to be found in their pure form, and in any period of history elements characteristic both of preceding and of succeeding periods are to be found, sometimes mingled in extraordinary complexity. ... in any given period to speak of a homogenous system and to ignore the complexities of the situation is more illuminating, at least as a first approximation, than the contrary would be.<sup>8</sup>

This view of the role theory reveals Dobb as an economist and sets him apart from historians. Despite his determination to demonstrate the connections between theory and history, Dobb was not primarily concerned with theories and concepts as historical tools - tools that the historian needs to uncover the specificities and generalities of the actual past. For Dobb the economist, the Marxist definition of capitalism was useful because it could be made to fit with particular historical developments *and* because, by abstracting from reality, it revealed a certain 'pure dynamic' that historical details often obscured.

The Marxist historian Rodney Hilton saw the role of theory, and therefore the usefulness of the Marxist definition, in a different light. Hilton also defended the Marxist definition, but he wanted to modify and improve it so that it could better accommodate the historical complexities that Dobb was content to ignore. 'It is not enough to study capital, wage labour, and units of production in their economic aspects', Hilton maintained. 'Since men make their own history, the historian must know what part the political and social consciousness of the various classes played in advancing or retarding the tempo of capitalist development. Since that consciousness is by no

means a direct reflection of the economic activity of these classes, the historian cannot but concern himself with law, politics, art and religion.<sup>9</sup> Hilton believed that the Marxist definition could accommodate a concern with these complexities. A look at the use to which the Marxist definition has been put suggests, however, that a definition based on the existence of wage labour is necessarily economistic and unable to shed much light on actual transformations.

## MARX'S CAPITALISM AS A HISTORICAL TOOL

Despite their efforts to defend the validity of the Marxist definition of capitalism, both Dobb and Hilton admitted that the definition had certain limitations when used as a historical tool. Subsequent developments in the literature have revealed the extent of these limitations. Keith Tribe has, for example, presented, from a historians perspective, an unflattering portrayal of the 'transformation debate' in Britain, in which various academics attempted to determine when Britain became 'capitalist' and ceased to be 'feudal'. Tribe points out that much of the debate was driven by political agendas and in-fighting within the Communist Party. These concerns often pushed the issue of 'what actually happened' into the background. Tribe also demonstrates how the economic determinism of Marxists prevented them from adequately engaging with complex and irreducible state structures, religious beliefs and political convictions. In the end the labelling of a particular period as capitalist rather than feudal began to look arbitrary as it obscured continuities and highlighted aspects that did not necessarily deserve highlighting.<sup>10</sup>

The debate about the emergence of capitalism in America has revealed similar limitations. The debate has centred around the possibility that the south, whose economy was based on cotton produced by slaves, was in fact capitalist. Genovese has defended the orthodox Marxist position by arguing that the productive relations between plantation owners and their slaves produced social institutions that were pre-capitalist, distinguishing the south from the wage-labour based, capitalist north.<sup>11</sup> But Elkins points out that many of the social norms and convictions of the leading men in the south were more capitalist than anywhere else in the world.<sup>12</sup> This was something that Weber had drawn attention to many years earlier.<sup>13</sup> Fogel demonstrates, in addition, that investment decisions in the south were based on the profitability of plantation agriculture, with plantation owners using rational accounting principles - just like any other capitalist. Fogel also points out that in the so-called capitalist north factory owners frequently employed women and children - thus relying on the non-market mechanism of patriarchy to supply them with cheap, controlled labour.<sup>14</sup> In northern agriculture, furthermore, farms were often worked by families, not 'free labourers', and, despite large-scale market production, as late as 1900, 60 percent of what the average farm family consumed was produced on the farm.<sup>15</sup> If capitalism means either a reliance on wage labour or the absolute dominance of the market then it does not appear to make much sense when applied to nineteenth century America, the country usually regarded as quintessentially capitalist by this time.

In South Africa the debate about the origins of capitalism has suffered a similar fate to those in Britain and the USA. Mike Morris has argued that capitalism emerged in the South African countryside in the 1920s. He maintains that labour relations on white commercial farms changed fundamentally during that decade as employers imposed definite contracts that forced farm workers to work for continuous periods of about three months. Although many of these workers received plots of land rather than wages in return for their labour this did not detract, Mike Morris argues, from the capitalist nature of the productive relations. These relations were, furthermore,

fundamentally different from the previous quasi-feudal relations within which workers were required to provide labour for two days a week in return for the land that they occupied.<sup>16</sup> There are two problems with Morris' argument. First, one has to suspend common-sense and give oneself over to a Marxist need for feudalism-capitalist transitions in order to see the difference between the two labour systems described by Morris. Second, numerous studies conducted since have shown that the transitions described by Morris never actually occurred, in any general sense, in the South African countryside.<sup>17</sup>

Ross has tried to take the debate in a different direction by arguing that capitalism emerged in the trading centre, Cape Town, in the eighteenth century and then spread to various parts of the countryside.<sup>18</sup> The problem with Ross's position, as Bradford points out, is that he does not develop a clear definition of what capitalism is. She, by contrast, insists on the Marxist definition, which forces her to argue that rural capitalism was only firmly established in the mid-twentieth century and that in some white-farming areas it has still not emerged.<sup>19</sup> If we accept that industrial capitalism flourished in the urban areas during the nineteenth century, then rural areas must have been extremely backward and isolated from these developments. Once again this does not fit with recent empirical findings.<sup>20</sup>

## ALTERNATIVE DEFINITIONS

The Marxist definition of capitalism has therefore proven less than useful when used to discover the origins of capitalism, especially in 'late developers' like South Africa. The problem appears to be an insistence by Marxist authors on a very narrowly defined social relation as the essential feature of any capitalist system. This insistence is partly based on the idea that this social relation facilitated a more thorough extraction of surplus labour than previous systems. But Marxists are mostly determined to place wage labour at the centre of their definition because this feature has crucial links to Marx's theory of historical change. In Marx's theory the conflict inherent in specific social relations is the motor of change, and by conceiving social relations in a narrow way, Marx argued that conflict in feudal relations would lead to capitalist relations, while conflict in capitalist relations would lead to communism. This is a highly restrictive, teleological theory of change. If we reject this approach in favour of a more open-ended, dynamic theory, then it becomes easier to look for a definition of capitalism that is less concerned with wage labour and more concerned with the structural conditions that produce high rates of economic growth. In this section we look at the work of some non and post-Marxist authors in order to find an alternative, more useful definition of capitalism. These authors have attempted to move beyond the Marxist definition but, as shown below, most do not take us past the difficulties created by the Marxist version.

Max Weber's definition of capitalism has often been regarded as the exact opposite of Marx's because of the emphasis Weber placed on the 'spirit of capitalism'. But Weber merely presented a more multifaceted and agnostic definition which was, in fact, influenced by Marx's work. Thus Weber argued that capitalism entailed a 'rationalisation of economic activities' throughout society, which required both a 'rationalised ethic' and wage-labour.<sup>21</sup> The rationalised ethic was essential for the emergence of the right attitude to profits (as an end in-themselves) and wage-labour was necessary so that capitalists could make rational calculations about profit and loss without having personal obligations to workers. The application of Weber's definition to the British, American and South African examples cited above would, in fact, exacerbate the problem. Not only would

one have to discover narrowly defined productive relations, one would now also have to find a fairly narrowly defined 'capitalist spirit' dominating the cultural sphere.

Jean Baechler's attempt to create an even more exact and specific definition of capitalism has similar problems. It might be worthwhile as an exercise in itself but, once again, it does not help the historian to explain actual historical processes. Capitalism is, according to Baechler, a society where efficiency is maximised, which naturally leads to the high growth rates characteristic of such societies. He then constructs a model of what such a society would look like. The society is made up of producers who only search for maximum profits, intellectuals who only pursue science, labourers who minimise their leisure time and who work where they are needed.<sup>22</sup> The problem with this kind of ideal type model (which is similar in style to the neo-classical perfect-competition model) is that it fails to demonstrate how actual societies achieve capitalist success. Baechler argues that the *extent* of the deviation from this model determines success. But in reality, many societies deviate from the model to more or less the same extent without achieving the same success. What then needs to be explained is what *kind* of deviations lead to capitalist growth rates and which do not. Baechler's definition cannot help us in this regard.

A definition that is more coherent and more applicable has been attempted by Robert Heilbroner in *The Nature and Logic of Capitalism*. He argues that capitalism is defined by a relentless quest for profits. This quest for profits emerges out of particular social relations in which the dominance of one class is based on its ability to amass and reinvest profits. Thus, in order to maintain their social dominance this class must concern itself with profits, not as wealth and self-aggrandizement, but as a way of increasing the efficiency of the economic system.<sup>23</sup> This is a step in the right direction, but Heilbroner makes the mistake of arguing that such a dynamic only emerges when owners of the means of production exploit wage-labourers divorced from the means of production. This takes us back to all the problems of the Marxist approach.

## TOWARDS A USEFUL DEFINITION

Mark Blaug has rightly drawn attention to the fundamental role played by entrepreneurs in any capitalist system. This role, he points out, has been missed by the majority of economists and economic historians, including Marx and Ricardo. Both these analysts, and the majority of their followers, emphasised the competition and dynamism driving capitalist systems to higher levels of efficiency. As Blaug puts it, 'Marx, like all economists before him and since him, realised that the action of competition requires differences in behaviour among economic agents (after all, if they all acted exactly the same in the face of the same circumstances, economic changes and progress would be impossible to explain). Nevertheless, Marx took no interest in these individual differences among capitalists that alone account for the dynamic evolution of the capitalist system'.<sup>24</sup>

Ricardo and his neo-classical successors, who examined allocative efficiency at the expense of the dynamic contributions of entrepreneurs, are no less guilty of this blind spot. It was the unorthodox Joseph Schumpeter who did the most to place the entrepreneur at the heart of economic analysis and his work still represents a most useful starting point. For Schumpeter, 'the capitalist system cannot be understood except in terms of the conditions giving rise to entrepreneurship'.<sup>25</sup> An entrepreneur is defined as an individual or private organisation fulfilling the function of innovation. Innovation is the application of inventions (new ways of marketing, financing or producing goods)

under conditions of dynamic uncertainty. Entrepreneurs are therefore the risk-takers in market driven systems.<sup>26</sup> They are, furthermore, exclusively involved in value-adding production and marketing processes, and not in formulating new ways of redistributing existing wealth. They are profit-seekers rather than rent-seekers.

An economic system driven by private enterprise will deliver the kinds of economic growth peculiar to capitalist systems. When an economy is dominated by the state, or by rent seeking structures, then entrepreneurship will be limited. The dominance of the state allows economic decisions to be implemented from a central source with which no private agency can usually compete. This allows the state to make many of the fundamental decisions in the economy, it restricts competition and, like rent-seeking structures, cuts private entrepreneurs off from crucial market opportunities. Under such circumstances many innovative ideas will not be implemented. The economic costs of this are, firstly, that new ways of producing which might have been successful are not given a chance. Secondly, given that economic decisions are made in a context of dynamic uncertainty, a system's best chance of producing investment choices that correspond to the conditions of the future is to allow many competing choices to be made. In a competitive system those whose predictions were accurate will make good returns and stay in business while those who got it wrong will go out of business. If, however, a central authority decides who should be rewarded and who should be ignored then it is the prediction of one person or one 'collective think tank' that determines investment. Such an investment decision will almost always be inappropriate in some way because it is impossible to predict the future with complete accuracy. Consequently, opportunity costs will be higher in a centrally driven economy than in a decentralised economic system. A decentralised system, in which private entrepreneurs compete with each other for market opportunities, is therefore likely to be more dynamic and more efficient than any other known system. This is surely the defining feature of capitalist systems and it is the feature that has allowed capitalism to produce massive advances in technology without the attendant opportunity costs characteristic of state-run socialist systems. Capitalism should therefore be defined as a system in which private entrepreneurs dominate the economy. The following definition, put forward recently by Lazonick, is therefore regarded as the most appropriate:

capitalist development by definition depends on private-sector enterprise to make investments in productive resources and to develop and utilise those resources in order to generate useful products at affordable costs. In a capitalist economy, the strategies and structures of private enterprise are the prime determinants of the levels of employment, productivity, output and income.<sup>27</sup>

This definition is adopted because it focuses on the central engine of capitalist systems. However, Marxists or Weberians would not necessarily disagree with these arguments. They would simply point out that entrepreneurship will only exist on a broad scale when wage labour and 'rationality' are dominant. Thus, in order to fully develop our definition, and to allow it to avoid the problems of Marxism, we have to demonstrate that entrepreneurship can be economically dominant under a variety of institutional arrangements.

One possible response to the Weberian and Marxist insistence that entrepreneurship will only emerge under specific structural conditions is to insist on complete freedom in the economic sphere as the essential feature of capitalism. This would, firstly, force us to confront Dobb's

objection that 'free markets' are even less likely to exist than Marx's 'pure theory'. Secondly, the free market approach fails to acknowledge the influence of power and social structures on economic decisions. The idea of capitalism is, we should remember, only useful because it allows us to identify a particular social *system* in which we are likely to find higher rates of economic growth. Schumpeter, furthermore, did not divorce entrepreneurship from structural conditions. His approach was influenced by Marx and, in fact, has much in common with the work of anti-functional Marxist 'rescuers' like Derek Sayer and J.S. Cohen.<sup>28</sup> Schumpeter's approach has been summed up by Swedberg in the following way:

His own analysis, as Schumpeter puts it, starts with Marx but does not end with Marx. It is evident, for example, that the bourgeoisie dominated the capitalist period, as Marx says. But Marx drew the wrong conclusion from this, namely that economic interests will always determine the social structure and values of society. In reality, however, the social structure often affects the economy, and this means that a certain amount of interaction between social and economic factors has to be allowed for in the analysis.

From this starting point we can develop a definition of capitalism that sees certain structural conditions as facilitating entrepreneurship. At the same time, the specific social conditions under which entrepreneurship emerges will shape the kinds of structures entrepreneurs use. In addition, while a capitalist system will be dominated by entrepreneurs, within the system, not all the owners of capital with an influence over production decisions will necessarily exhibit entrepreneurial behaviour. Nor is entrepreneurial behaviour specific to capitalism. It exists in all kinds of systems, but only achieves dominance within capitalism.

## **ENTREPRENEURSHIP AND MARKET INCENTIVES**

The social, political and cultural structures of a capitalist system must not place insurmountable barriers in the way of individual accumulation. If the economy is to be driven by the innovation of a significant number of individuals then there must be opportunities for them to do so. Further, the rewards for their willingness to innovate must come from returns from their own endeavour. If this is not the case and the incentives and rewards are supplied by a central authority then it is the central authority, not entrepreneurs, that drives the system. Such a system cannot be labelled capitalist in terms of our definition. A centrally controlled system operates in terms of a different dynamic and faces different problems than a capitalist system.

A capitalist system must therefore either be controlled in some way by those who make investment decisions and manage profits or must be run by a state that believes its interests will best be served by individual entrepreneurs with the space and incentives to operate. Capitalist systems must be open and market orientated. However, the existence of such facilitating structures do not guarantee that entrepreneurs, ready to take risks by operationalising new ideas in the hope of future returns, will actually emerge. In order for that to happen certain structures that promote risk-taking and individual initiative must first be in place.

## ENTREPRENEURSHIP AND THE CAPACITY TO BEAR RISK

A completely unregulated market and rampant individualism will not promote innovation and risk-taking.<sup>29</sup> Instead, non-market cooperation is required to create the circumstances under which the large-scale acceptance of risk by individuals is likely to emerge. Entrepreneurial investment depends partly on the cost of capital but mostly on the expected net value of an investment. In a situation where potential entrepreneurs are completely uncertain about what to expect very little investment will be forthcoming. The reduction of uncertainty depends on historical processes that reduce conflict within society, defuse external threats to stability, establish norms and structures that prevent theft, and establish viable alternatives, or safety nets, for those who fail to realise the expected returns on their investments. Equally important is the provision of resources to those willing to take risks and historical examples that risk-taking in a certain direction can yield attractive returns. The state can, and has, supplied many of these support structures in order to promote the emergence of entrepreneurship in the private sector. Direct state intervention in the economy is therefore often a necessary component of capitalist systems.<sup>30</sup>

Cooperation within and between business organisations is also a vital prerequisite for effective entrepreneurship. Lazonick has argued this clearly, drawing on extensive empirical examples, against, what he calls, 'the myth of the market economy'.<sup>31</sup> Lazonick identifies three kinds of cooperation that have influenced the process of capitalist development. Each form of cooperation emerged out of institutional conditions within a particular region, and the cooperation then provided this region with a competitive advantage. In Britain during the late eighteenth and early nineteenth centuries a form of proprietary capitalism emerged which allowed many small-scale entrepreneurs to utilise the favourable economic environment of Britain. As a result British entrepreneurs were able to keep fixed-costs at very low levels and to reap external economies of scale. In other words, the greater the number of entrepreneurs who used the raw-materials, marketing structures, transport networks and skilled-workers concentrated in various parts of Britain the more efficient the individual innovator became. Despite the existence of competition between individual firms, external economies of scale depended on a large number of firms surviving. There was therefore an element of implicit cooperation between competitors.

In some countries where the external circumstances were not as favourable, innovators began to develop a form of 'managerial capitalism' which allowed them to exercise more direct control over suppliers, markets and workers. The firms in this system constructed internal forms of cooperation in order to reap 'internal economies of scale'. In countries like the USA and Germany firms reduced the ratio of their fixed costs to output by creating the organisational and structural capacity to handle very high levels of throughput. This capability first made the firms competitive with firms operating in more suitable environments and then created new opportunities for entrepreneurship. The market power and organisational ability of large firms allowed them to reduce risk and therefore to mobilise large amounts of capital and innovative initiative behind the development of new products. The power of large, managerial corporations reduced risks in the following ways:

Employees were less apt to leave the dominant firm, increasing the incentive for the enterprise to invest in the development of the capabilities of its personnel. External suppliers were more dependent on keeping the business of the dominant firm. ... Within the planning process, shortages at any given vertical stage could

be foreseen before they actually occurred.

Large-scale as well as vertical and horizontal integration decreased the dependence of the corporation on the vicissitudes of the market, and therefore led to higher levels of investment.

In countries like Japan, a new form of capitalism has emerged in which large managerial firms cooperate with one another and rely on the state to coordinate activities. This cooperative capitalism has been extremely effective in maintaining a commitment amongst private enterprises to high levels of investment and product development, even during times of economic crisis in the world economy.<sup>32</sup>

Lazonick's work demonstrates that the most successful cases of capitalist development have depended on forms of cooperation and coordination which give private enterprises power and control over the future. Thus, if entrepreneurship is to achieve dominance within a system then individuals within the system must have the capacity to establish both market power and a competitive advantage. Entrepreneurs also need the assistance and cooperation of the state. However, the need for market power and state involvement has the potential to destroy the features that make capitalism distinctive. There is then, in any capitalist system, a tension between, on the one hand, the facilitating structures that open up access to the market for a significant number of individuals and, on the other hand, the cooperative structures that provide entrepreneurs with the capacity and control necessary for taking risks. Too much competition restricts the amount of investment in the future, too little competition restricts the number of people able to gain access to market opportunities and diminishes the pressure on established firms to continue innovating.

## ENTREPRENEURSHIP AND LABOUR

Similar tensions exist in the labour systems used within capitalism. A particular form of labour is not the defining feature of capitalism, but entrepreneurs must nevertheless have access to workers in order to implement their innovative plans. The problem is that they require both controlled and flexible workers. Workers need to be managed and supervised so that entrepreneurs have control over the production process. Lack of control over workers is one of the factors that leads to a lack of confidence about the future and consequently to declining investment. Lazonick's work is once again instructive in this regard as he demonstrates how the three business strategies described above were influenced by different forms of labour control. In Britain the incorporation of skilled workers and the maintenance of hierarchies by workers themselves meant that very low-levels of supervision could be maintained in the proprietary capitalist system. In America, deskilling, highly sophisticated managerial structures and the ability of some workers to climb the corporate ladder facilitated managerial capitalism while in Japan the institution of 'permanent employment' provides workers and managers with the security they need to pursue highly cooperative strategies.

Control over workers by capitalist owners and innovators is thus a further defining feature of capitalism and we can deduce from Lazonick's work that control can be achieved by coercive or by cooperative means. Slavery is the extreme form of coercive control while the corporatism dominant in some social democratic countries is a clear example of cooperative control.<sup>33</sup> Various combinations of the two are the norm and all forms of capitalist control are strongly influenced

by workers' initiatives and struggles.

Different forms of control, furthermore, usually come into conflict with the need for flexibility. If capitalism is defined by an openness to innovation then the factors of production - including workers - must be able to accommodate new and unexpected ideas. Workers must therefore be both geographically mobile and able to move from old jobs to new kinds of jobs. Both highly coercive forms of control, like slavery, and cooperative forms that guarantee workers job security will create inflexibility.<sup>34</sup> Thus, while these two labour systems are compatible with specific forms of capitalism, they are always likely to be under pressure during the process of capitalist development. The kind of accommodation created by this pressure is, however, never pre-determined.

## CAPITALISM AND CULTURE

In the Marxist definition of capitalism the culture that dominates society is essentially produced by the labour relations that are the defining feature of the system. Thus capitalists exhibit an acquisitive individualism while workers eventually exhibit a class consciousness that is opposed to the capitalist system. In our definition, by contrast, there is no uniform labour system; labour systems are themselves shaped by cultures and cultures are enormously diverse. Nevertheless, we still have to decide what role 'individual rationality' and the 'acquisitive spirit' plays in the model of capitalism proposed here. The answer is that acquisitive individualism must necessarily be a *part* of any culture within a capitalist system. The idea that acquisitive individualism is somehow a product of the West and that it must be adopted *instead of* 'traditional cultures' in order for capitalism to operate is, however, entirely wrong. Individualism has never constituted any culture in its entirety. What is peculiarly 'western' is the belief that such a culture can exist.

Polanyi drew attention to this reality when he pointed out that individuals 'robbed of the protective covering of cultural institutions ... would perish from the effects of social exposure.'<sup>35</sup> Nell has recognised this problem and formulated a more realistic view of the relationship between markets and culture in capitalism. He points out that the pursuit of self-interest within a market system is essentially Machiavellian in nature:

Markets are arenas in which competing bureaucracies fight it out over power, money, and fame, behaving in much the same way as the *competing bureaucracies* of the city states of the Renaissance, so well understood by Machiavelli. Deceit, manipulation, playing on human weaknesses, entrapment, making and breaking promises, presenting false fronts, and other Machiavellian strategies all have a part to play. And the object is the creation and acquisition of wealth.<sup>36</sup>

Making decisions within this code is often based on weighing short-term gains against long-term considerations, but it is always considerations of profit that guide behaviour.

This kind of behaviour is never wholly dominant in the regulation of social interaction. There are always cooperative moral codes that guide behaviour within the family, the community and the workplace. These codes, as Nell points out, create the conditions for 'good teamwork' and therefore dominate in the area of production. Marketing is, by contrast, dominated by the Machiavellian code. 'Yet', Nell goes on to argue, 'production and marketing cannot really be

separated - there's no point producing what can't be sold, and nothing can be sold unless it has been or will be properly produced'. Because all human interaction is not, and cannot, be regulated by the market there must be, in any capitalist system, a tension between the cooperative code and the Machiavellian code. At a macro-level, furthermore, the unbridled operation of the Machiavellian code can often lead to undesirable outcomes. As Nell points out:

Predatory firms ranging over the markets can ruin productive enterprises through hostile takeovers, or cutthroat competition; unscrupulous businesses can damage public health; embezzlers and con men can destroy confidence in the financial system; and mismanagement of - or failure to manage - the currency or the fiscal system can create inflations or depressions that will ruin whole classes. The market system needs to be governed by a reasonable code, to prevent the destruction of productive capacity and constructive energy.<sup>37</sup>

Nell's conclusion also applies to the issue of long-term versus short-term interests. Companies can follow Machiavellian principles by disregarding their short-term interests in the hope that this will produce long-term gains. This is, however, a risky choice to make. It is often when entrepreneurs are also committed to a broader cultural project, like nationalism, that they become motivated to forego short-term interests. They do this because they are *not merely* acting in their own interests. They are also considering the welfare of a group to which they belong. This kind of nationalist motivation, has for example, been a factor behind Japan's success.

Self-serving individualism is therefore only one aspect of the cultures that exist within capitalist systems. Capitalist cultures must be open enough to permit such behaviour but cooperative codes regulating human interaction, which both contradict and influence naked self-interest, will always remain important.

Capitalism is necessarily a complex and contradictory system. It never works smoothly, in terms of a simple and coherent logic. Instead a wide variety of competing and unpredictable initiatives continually modify and transform real capitalist systems. Sometimes this will lead to high levels of efficiency while other times it will lead to difficulties and relative inefficiency. There is also room within the system for people to limit their exposure to the market. In most capitalist societies there will be people who seek to avoid the market by creating alternative, security providing, structures within the larger system. This behaviour leads to 'dualism' within most capitalist systems.

## **CAPITALISM AND DUALISM**

Dualism emerges out of particular, culturally influenced responses to uncertainty. Piore points out that 'dualism ... is at root connected to the variability and uncertainty of modern, industrial economies' and Berger supports this by claiming that 'modernity may create desires, frustrations, and aspirations which find satisfaction in "return" to pre-industrial forms of association'.<sup>38</sup> These authors are pointing to a crucial feature of capitalism, a feature that neo-classical economists and Marxists have ignored, but which Keynes and Schumpeter at least drew attention to. The capitalist system provides more opportunities for accumulation than any other system but, at the same time, it is also a threat to people who are confronted by the insecurities of the market.

Within capitalist systems in Italy, France and the USA, where the general social structures are open to markets and where entrepreneurs dominate the economy, groups who face uncertainty have maintained non-capitalist sub-structures by maintaining or reviving cooperative relations and cultures. Such individuals and groups have engaged with the capitalists system in which they are located in a defensive, rather than in an entrepreneurial manner. This kind of defensive response has created elements of dualism in most capitalist systems.<sup>39</sup>

The definition of capitalism developed above places its emphasis on entrepreneurs rather than on specific productive relations, recognises a tension between openness to markets and the capacity to bear risk, includes a variety of labour relations that at different times can accommodate the competing need for control and flexibility, permits a role for any culture and sees dualism as a normal part of most well-established capitalist systems. It will now be used to make sense of the historical transformations that occurred when white settlers established themselves in South Africa.

## **SECTION TWO**

### **SOCIAL STRUCTURE AND EARLY ENTREPRENEURSHIP IN SOUTH AFRICA**

In *Growth Recurring* E.L. Jones argues against concepts such as 'capitalism' and the 'industrial revolution' because, in his opinion, they draw attention away from earlier, pre-industrial, pre-capitalist processes of growth. The use of these concepts, Jones maintains, tends to reinforce a euro-centric view of development as it ignores impressive phases of growth, in eleventh century China for example, which do not conform with our definitions of capitalism and industrialisation. The definition of capitalism developed above allows us to avoid the problem. We can analyse economic changes in earlier periods, while nevertheless pointing out that the failure of entrepreneurs to achieve social dominance prevented pre-capitalist systems from achieving the extreme dynamism of capitalism.

Pre-colonial South African societies were not capitalist, but entrepreneurship and growth certainly occurred. The work of Martin Hall provides a relatively long-term and coherent picture of economic change in pre-colonial South Africa. He demonstrates how the accumulation of cattle amongst east-coast societies provided greater food security and facilitated an expansion from coastal and lowveld settlements onto the more forbidding highveld. Cattle also allowed complex political and social structures to emerge and led to trade and specialisation between cattle herders on the one side and iron and salt miners as well as manufacturers on the other.

Apart from these economic changes occurring internally between the tenth and fifteenth centuries, South Africa's trade interactions with Arabian and Indian markets led, in certain areas, to urbanisation, further developments in manufacturing and more centralised and stable forms of political power as early as the tenth century. From that time until the twelfth century major centres of power, such as Mapungubwe and Toutswe-mogala, emerged along the Limpopo River. These centres were urban settlements whose occupants lived primarily off the produce of others. They contained manufacturing that specialised in bone-tools and cloth-weaving and they consisted of hierarchically ordered stone buildings. These were essentially trade centres whose rulers derived their power from exercising control over the rare goods flowing into Africa from India and Arabia. As Hall puts it: 'cattle, military service and other forms of tribute flowed inwards to the

major centres of power, while beads, cloth and other valued signifiers of high status moved outwards to regional centres and to local chiefs who acknowledged the suzerainty of the ... kings.<sup>40</sup> The control of trade by the state was therefore the fundamental feature of these socio-economic systems.

The Limpopo centres of power went into decline as they became over-extended and coastal trade with Arabia moved further north. But after 1544 a new link was established between South Africa and international trade through the establishment of a Portuguese presence in Delagoa Bay. This area became a major trading centre in 1750. A debate rages over the connection between this new centre of trade and the Pedi, Zulu and Xhosa states that emerged after 1750 in the South African interior. However, this debate is mostly about how important trade was as a cause of concentrations of power and armed conflict. It is widely accepted that the trade actually took place and that South African states sought to control the trade in some way. As Delius points out, amongst the Pedi control over trade allowed rulers to 'accumulate prestige goods, to attract and control subjects and clients and to entrench their pivotal position in internal systems of exchange and redistribution'.<sup>41</sup> Further, the decline in trade appears to have led to an increase in conflict during the period 1790-1820 as the Pedi paramount attempted to 'enforce and extend control over a shrinking trade'.<sup>42</sup> In Zululand a similar process was initiated by the Mthethwa under Dingiswayo. As Hall puts it: 'Dingiswayo was concerned to control and monopolise the commerce [generated by Delagoa Bay] as soon as the Mthethwa had built up political and economic power, sending ivory and cattle to the bay and making all trade a royal prerogative'.<sup>43</sup>

Control over trade was therefore surely a crucial dynamic within the pre-colonial societies of South Africa. Hall makes the point that the military-camp style of the Zulu (and Pedi) centres of power, which contrasts with the more settled, urbanised style of earlier centres, can be explained by the disruptive influence of the Portuguese. Their tenuous control over trade ensured that major trade fluctuations were a prominent feature of the eighteenth and nineteenth centuries. To counter these fluctuations African leaders were forced to maintain the military capacity to constantly extend their control, and centres of power therefore resembled military camps. The object here is not to make a case for trade as the best explanation for all the political developments of the early nineteenth century but to point to the way in which control over trade was a crucial imperative within the social systems of pre-colonial South Africa.

Trapido has suggested that control over hunting was a further aspect of the dynamics of chiefly power in South Africa:

the centralisation of some [pre-colonial] societies was assisted by the need of chiefs to control products of the hunt to ensure its revenue for their own purposes. As a result many animals were declared royal game and their products became the property of chiefs. To ensure a continuous revenue from ivory some Tswana chiefs as well as the Ndebele paramount introduced preservationist regimes which were the first to be established in southern Africa.<sup>44</sup>

Chiefs also had some control over land, and they demanded tribute in the form of both agricultural products and agricultural labour. These forms of state control, over trade, hunting, production and labour, constituted a social system in which individual accumulation was subsumed within the process of constructing political power. This is not to suggest that individual accumulation failed

to emerge in pre-colonial South Africa. It is merely to argue that social structures did not allow entrepreneurship to dominate the economy. Therefore, capitalist dynamics were not established.

## **ENTREPRENEURS AND SOCIAL STRUCTURE IN THE CAPE COLONY**

The white settlers who came to farm and trade in and around the Cape peninsula were initially heavily dependent on the Dutch East India Company. The Company fulfilled the dual role of commercial enterprise and government at the Cape, and this created a social structure that resembled the African societies of the interior. Soon after the establishment of the Dutch East India Company station at the Cape it was decided to promote the settlement of 'freemen'. The Company felt they would work harder as independent settlers than they would as company employees.<sup>45</sup> However, these 'freemen' were otherwise subject to a range of controls as the fruit of their labour was intended to benefit, first and foremost, the Company. In order to achieve this, control was imposed over any trade that occurred in the Cape. As Schutte puts it, the Company 'could see no way to contain the ever-rising costs, except to buy produce at low prices, to transport and sell imports at the highest possible profits, and to keep administrative costs at a minimum.'<sup>46</sup> The best way to keep prices down was to prevent producers from directly interacting with markets and forcing them, instead, to sell to the Company at below-market prices. Ross has emphasised that the extent of company control was never as complete as the Company desired, and that there were certain advantages for farmers in gaining access to the company monopolies and fixed prices. The advantage of fixed prices was that they gave farmers a 'guaranteed minimum price for their produce, on which they could base their calculations'.<sup>47</sup> Nevertheless, the low level of the prices set certainly worked against farmers ready to take their chances in a market driven system: 'the free market price [of wheat] in Cape Town did not drop much below the [Company's] figure even in years of abundant harvests, but could rise well above it in years of scarcity.'<sup>48</sup>

The restrictions imposed on the 'freemen' created growing resentment and caused local Capetonians to compare their situation to slavery and feudalism.<sup>49</sup> However, in the first one hundred years of settlement farmers were heavily dependent on the Company. The Company provided them with access to land, with military backing against competing claims, with secure markets, with loan capital and with labour. Labour was originally provided in the form of slaves that farmers could obtain from the Company on credit. Later, in districts further inland, labour took the form of dispossessed Khoisan. As Governor Simon van der Stel put it in reference to the capacity of white settlers: 'it would be an absolutely impossible thing for a poor destitute people to have accomplished anything with empty hands, except with our encouragement.'<sup>50</sup> The settlers depended on the Company and were therefore ready to tolerate its control.

Open conflict between settlers and the Company began to emerge in the 1700s when a group of wealthy farmers challenged the monopolistic practices of Governor Willem Adriaan van der Stel. These farmers were not, however, objecting to monopolistic practices as such. They opposed the Governor's exclusive access to Company controlled markets and were concerned to gain access to these arrangements themselves. But over the next fifty years, as the economic capacity of some farmers was transformed, growing discontent emerged over the restrictions imposed by the Company. As Guelke demonstrates, during the period 1715-1780, farms sizes, economic inequality and the wealth of the farming elite all expanded steadily.

While small cultivators found it increasingly difficult to secure a reasonable return on their invested capital, many large producers became exceptionally wealthy. In the period 1771-80 several colonists left estates with a net value of over 30000 guilders; the largest, that of Martin Melck in 1776, was valued at 225000 guilders.<sup>51</sup>

In 1738 the growing resentment against the Company became evident in the 'Barbier Rebellion' and in 1778 the emergence of the Cape Patriot Movement brought matters to a head.

The members of the Patriot movement demanded to be freed from 'economic subservience to company interests' and to be permitted to 'trade freely with foreign ships in the harbour'.<sup>52</sup> The focus of this movement was an attempt to create a more open society, where some of the ideas of the enlightenment could be realised and where markets would become dominant in allocating resources and incentives. The movement was not necessarily a full-scale attempt to remove all the restrictions of the Company, but it marked the culmination of a process in which a group of farmers had become wealthy enough to break their dependence on the Company and to demand direct participation in markets.

In 1795, Company rule came to an end and a new social structure was established. Within this structure wealthy farmers and merchants formed a dominant class whose position was based on the accumulation of wealth. Cape elites first emerged in Cape Town, in the wine growing regions of Stellenbosch and Drakenstein, and in the wheat growing districts of Tjitterberg and the southern Swartland. For a while the successful farmers in these regions 'formed the sole elite of Cape rural society'; a situation that persisted 'until it became possible for farmers based in other regions to achieve an equivalent level of wealth and political influence at both local and colony wide level.'<sup>53</sup> Subsequent colonial states forged alliances with these elites rather than seeking to control them directly. Sometimes the alliance produced a move towards further openness and the removing of obstacles to free enterprise. Other times new elites were able to call forth on their behalf state intervention into markets. But these alliances always represented partnerships in which entrepreneurs and aspirant entrepreneurs sought the help of the state in pursuit of profits. Thus in the nineteenth and twentieth centuries the societies forged by settlers in South Africa were capitalist systems that facilitated entrepreneurship in a way that African societies and the Dutch East India Company had not done.

## **THE DEVELOPMENT OF AGRICULTURE AND THE COLONIAL STATE**

The Cape was a British colony in the nineteenth century and, as a consequence, became an integral part of the largest, most economically powerful, empire in the world. The dual effect of this process was the establishment of many new economic opportunities for the farmers, traders and service providers at the Cape and a significant enhancement of the colonial state's capacity. British colonial policy, like the policy of the Dutch East India Company, was to keep down administrative costs as far as possible, but expanded financial and military resources allowed the new state to penetrate into areas, especially African occupied areas, in ways that had not been possible before. Initially, from the 1820s, established merchants and farmers, some of whom were engaged in both activities simultaneously, were determined to open up opportunities for free enterprise; to expose as many producers to the market as possible. During this time, according to Keegan, a 'mercantile-humanitarian' alliance emerged around the project of liberalising the

Cape economy and creating a greater equality of opportunity. The vision promoted by this alliance was one in which black and white farmers would be drawn into the market economy - thereby expanding the trade and production opportunities for those elites with the capacity to take on the risks of a market economy without reservations. A typical example of this elite was the Van Reenen family, whose enterprise has been described as follows:

The Van Reenen fortune was initially acquired through activities in the meat market, and was indeed extended more by international commerce and large-scale butchering than by agriculture, while the family's farms were if anything subsidiary units in a vertically integrated business. Moreover, capital accumulated by the Van Reenens was almost certainly the most important foundation stone in the largest land holding accumulated in the colony, namely the 176000 acres, stretching away from Cape Agulhas, that was owned by Reitz, Breda Joubert and Company in 1838. Both Michel van Breda and Jan Frederick Reitz were sons in law of Dirk Gysbert van Reenen, although they also had fortunes of their own. They built up the largest merino sheep business in the colony along the southern Cape strandveld.<sup>54</sup>

Members of this family, with their vast resources and diverse business interests were not dependent on the state and could only benefit from an extension of the market.

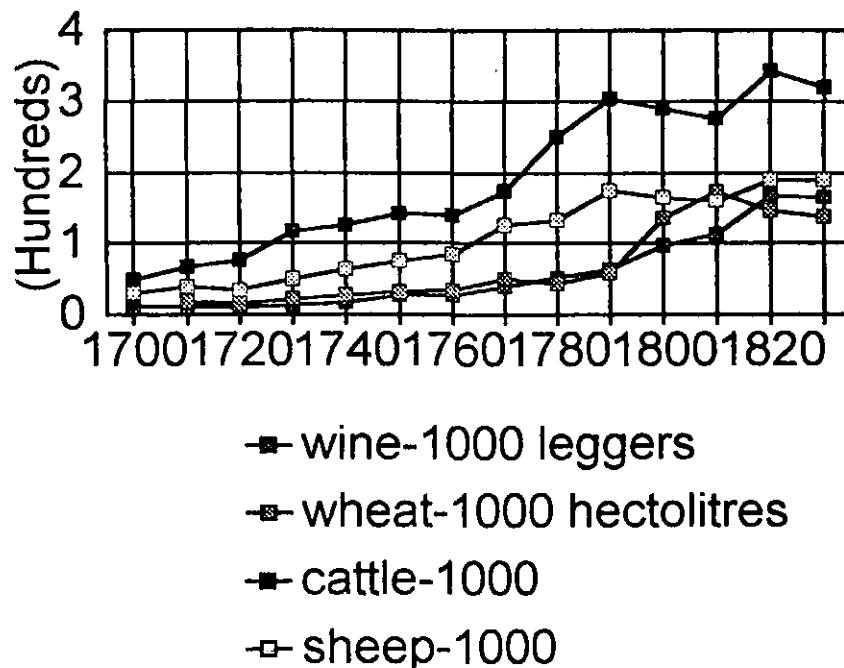
The abolition of slavery in 1834, a move primarily driven by broader British policies, alienated some of the elite wine and wheat producers, but also injected major supplies of investment capital, in the form of compensation payments, into the colonial economy. This capital stimulated the development of urban commerce in Cape Town and facilitated investment in merino sheep farming. Sheep farming took-off especially rapidly in newly established eastern Cape districts where recently arrived British settlers predominated. They constituted a new element in the Cape economy. As Keegan points out: 'the dominant landed classes in the pastoral districts were now in large measure British settlers who had been arriving in the eastern Cape from 1820 onwards, infused with acquisitive and entrepreneurial values seeking an outlet'.<sup>55</sup> This orientation led many British settlers, whose capacity cannot be compared with the much more established coastal elite, to look towards the state to directly promote economic opportunities, especially through military interventions against African societies. The idea was to use military intervention to free up African land and labour for white exploitation, to benefit from the increased spending that accompanied any mobilisation of the British army, and to forge a close alliance between British entrepreneurs and British colonialism.

Opposed to this project was a group within the more established settler elite who put long-term economic interests before the short-term benefits pursued by the newly arrived elites. In the words of Keegan: 'If men like Fairbairn or Stockenström took issue with military adventures on distant frontiers, it was because they were conducted at the behest and to the benefit of a settler elite which had chosen the side of gubernatorial autocracy at the expense of the larger project of sustainable economic development'.<sup>56</sup> At the same time, merchants on the frontier were able, for a while, to promote a more incorporationist state policy as they continued to maintain a 'small tradition' of liberalism in the pursuit of trade with black entrepreneurs. These competing visions of economic development eventually coalesced into a racially defined form of capitalism which was far from free of tension and contradictions but was nevertheless firmly founded on an alliance

between white entrepreneurs, both English and Afrikaans speaking, and a state whose interests were closely tied to the promotion of white accumulation.

# AGRICULTURAL OUTPUT

## THE CAPE COLONY



Keegan emphasises that, in the first half of the nineteenth century, 'the colonial economy was still weak, based on the export of a few primary products.'<sup>57</sup> Ross has, however, shown that, despite the lack of industrialisation and the avoidance of the market by some producers, there was steady and impressive growth in the output of the colonial economy's main agricultural products during the period 1700-1830. The growth in output, Ross maintains, was brought about primarily in response to growing demand within the colony, regional integration and the emergence of Indonesian and Australian markets where South African producers enjoyed an advantage over European producers. In addition the outbreak of war or harvest failures in Europe represented temporary sources of demand that could lead to high profits for South African producers but also made the market unstable and risky. Ross' production figures in support of his argument are contained in the above graph.<sup>58</sup> The graph also suggests that the rate of growth accelerated between 1770 and 1790, the time during which the capitalist system was becoming established.

Apart from increases in output Ross has also demonstrated that the colonial economy became increasingly sophisticated. We have already seen the extent to which the enterprises of families like the Van Reenens were integrated and diversified, thereby providing internal access to investment capital and facilitating risky ventures. In addition, investment capital was increasingly made available to the less fortunate entrepreneur through the development of local credit markets. A state owned bank was established in 1790 and from the 1830s numerous regional, privately

owned banks emerged. By 1860, 23 Cape banks had a total circulating capital of £374584.<sup>59</sup>

## **WHITE FARMERS AND DUALISM**

Within this context white farmers were divided into a number of categories. On one side were the entrepreneurial farmers who sought to benefit from market opportunities as best they could; on the other side were farmers who tried to avoid the market as far as possible; and in-between were farmers who aspired to be entrepreneurial but often resorted to avoiding risks while they used the state and other sources of power to build up their capacity. By the 1840s white entrepreneurial farmers were situated primarily in the wheat and wine growing regions and in the sheep farming districts of the eastern Cape. Outside these areas, on the more remote frontier regions farmers were either trying to avoid the market or were trying to put themselves in a position where they could afford to take the risks inherent in market-orientated production. Entrepreneurial farmers were usually members of the settler elite described above, while defensive, risk-avoiding farmers were to be found mostly amongst the frontier farmers known as 'trekboers'. Van der Merwe shows that a primary consideration for many 'trekboers' was the maintenance of a way of life on the land that was regarded as superior to a landless existence. As one trekboer put it in 1834: '[on the frontier] every child is a farmer and gets his inheritance in stock, and in what country will people serve for hire if they can live as their own masters'.<sup>60</sup> Maintaining access to a farm was therefore seen as a way of avoiding a dependence on wage labour. In addition, these trekboers were also concerned to maintain access to cheap labour and servants as a way of sustaining a certain lifestyle and avoiding hard manual-labour. Thus access to land and control over labour were often used by white settlers as a way to avoid the market.

This does not mean that 'trekboers' were all subsistence farmers and that they had no interactions with the market at all. As Guelke points out: 'throughout the years of colonial expansion the trekboers maintained economic links with the Cape, where there was a reasonably good demand for inland produce. Their expansion could not have taken place without guns, gunpowder, wagons and other manufactured items, obtainable only in exchange for the produce of the interior'.<sup>61</sup> In order to maintain their lifestyle, trekboers had to interact with markets to some extent. In addition, as Ross points out, many trekboers 'were thoroughly prepared to exploit such market opportunities as were offered'.<sup>62</sup> As the pressure on land increased, and as the economic opportunities in the Cape colony improved, many 'trekboers' became increasingly market orientated, but others remained defensive and struggled to maintain their lifestyle despite market forces pushing against them.<sup>63</sup>

## **WHITE FARMERS AND LABOUR**

The institutions of labour control established in South Africa emerged out of local conditions. First, as in many other colonies where settlers were determined to produce for international markets while local inhabitants tried to avoid becoming labourers, white farmers resorted to slavery. They were assisted in this by the Dutch East India Company, which permitted the Cape's participation in the slave trade, participated directly in the acquisition of slaves and provided 'freemen' with slaves on credit. In the interior, where slaves were either unavailable or unaffordable, white farmers began to rely on the labour of Khoisan inhabitants, whose labour became available either because they lost the ability to provide for themselves or because they were forced into service. Both slavery and the less clearly defined relations with Khoisan operated in a

'coercive framework' within which: 'violence and the threat of violence were the primary means [of control]. All other methods were secondary.' However, as Mason points out, white employers mostly did not take this 'coercive framework' to 'its extremes of inhumanity'.<sup>64</sup> Instead, within the framework, employers devised ways of coopting their workers by providing them with access to land and cattle and allowing them to cultivate spheres of independent activity. Thus 'fortunate slaves' were allowed to use land and cattle to produce for the market and Khoisan workers were permitted to keep and use cattle. These kinds of arrangements led workers to have a stake in the system into which they were frequently coerced. As a result the control of employers was enhanced and various forms of cooperation became possible between white farmers and black workers.

Amongst Khoisan workers the levels of cooperation on farms often meant that 'Khoikhoi provided the colonists both with livestock and the labour to manage it [which] was, as S.D. Neumark noted, a combination for which there is hardly any parallel in colonial history'.<sup>65</sup> Amongst ex-slaves who accompanied their employers on the 'Great' migration into the interior, many were willing to take the risks and the hardships despite colonial officials who advised them to stay in the Cape as 'freemen'. They made this choice, Mason argues, because they aimed to maintain their access to cattle and land and because 'their prospects in the Cape were simply not good enough to make them want to return.'<sup>66</sup> The labour system that therefore emerged in the rural areas of the Cape colony, and was subsequently sustained despite the abolition of slavery, depended on three factors. The first was coercion exercised by masters to keep servants in their place, the second was cooperation that allowed the servant to identify with his place of employment, and the third was restricting the alternatives available to workers.

All three of these elements emerged out of slavery and the gradual establishment of a racially defined system in which whites enforced their privileged status and were able to invoke state interference in ways that were impossible for any person who was not white. After the abolition of the slave trade, pressure from employers increased to reduce the mobility and the alternative options available to potential workers. Mission stations became a particular target of these demands. As Newton-King points out, in the wake of the labour shortages created by the ending of the slave trade white farmers were concerned to find new ways of increasing the labour supply.<sup>67</sup> The generally accepted method for bringing this about was to increase state intervention and control over existing and potential workers. The alternative was to improve the incentives for potential workers, by raising wages for example, and by increasing the mobility of workers so that they could gravitate towards the most efficient farmers. The second option was broadly pursued through Ordinance 50 which sought to protect farm workers from excessive abuse and to remove the most severe legal restrictions on the mobility of the Khoisan. Most employers were opposed to this method and, as Keegan points out, it had very few lasting effects.<sup>68</sup> The general trend, that emerged after a brief period of 'liberal reform and humanitarianism', was therefore to restrict the alternative options available to existing and potential non-white workers and to rely on a combination of violence and cooperation to keep workers cheap and controlled. This trend was established because it was based on the institutions that employers were familiar with and because different kinds of white farmers cooperated, on the basis of their skin colour, to establish systems of control that could meet their various needs.<sup>69</sup> For entrepreneurial farmers the system could provide them with cheap, controlled labour, thereby enhancing their profit margins, while defensive farmers were provided with dependent workers who helped to facilitate a particular kind of lifestyle in spite of market forces. Of course there was a potential contradiction here as state

regulation and defensive farmers tied up potential workers that could be more effectively employed by entrepreneurs. However, as long as state policy succeeded in providing adequate supplies of cheap labour this contradiction remained below the surface.

## **CULTURE AND SOUTH AFRICAN CAPITALISM**

Individualism, or Machiavellian acquisitiveness, is an important element of capitalism. Ordinarily, conflict will emerge between those who hope to benefit as individuals from market opportunities and those who are determined to protect the security provided by community obligations. This kind of conflict certainly occurred between wealthier, entrepreneurial white farmers and those whites who depended more on the support of others for their survival.<sup>70</sup> However, it is possible that white individualists in South Africa found it easier to gain acceptance as a result of connections to Europe. We have seen that the leaders of the Patriot Movement drew on ideas from the Enlightenment in order to formulate their calls in favour of a more individualistic society. In addition, Keegan has proposed that many of the British settlers coming to South Africa in the nineteenth century were 'infused with acquisitive and entrepreneurial values'. They derived these values from the circumstances and cultural climate of their home country and, presumably, these values would have been more legitimate in a British colony than in an area where large-scale entrepreneurship was an entirely new phenomenon.

The acceptance of individualism, might, therefore have eased the transition to capitalism in South African colonies. This was not, however, the most important role played by culture in the promotion of capitalism. Far more important was the construction of a cultural context in which effective alliances between entrepreneurs and states could be forged. Not enough is known about the cultures that facilitated alliances between various settler elites and various colonial states. Nevertheless, we can deduce that the 'colonial project' provided the crucial organic connection between settlers of European origin and the colonial state. The foundations for this connection were laid when the Dutch East India Company provided the necessary support to the 'freemen' on whom the Company's enterprise depended. Once farmers had succeeded in reducing the control of the colonial state, the bonds of mutual support in the pursuit of a productive and stable colony persisted. Ross points out that the emerging 'compact' between the settler elite and the British administration was most clearly symbolised in 'the composition of the Legislative Council after 1827. The "unofficial" members were to be chosen, so it was decreed from London and accepted in the Cape, from the "Chief Landed proprietors and Principal merchants" of the colony'.<sup>71</sup> Ross also proposes that the social divisions between elites and the administration were reduced under British rule and that culture played an important role in facilitating this process. 'The British do not seem to have made use of measures [to enforce the exclusive status of government officials]', Ross maintains.

Rather the British governors and high officials saw their position as that of the leaders of society. It is in this context that the letters of Lady Anne Barnard, for instance, should be read, as they demonstrate the process whereby the British attempted, successfully, to acquire social hegemony. The comments that Lady Anne and other observers make on the adoption by the colony's elite women of British fashions (replacing the French, which had been worn during the presence of a French garrison in the 1780s) should not be dismissed as mere tittle-tattle. Indeed they represent a clear political statement on behalf of the wearers, as

definite, if somewhat less conscious, as the wearing of black, gold and green in South Africa today.<sup>72</sup>

Ross then goes on to point to the adoption of fox-hunting as an additional way in which 'links were built up between the new rulers and the colony's elite, helping to transform the latter into overseas variants of the British landed gentry'.<sup>73</sup> Ross therefore argues that 'Britishness' was an important element of the cultural factors binding state and settler society together. But he does not provide information on how families with Dutch, French, German and British origins were able to fit into and identify with this new hegemony. Keegan's work provides no useful information on this process either, but he does emphasise the differences between the older, established elite around Cape Town and the newer elite around Grahamstown.<sup>74</sup> The main difference at a cultural level was the Grahamstown elite's overt use of British identity as a way of claiming special concessions from the state.<sup>75</sup> This emphasis on ethnic identity appears to have been something new in South Africa and it played an important role in alienating Dutch speaking settlers who felt they no longer had sufficient access to state support. Consequently, numerous Dutch speakers migrated into the interior where they hoped to establish societies and states that were more cohesive, based, at some levels at least, on a common purpose.<sup>76</sup> Ethnic identity thus became an element in South African politics but its influence appears to have been mitigated by the less overtly ethnic identities prevalent in the Western Cape.

A crucial aspect of the dominant Cape identity, about which we do have some information and which cut across ethnic differences, was racial consciousness. Within the logic of the 'colonial project' settlers were the colonisers while indigenous people were the colonised. Two crucial differences between these groups of people were then identified. There were religious differences, and most settlers made a lot of their Christianity; there were differences in skin colour, and most settlers adopted a form of race consciousness. Du Toit argues that religion helped to promote a common identity amongst 'true Christians' and also helped to legitimate existing racist practices against black 'heathens'.<sup>77</sup> Ross argues that racial differences in pre-1870 Cape Town were maintained despite the shifting and 'situational' character of racial categories. To illustrate this, Ross points out that, within the slums dominated by ex-slaves, there lived, on a permanent basis, many poor white residents. These 'whites' were 'assimilated into Cape Town's lumpenproletariat' and this economic classification then became associated with 'coloured' by more 'respectable' whites. Under these circumstances it became difficult for poor whites to maintain their racial identity and, presumably, many of their children then became actually 'coloured'. Clearly, economic processes threatened to undermine racial divisions in Cape Town, but the application of a racial consciousness was able to sustain these divisions. On the frontier, Guelke argues, some white settlers were instrumental in establishing 'pluralist' frontier communities, but the majority saw racial identity as a 'matter of community survival'.<sup>78</sup>

Thus, if 'Britishness' played an important and shifting role in the cultures that bound social elites to the state, then whiteness played an even more important role as a way of distinguishing the colonial insiders from outsiders. Amongst whites who held onto their racial identities but remained poor it was this whiteness that gave them the ability to call increasingly for greater amounts of state support to ensure both their survival and their rising above non-white competitors. Ethnic identities also continued to play a role and were used increasingly in the twentieth century to promote the upliftment of Afrikaners. The extent to which blacks were accommodated or discriminated against varied within this cultural framework. But blacks were unlikely to have

access to the state on the same footing as white settlers. Black entrepreneurs therefore always started from a disadvantageous position.

## CONCLUSION

Capitalism emerged in South Africa when the economic control of the Dutch East India Company broke down and a group of entrepreneurs, operating predominantly in agriculture and trade, began to dominate colonial society. Entrepreneurs became established and were able to prosper because of the support they received from the colonial state, because they got access to international and national market opportunities, because they established effective institutions of labour control, and because, in the cultural sphere, they were able to gain some acceptance for individualist or Machiavelian behaviour. However, not all, or even most, producers within the emerging colonial capitalist system were entrepreneurial. Many white farmers were risk-averse and there were therefore contradictions and conflicts between different kinds of producers within the system.

At this level, the original South African capitalist system was comparable with most other capitalist systems. But, at the level of specific institutions, South African capitalism consisted mostly of peculiarities that reflect the way in which the system grew out of a particular colonial situation. Relations between the state and entrepreneurs were, from the beginning, informed by notions of race. The institutions of labour control grew out of slavery, the racism of white settlers and the preferential access that whites had to the state. Ethnic politics were linked to the transition from Dutch to British colonialism, but ethnicity was frequently mitigated by racial identities.

The relationship between colonialism and capitalism in this reading was neither directly contradictory in the sense that capitalism had to emerge triumphant, shorn of the 'irrational' ideologies of racism and ethnicity; nor was the racism of colonialism a necessary and functional tool in the construction of capitalist class relations. Instead, South African capitalism was shaped by the particular social context in which it emerged. This social context was fraught with conflicts between the state and settlers, between various economic and cultural groups of settlers, between racial groups, between employers and workers. The outcomes of the conflicts were never pre-determined and, consequently, South African capitalism developed, and continues to develop, in unpredictable ways.

## NOTES

1. J.S. Cohen: 'The Achievements of Economic History: The Marxist School', *The Journal Of Economic History*, Vol. 38, No. 1, 1978, p. 31.
2. See W. Lazonick, *Business Organisation and the Myth of the Market Economy* (Cambridge, 1991), p. 121: 'despite his own emphasis on social relations of production, Marx ended up portraying the ongoing process of capitalist development as a technological imperative. Believing that the introduction of machinery during the industrial revolution had completed the domination of employers over employed, Marx ceased to analyse the evolution of social relations of production within the capitalist enterprise.'
3. M. Dobb, *Studies in the Development of Capitalism* (London, 1946), p. 8.
4. Dobb, *Studies in the Development of Capitalism*, p. 4.
5. Dobb, *Studies in the Development of Capitalism*, p. 6.
6. Dobb, *Studies in the Development of Capitalism*, p. 6.
7. Dobb, *Studies in the Development of Capitalism*, p. 7.
8. Dobb, *Studies in the Development of Capitalism*, p. 11.
9. R. Hilton, 'Capitalism - What's in a Name?', p. 157.
10. K. Tribe, *Genealogies of Capitalism* (London, 1981), p. 34: 'Marxist historians in England have sought to explain the origins of capitalism in order to develop the work of Marx, but within the analytical framework of Marx such a project is fraught with contradictions that render the outcome ambivalent.'
11. For a summary of the argument see, E. Genovese, 'The Slave South: An Interpretation' in A. Weinstein & O. Gatell, eds. *American Negro Slavery* (New York, 1968)
12. S.M. Elkins, 'On Eugene D. Genovese's *The Political Economy of Slavery: Studies in the Economy and Society of the Slave South*, in A. Weinstein & O. Gatell, eds. *American Negro Slavery*.
13. See G. Marshall, *In Search of the Spirit of Capitalism* (London, 1982), p. 54.
14. R. Fogel, *Without Consent or Contract* (New York, 1989)
15. D. Danbom, *Born in the Country* (Baltimore, 1995), p. 134.
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  27. Lazonick, *Business Organisation and the Myth of the Market Economy*, pp. 23-24.
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