From Pavement Entrepreneurs to Stock Exchange Capitalists: The Case of the South African Black Business Class

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DECLARATION

I declare that *From Pavement Entrepreneurs to Stock Exchange Capitalists: The Case of the South African Black Bourgeoisie* is my own work and that all the sources I have used or quoted have been indicated and acknowledged by means of complete references.

Sipho Sibusiso Maseko
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My mother Mrs Josephine F. Masako and my brothers and sister were of great encouragement throughout my studying career. Finally, I wish to express my sincere gratitude to my wife, Pamella, and our children Sandiso, Khethokuhle, and Sibusisiwe, for their patience and love. To them this dissertation is warmly and respectfully dedicated.
ABSTRACT

This dissertation analyses the rise of a black bourgeoisie in South Africa, particularly after the 1960s, to the present time. It provides an account that attempts to remedy the weaknesses in the existing literature on the genesis of this class. It demonstrates how, despite the obstacles imposed by successive white governments, the black middle class zigzagged through a maze of political and bureaucratic restrictions to progress. Specifically, the dissertation argues that the growth of a capitalist class in South Africa derived from a combination of often contradictory historical processes. These included resisting the restrictions imposed by the apartheid government, while simultaneously collaborating and bargaining with it to extract concessions, taking advantage of contradictions inherent in apartheid policies, and capitalising on the subsequent reforms the apartheid government introduced from the mid-1970s until 1994. In addition, it is argued that the coming into power of the ANC-led government has accelerated the development of this class, through a variety of legal and administrative actions.

The dissertation also shows that, although the black bourgeoisie has long been in the making, it is small – especially when compared with the size of the black population (70 percent) – proportionate to the general population of South Africa. Its visible penetration into the heart of the national economy, however, is seen as important, among other reasons, in providing legitimacy to the political and economic systems of the country. Finally the dissertation argues that the growth of a black bourgeoisie in South Africa is bound to change the terrain of politics, moving away from racial, to largely class distinctions.
### ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>AFBANK</td>
<td>African Bank</td>
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<tr>
<td>ACOC</td>
<td>African Chamber of Commerce</td>
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<td>AHI</td>
<td>Afrikaans Handelinstituut</td>
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<td>ANC</td>
<td>African National Congress</td>
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<td>ASSOCOM</td>
<td>Association of Chambers of Commerce</td>
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<td>AZAPO</td>
<td>Azanian People's Organisation</td>
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<tr>
<td>BCM</td>
<td>Black Consciousness Movement</td>
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<td>BEEC</td>
<td>Black Economic Empowerment Commission</td>
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<tr>
<td>BIC</td>
<td>Bantu Investment Corporation</td>
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<td>BMF</td>
<td>Black Management Forum</td>
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<td>BTA</td>
<td>Black Traders' Association</td>
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<tr>
<td>CBD</td>
<td>Central Business Districts</td>
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<tr>
<td>CST</td>
<td>Colonialism of a Special Type</td>
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<tr>
<td>CPSA</td>
<td>Communist Party of South Africa</td>
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<tr>
<td>DBSA</td>
<td>Development Bank of Southern Africa</td>
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<tr>
<td>FABCOS</td>
<td>Foundation for African Business and Consumer Services</td>
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<tr>
<td>FCI</td>
<td>Federated Chamber of Commerce</td>
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<tr>
<td>GAF</td>
<td>Get Ahead Foundation</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GEAR</td>
<td>Growth, Employment and Redistribution Programme</td>
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<td>IBM</td>
<td>International Business Machines</td>
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<td>ICU</td>
<td>Industrial Commercial Workers' Union</td>
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<td>IDC</td>
<td>Industrial Development Corporation</td>
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<td>JBD</td>
<td>Joint Business Development</td>
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<td>JSE</td>
<td>Johannesburg Stock Exchange</td>
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<td>Acronym</td>
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<tr>
<td>LAB</td>
<td>Location Advisory Boards</td>
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<td>NACOC</td>
<td>National African Chamber of Commerce</td>
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<td>NACTU</td>
<td>National Council of Trade Unions</td>
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<tr>
<td>NAFCOC</td>
<td>National Federation of African Chambers of Commerce and Industry</td>
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<tr>
<td>NAIL</td>
<td>New Africa Investment Limited</td>
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<tr>
<td>NASASA</td>
<td>National Stokvel Association of South Africa</td>
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<tr>
<td>NRC</td>
<td>Native Representative Council</td>
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<tr>
<td>OFSATA</td>
<td>Orange Free State Traders’ Association</td>
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<tr>
<td>PAC</td>
<td>Pan African Congress</td>
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<tr>
<td>PDI</td>
<td>Previously Disadvantaged Individuals</td>
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<td>PWV</td>
<td>Pretoria, Witwatersrand, and Vreeneeg</td>
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<tr>
<td>RDP</td>
<td>Reconstruction and Development Programme</td>
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<tr>
<td>SAB</td>
<td>South African Breweries</td>
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<tr>
<td>SABTA</td>
<td>South Africa Bus and Taxi Association</td>
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<tr>
<td>SACP</td>
<td>South Africa Communist Party</td>
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<tr>
<td>SACTWU</td>
<td>South African Clothing and Textile Workers’ Union</td>
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<tr>
<td>SBDC</td>
<td>Small Business Development Corporation</td>
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<tr>
<td>SME</td>
<td>Small and Medium Enterprises</td>
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<td>TABA</td>
<td>Transvaal African Builder’s Association</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>USAID</td>
<td>United States Agency for International Development</td>
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CHAPTER ONE

Introduction

The context of the study

A feature of South African society during the second half of the 20th century has been the visible emergence of a black business class in a social milieu that had hitherto been the sole preserve of the white population. The emergence of the black business class, however, has not been extensively examined. In fact, it was not until the 1970s that the exegesis of a black business class in South Africa became the subject of debate in the social science literature and amongst the political activists in the liberation movement. Arguments in these expositions revolved around the structure and character of the black business class, and whether one existed at all. The core of their discussions was similar in orientation to that found in the international literature from the early 1960s and beyond on the essence of 'development' and 'underdevelopment'. The arguments in these global readings, amongst other things, analysed the form of the 'indigenous', 'national' or 'local' capitalist class in countries that were formerly colonised. The readings also sought to explain whether or not the capitalist classes of the former colonies, or the so-called Third World countries, could undertake independent paths of capitalist
development. In a similar fashion, as the next chapter will show, social scientists studying South African society also grappled with the question of whether 'indigenous' people (blacks) could truly form part of the economic development of the country.⁴

Specific to South Africa, however, and unlike other African countries, was the fact that after the formation of the Union of South Africa in 1910, the black nationalist struggle was not waged against an external (colonial) power, but against an internal dominating white force. In that year (1910), South Africa gained 'independence' from Great Britain, and the white settler community — of English and Dutch extraction (the latter then known as Afrikaners) — consolidated its control over an already growing capitalist economy, as well as its command of the state. The environment of the South African black nationalist struggle from 1910 onwards was subsequently described by intellectuals, activists and organisations of the liberation movement either as one of 'internal colonialism', ‘settler colonialism’, or ‘colonialism of a special-type’.⁵ From the time of the formation of the Union of South Africa successive white governments consistently tried, until the middle of 1970s, to suppress the development of a black business class in the urban areas of so-called white South Africa. At the same time, they tolerated the existence of a black entrepreneurial class in the 'reserves' or 'homelands' — generally undeveloped
rural areas remote from the industrial and productive centres of South Africa.

The effects of the exclusion of black people from all spheres of public life from 1910 onwards (this being a direct legacy of colonial conquest) formed the basis of the black nationalist (and subsequently socialist) struggles in South Africa up until 1994.

This dissertation contends that the theoretical positions of the above-mentioned expositions on the black business class often represented the political persuasions, rather than a truly analytical approach, advocated by their authors during the struggle years. Thus, part of the objective of this dissertation is a strongly felt conviction that certain aspects of the history of contemporary South Africa are in need of revision. In doing this, the dissertation also seeks in part to build on the book written by Cobley, which lucidly describes the formation of ‘the black petty bourgeoisie’ during the first half of the 20\textsuperscript{th} century.\textsuperscript{6} Although Cobley’s research, as it will shown in the next chapter, covers various categories of the formation of the black middle class, the discussion in this dissertation solely pertains to the development of a black entrepreneurial class, especially from the 1960s onwards. The argument advanced in the dissertation, therefore, is that from the 1920s onwards there was an aspirant but suppressed black business class in the reserves (homelands) and in the urban areas of South Africa, and that its
development gained significant momentum from the 1960s onwards. Its growth derived from a combination of historical processes.

One was as a result of contradictions in the policies of successive white governments. That is, while the emergence of a black business class was actively discouraged, the simultaneously enforced imperatives of the policy of racial segregation compelled the sitting governments to allow some black individuals trading rights in black townships. Another process was the effect of the struggle waged from 1912 onwards by the black nationalist organisations and their allies, particularly the traders' associations, to overcome the array of restrictions imposed by the white governments and to advance the progress of this class. Yet another process was the urbanisation of blacks, despite the influx control regulations, and the consequences of this for the state. In addition the reforms of the apartheid government, which were also, in varying degrees, supported by the foreign and local (white-dominated) private sectors, opened further opportunities for the development of a black entrepreneurial class. The final process was the role played by the ANC government in advancing the progress of black capitalists, using the machinery of the state.

*Propositions considered in the dissertation*

The study has been shaped by consideration of the following five propositions,
most of which appear, in varied forms, in the literature:

1. The emergence of a viable black capitalist class in South Africa was not possible because race and class had been inextricably linked from the start of industrial development in the nineteenth century and the linkage was reinforced by the apartheid system.

2. A non-racial capitalism was possible if, and when, the racist political system ceased to interfere with the imperatives of a capitalist economy. This meant that, when left to their own rational devices, market forces would provide the basis for the development of a black capitalist class.

3. The development of the black business class emerged as a direct result of the apartheid government’s reform initiatives to combat revolutionary threats, while simultaneously retaining the basis of white domination in all spheres of public life.

4. The development of the black capitalist class might be possible after the defeat of apartheid, and the subsequent democratic state would play a major catalytic role in the development of this class.

5. In addition, my own proposition suggests that the black business class developed as a result of a specific set of historical processes that provided an opportunity for the class to take root. The development of this class was also shaped by its collective efforts to overcome the restrictions imposed by the apartheid government and the competition posed by segments of white capital. Furthermore, it also benefited from the assistance it received from sections of the white business sector and from the reforms introduced by various white governments, as well as those introduced by the democratic government that took office in 1994.
These five propositions will be considered on their merits during the course of the discussion that follows.

The definition of a capitalist class

In this dissertation, the term 'capitalist class' or 'bourgeoisie' – notwithstanding other interpretations of the term – is used, as in classical Marxist theory to denote a class that owns the means of production and distribution of wealth. The capitalist class, consequently, wield political power through the control of the state and the propagation of the ideologies that promote its domination. Its basis is its ownership of private property, and the exercise of full civic rights in the protection and enhancement of that property. Classical Marxist theory distinguishes between levels of the bourgeoisie. On the one hand, there is the bourgeoisie or capitalist class proper, comprising the large landowners, big industrialists and merchants, bankers and financiers, and chief executives of the giant economic corporations. On the other, there is the petty bourgeoisie or middle class, made up of traders, entrepreneurs, managers, professionals, clerks and other white-collar workers. More than just a legal description of a bourgeoisie and petty bourgeoisie, it is also important to clarify the economic structure and role of the petty bourgeoisie or middle class in particular. The following characterisation of the structure and role of this class adopts the
useful definition provided by Cobley. Firstly on the economic structure of the middle class, Cobley asserts as follows:

"A petty bourgeoisie is an intermediate class of people in a capitalist social formation. It is a class made up of social groups the material bases of which are insecure: they are neither completely separated from the means of production, nor completely in control of them. It is characteristic of the social groups which are constituted as a petty bourgeoisie that they are locked into a struggle not only to resist pressures to separate them from the means of production but also to increase their access to them. It is for this reason that a petty bourgeoisie is sometimes characterised as an 'aspirant bourgeoisie'."\(^0\)

He further describes the social character of a petty bourgeoisie in the following manner:

"It is perhaps more accurate to say that a petty bourgeoisie contains social groups that tend to be pulled apart by the dominant relations of production, ideologically and politically, as well as economically. Because their position is dependent on the dominant classes in struggle, they are forced to express their consciousness as a class in terms borrowed from those dominant classes in struggle, and to use as its focus a continuous commentary on that struggle. Here is one reason why different members of a petty bourgeoisie can, with equal facility and at the same historical moment, occupy positions right across the political and ideological spectrum. Also because it uses forms of cultural expression borrowed freely from the dominant classes, the petty
bourgeoisie can develop a distinctive cultural identity and consciousness, bonded by its own social networks.\textsuperscript{10}

As it will be shown throughout the text, Cobley's description of the structure and role of the middle class is helpful in elucidating the position propagated in this dissertation. It also helps in analysing and understanding the political and ideological nuances of the black entrepreneurial class in its efforts to gain access to the means of production from which they were denied until the late 1980s in South Africa. However, unlike Cobley's broad discussion of the formation of the black middle class in South Africa from 1924 to 1950, this dissertation is specifically concerned with the emergence and development of a black business/capitalist class from the 1960s onwards. To maintain consistency, the dissertation will refer to the entrepreneurs who form the subject of this research as a 'business class' or 'entrepreneurial class', and later (that is, after the 1986 period onwards) as a 'capitalist class' or bourgeoisie. The terms 'middle class' or 'petty bourgeoisie' will be used in their generic meanings, especially as authors discussed in the dissertation use them.

The method of research

Several conventional methods of collecting data were used in conducting this research. In the first instance books, journals and regular periodicals were
consulted. Thereafter, official and non-official documents in the collections of the national archives in Pretoria, in the Cape Town national library, and in local university libraries, were reviewed. To trace the life stories of the early generation of black entrepreneurs, that is in 1960s and early 1970s, the dissertation relied on the research Tribute magazine had commissioned in 1988 to a Johannesburg based consulting company, and owned by Willie Ramoshaba. This study conducted through questionnaires and interviews covered 300 business people countrywide, including the former homelands. Original life stories or oral histories of one hundred most successful entrepreneurs, which Tribute called 100 Outstanding Black Achievers, were published by the magazine in September 1988. To be sure, I verified many of the life stories contained in Tribute through telephonic interviews and on-site visits to more than 50 enterprises in Soweto, Vosloorus, Kathlehong in the Gauteng Province, and in Gugulethu, Nyanga, and Langa in Cape Town. Moreover, the fact that I was born (in the mid-1960s) and lived in Soweto until 1992 in Dube Village in Soweto provided me with the opportunity to know on a first hand basis some of the businesses personalities and enterprises discussed in the dissertation. In addition, my father's (now deceased) motor mechanic workshop in Mofolo South in Soweto stood next to a filling station owned by Ephraim Tshabalala, and not very far from the enterprises owned by Richard and Merina Mabonya, two of the prominent early black business
tycoons discussed in the text. Further interviews were conducted with the 'old' and 'new' breed black entrepreneurs, and on-site visits were made to a number of enterprises ran by them in Johannesburg and Cape Town. A select number of these enterprises are discussed in the text as case studies to exemplify continuity of black entrepreneurs from the early 1970s and 1980s, as well as to demonstrate the entry of the new breed of entrepreneurs from the 1990s onwards.

Getting access to original documents of especially Nafcoc (e.g. minutes, resolutions of their congresses, etc.) proved difficult because the organisation still prefers to keep these documents out of reach of researchers. In addition, attempts to interview members of its leadership of particularly the 1970s and 1980s were unsuccessful. Repeated messages left at Nafcoc's head office in Pretoria were not returned. In Cape Town where Nafcoc has an office, the telephone is never answered, and I found the office closed when I visited the office in person. Two former members of the Western Province Chamber of Commerce (Wepcoco), an affiliate of Nafcoc, whom I talked to in Langa and Gugulethu indicated that organisation at least in Western Cape was moribund. As an alternative the history of this organisation was constructed through studying statements made by its leaders in the newspapers and through its official publication called the African Business, as well as other
publications in which original documents were reproduced verbatim.

While the dissertation contains a relatively large body of primary materials, it also relies on secondary published materials in a number of key areas. Thus, to that extent the dissertation has not aimed to uncover original historical information particularly during the first half of the 20th century. Rather it seeks to challenge a number of conventional wisdom on the emergence of a black business class by reinterpreting pre-existing information in the light of the development of this class in the latter half of the 20th century. Therefore, the argument advocated in this dissertation challenges a number of established theoretical positions propagated especially during the last three decades, and to that extent it is unapologetically revisionist. Writing the dissertation after the advent of a democratic dispensation in South Africa has, perhaps with benefit of hindsight, been easier. During the years of liberation struggle where lines of political divide were clearly drawn, I think it could not have been easy to defend the argument advanced in this dissertation.13 With all said, I hope this dissertation has maintained the essential academic objectivity and contributed new ideas and knowledge on South African studies.

Clarification of terms

Political vocabulary in South Africa can be notoriously confusing, and the use
of one term rather than another often reflects one's leanings in the historical political divide. Personally, from the time of my first political awareness, I used the term 'black' according to the meaning ascribed to it in 1971 by Steve Biko, the founder and leader of the Black Consciousness Movement. Biko, and the movement to which he belonged, defined 'blacks' as those who were "by law or tradition politically, economically and socially discriminated against as a group in the South African society and identifying themselves as a unit in the struggle towards the realisation of their aspirations." While writing this dissertation I realised, with an untimely hindsight, that this definition has, since the installation of a democratic government in 1994, been in need of revision. Another commonly used term 'African', is equally problematic, because in essence it is exclusive and controversial, particularly to an audience of readers beyond the borders of South Africa. In my view, the term 'African' should refer to persons, irrespective of their race or creed, who have, through their consciousness and behaviour showed allegiance to the geographical region of Africa.

In the absence of a suitable alternative term, I have decided to retain the use of the term 'black' for the sole purpose of maintaining clarity in the dissertation. 'Blacks' in this dissertation, therefore, refer to that segment of the South African community that was previously called 'natives', 'bantus', 'blacks', or
which are presently called 'Africans'. Where direct quotations are used in the text, I have retained the original term used, so as not to distort the mood and thinking of the time and place when such utterances were made. Where relevant, usage has also been made of the terms 'coloured' and 'Indian', which in other contexts have been included in the term 'black'.

Structure and chapter outline
The structure of this dissertation is organised around nine chapters. Chapter Two reviews the competing arguments forwarded in the literature to explain the character and conditions of the emergence of the South African black business class. It also outlines the analytical framework deployed in this dissertation to explain the development of a black entrepreneurial class. The framework draws on the insights of comparative international experiences of the development of bourgeois classes. Chapter Three provides a brief overview of the development of the political economy of South Africa from the period of the discovery of gold and diamonds in the nineteenth century until the mid-1970s, showing how the economic advancement of blacks was, through deliberate policy, suppressed by successive white governments. The chapter also demonstrates how the contradictions inherent in these policies created opportunities for the emergence of a black entrepreneurial class.
Chapter Four examines how the African National Congress (ANC) and its allied organisations – particularly the trader's associations – advanced the struggle for 'black capitalism' up until 1960. It also shows how black entrepreneurs together with their organisations articulated an ideology that was intended to advance the capitalist cause, even when black entrepreneurs faced a host of pressures from the sitting governments to keep them numerically insignificant, and at worst to destroy them. After the banning of the entire liberation movement in 1960, the struggle for 'black capitalism' was, in the main, taken up and continued by the National Federation of African Chambers of Commerce (Nafcoc). Chapter Five analyses the role and effects of this organisation, as well as that of the Foundation for African Business and Consumer Services (Fabcos), formed in the late 1980s as an alternative to Nafcoc.

The forms of capital accumulation adopted by black entrepreneurs are discussed in Chapter Six. This chapter describes the independence of their development paths, and the manner in which black businesspeople took advantage of the reforms initiated by the apartheid government from the mid-1970s onwards. Chapter Seven discusses the difficulties encountered by black entrepreneurs, and the alternative courses of action adopted to circumvent these problems. In Chapter Eight, the discussion focuses on the politics of
transition and the role that the ANC government has played in creating favourable conditions for the further advancement of the black capitalist class. The last chapter draws together the main argument running through the dissertation, and speculates on the future role of the black bourgeoisie in South Africa.

Endnotes


Southall, "African Capitalism in Contemporary South Africa", 1980. Adam,


6 Cobley, Class and Consciousness, 1990.


8 Ibid.


10 Ibid. pp.2-3.

11 In my view this project marked an important intervention in bringing the experiences of black enterprises to the public domain, which had hitherto been missing. Tribute's timely intervention was subsequently emulated by publications such as the Enterprise Magazine and Mail and Guardian's sponsored Movers and Shakers: An A-Z of South African Business People (1999). The latter sources also documented some of life stories contained in the Tribute's original survey and also added the new breed of black entrepreneurs.

12 These sources have requested that I withhold their names, because they are not comfortable with their names being mentioned on this subject. This is understandable especially given the negative publicity about corruption and infighting Naftoc has received in the news recently. In addition, they informed me that they believe that entrepreneurs who were "perceived as collaborators with the apartheid regime" are not easily accepted by the community and by
the ANC government they hope to win state awarded contracts.

13 As far as I could establish, Harold Wolpe, a staunch ANC activist and an incisive political analyst, was the first writer, and probably then the only one, who during the years of liberation struggle recognised the existence of a 'black middle class' in South Africa. (See Wolpe, H. Race, Class and the Apartheid State). His widow Anna-Marie Wolpe reliably informed me that Harold was nearly 'strangled' by his ANC and SACP comrades in exile for adopting this position.

CHAPTER TWO

Theoretical Perspectives:
A Review of Competing Arguments

The literature on the black middle class in general in South Africa during the 20th century can be divided into three categories. These categories have been, in most instances, influenced by global literature that prevailed at particular times, even though this reality has often not been properly acknowledged in the readings on South African studies. Thus, this chapter attempts, where it is appropriate, to emphasise this fact. The first body of literature that covered the development of the black 'bourgeoisie' or 'elite' during the first half of the 20th century employed, in general, the occupational approach to demonstrate the existence of class differentiation within the black population. The second collection of readings contrasted the assumptions of two main perspectives in the international literature, namely the liberal-modernisation and dependency theory. In essence these readings were divided between those who disputed and those who acknowledged, with qualifications, the existence of such a class. The last body of literature attempts to reappraise the position held by readings mentioned previously.
Early writings on the black 'elite' until the 1960s

Kuper and Brandel-Syriex can be acknowledged as the pioneers of early writings on the black 'bourgeoisie' or 'elite' in South Africa. Their studies used the 'occupation approach' which analysed the economic and social statuses of members of the black 'elite'. Before the appearance of these expositions, the seminal works of Roux and Walshe, for instance, on black nationalism during the first half of the 20th century, scarcely discussed the existence of a black business class in South Africa. Simons and Simons' book was, perhaps, an exception as it referred very briefly to the "practical and ideological" existence of this class in the 1930s.

In a book published in 1965 Kuper provided life stories of the "upper occupation strata of African society". These consisted of black "professionals, clerks, traders and teachers, and senior government and municipal clerks" he had studied in the greater Durban area in the 1950s. The objective of his study was to show that there existed class differentiation within the black community, and he defined these groups as constituting a 'bourgeoisie' (a definition he readily admits as 'pompous' to describe these groups). He showed that while black professionals enjoyed the benefits of their high statuses, within the confines of what the white governments could permit, the same could not be said about black traders. He noted that the latter group faced various
problems, which prevented them from thriving to the fullest. They were barred from competing with white traders. Their numbers and scope of growth were controlled by the governments of the day, which denied most of them trading licences. Those who were allowed to trade often lacked the necessary capital and business experience.  

Similarly, Brandel-Syrier studied the "social mobility of African communities in the Reef in the 1960s." The kernel of her research consisted of the life and career histories of 60, most socially pre-eminent, members of the 'local' or 'social elite'. These were 'high teachers and principals' (19), 'clerks' (17) 'health inspectors' (4), 'social workers' (2), 'ministers of religion' (6), 'doctors' (3) 'traders' (4), and 'sales promoter and insurance agents' (5). She defined these groups as the 'social elite' because of positions of prestige they held, and the functions of high standing they served in social situations and public events of Reeftown. Although both Kuper's and Brandel-Syrier's books were path breaking in providing empirical evidence of class differentiation in the black communities, their studies had one major weakness. In using the occupational approach, their analyses only provided stories of statuses and prestige enjoyed by members of the black 'bourgeoisie' or 'elite' in the black community. What was consequently missing was a discussion of the structural position of the black 'elite' or 'bourgeoisie' in the broader social, political, and
economic relations of South Africa.

The absence of an analysis of the growth of the black petty bourgeoisie or middle class as a historical agent was a source of the criticism, and subsequently an entry point in the writings of 'radical historians', such as Willan, Bradford, Bonner and Cumbley between the 1970s and 1990. These authors being influenced by Poulantzas's and Laclau's theories of structuralism and ideology, sought to document the dynamics of the black petty bourgeoisie from the late 1900s through to the 1950s in South Africa.\(^9\) Thus, Willan analysed the writings and political activism of Sol Plaatje, a staunch member of the ANC who was based in Kimberley in the 1900s, to demonstrate how the "black petty bourgeoisie took on, adapted and developed ideological forms, which were predominantly functional to its interests as a class".\(^10\) Bonner, building on Willan's work, analysed the structure and role of the black petty bourgeoisie in the Transvaal by working on three central premises. The first was to define "the petty bourgeoisie as a class that stands between the dominant relations of production of capitalism — that is to say, capital/labour relations — and as such is pulled in two ways." The second was to argue that the more separated the petty bourgeoisie were from the dominant relations of production, the more its objective interests became diffuse, and consequently its class instincts becoming less developed. The
result was that the resolution of the crisis it faced took place at the ideological level. The third was that the black petty bourgeoisie in South Africa's settler colonial society was a creature fundamentally different from that found in the developed capitalist world. In other words, the 'colonised' South Africa's black petty bourgeoisie was both 'stunted and repressed'; its class status was undermined in the ladder of capitalist relations.11

Bradford studied the class composition of the leadership of the Industrial Commercial Union (Union) in the 1920s. Her account was to demonstrate, like Bonner that the social status of the ICU 'black petty bourgeoisie' leadership was uncharacteristic of such as a class found in the developed capitalist countries. Her account showed that a cohesive 'black petty bourgeoisie' did not exist in 1920s, and as such, the ICU leaders of 1920s were not just members of the petty bourgeoisie, "(t)hey were also racially oppressed men and women who were often ideologists of the poor, and who generally derived from social groupings being eroded by the forces of proletarianisation."12

Finally, Cobley in his book provided the most comprehensive and detailed account, to date, of the development of the black petty bourgeoisie during the first half of the 20th century. The objective of his study was to contribute to the process of defining and reassessing the black petty bourgeoisie, following the
writings by Willan, Bonner, and Bradford. He also sought to analyse the structural position, identity and modes of expression of this class between the period 1924 and 1950.\textsuperscript{13} His work showed that the emergence of the black petty bourgeoisie started during the 19th century from the pre-industrial 'peasantised' communities associated with the efforts of European missionaries in South Africa. During the same time, this nascent intermediate class was distinctive by its adherence to Westernised Christian values, by new methods of agricultural production, by exposure to a system of education that emphasised skills of literacy and numeracy as being of use in the colonial economy. It was also characterised, in general, by its assimilation of Western cultural values learned from the missionaries and authorities of the colonial state.\textsuperscript{14}

Cobley noted that the growth of pre-industrial colonial towns provided the emergent petty bourgeoisie with a market for their agricultural produce and an outlet for their newly acquired skills and aspirations. Further, the development of industrial towns at the end of the 19th century created employment opportunities for members of this class. Subsequently, they were employed in the colonial administration as clerks, messengers, interpreters, 'police boys'; others in the service sector as teachers and clergy, while some engaged in small commerce as artisans and traders. However, despite the steady trend
towards urbanisation inspired by mining and white commercial farming, Cobley further noted that during the 1900s, through to the mid-1930s, the size of the emerging black petty bourgeoisie was negligible in proportion to the general black population. According him, in 1936 the black middle class constituted 0.9 percent (or 37,943) of the economically active black population of 4, 223, 223. The majority of the members of this class consisted of uncertificated teachers (2,277), policemen (6,711), cobbler (2,332), drivers (2,457), traders, and salesmen/shop assistants (1,950); whereas senior professionals such as doctors, senior clerks, senior teachers, editors/journalists, and leading clergymen were estimated to probably be well under a thousand.\(^6\) During this time, members of this class faced a host of economic pressures (e.g. salary cuts, unemployment and bankruptcy) which pressed them downward to positions of black 'under classes'.\(^6\)

The renewed growth of the 'black petty bourgeoisie' in the urban areas began from the mid-1930s onwards, as a result of the expansion of economic opportunities. They were subsequently employed in the service sector as teachers, clerks and nurses, while others engaged in trade and commercial activities. Furthermore, the growth of this class was propelled by the emergence of a new generation of black students who later graduated with various expertise (e.g. doctors and lawyers, etc.), and filling various categories
of professional employment. Even with the expansion of the black petty bourgeoisie, “in proportion to the rapid growth of the black industrial proletariat in towns up to 1950 the black petty bourgeoisie remained very small.”

Despite the small size of the black petty bourgeoisie, Cobley also documented how members of this class generated their cultural and nationalist awareness as a colonised people, as well as their class-consciousness to further their economic aspirations. Social networks that played a part in generating their cultural and nationalist consciousness included family ties, ethnic identities, schools, churches and peer group friendships; as well as professional associations, social clubs, cultural clubs and societies, sporting clubs, and local and extra-local political groups.

Another aspect generating the consciousness of the black petty bourgeoisie, according to Cobley, were the harsh experiences that black members of the business class encountered. These included restrictions to trade and to the acquisition of property rights in the black community. Their attempts to seek redress to these difficulties, therefore, led to black entrepreneurs formulating and articulating distinctively entrepreneurial ideologies, and in participating in community politics and in the broader black nationalist struggle throughout the 1920s and 1930s. Cobley’s account, as it will be shown later in this chapter,
will be used as a basis to construct an alternative framework for explaining the growth of the black business class, especially from the 1960s onwards. For now the discussion we turn to reviews the literature that discussed the development of the black business class during the second half of the 20th century.

**Literature on the black business from the 1960s to the 1980s**

Contrasting theoretical perspectives in the international literature generally influenced literature on South Africa's political economy during the second half of the 20th century. The first was the literature that was informed by the precepts of the liberal-modernisation perspective. Since Talcott Parsons developed the 'structural-functional analysis' framework in the 1950s, the liberal-modernisation theory went thorough changes and modifications. However, despite the modifications and changes, its central argument – that the imperatives of a capitalist economy are inherently rational – has remained unchanged. According to this view, capitalism is governed by principles of fairness, merit, and objectivity, and follows strict criteria to achieve the aims of production and profit.

In South Africa, however, the argument maintained that the universal principles of the theory were inapplicable due to the interference of an
irrational and racial political system in the functioning of the economy. The racist political system constructed illogical social relations that ignored such qualities as merit, skill and educational achievement.22 Instead, it subordinated these qualities to racial criteria in its usage of human resources; hence, black people were precluded from performing certain roles solely on the basis of the colour of their skins. In contrast, white people enjoyed privileges with regard to their choice of location to open a business, reside and work.23 The liberal-modernisation perspective, nevertheless, maintained that, when left to its own devices, the capitalist system would, through its free market mechanisms, embrace blacks in all spheres of the economy, including its control and ownership. Some of the well known expositions of the liberal-modernisation approach in South Africa were those developed by Hobart Houghton in 1964 and by Michael O'Dowd in 1966 and revised in 1982.24 Both Houghton's and O'Dowd's works were greatly influenced by a thesis developed by the American theorist, Rostow, who had suggested that economic development in a normal society followed a fairly predictable path through five stages of evolution. These were: the traditional and stagnant low per-capita stage, the transitional stage in which the preconditions for growth are laid down, the 'take-off' stage marking the beginning of the process of economic growth, the industrialisation stage and the mass production and consumption stage.25
There is not much difference between Houghton’s, and O’Dowd’s expositions in their application of Rostow model, except for their periodisation of the stages of economic development in South Africa. Houghton identified the period between 1933 and 1945, and O’Dowd singled the 1960s, as marking the 'take-off' stage according to Rostow’s model. Houghton’s periodisation of South Africa’s economic development is not widely shared. Many commentators accept the period between 1950s or early 1960s as the stage of take-off or economic boom. However, Houghton and O’Dowd differ fundamentally on how the imperatives of race relations could be accommodated within South Africa’s capitalist system. Houghton argued that if the principle of “one-man–one vote” were to be upheld it would place the whole of industrial society in jeopardy. He supported this view by citing an American economist, J.J. Splenger, who had argued in 1962 that economic development in the southern parts of Africa could only be sustained if it remained under white hegemony, than any other hegemony. Thus, Houghton accepted that granting blacks political and economic rights in their own areas (homelands) could offset the denial of similar rights in the ‘white’ areas. He then argued that the homeland of Transkei had “the greatest chances of success” because of both the geographical and population sizes.

O’Dowd’s analysis was different to Houghton’s in that it suggested that the
political and economic difficulties which blacks experienced could be solved in the context of a growing capitalist economy in the so-called white South Africa. In other words, while Houghton argued in favour of separate development, O'Dowd argued that the deracialisation of South Africa's society was possible. O'Dowd's reasoning was that, not only was racism and capitalism incompatible, but that racism in the workplace and in the wider society would be eroded by sustained economic growth. By that, he implied that the capitalist economy would open doors for the emergence of a non-racial capitalist system, as well as bringing democracy to South Africa. For instance, in 1966 he argued that:

"The change in economic atmosphere from the first to the second stage (in Rostow's schema) is clearly discernible in South Africa. Since the middle fifties there has been a rapid and increasing improvement in non-white housing, education, and health services. Unskilled and semiskilled wages have been rising rapidly, and there has been a great deal of preoccupation with ways and means of increasing productivity involving better training, stabilisation of labour and improved social services. Pension schemes for non-white employees, from being almost unknown in the early fifties, have now become quite usual."30

Writing in 1982, O'Dowd took stock of political and economic developments since his 1966 article appeared, and asserted strongly that his fundamental
thesis remained valid. He went on to predict, with confidence, that:

"There will be no revolution in South Africa and liberalisation in the sense of the diminution of racial discrimination and the reduction of racially determined or other status-based inequality will continue at an increasing rate. In fifteen years time South Africa will be significantly more free (sic) and more democratic than it is now and there will be far greater approximation to equality of opportunity."\textsuperscript{31}

Contrary to O'Dowd's argument, however, other proponents of the liberal-modernisation approach conceded that racism had underpinned the development of South Africa's modern economy. They argued that while racism was not widely approved of by white capitalists, it nonetheless played a great part in the development of South Africa's capitalist economy. For instance, in 1986, Lipton asserted that white capitalists in South Africa were never:

"Unanimously or wholeheartedly in favour of apartheid, nor necessarily one hundred percent opposed to apartheid (some are strongly opposed to economic, but ambivalent about political, apartheid. But the trend is towards increasing opposition and it has been increasing." (italics are from the original text).\textsuperscript{32}

Another advocate of the liberal-modernisation perspective, Adam, noted that
white capitalists who were the most vocal advocates of an unfettered free enterprise system openly supported greater restrictions on potential black competition, and favoured racial priorities in career advancement and job security. Adam also perceived racism as detrimental to the functioning of capitalism. He further suggested that, because "the white monopoly is so entrenched, it can afford to be liberal" in order save the future of capitalism in South Africa. Protecting the future of capitalism, in Adam's view, entailed the dismantling of all legal racial categorisation, thus enabling the black entrepreneur class to penetrate the economic mainstream, and whites to share real political power with blacks.

With the gradual growth of a black business class over the past four decades of the 20th century, the basic argument of the liberal-modernisation theory would appear, on the face of it, to have been correct. Hence, O'Dowd in his recent book celebrated a local instance of the global victory of neo-liberalism espoused by Fukuyama in his End of History thesis. Fukuyama argues that the logic of capitalist economics led, among other things, to the collapse of tyrannies on both the left and right of the political spectrum. However, the liberal-modernisation theory, at least in the context of the present discussion, cannot claim to have correctly predicted the events of the past decade. For, this theory provided an essentially linear and economically reductionist view of
how blacks could participate in the economy without hindrances. In other words, the theory suggested that the natural functions of a capitalist economy, when uninhibited, would on their own produce the desired conditions for the emergence of a black entrepreneur class. Rostow made the same observation in the context of the British model he studied. However, the development of the black business class in South Africa took place through historical circumstances that are substantially different from those anticipated by the liberal-modernisation theory. These circumstances will be discussed later.

In contrast to the liberal-modernisation analysis was a body of literature, which in the 1970s and 1980s was dismissive of the existence or even the possible emergence of a viable black capitalist class in South Africa. This literature was influenced by the dependency theory popularised by Frank and others in the context of Latin America, and adapted to the conditions of the African continent by Fanon and Amin, amongst others.36 The central thesis of the dependency perspective was that peripheral or dependent economies were structurally tied to the advanced economies through the export of raw materials and the import and production of luxuries. Thus, according to this theory, the centre exploited the periphery as a bloc, and, for as long as the linkage between the metropole and peripheral countries lasted, the latter stood no chance of independent accumulation. The alternative was for the
countries of the periphery to cut ties with the metropole economies.

In South Africa, dependency theory was applied in analysing the prospects for the development of a black entrepreneurial class in homeland regions such as the Transkei. Although the origins of the homeland system extended back to 1913 and earlier, formal attempts to create nominally autonomous homelands began with the promulgation of the Bantu Administration Act of 1951. The plans of the National Party government, which came to power in 1948, were to provide blacks, according to their ethnic affiliations, with platforms where their economic and political ambitions could be realised. The formation of 'independent' homelands – the first established in 1976 in what was called the Transkei – led social scientists to analyse the political significance of the homeland system. For instance, Innes and O'Meara, using the Transkei homeland as their unit of analysis, doubted that the basis for accumulation and the emergence of a black business class existed in that region. They argued that the development of productive forces in Transkei required massive investment, which was available only from capital in so-called white South Africa, and from the apartheid state as its agent. Thus, they concluded that:

"For such a class to emerge in the region would rest on a total collapse of links with South African and imperialist capital, and more particularly the full internal development of the region's labour resources. In fact,
the reverse is the case: dependence on the South African state and capital has increased, whilst the Transkei's labour resources continue to be drained from the region."

Southall, too, argued that the bantustan system sought to "create a collaborative petty bourgeoisie within each of the homelands." Accordingly, this class "would co-operate with the white ruling class in the repression and control of the migrant proletariat which continually (oscillated) between the white core and the ethnicised peripheries." Southall's subsequent research on the progress of black capitalism in the urban areas of 'white' South Africa, argued in 1980, that its development constituted an aspect of the changing apartheid strategy. His conclusion was that "the conditions of the very existence of this class were predicated upon it adopting a co-operative and conciliatory role vis-à-vis the white ruling class." In 1982, in an influential book called Changing South Africa, Nolutshungu shared this view. While recognising the apartheid government's attempts to create a black business class, he argued that the 'reforms' were intended to contribute towards the development of this class only to the extent that this ensured an effective means of controlling it. As he stated:

"In this regard, it is important to emphasise that the point of the argument is not quantitative but qualitative. It is not that very little is being spent on black embourgeoisement, (the sums could, conceivably,
be substantially increased), or that this class is small relative to white capital. The crucial issues are autonomy and the politics of accumulation: the relations that are being forged, the interests that have priority, and the political reasoning which prevails, are more consistent with a strategy of counter-insurgency rather than reform — with containment rather than transformation, *encadrement* rather than *embourgeoisement.*”\(^{42}\) (Italics and parenthesis are in the original text).

A few years later, Nzimande reaffirmed Nolutshungu’s argument when he stated that:

“... (The) state’s relationship with white monopoly capital and the African traders is specifically shaped by the fact that, historically, this group has been a suppressed petty bourgeoisie... Therefore, (this class) is being sponsored as a subordinate partner of white monopoly capital and the apartheid state to reproduce conditions of white domination. These relations continue to limit the capacity of this group to reproduce itself as a petty bourgeoisie, let alone as a capitalist class.”\(^{43}\)

In the international realm, the shortcomings and strengths of the dependency theory were discussed at length, especially in the debate that appeared in the pages of *The Review of African Political Economy* in the late 1970s, and in other publications of the time.\(^{44}\) The deficiencies identified by its critics were also applicable in the case of South Africa. Leys’ comment, for example —
albeit in a Kenyan context – that the dependency theorists did not grasp and appreciate the historical processes of capital accumulation and class formation, was equally relevant to the South African setting. The dependency theorists' explanations, he maintained, started and finished with appearances as they presented themselves at more or less fixed points in time.⁴⁵

In the South African context, the dependency theorists explained the rise of the black business class as largely a product of the apartheid government's reform strategies, whose fundamental intentions were to create the basis for the retention of white political and economic domination. Hence, the dependency theorists did not attempt to analyse the development of a black business class as anything more than a product of the policies of successive white governments. For the dependency theorists, the emergence of a black entrepreneurial class – where they acknowledged its existence – could be explained only in terms of the action of the white-controlled state.⁴⁶ Thus, the South African dependency theorists, as Kitching observed in the context of Kenya, provided a "largely one-dimensional story of marginalization, impoverishment, and subordination (of the black business class) to settler-capitalism."⁴⁷ However, as this dissertation will show, the black entrepreneurial class began its path of development from the second decade of the twentieth century, despite its numerical insignificance and slow progression. From the
1960s onwards, its notable increase in size was due, partly to structural factors, partly to its resistance against restrictive apartheid policies and subsequently benefiting from the limited reforms introduced by the apartheid government. The advancement of the black business class, as will be seen, accelerated after the formation of the democratically elected government in 1994.

*Writings on the black business class in the 1990s*

Scholars who analysed the development of a black business class in the 1990s have in the main claimed that this class emerged principally as a result of the dynamics of the transition politics that began in early 1990s and beyond. One such writer is Randall who in 1996 argued that the emergence of a black business class was primarily due the undertakings of white capitalists who were seeking black partners, ostensibly to legitimise the control and ownership of the economy during the period of political transition in the early 1990s. According to him, the profile of the black capitalist class at that time consisted of “directors and executives who have been recruited on the basis of such criteria as their ‘knowledge of the black community’”. Some, he states further, have been brought into joint ventures with white companies because of what might be termed their ‘political capital’, i.e. the exploitation of their race or manipulation of their influence and contacts to secure business that now
carries a black empowerment proviso". He also argued that in the profile of the black capitalists in the 1990s does include the 'old' generation (i.e. those who collaborated with the apartheid regime). To support his argument he identified five different types of black capitalists, which he constructed according to their origins and points of entry into the mainstream economy. The first group is that of "activist capitalists" who possessed so-called 'political understanding in the community". The second is that of "educated exiles" who are well educated and with backgrounds in business. The third is that of "corporate sophisticated" who in the 1980s entered into white corporate structures in both multinational and big South African companies. The fourth is a category of "consultants of change" which referred to a number of black marketing and management consultants who emerged in the 1980s to help white businesses reform their corporate image and reshape their recruitment policies. The final group is that of "conference circuit champions", and that is, the office-bearers of black business organisations – notably Nafcoc, Fabcos, and BMF – who established contacts with white companies eager to speak with those blacks that propounded black economic empowerment.

Randall's account is incomplete in two respects. In the first instance appears to treat contemporary black capitalists as only a direct product of the white corporate sector, in its attempt to legitimise capitalism in South Africa. In doing
so, he downplays the history of black entrepreneurs in struggling to win concessions in order to enter the mainstream of South Africa's economy. This is evident in his background discussion on the "emerging black capitalists" before the 1990s, which relies solely on a dissertation by Sarakinsky, which discussed the development of the business class between 1970 and 1985. In his dissertation Sarakinsky argues, correctly, that until 1985, black entrepreneurs were barred from forming partnerships, either with other blacks or with members of other race groups, from owning business properties, and had difficulties in accessing loans from financial institutions. Thus, very significantly Randall's account appears to overlook the important reforms that the apartheid government introduced in 1986, a year after the cut-off point of Sarakinsky's research. The significance of 1986 reforms was in that they allowed some members of a black business class who emerged in the 1960s, 1970s and 1980s to break into the mainstream economy. The establishments, for example, of the New Africa Investments Limited (Nail) under Motlana, and the National Sorghum Beer (NSB) under Mohanyele, were the direct results of these reforms. The case studies discussed in Chapter Eight further amplify this point.

The second shortcoming in Randall's analysis is the claim that black entrepreneurs who participated in apartheid structures such as the Urban
Bantu Councils are nowhere to be found in the present list of black capitalists. In fact, it is ironic that Randall does not acknowledge that many black entrepreneurs who members of Nafcoc had in different ways collaborated with the apartheid government. More accurately, the profile of the present black businesspeople is mixed, involving their various cohorts, which Randall's categories acknowledges. These included, as it will be shown later, some of the managers/professionals who were previously employed in white companies, ANC members/supporters who were either previously imprisoned, or had returned from exile, or were internally based, as well as Nafcoc, and homeland based entrepreneurs. What appears to distinguish the former prisoners, exiles and internally based ANC members from the so-called old collaborationist generation of black entrepreneurs was that the former have the so-called “correct political credentials”, as ANC members/supporters. As a result they received prominent media attention ostensibly because their enthusiastic participation in the capitalist economy went against the apartheid government propaganda campaign that claimed the ANC was inspired by communism and as such had agitated for a communist dispensation. Moreover, the ANC government actions has helped many aspirant black capitalists to operate openly and uninhibitedly, a development that contrasts with the revolutionary years of the 1980s in which members of the black business class carried the stigma of ‘traitors’. 
Bond is another writer who identified the 1990s as the period that marked the growth of a black business class in South Africa. He attributes the development of this class to the realisation by "white business elites and Afrikanerdom's 'verligte' (enlightened) ruling faction" that South Africa's capitalist formation needed to "deracialise in order to restore the conditions for capital accumulation in a rapidly globalising financial and commercial environment." Bond, like Randall, seeks to show there was a major break between black entrepreneurs of the 1980s from those of the 1990s. According to him, entrepreneurs of the 1980s largely consisted of taxi and spaza shops (or micro-enterprises) operators, which contrasted with the entrepreneurs of the 1990s who had accented to the major heights of the presently industrial economy. He noted, correctly that these had by the end of the late 1980s had reached a dead-end resulting especially in the taxi industry to "destructive effects (such as death and fights over prime routes) on all aspects of life in inner cities, townships and rural areas". However, Bond's account is selective by singling spaza shop and taxi operators as the main areas of black entrepreneur activity. As it will be shown in the following chapters, the activities of black entrepreneurs were diverse, obviously within the limits stipulated by the apartheid government. While there were evident failures and saturation in some of the business areas like in the taxi and informal sector
industries, there were also successful black entrepreneurs who emerged from the 1970s through to the 1980s, who are still active in business presently.

Other commentators who have discussed the rise of the black business class in the 1990s, have unlike Randall and Bond, claimed that the rise of this class was a result of the installation of the democratic government in 1994. Turok, a former academic and now an ANC Member of Parliament, asserts that this class has, since 1994 "taken off at an amazing speed". He attributes its emergence to the actions of the ANC government, which awarded state contracts to black owned small and medium enterprises.68 Supporting Turok's view was Haffejee, a journalist, who argued that there has been an explosive upsurge of the black capitalists since 1994. According to her, the rise of the black capitalist class went faster than the previous rise of the Afrikaner bourgeoisie which "took ten times longer to achieve the level of listed corporate ownership (at the Johannesburg Stock Exchange)."69 As it will be discussed in the following chapters, the assertions by these authors are misleading, because they neglect to take into account the history of the development of the black business class in South Africa. Like Willan noted in 1977, these commentators have treated this class as something of a historical vacuum.60 Though the seeds of the black business class were planted in the 1920s, this class really took-off prominently and significantly from the 1960s...
onwards.

An alternative explanatory framework

In view of the shortcomings of the literature discussed above, this dissertation attempts to provide an alternative explanation for understanding the development of a black business class. In doing so, the dissertation draws insights from literature from elsewhere in Africa, particularly the works of Beckman on the Nigerian 'national' bourgeoisie, as well as that of Swainson, Leys, and Himbara on the 'black' and 'Asian' segments of the Kenyan bourgeoisie. It also draws on the work of Cobley during the first half of the 20th century. The merits of the former writings were in their methodology, which, in general, was influenced by the writings of Karl Marx. In the context of his time, Marx sought to explain why capitalism first became established at a specific conjuncture (that is, during the 18th century in Britain, as opposed to, say, the 19th century in the Netherlands). Marx's analysis paid attention to key moments or factors, which to borrow Leys' phrase, "happened then and there, and not at some other time or place". Similarly, studies in Nigeria and Kenya identified peculiar moments and processes in explaining the development of capitalist classes in these countries.

In the Kenyan context, Swainson in a critique of Leys' book,
Underdevelopment in Kenya of 1975, argued in 1977 that the African capitalist class was not a creation of the post-colonial state. Rather, it had its origins as traders in the 1920s and 1930s, and these traders were able to consolidate themselves as a capitalist class after independence, with the help of the state. She argued that 'African traders' in the 1920s emerged on the basis of new forms of commodity production founded on the direct employment of wage labour. Their impetus to expand through land acquisition was, nonetheless, checked by limits imposed by settler capitalism in colonial Kenya. However, the political eclipse of the settlers and the victory of the national movement in the later 1950s lifted the fetters on their expansion. Thus, from 1963, according to her, the embryonic national bourgeoisie in Kenya was able to extend the basis of its accumulation assisted by the powers of the state.64

Similarly, in his revised exposition of the national bourgeoisie in Kenya, Leys detected three factors that, according to him, led to the development of the local bourgeoisie.65 The first factor was the evolution, before colonial rule, of a capital-accumulating class among the Kikuyu people of the Central Province. This class, which survived colonial rule, subsequently succeeded in occupying one sector of the modern Kenyan economy after another, and dominated Kenyan politics from independence in 1964 onwards. The second factor identified was the ascension of the nationalist movement to state power. Upon
coming to power, the nationalists used legislative and administrative action to facilitate the advancement of the local bourgeoisie. The result was the penetration of the 'national' bourgeoisie into the agricultural, trade, tourism and manufacturing sectors, amongst others. The third factor that Leys noted, was an increase in the social integration and cohesion of members of the 'local' bourgeoisie, signalling the emergence of class awareness and class interests. This process also involved an awareness of the legal and international requirements, for example the rule of law and respect of property rights, necessary for the consolidation and defence of its interests. It also entailed an emerging criticism by members of this class of the arbitrary and greedy behaviour that some leading members of the Kenyan regime had indulged in, many years after independence, in that their actions were seen as threatening their broader class interests.

In an approach similar to Leys', Beckman's research noted three key processes in the development of the Nigerian bourgeoisie. Firstly, he claims that the 'local' bourgeoisie in Nigeria developed through the sale of primary commodities in the world market in the post-independence period, that is after 1960. Secondly, it managed to create domestic markets for both agriculture and the manufacturing industry, sparked off and partly sustained by production for the world market, but also developed through its own momentum. Thirdly,
like Leys, Beckman argues that the state played an important role in the development of the ‘local’ Nigerian bourgeoisie. The novelty of the methodology employed by these authors is in identifying particular conjunctures that accounted for the growth of a capitalist class. That is, by showing the progressive developments of the capitalist classes they were studying, even during the periods when they were suppressed by colonial powers. Conjunctures peculiar to South Africa were, as it will be showed later, also discernible in the progressive development of the black business class.

Himbara’s work introduced a refreshingly different angle in examining the expansion of the Kenyan bourgeoisie, an angle that would have implications for similar studies in other parts of the African continent. He focused on the so-called ‘Asian’ bourgeoisie in Kenya, and noted that it emerged from merchant activities largely conducted in the coastal areas, and that these activities resulted in the creation and control of an internal market. In contrast to Leys’, and Beckman’s findings, the development of the ‘Asian bourgeoisie’ in Kenya, according to Himbara, was not seen to depend on the assistance of the state, during the colonial and post-colonial periods. Himbara argues that the members of this emergent class relied on creative initiatives such as networking and trade acumen. This perspective on the role of the state in nurturing social classes is relevant to the South African context, given the fact
that the white-controlled state was intolerant of the development of a viable black business class. The conclusion that can be drawn from Himbara's work is that the control of the state, although desirable, may not be the sole prerequisite for the development of a business class, as Beckman and Leys have claimed. As it will be shown later, black entrepreneurs did not wait for the state to take the initiative in fostering their development, but they were actively engaged with the state in demanding certain reforms necessary for their development.

Cobley's account on the formation of the entrepreneur class in South Africa during the first half of the 20th century is useful not only in showing signs of the development of an incipient business class. As he convincingly illustrated, until the 1950s the black business class was subjected to various forms of controls to keep it small, if not to destroy it. However, as he also demonstrated, members of this class took part in black nationalist organisations, particularly the ANC, and also created their own traders associations in order to articulate a distinctive entrepreneurial ideology to keep the spirit of black entrepreneurship alive. The traders' associations created in the 1920s and beyond were to become the seedbed for the formation of the potent black chamber of commerce in the 1960s, known National Federation of African Chambers of Commerce (Nafccoc).
The literature referred to above is, therefore, important for the methodological insights it provided in shaping the thoughts expressed in this dissertation. To emphasise, the dissertation does not seek to import the processes leading the development of the capitalist classes in these African countries, rather it seeks to use the lessons learned in order to understand and explain the peculiar circumstances of the growth of a business class in South Africa. So, against this methodological schooling, several historical factors that have influenced the emergence of a black business class in South Africa could be discerned. These include, firstly, the contradictions in the policies of white governments. Secondly, the effects of the black nationalist organisations, together with the allied black traders associations. Thirdly, the increased urbanisation of black people, and its consequences, despite the influx control laws. Fourthly, the outcomes of the reforms of the apartheid government that were also supported by the white local and foreign business sectors. The final process was the role of the ANC government in using the machinery of state to assist the further development of a black capitalist class.

The dissertation argues that these seemingly disparate factors combined to account for the emergence and growth of a coherent black business class in South Africa in the latter part of the 20th century. Further, these factors were
influential, in different ways, through much of the 20th century although their impact was felt most strongly at particular conjunctures. In that respect, the historical development of the black business class may be divided into four distinct periods, which have been omitted by other authors writing on the same subject. The first period is that between 1910 and 1959, the second period ran from 1960 to 1974, the third period is from 1975 to 1993, and the fourth period started in 1994 to the present time.

The first period, 1910-1959, was characterised by the deliberate attempts of successive white governments to suppress, if not to destroy, the black entrepreneur class in so-called white South Africa through a battery of repressive legislation. The intentions of white governments were, however, frustrated by a variety of factors to be discussed in detail later. One of these determining factors was evident in the contradictions inherent in the policy of racial segregation that was officially implemented after the promulgation in 1923 of the Natives (Urban Areas) Act. This policy prevented, among other things, shop-owners of a particular racial group from trading in an area to which they did not belong. This also implied that, unless black shop-owners were granted trading rights in their own residential areas, the black population would be left without services to cater for many of their basic needs, such as food, clothing and transportation. Conversely, a failure to grant such rights
could have opened the way for unregulated and "illegal" trading over which the state would not have complete control. Thus, to get around this problem, the Native (Urban Areas) Act of 1923, as will be shown in the next chapter, carried provisions that permitted limited trading in the black residential areas by black entrepreneurs. This practice was continued in succeeding decades of the 20th century, interspersed with limited reforms, until the system of white domination was legally terminated in the 1990s. By permitting black traders to engage in limited trading activities in urban areas, the policy of racial segregation created opportunities for the emergence and growth of a black entrepreneurial class.

Another factor was the rise of a black nationalist awareness in the early years of the 20th century. Consistent with the practice of nationalist movements in other parts of the world,69 it was primarily the intellectuals and incipient members of a business class that led the black South African nationalist movement. Smith has shown that in many parts of Asia and Africa, especially in India and West Africa, nationalist ideals were initially confined to a small circle of intellectuals, students and professionals. By and large, the political education of these groups was based upon the liberal-democratic and Christian principles professed, at least in theory, by their imperial masters. Nationalism in these contexts lacked the deep cultural content and popular appeal, which it later acquired in the years leading to independence.70
From the turn of the 20th century, the rise of the black nationalist movement in South Africa followed more or less the same lines described by Smith. Deeply affecting black intellectuals and other segments of the emerging middle class, as will be discussed later, was their exclusion from both the political and the economic life of the country. In 1912, a group, that was distinctively middle class in character, formed the African National Congress (ANC) to fight against the erosion of their class status and their consignment to the ranks of the poor and marginalised.71 The ANC, like its counterparts in India and West Africa, initially adopted the ideas of liberal democracy as well as the Christian principles professed, in theory, by the colonial rulers. Writing ahead of the formation of the ANC, for which he strongly advocated, Pixley ka Isaka Seme noted in October 1911 that:

“There is today among all races and men (sic) a general desire for progress; and for co-operation, because co-operation will facilitate and secure progress. This spirit is due no doubt to the great triumph of Christianity, which teaches men (sic) everywhere that in this world they have a common duty to perform both towards God and towards one another. It is natural, therefore, that there should arise even within and among us this striving, this self-conscious movement, and sighing for Union. We are the last among all nations of the earth to discover the priceless jewels of co-operation, and for this reason the great gifts of civilisation are least known among us today.”72
However, for a variety of reasons which will be discussed later, and for the fact that its actions were characteristic of most of nationalist movements elsewhere, the ANC later embraced the aspirations of black people across class barriers.

A further determining factor was the failure of the apartheid government to restrict black people, including the emerging black business class, to the homelands. After the promulgation of the Bantu Authorities Act in 1951, and the subsequent passing of the Promotion of Bantu Self-Government Act in 1959, the National Party government had hoped to make the concept of viable homelands a reality. While the former law dealt with the administrative structures of governance of the homelands, the latter law provided a framework for the limited transfer of power to 'independent' homelands. In 1959, the National Party government, as will be shown in the next chapter, also created the Bantu Industrial Corporation (BIC), which was intended to foster the development of black entrepreneurs in the homelands. However, its results were, as it will be shown in the follow chapter, not impressive.

This second period, 1960-1974, was distinguished by the increasing urbanisation of black people, despite the attempts of the apartheid
government to restrict this process. According to estimates by Maylam, and Simkins, in 1936 1,2 million blacks were living in the towns and cities, rising to about 2,2 million in 1951, to 4.4 million 1970, and to 5,6 million in 1980. The 1936 figure represented 19 per cent of the total black population of South Africa, and the 1951 figure 27,9 percent, while by 1970 almost one third of the black population was living in an urban area. Significantly, from the 1960s onwards many of the black immigrants qualified for urban residence in terms of Sections 10 (1)(a), (b) and (c) of the pass regulations. Blacks qualified for these rights if they were born in the urban areas, worked continuously with an employer for 10 years or more, or were married to a man (sic) and born to parents with 'urbanised' rights.

The pass law rights also qualified blacks to operate businesses in the urban areas, as stipulated by the Native (Urban Areas) Consolidation Act of 1945. This provision had not been reflected in the 1923 Native (Urban Areas) Act. Thus, the urbanisation of blacks also witnessed the marked expansion of black entrepreneurism. In 1936, officially there were 1 638 black entrepreneurs in the urban areas, and by 1964 their numbers had increased to 12 426, and had nearly trebled to 30 000 a decade later. The growth of black entrepreneurs in the urban areas corresponded with the formation in the 1960s of a viable black business organisation called the National Federation of
African Chambers of Commerce (Nafcoc). This organisation became the main vehicle for articulating the needs and aspirations of black entrepreneurs for more than two decades after its formation. Its establishment also marked a growing sense of class identity amongst black business people. The 1960s, therefore, marked the real “take-off” of the aspirant black capitalist class.

The main features of the third period, 1975-1993, included the official recognition and the initiation of reforms intended to allow for further expansion of the urban-based black business class. A host of structural and popular pressures, which confronted the apartheid government in the 1970s and 1980s, necessitated the introduction of these reforms. That the “narrow strictures of apartheid policy could no longer provide the social basis for political stability and sustain further (economic) accumulation” was at the core of these pressures, which the apartheid state could not totally control.\(^{30}\)

In response, the apartheid government initiated a series of ‘reforms from above’, which became known as the Total Strategy doctrine. These ranged from labour and educational reforms to, first, the partial, and eventually by the end of the 1980s, the total removal of formal restraints affecting the black entrepreneur class. This third period was also characterised by the fundamental changes that took place in the political and economic spheres,
with the advent of the 'liberalisation' of the society, for example the unbanning of black political parties and lifting of other racially-based restrictions, after 1990. In anticipating the fundamental political changes that the negotiations between the white government and the ANC would produce, leaders of the white business establishment initiated a parallel process of engagement aimed at integrating blacks into the mainstream of the economy. They did this by selling some of their assets a process called 'unbundling', to aspirant black shareholders, suggesting a carefully thought-out decision to legitimise the ownership of the economy. Although its effectiveness has been questioned, evident in the terms used, for example "tools of the old establishment", "a danger", "a sham", etc., the process did create a social and economic milieu, which further accelerate the development of a black capitalist class.\(^\text{51}\)

Consistent with the character of many nationalist movements, the ANC upon coming into power in 1994 to date, the last stage of the periods identified here, used its influences over the legal and administrative processes to award some state contracts to black-controlled small, medium and macro-enterprises.\(^\text{52}\) The growth of a black bourgeoisie is unquestionably of central importance to the governing party in that it will provide legitimacy to the free market system and the framework of liberal democracy adopted by the ANC. As President Thabo Mbeki asserted:
"... The ANC must remain what it has been for many decades; a movement for the elimination of the legacy of the system of racism, in the interest of all South Africans, whatever their race or colour, or class or gender. A critical part of that project, is to realise the prescription in our constitution to create a non-racial society, and that is the deracialisation of the ownership of productive forces in our country."\textsuperscript{103}

There is no doubt that the ANC supports the development of the black business class. The question that remains is the manner and extent to which the ANC will facilitate the continued development of a black capitalist class. This and the other factors described represent the major themes of this research.

This chapter discussed the competing arguments found in the literature on the black entrepreneurial class in South Africa. After pointing out the shortcomings of the different perspectives found in the literature, an alternative framework for analysing the growth of the South African black entrepreneurial class was proposed. The themes that it highlights are crucial to the discussions in subsequent chapters. The next chapter begins with an historical overview of the politics leading to the suppression of the incipient black business class.
Endnotes


6 Ibid. p.xiv.


8 Ibid. p.xxix.


15 Ibid. 43.

16 Ibid. pp.66-69.


18 Ibid. pp.69-91.

19 Ibid. Chapter 4.

20 Ibid.


23 See for example the genesis and application of white racial prejudice at the work places in Hommel, M. Capricorn Blues: The Struggle for Human Rights in South Africa (Toronto: Culturama Incorporated, 1981,) Chapter One.


38 Ibid.


40 Ibid.


47 Kitching, "Politics, Method, and Evidence in the 'Kenyan Debate'", in Bernstein and Campbell, (Ed.), Contradictions of Accumulation in Africa:

50 Ibid. pp.666-669.
51 Ibid.


54 Other examples of so-called collaborationist entrepreneurs include, Tom Boya, a businessman during the apartheid times and former councillor and mayor in the East Rand, presently owns Firechem Northern Province, a company that manufactures and supplies cleaning products. Oscar Dhlomo, also a businessman since the 1970s and a former secretary of Inkatha and cabinet member of the KwaZulu homeland government, presently is chair of Dynamo Investments Limited. Enterprise 200, 1997, pp.40 and 80. It is also important to point out that some of the members of so-called "old generation" of the black business class have since moved to other careers, for example Sam Motsepe is now South Africa's Ambassador to Saudi Arabia. Others have since retired such as Peggy Headbush in Port Elizabeth, or have died such as Ephraim Tshabalala and Merina Maponya of Soweto.

55 For an illuminating analysis of the revolutionary fervour of the in 1980s, see Bundy, C. "Around Which Corner? Revolutionary Theory and Contemporary

58 Bond, P. “The Rise and Fall of Black Economic Empowerment in South Africa”, 2000, p.1. I am grateful to Professor Bond for availing this paper to me, which is now included as a chapter in his new book called Elite Transitions (Pluto Press, 2000).

57 Ibid. p.2.


65 Leys, The Rise and Fall of Development Theory, 1996, p.144. Leys’ work on this subject was originally based on the precepts of the dependency theory as his 1975 book attested. He, however, changed his position, following the critique of Swainson among others, in an article entitled, “Capital
Accumulation, Class Formation and Dependency: The Significance of the Kenyan Case", *Socialist Register*, 1978. The latter article provoked what became known as the 'Kenya Debate' between the dependency theorists and their Marxist critics.


57 His work laid open a glaring shortcoming in the literature on East African capitalism. He argued that by focussing on 'African' capitalists the literature generally failed to grasp the principal roles of the homegrown capitalists of Indian descent. Like their 'African' counterparts, the 'Asian' capitalists are indigenous and African in the sense that the duration of their presence in East Africa spans several generations, and their commercial and industrial activities were formed within East Africa. See Himbara, *Kenyan Capitalists, the State, and Development*, 1995, p.8.


60 *Ibid*. p. 12

61 Although the ANC was to become the main vehicle of the black nationalist movement, a host of other black organisations had existed from the late 19th and the early years of the 20th century. Origins of these organisations are neatly catalogued in Odendaal, A. *Vukani Bantu! The Beginnings of Black Protest in South Africa in 1912* (Cape Town David Philip, 1984), Chapter Three.

62 Ka Isaka Seme, P., "Native Union", in *Imvo Zabantsundu*, reproduced in


Ibid.

*Sixth Census of the Population of the Union of South Africa, Volume 5, Part IV, 15 May 1936*, p.80


65
In other African countries where the middle classes were very small, the incumbent nationalist movement, upon assumption of the control of state apparatuses, resorted to legal and administrative methods to advance the progress of their middle class. For example, the Swapo ruling party in Namibia appointed some members of this class as heads of important economic institutions such as the heads of banks. (Tapscott, C. “War, Peace and Social Classes”, in Leys, C. and Saul, J.S. Namibia’s Liberation Struggle: The Two-Edged Sword, (London and Athens: James Currey and Ohio University Press, 1995), p.163).

CHAPTER THREE

The Policies of Control and the Origins of a Business Class in South Africa

This chapter discusses the evolution of the policies of successive white governments' policy towards the development of the black business class. It shows that these governments were generally intolerant of, and actively sought to prevent a free growth of this class in the urban areas. Before going into detail, the chapter begins with a synoptic account of the colonial conquest, which became the basis for the legislated exclusion of black people from the political and economic processes after the formation of the Union of South Africa in 1910.

A background account of colonial conquest

The colonial conquest of the territory now called South Africa started on 6 April in 1652, when the representatives of the Dutch East India Company landed at the Cape and established a fort on the shores of Table Bay. Upon their arrival and over a period of time thereafter, the Dutch encountered a number of indigenous communities. These included the Khoikhoi, Khoisan hunters-gatherers and pastoralists in the western and northern Cape, while the Iron Age cultivators and Bantu-speaking people were dispersed in the regions of Natal, Zululand, the Transvaal and the eastern Cape.¹ The initial intention of
the Dutch was to utilise the shores of the Cape as an outpost for replenishing their ships, which were travelling between the East Indies and Europe. In time, however, the agricultural resources of the Cape, from which they started businesses that included grain production and wine cultivation, also attracted them. The successes of their farming enterprises attracted further immigrants from the Netherlands and elsewhere in Europe, hence significantly increasing the white settler population during the 18th century. For example, the white settler population had increased from 259 in 1679 to 10,500 by 1780. Some of these immigrants settled around the fort of Table Bay and near the harbour of Cape Town, while others moved into the interior of what was to be known as the Cape Colony.

In the ensuing years, Dutch settlers progressively encroached on grazing lands of the Khoikhoi herders and the Xhosa-speaking people. Despite their attempts to resist the occupation of their territory, the might of the indigenous people often could not match the military strength of the invading colonialists. In the 1670s, for example, the Khoikhoi of the Cape Peninsula and its hinterland were defeated in a series of wars by the Dutch. This resulted in the Khoikhoi losing most of their cattle, while some of them were forced into captive labour, alongside slaves imported from elsewhere in the African continent and East Indies. From this time onwards, black people progressively lost their economic independence and were increasingly subordinated to the colonial elite.
The Dutch were not the only colonialists to occupy the territory of the present South Africa. In 1795 the British had also landed on the Cape Colony and took control over its administration. Although the Dutch — then constituted as the Batavian Republic — regained the Cape under the terms of the Treaty of Amiens in 1803, they were ousted again in 1806.† Apart from the abolition of slavery in 1838, the British colonial administration, like its predecessor, had scant respect for the economic wellbeing and development of the indigenous population. Thompson has recorded that, step by step, the British administration tried to carry out its “blueprint” of subordination of the black population. As he aptly stated:

"In 1811 and 1812, in a campaign that set the precedent for the piecemeal conquest of all the farming people of Southern Africa, British regular troops, assisted by colonial commandos and Khoikhoi units, ruthlessly expelled the Xhosa inhabitants from their land to the Fish River, burning crops and villages and making off with thousands of head of cattle."

The interests of the British in the Cape evolved and changed over time. Initially, as had been the case for the Dutch, the colony was significant as a stepping-stone to Asia, where the English East India Company was conducting profitable trade, especially in India. Later the Cape became important for its vineyards, from which wine was exported to the British market,
and for the exportation of elephant ivory and animal hides acquired from indigenous hunters and traders. Thus, as both a staging post for the east and as source of raw material, the colonial administration sought, from 1820 onwards, to incorporate the Cape into the empire of industrialising Britain. It therefore introduced policies that made it easy for European immigrants who were interested in commercial farming to access loan and credit facilities.⁷

Of the changes introduced by the British colonial administration, the Dutch settlers were particularly opposed to the banning of slavery, their chief method of labour control as well as their source of labour. As result of this, as historians appear to agree, substantial numbers of Dutch farmers, who by then had an emerging identity, and a new language called Afrikaans, decided to leave the Cape for the interior, an exodus known as the Great Trek, which took place between 1836 and 1854.⁸ Their exodus resulted to the establishment of the independent republics of the Orange Free State and Transvaal.⁹ The independence of these republics, however, came to an end some 40 years later following their defeat by the British during Anglo-Boer War (now called the South African War) of 1899-1902.

According to Etherington, two factors motivated the British in their ambitions to seize control of the Afrikaner republics. They wished to gain control of the rich diamond pipes discovered in Kimberley in 1867 and the gold deposits on the Witwatersrand (Transvaal) in 1880. The former was originally located in the
territory of Griqualand West, which was claimed by the Orange Free State, but was subsequently proclaimed a British crown colony in 1871 and was annexed to the Cape in 1880. The British also sought to establish a confederation of South African territories under a single British sovereignty. To a great extent, these objectives were realised after the British emerged victorious in the war of 1899-1902. After this victory, the Afrikaners and English reached a political settlement that established the Union of South Africa in 1910. The Union brought together the two British colonies of the Cape and Natal, and the Boer republics of the Orange Free State and Transvaal into one sovereign nation-state, but at the expense of black political rights.

The politics of racial discrimination after 1910

The unequal relations forged between white and black peoples during colonial conquest became the hallmark of the South African nation-state in 1910. Firstly, the constitution enacted in the South Africa Act of 1909 by the British parliament, excluded blacks from political participation. The only concession to blacks suffrage built into the Act was the preservation of voting rights for the so-called ‘civilised’ blacks – defined on the basis of monogamy, education and property ownership – in the Cape Province. At the economic level, the exclusion of blacks took place in a gradual and fragmented manner. As scholars have shown, there existed in the late 18th century a group of small-scale commercial farmers. However, in a gradual process these farmers were squeezed out of existence in the latter years of the 19th century and early
years of the 20th century. As Bundy has aptly shown, they became increasingly indebted as a consequence of high taxes, rents and other fees imposed on them by the British colonial administration. Their livestock and crops were also decimated by natural setbacks such as droughts, hailstorms, grassfires, and animal diseases, particularly the epidemics of 1877 and 1896. However, it was the promulgation of the Native Land Act of 1913, which dealt a fatal blow to any hope of the continuation of a black-run rural economy. As Bundy has pointed out:

"The argument has been advance that by that date (1913) African peasant areas showed serious signs of agrarian degeneration, and that their transformation into teeming rural slums – or the process of their underdevelopment – was well under way. Areas that had been able to provide for themselves, and in favourable seasons to export foodstuffs, were being reduced to a state of precarious self-reliance or already to a dependence upon imported food and the remittance of wages by migrant labourers. There exists a vast and depressing body of evidence as to the nature and extent of underdevelopment in the Reserves (and particularly the Ciskei and Transkei) in the forty years that followed the 1913 Act."

A segment of the black population who were educated in the mission schools, and who had the makings of a middle class, were also not spared from racist and repressive practices. Their educational credentials were scarcely recognised and at best they could find work only in unskilled positions such as junior clerks, messengers, interpreters, police constables, and teachers.
Independent artisans and practitioners of other trades, operating in the cities near the mining centres, faced similarly pressures of one sort or another, which blocked their chances of profitable development. Consequently, the stifling of the emerging black middle class resulted to the socio-economic status of its members being downgraded to those scarcely above wage-earning labourers.\(^{16}\)

The formation of the African National Congress (ANC) — originally known as the South African Native National Council — in Bloemfontein on 8 January 1912, was a direct response to the exclusion of blacks from the economic and political processes of the country. Assembled at the founding meeting was a group composed of what could be viewed as being members of the black petty bourgeoisie: chiefs, ministers, teachers, clerks, journalists, interpreters, landholders, businesspersons, estate agents, building contractors, and labour agents.\(^{17}\) Of great concern to this group were the fears typical of a petty-bourgeoisie faced with a crisis. In their case, these were generated by the deliberate exclusion of blacks, except for a qualified franchise in the Cape Province, from the political system and the difficulties they encountered in the industrial and agricultural sectors. John Makue, a Transvaal representative of the South African Native Congress, had earlier forcefully expressed these fears, especially those of economic deprivation, in his testimony to the South African Native Affairs Commission in 1904:
"Our earning power is very small. I think when we are forced to work there ought to be big pay. There is no decent black man that can manage to exist on 8 pounds a month, pay all the taxes, and the upkeep of his house in the proper manner – I mean a civilised native. I do not mean the raw man who comes from the kraals ... now we are all blacks and measured with the same measure ... I am measured with the same measure as the man who cannot look after himself and who is not in the same position as I am."18

Thus, in its founding constitution the ANC stated amongst its objectives the need:

"To agitate and advocate by just means for the removal of the “Colour Bar” in political education and industrial fields and equitable representation of Natives in Parliament or in those public bodies that are vested with legislative powers or in those charged with the duty of administering matters affecting the Coloured races."19

Despite repeated protests by members of the black middle class, and by the ANC, the white government ignored them, and their economic neglect worsened, especially during and after the First World War. For example, R.W. Msimang, a mine clerk, voiced the frustration of the aspirant black middle class at the 1918 hearings of the Moffat Commission, set up to probe the poverty of blacks, when he stated:

"Many Europeans do not understand these people. They do not understand that he lives a fairly high standard of living. These people need, in fact they require, all the things practically required by
Europeans. Take the food bill (for example). Most Europeans seem to think these people are content with porridge, but you will find that they have quite a representative table: meat, tea, and so on.\textsuperscript{20}

In 1921, a male teacher with a Higher Primary Certificate earned a starting salary of six pounds and five shillings. This figure nominally exceeded a "minimum essential budget" of six pounds per month, for a family of four.\textsuperscript{21}

Black tradesmen also faced extreme difficulties, either of losing skilled jobs or of being forced out of businesses by unregulated markets, or by their inability to compete with the economies of scale of large producers. British manufacturers, who for example, produced cheap boots for the market in the black townships, forced black shoemakers out of business.\textsuperscript{22} In an expression of frustration at the difficult conditions faced by blacks, Henry Tyamzashe, a mission-trained printer wrote a protest letter to his former school after losing his job in 1921. He asked sourly: "why have you educated me?" when the lack of "finance inhibited self-employment, while legislative colour bars and racist white unions blocked entry into skilled work?" He also stated that: "It is useless to send our children to school to learn trades when they cannot find work, and the means of the livelihood are denied to them ... The Native question cannot be solved apart from the economic."\textsuperscript{23}

Throughout this time, the white government appeared singularly unconcerned about the plight of the black people. Rather, it seemed more concerned about
the threat of competition the black labour force posed to white workers, and the consequence of this for white labour relations. Showing disapproval at the employment of skilled blacks by mine owners, white workers had embarked on a series of industrial actions such as those experienced in 1913 and 1922. Consequent to these strike actions was the passing of the Wage Act of 1925, which stipulated that wages earned by whites should be commensurate with a 'civilised' standard of living, rather than the dictates of the labour market.

The white government was also apprehensive at the growth rate of the urbanised black population. Although there are no reliable figures on the urban black population before 1936, estimates ranged between 22,000 at the end of 1880 to 587,000 in 1921. The growth of urban blacks was not welcomed by the state. As the report of the Transvaal Local Government Commission in 1921, chaired by Colonel Stallard, stated:

"The Native should only be allowed to enter urban areas, which are essentially the white man’s creation, when he is willing to enter and to minister to the needs of the white man, and should depart therefore when he ceases so to minister."

Thus, to contain the flow of blacks to the cities the Smuts government passed the Native (Urban Areas) Act of 1923. This law prohibited blacks from buying property in the urban areas, except in townships such as Sophiatown near Johannesburg, where they already had freehold title. At the same time, the law
permitted the creation of the Location Advisory Boards (LAB) – statutory structures that operated strictly on an advisory basis to the white controlled municipalities, and which lacked any meaningful authority.\textsuperscript{29} Allowing blacks a limited role in local government administration, moreover, was evidently permitted purely for purposes of ensuring orderly control of the areas in which they resided. For if there were any hopes that blacks might be granted permanent urban status, this was dispelled by the Pact-Government under the stewardship of J. B. M. Hertzog, which made it clear that blacks had no place in so-called "white South Africa". Speaking to his constituency at Smithfield in 1925, he stated:

"The time has arrived for a definite native policy, a policy which will remove all doubt from the native mind about the position which he will hold in political (economic) society. ... But he will have to be told in the most unequivocal language that the European is fully determined that South Africa shall be governed by the white man, and the white man will not tolerate any attempt to deprive him of that task."\textsuperscript{29}

The removal of any remaining privileges, both in social and economic terms, separating 'civilised' blacks from the masses of the poor, ensued. Measures taken in 1936 by the Fusion Government\textsuperscript{29} included the disenfranchisement of blacks in the Cape Province and the creation of a system of indirect representation for the general black population as a whole. Indirect representation for blacks entailed electing three white 'native representatives'
to parliament, four other white representatives to the Senate, and sixteen black representatives to an advisory Native Representative Council (NRC). At the economic level, and at a later stage, the government passed the 1945 Native (Urban Areas) Consolidation Act. This law, as noted below, imposed stiff restrictions on black entrepreneurs in the urban areas, and was deliberately aimed at keeping the size of black businesses very small, if not at crushing them entirely.

Contradictions in the government policy

The governments' policy of suppressing the growth of a black business class in particular, was mediated by the inherent contradictions that existed within the policy of racial segregation itself. The policy enshrined in the Native (Urban Areas) Act of 1923 regulated residential and business rights according to racial affiliations. Before the promulgation of this law, there appears not to have been a general policy governing the trades of emerging black entrepreneurs. From the early decades of the century, different provincial and local government authorities developed their own policies with regard to the running of businesses by blacks. For example, in the Orange Free State black entrepreneurism was expressly prohibited in the official formulation: “Natives are not allowed to carry trade.” In the Transvaal, in contrast, the policy was different, and in 1911 the Blue Book on Native Affairs, noted:

“Natives buy young stock on the markets and resell at maturity. Some
few trade in tobacco, skins and articles of Native manufacture. Brewing and selling Kiffir (sic) beer along the Reef appears to be the most remunerative Native industry at present. There are Native masons, carpenters, cobblers, saddlers, and a good many work at these trades for European employers. There are two or three shops kept by Natives in the locations, but most trade is done by Jews and Arabs."

In Natal the policy at the time was similar to that in the Transvaal Province, even though a commissioner of one of the districts noted that there were few black entrepreneurs:

"There is very little evidence of progress in trade. The trading spirit is not a feature in the character of the Natives in these parts. Many of the articles formerly made by them for purposes of trade and barter are dying out."

In general, the fact that there was only a handful black entrepreneurs in the urban areas may be attributed to the fact that most blacks were employed in the mining sectors and in other industries. Moreover, as was shown earlier, most of the emerging black entrepreneurial class faced numerous restrictions and difficulties, which pushed them into ranks of the poor and unemployed. In the hostels, where most of the black workers were accommodated, white employers usually supplied them with food, medical care, and other basic essentials. However, the situation had changed in the early decades of the 20th century when the black population in towns increased rapidly. This necessitated the creation of some of form of accommodation for them beyond
the hostels. Hence, as Maylam noted:

"In Johannesburg the first ... township was opened at Klipspruit in 1906; and work on a second, Western Native Township, began in 1918. Ndabeni was opened in the Cape in 1902 and existed until 1927 when its inhabitants were moved to the new township at Langa. In Durban a small township, called Baumannville was opened in 1916 to accommodate African families."³⁶

Apart from containing the flow of blacks into the urban areas, the introduction of the Native (Urban Areas) Act of 1923 also formalised the policy of racial segregation that was already in practice. This meant blacks could not easily access shops in white areas, especially after working hours, if they were to avoid prosecution.³⁷ However, the state itself could not rely solely on costly legal and coercive instruments to keep blacks away from white areas. Thus, reflected in the Act was the provision that permitted the establishment of 'Native stores'; a provision which blacks subsequently took advantage of in starting their trading enterprises. The legislation stated that the Minister of Native Affairs might:

- "Let sites within the location or native village for trading or for business purpose;
- prohibit hawking within the location or native village
- prohibit the carrying on of any business within the location or native village in any other place than a site rented for trading or business purposes."³⁸
The Native (Urban Areas) Consolidation Act of 1945, continued with this policy, permitting 'lawful residents', that is those with Section 10 rights, to operate enterprises in the urban areas. The trading restrictions imposed on black entrepreneurs, however, were stringent. For instance, the law stipulated that "any urban local authority which has under its administration and control any location, or native village":

- "May let sites within the location or native village for trading or business purposes under conditions (found in under section 38, subsection (g) the allotment of sites in locations or native villages for church, school, trading or business purposes and the conditions of tenure of such sites). And if so directed by the Minister, after consultation with the Administrator, and after due enquiry at which the urban local authority shall be entitled to be heard, shall on such conditions as the Minister may prescribe, let sites for those purposes.
- May prohibit or regulate hawking and peddling within the location or native village and in doing so may differentiate between persons of different races and between different classes of hawkers and peddlers.
- May prohibit the carrying on of any business or trade within the location or native village in any other place than a site rented for the purpose of any business or trade."³⁹

As the result of these restrictions, the black entrepreneurial class was, for the most part, limited to artisans, taxi owners, retailers, eating house or kiosk
owners, barbers, carpenters, dressmakers, butchers, fruit and vegetable hawkers, woodsellers and coal merchants, and in 1936 they numbered some 1 636 traders. Further, the general size of the black middle class (such as doctors, lawyers, senior clerks, editor/journalist, clergymen, qualified teachers, etc) was at this stage also very small, numbering, according to Cobley, less than a thousand.40 This showed that the government barely recognised black entrepreneurs in particular, as a part of the broader economy of the country, but regarded them as an appendage that served the needs of migrant workers, who were in any event regarded as temporarily dwellers in the urban areas.

Such was also the approach of the National Party government, from its election to power in 1948 onwards, as it resolved to curb (if not to totally reverse) the urbanisation of black people.41 The curbing of black urbanisation was accompanied by a renewed resolution to restrict the operations of black entrepreneurs. Following a resolution passed in 1958 at the Afrikaanse Sakekamer (Chamber of Commerce) conference, opposing outright the granting of trading licences to blacks in the townships, the Minister of Native Affairs publicly announced that all black traders could be only temporarily resident in the locations.42 Consequently, the government expected black businesspeople to move to the homelands where they could ostensibly achieve their political and economic objectives.43
Promoting the development of the black capitalists in the homelands

Part of the apartheid programme of the National Party after it came to power, entailed the establishment of the homeland system, which was built upon the already existing reserve system. The homelands were to be composed of a number of so-called ethnic-national units in which, it was intended, blacks could exercise limited political and economic 'freedoms'. To become viable entities, however, the homeland structures required, as the Tomlinson Commission reported to the government in 1954, the fostering of the growth of a black business class. Among other things, the commission had been established to "inquire into and make recommendations in connection with the best ways of reclaiming and developing Native areas". This was vital, especially given the progressive social and economic decay of the reserves from the 1930s onwards, which was an outcome of deliberate government negligence.

As a consequence, in order to nurture more formal black enterprises in the homelands, the government established the Bantu Investment Corporation in 1959, "to promote and encourage industrial and other undertakings, and to act as a development, financial and investment institution among Bantu persons in the Bantu areas." The BIC gave black businesspeople advice and training, and provided loans, "without security", enabling them to start new businesses or to improve existing ones. It could also purchase existing white- or Asian-
owned undertakings and transfer them to black dealers. Part of the plan to promote black-owned enterprises in the homelands also included an attempt to 'induce' urban black business entrepreneurs to relocate in the homelands.

However, the manner in which the apartheid government chose to 'induce' black entrepreneurs to relocate was anomalous, in that it entailed the imposition of tough restrictions on them. More than anything, these restrictions demonstrated what scant regard the apartheid government had for the growth of a black business class. The restrictions that it announced in 1963 were that:

- Blacks would not be allowed to trade in an urban area outside an urban black township. No further blacks would be given licences to trade in such areas, as peddlers, hawkers, or speculators in livestock or produce. Where such licences had already been granted, endeavours would be made to restrict the activities of the holders to black residential areas.

- Where, owing to distance or other factors, it was necessary to grant trading rights in urban black townships, such rights were to be granted to blacks only. But the government's overriding policy was not to allow an increase in the number of black entrepreneurs in such townships, (and particularly by those) who were not in formally paid employment. Therefore, when it was possible without undue inconvenience to satisfy the needs of township residents through the trade existing businesses in the white towns, no reason existed for the establishment of trading concerns in the black townships. The policy, as a consequence, applied mainly in cases where the townships were small and far from the towns.
• If it was necessary to provide trading facilities in the townships the trading rights were to be granted only to those qualified to remain in the area concerned, under Section 10 (1) (a) or (b) of the Urban Areas Act.

• The running of more than one business, whether of the same type or not, by the same black person, was not allowed, not even in different black townships in the same urban areas.

• No business, which did not confine itself to the provision of daily essential domestic necessities, would be established. New licences for dry-cleaners, garages, and petrol filling stations, for example would not be granted. Persons already holding such licences could continue to operate until "the opportunity arises to close" the concerns or to persuade the owners to move to a homeland.

• The establishment of black companies or partnerships was not allowed in the urban townships. Existing companies were not permitted to take over, or open, further businesses, nor were blacks allowed to control financial institutions, industries or wholesale concerns in such areas.

• Blacks granted trading rights were not permitted to erect their own buildings; all buildings necessary for trading purposes would be erected by the local authority for lease to blacks at economic rentals.

• The showing of films for entertainment in urban black townships was to be controlled by the local authority only. Other bodies already authorised to do so, were for the time being to continue.48

Again in 1968 the government announced restrictions stipulating that:

• No site would be allocated in an urban black residential area for
trading, business or professional purposes to any black person who had business or trading interests outside that area.

- A black person who was already occupying a site for trading or business purposes would not be allocated another site for such purposes, whether or not the proposed business was of the same type as were the existing ones.
- Black traders could not deliver and sell goods to a non-black person who lived outside the urban black residential area.
- No trader could make structural alterations to buildings or fittings on the site he/she occupied, or attaches other fittings on it, without the written permission of the local authority. 

Despite the apartheid government’s intolerance of the existence of a black entrepreneurial class in the urban areas, doubts were also cast – with good reason – on its seriousness in promoting a viable black business class in the homelands. Firstly, the structure and shareholding of the BIC, including its homeland variants, excluded its main clientele – blacks – and control remained in the hands of whites. In that respect, even the leaders of homelands, who had vested interests in the success of these structures, shared the same misgivings. For example, Chief Mangosuthu Buthelezi, leader of the KwaZulu homeland, complained that: “we did not feel the BIC was ours as we were not shareholders in it and there were no (black) directors on its board.” Another leader of the Bophuthatswana homeland, Chief Lucas Mangope, noted that:

"Instead of becoming a dynamic catalyst for economic progress, ... BIC
became a monopoly and thereby an obstruction. It assumed that we in the homelands were economically immature, as the BIC had overlooked the fact that people will absorb and implement change only to the extent to which they take part in it.\textsuperscript{51}

A second indication that government lacked commitment to the process was evident in the small number of loans given to black businesspeople. Between 1959 and 1973 the BIC, issued a total of 1,413 loans valued at R9,817,755 to the homelands.\textsuperscript{52} Most of the loans provided were to small businesspeople such as kiosk owners, and they imposed stiff conditions on how the applicants could use the money. For example, the conditions governing a loan of R5,000 to one applicant were as follows: R1,000 for maize-meal, flour, produce, etc.; R1,300 for groceries; R1,400 for 'softies'; R300 for hardware; and R1,000 for other essential stock.\textsuperscript{53} Other loans financed businesses in the commercial and service sectors (e.g. general dealers, transport, and garages), that did not require high levels of finance and technology.\textsuperscript{54}

Thirdly, by the middle of 1974 the corporation itself owned more than 100 large commercial enterprises that it had initiated or had taken over from black entrepreneurs. It held these in trust, purportedly until a black owner or group of operators was ready to assume control.\textsuperscript{55} Interestingly, these were mainly larger and more complex enterprises than the average business or shop – for example, bus services, furniture factories, holiday resorts, savings banks, and movie-theatres.\textsuperscript{56}
So, what was the real aim of the government? It seems, as Southall has argued, that it intended to forge an auxiliary, collaborative black (petty) bourgeoisie in the homelands. The intended functions of this type of bourgeoisie would be to co-operate with the white government in the repression and control of the migrant labour force.\textsuperscript{57} Furthermore, such a class would provide some semblance of legitimacy to the political system controlled by the apartheid government. In addition, the state did not need to support the development of this auxiliary petty-bourgeoisie beyond certain levels of competency. Moreover, the fact that the government still did not support the idea of developing a robust black business class in the urban areas also lent weight to the plausibility of this argument. This interpretation made sense, moreover, when looked at from a state-centric perspective in that it assumed that the black business class in the homelands was merely marionettes amenable to their master's dictates. In contrast, however, as Tapscott has shown in the case of Transkei in the 1980s, even in the homelands, the emergent black middle class struggled to create space and autonomy for its development.\textsuperscript{58}

This chapter has narrated the evolution, during much of the previous century, of the policies of successive white governments towards the development of a black business class. It pointed out that these governments sought to limit, if not to completely prevent the progress of a black entrepreneurial class in the
urban areas and preferred them to operate in the reserves, which were renamed homelands. The intentions of the governments were, however, frustrated in part by the contradictions created by their own policy of racial separation. The dilemma created by this policy was not the only factor accounting for the rise of the black business class. Other factors (discussed subsequently) also played a part. In that regard, the following chapter discusses the efforts of the ANC and of other organisations representing the aspirations of black entrepreneurs. Their collective efforts and the ideology they expressed were significant in trying to improve the environment under which black entrepreneurs operated as well as in trying to keep black entrepreneurship alive during the period in which the government was resolved to remove them from the urban areas.

Endnotes


9 Ibid.
14 Ibid. p.221.
15 Odendaal and Cobley have extensively discussed the process of the formation of the black petty bourgeoisie in the 19th and early 20th centuries, respectively, and for that reason the discussion here draws and relies on their


28 Native (Urban Areas) Act No. 21 of 1923, pp.148 and 156.
30 The Fusion government, which was still under the stewardship of Hertzog, also included the United Party of Jan Smuts, an action that showed the broadening of the support base of the racist political system.
33 Report of the Sub-Native Commissioner of the Witwatersrand, February
1911, in *Blue Book on Native Affairs*, 1911, p.191.

34 Report By District Native Commissioner, District No. 1, Durban, 21 February 1911, by John L. Knight, District Native Commissioner. The district covered Alexandra, Alfred City, Durban, Impendle, Ixopo, Lower Umzimkulu, Polel, Richmond, Umgeni and Umlazi, in *Blue Book on Native Affairs*, 1911, p.9.

35 Often the quality of food served to mine workers was very poor, and they had to endure very degrading forms of 'medical care', such as having to stand stark naked against a wall while they were being examined. See Callinicos, L., *Gold and Workers, A People's History of South Africa*, Volume One (Johannesburg: Ravan Press, 1981), pp.44-49.


38 *Native (Urban Areas) Act* No. 21 of 1923, pp.174-176.


44 Jansen, E.G., *Native Policy of the Union of South Africa* (Pretoria: Union of


46 The Bantu Development Corporation Act (of 1959), p.1. The establishment of the BIC was followed later by the creation of the various homeland development corporations.


49 Government Notice R. 1036, 14 June 1968.

50 SAIRR, A Survey of Race Relations, 1975, p.211.

51 Ibid.

52 Ibid.

56 Ibid.
CHAPTER FOUR

Issues in the Struggle for Black Capitalism

The discussion in the previous chapter raised two main issues concerning the status of the black business class during the first half of the 20th century. It showed how intolerant and repressive the white governments were toward this class in the urban areas. It also showed how these governments, in turn, were forced by the logic of the policy of racial segregation to allow a limited number of black entrepreneurs in the townships. These entrepreneurs effectively operated convenience stores that traded in petty commodities such as food, soap, candles, and so on, largely to the migrant work force based in the cities. Thus, to re-emphasise, the early generation of the black entrepreneurs was both very small and operated outside the ambit of the mainstream economy. As a result of the restrictive environment in which they had to operate, instances of their growth and expansion are few. However, a crucial factor to emerge from the early generation of repressed black entrepreneurs was the formulation and articulation of a distinctive entrepreneurial ideology. Also significant were their attempts, through black nationalist organisations and traders' associations, to remove the restrictions that impeded the development of a black business class. The importance of these developments is twofold:
firstly the entrepreneurial ideology that emerged served to keep the spirit of black capitalism alive, despite the repressive policies of the white governments. Secondly, this ideology, together with the class-specific organisations they established served as a platform upon which the successor class organisations representing the back entrepreneurial class built their programmes in the 1960s and beyond. This chapter, therefore, discusses briefly, the origins of the black nationalist movement and the organisations to which it gave rise, particularly the ANC and traders' associations, in the fight for the inclusion of blacks in the ownership and control of the capitalist economy.

*The nationalist struggle and the fight for black capitalism*

The primary focus of the ANC at its inception in 1912 was the attainment of what it considered the constitutional rights of blacks in South Africa. Principally, these entailed equality of opportunity within the country's economic life and political institutions. Initially, however, as indicated, the ANC spoke for, and sought to promote the wellbeing of, mainly the upper class or educated, 'civilised' elite. These people faced pressures of the type previously cited by John Makue at the hearings of the South African Native Affairs Commission in 1904. In common with other elite-driven nationalist movements in India and West Africa noted in Chapter Two, the ANC believed that Western and
Christian norms were closely interrelated, and therefore accepted the arrangement of a qualified franchise for blacks in the Cape Province as their ideal. Its early thinking on the economic advancement of blacks was clear on the need to focus on the black elite. For example, the constitution of the ANC in Natal, unveiled in 1915, stated that the objectives of the organisation were:

"To plead and make representations for the welfare of the brown people of Natal and Zululand, and to help the Government to inquire into matters detrimental to the well-being of the brown people under the Constitution of the Union of South Africa. To assist the brown people and advise them about education and positions suitable for educated persons... The Committee for Works shall find for natives and girls places where they may learn trades; shall devise ways and schemes for Natives to establish business undertakings for their benefits, and hunt for better plans to form Native Trading Companies."

That the ANC would, in the course of time, need to extend its appeal beyond the black elite was inevitable. This was because the successes of nationalist movements elsewhere, as Smith has shown, have relied on the generation of a mass support base, which transcends class barriers. It is evident, for example, that the ANC's steady development was complicated by the arrival on the black political scene of the Industrial Commercial Worker's Union (ICU), formed in 1919. The ICU brought to the political agenda the interests of
members of the working class in the rural and urban areas. At the time when the ICU was formed, the ANC had yet to broaden its appeal across class lines. As a result, the ICU, as Bradford has shown, attracted members of the working and middle classes who were severely disadvantaged by economic neglect.\textsuperscript{3} From the mid-1920s, both the ICU, and its splinter rival organisation – the Independent-ICU, under the leadership of Clements Kadalie himself a former secretary-general of the original ICU, initiated self-help co-operatives and business ventures for its members.\textsuperscript{4} Most of the ICU business initiatives, however, failed to develop successfully, and the organisation began to decline in the late 1920s, in part because of internal organisational problems.\textsuperscript{5}

Nonetheless, the influences of the ICU's initiatives, which drew mass appeal, and, as it will be discussed later, Booker T. Washington's ideas of "race pride" and "self reliance", pushed the ANC to conceive a more broad-based programmes for the economic advancement of black people. In 1927, an ANC committee produced a 13-point commercial and industrial programme that committed the organisation:

- "to promote and organise business in the name and on a behalf of the National Congress;
- to organise all business men (sic) into an association for mutual assistance;
• to give financial assistance, where necessary, to businessmen on terms and conditions to be stipulated by the Executive Council;
• to approach any wholesale commercial agents or brokers in order to arrange terms for them;
• to see that businesses are conducted according to modern methods;
• to keep members well informed of current market prices;
• to secure trading rights and licences for intending traders and to give legal advice on matters affecting business;
• to organise clubs, and hotels, and to acquire by purchase or lease, halls and other buildings and properties;
• to organise buses, taxis, and motor lorries;
• to organise sick and burial societies;
• to organise the sale and purchase of produce and livestock;
• to encourage industries among blacks;
• to collect and raise funds for the purpose of carrying out the above-mentioned objects.”

A theme that stands out prominently in this programme, and which was later apparent in the approach followed by Nafcoc (discussed in the following chapter), was one which suggested the creation of a separate economy by, and for, black people. This theme clearly was influenced by the approach pursued by the Negro Business League (NBL) headed by Booker T. Washington, in the United States. For example, the President-General of the ANC, Pixley Isaka Ka Seme, in a pamphlet issued in 1932, argued for the
restoration of links between the black elite and the masses of the poor, for the purposes of developing economic prosperity among blacks in South Africa. Ka Seme's views had clearly been shaped by lessons learnt from the NBL, following his visit to America in 1907. To demonstrate this, Ka Seme is quoted at some length below:

"There is no reason why the educated Africans should throw away their tribal connections and so much desire to be regarded as being detribalised natives. I fear that in this sense the so-called "detribalised natives" have not properly considered their positions and their duty towards their own people. We need more of what the American Negro calls "Race Pride". In that country you find coloured people most highly educated and efficient in the leading professions who cannot be distinguished from the white people, nevertheless refusing to be regarded as whites. Their mothers are Negro Africans and they want to remain as Africans also. If our African people would only take a leaf from this book of Negro life in America, how much richer our people would be from trading between ourselves. I wish to urge our educated young men and women not to lose contact with your own tribes... Most of the misery, which our people suffer in the towns and the country today is due to this one factor, (the lack) of confidence between the educated classes and their own uneducated people. The former cannot open any business relations amongst the latter and get good support because to be able to establish a business anywhere you want confidence. The Indian trader succeeds because he makes friends with all classes and ever tries to win their confidence. You must learn to do
likewise. Moreover the so-called "educated native" is the loser in the show because by cutting himself adrift from all tribal ties he becomes a prey and a victim to false standards of living. He copies the white man, his tastes and standards of living, without the least thought that all that must cost more money that he can possibly afford or be able to earn in his position. I say that we can and should, through the African National Congress, be able to regulate our standard of living and adjust ourselves to all the necessary changes of dress and progress as a nation. Congress can make us learn how to produce our wants as a nation. We can learn to grow up cotton and wool and make our own leather, boots, bags and harness from the skins of our cattle; we can cut African timber and supply good furniture to all African homes."

The advent of the ANC’s programme to foster black entrepreneurship came about at the same time as efforts to form class-specific organisations from the late 1920s onwards. While the initiatives of the ICU had given impetus to the establishment of class-based programmes ANC activists subsequently played a prominent part in their formation. The key aspect leading to the establishment of black entrepreneurial organisations, however, was the demand for the issuing of trading licences to black businesspeople. The first of these initiatives was the formation of the Black Traders’ Association (BTA) on 27 October 1925, with a membership of 123 traders. In 1927, a collaborative venture involving black and Indian businesspeople led to the formation of the African and Indian Trading Association Limited. Among the blacks in the latter
organisation were T.D. Mweli Skota, ANC general-secretary, and Henry Reed Ngcayiya, a prominent ANC activist.\textsuperscript{10}

In 1931 the BTA changed its name to the Orange Free State Traders' Association (OFSATA). By then its membership had dropped to 120, and of these 91 were illegal traders (57 hawker and 34 eating kiosk owners).\textsuperscript{11} Part of the explanation for the drop in OFSATA membership, and for the fact that the majority of its members were unlicensed, can be ascribed to the efforts of local government in the Orange Free State to protect the interests of white traders. The Local Governments blocked the issuing of licences to blacks, despite the fact that the Natives (Urban Areas) Act of 1923 allowed blacks to run enterprises in their locations. Thus, in a submission to the Inquiry into Native Trading in 1932, the Kroonstad Town Council (supported by the Orange Free State Municipal Association and members of parliament) argued that:

"Shopkeepers, whose trade is principally with the Natives, have spent large sums of money in acquiring property and building premises to place themselves in a position to cater for the Native trade. If this trade is to be taken away from him he will be deprived of the means, not only of carrying out his obligations to the Municipality and earning a reasonable rate of interest on his capital invested, but also of making a livelihood."

\textsuperscript{12}
Notwithstanding the setbacks of OFSATA, business organisations were also formed in other areas of the country. In 1932, the Bantu Business League was formed in Natal, with a former member of the ANC executive committee, Reverend John Dube, as its president. Another organisation, formed in 1938, was the African Business League, an umbrella body of Johannesburg-based business associations and co-operatives. However, it does not appear that these organisations were particularly effective. This could have been primarily due to the small numbers (1,636 in 1936) of urban-based black entrepreneurs, which limited their capacity to effectively challenge the state. Despite their shortcomings, such organisations became the seedbeds for the subsequent establishment of large and effective organisations, especially the National Federation of African Chambers of Commerce formed in the early 1960s (see next chapter).

Black trade politicised

As previously mentioned, one of the immediate issues that concerned black entrepreneurs, and around which they organised from the 1920s onwards, primarily centred on the acquisition of trading licences, although other issues that troubled them included a lack of facilities, and the prohibition against owning business properties and forming companies. In trying to address the
problem of licensing, black businesspeople used a variety of strategies. One was to appeal directly to the authorities through commissions appointed by the government. Consider this example of an appeal made in 1932:

"Since the present Government came into power, some 20,000 Natives have been thrown out of employment, and those who had little capital to settle in businesses have been rigidly refused licences to trade among their own people... In the good name of God, I appeal to the softest parts of human nature of the members of this Commission to open the gates of economic restrictions and thereby give the Native races some chances to better themselves under the economic system of the country."17

Another strategy was to take part in the elections of the local government advisory boards and the Native Representative Council (NRC), and to use their presence in these structures to encourage the issuing of licences for black businesspeople. For example, in December 1928, the Congress of Local Advisory Boards, a coalition of black councillors, drew up a memorandum petitioning for the issuing of licences, and argued that:

"Trading of Natives in locations is one of the most important steps of economic development which goes hand in hand with the Government scheme of Native development and should, therefore, be left entirely (sic) to the discretion of local authorities, because of the fact that in their discretion they are more or less influenced by the views of foreign small
traders who live entirely (sic) from Natives. Congress is opposed to the granting of trading rights to local authorities in the locations. If such a state of affairs were to be allowed the consequences of such a policy would have detrimental effect in retarding Native incentive to economic progress.”

In 1937, Richard Grenville Baloyi from Alexander, near Johannesburg – an owner of a fleet of buses – described by Roux as a typical 'Native capitalist', Thomas Mapikela from Bloemfontein, and Richard Godlo from East London, were elected to the NRC. In subsequent elections other black businesspeople were also elected including A.W.G. Champion and Paul Mosaka (in the place of Baloyi), and farmer-businessmen such as Charles Sakwe and Dr Moroka.

Black businesspeople also used the strategy of appealing to their white representatives in parliament to use the influence they might have to secure licences. Referring directly to Senator J. D. Rheinallt-Jones, Keeble Mote, an activist of the ICU in the 1920s and a businessman who sat in the Kroonstad Advisory Board in the Orange Free State in the 1930s, argued:

"We want full trading rights in the Free State and not have (half) measures. You must please respect the Bantu public feeling in the same way as the Minister respects or fears European public feeling. You were sent to the Senate by the African electorate and therefore we expect you to play the game."
Lastly, they joined trade unions, particularly the ICU, in their struggle to obtain licences. In that respect, it is of interest to note that labour unions, at the time, generally embraced the idea that a black capitalist class was progressive and necessary. This is evident in a statement attributed to Champion, leader of the ICU in Natal, in 1932:

"I speak as what is known as a labour leader when I say that Communists are opposed to [Native] interests and that the capitalist class must be created among all non-European races in South Africa. Without such a class there would be 'no hope of liberation', for history revealed that 'the capitalist is and always will be the backbone of every country'."\(^{23}\)

Chiefly opposed to, or at least reluctant to support the issuing of licences to black traders were the white local authorities, even though the government had amended the Native Areas Act in 1930, granting the Minister of Native Affairs power to exert pressure over 'dissident' municipalities.\(^{24}\) Local authorities also frequently ignored white public opinion on the issue, probably because it emanated from some sections of the white liberal community. An editorial of the *Forum*, a liberally oriented newspaper, commented that: "The principle that Bantu (people) should be encouraged to develop trades and industries in their reserves, location and townships has been clearly laid down
by Parliament." It added that the delay of many months experienced by licence applicants was "grossly unfair and contrary to the Native policy of the Union. Johannesburg (local authority), with its tradition of liberalism, should know better."\textsuperscript{26}

In reality, however, no essential discrepancy existed between the local authorities and central government regarding the existence of a black business class. Both these arms of government were in agreement that blacks were 'temporary sojourners' in the cities, and that they intended keeping the number of black traders in the urban areas to a minimum.\textsuperscript{20} Their priorities, however, diverged in their efforts to balance the varied political and economic interests of the South African population. As was shown at the 1932 Inquiry into Native Trading in the Orange Free State, the local authorities explicitly sought to protect white traders from the threat of competition from black-run enterprises. The central government, on the other hand, had to contend with the contradictions engendered by the policy of racial separation. In that respect, it viewed the lack of enterprises to service the needs of blacks in their own residential areas as likely to cause social and other forms of instability.

By and large, the strategies adopted by black entrepreneurs to achieve their desired goals appeared ineffective. At the same time, the patterns of white
economic domination were reinforced and seemed unassailable. For example, R.G. Baloyi, who ran a lucrative bus service in Alexandra Township, complained in the early 1940s that he was squeezed out of business by better-capitalised, white-owned operations that had free access to black areas. At the same time, the refusal by the authorities to grant blacks trading licences still persisted. A black businessman in the then eastern part of the Cape Province, complained in 1947 in the ICU Bulletin, a local newsletter of the Industrial Commercial Union, as follows:

"It is a perfect scandal, that a location with a high-sounding name like 'The Duncan Village' (Near East London), should not have a single certified and legal butcher shop. People who want decent meat at the right price have to go all the way to town and back – two miles – and then very often they come back without finding the meat because this commodity is now unprocurable after 10.00 am each day. In the location, of course, there are hundreds of 'Black Markets' butcher shops on the outskirts, and some in the dusty streets of the location, where flies hover in swarms over half-putrid meat."  

Radicalisation of black politics

At the same time that black entrepreneurs faced the pressures described above, the ANC, under the leadership of Pixley ka Isaka Seme had from the early 1930s, also become increasing ineffectual and was reduced to a near
dormant state. As various researchers have explained, this state of affairs was the result of tensions between different leadership cliques and the dwindling popular impact of the organisation. However, developments during and after the war years facilitated the reawakening of the ANC. Amongst these developments were the upsurge of potent trade union activity, evident in the then largest ever workers' strike in 1946, and the pragmatic leadership of A. B. Xuma, who succeeded ka Seme. Under Xuma, the ANC was able to accommodate within its rank individuals with different ideologies and political orientations – for example, communists (such as Moses Kotane), so-called Africanists (such as Anton Lembede), moderates (such as Z.K. Matthews) and so-called pragmatists (such as A.B. Xuma). In addition, the formation of the ANC Youth League in 1943 subsequently led to the adoption of the assertive 1949 Programme of Action. Thus, from the late 1940s into the 1950s, the revival of the ANC was marked by its departure from its erstwhile strategy of petitions to one of direct protest action. This was evident in the mass civil disobedience protests, which began on 26 June 1950 with the 'stay-home' boycott, and climaxéd with the Defiance Campaign of 1952. The latter campaign centred on the defiance of apartheid regulations, such as the use of public amenities reserved for whites, and the disobeying of pass laws and municipal curfews.
Two main interpretations were advanced in the wake of the ANC's apparent radicalism. Adherents of the thesis of CST, which was discussed earlier, argued that the ANC had come to realise that the experience of oppression had inextricably linked the interests of the black middle class, workers and peasants. In that way, according to this view, black people were bound to forge an all-class alliance in the struggle for first a national democratic revolution, which would thereafter lead to a socialist revolution. However, contrary to this view, a large section of the black petty bourgeoisie, as shown by the history of Nafooc, did not side with the working class and the unemployed in South Africa. Instead, Nafooc fought for the advancement of bourgeois interests that were different from those of other classes.

Another – and perhaps more accurate – interpretation of the ANC's radicalism was that "the ANC was not a movement oriented strongly towards the working class", but rather one which encompassed "a composite of interests." Thus, the radicalism of the ANC was a response to the pressures that had reduced many members of the black middle class to the lot of the poor before and after World War II. Simultaneously, as is typical of many nationalist movements, the ANC sought to mobilise the masses to carry forward its nationalist ideals through populist programmes. As a consequence, the radicalism that the ANC assumed in the 1950s did not indicate that it had become a radical
organisation of a socialist type, but rather that it had become a body embracing a variety of viewpoints, including socialist, nationalist, and moderate perspectives.

Indeed, while the ANC was becoming increasingly radicalised, the flame of entrepreneurship among blacks did not die out. Before and after World War II, rapid economic expansion, especially in the manufacturing and service sectors in South Africa, attracted migrant labourers in search of employment opportunities. The increase in the urbanisation of black people also increased the number of black entrepreneurs, many of whom emerged from the informal business sector. Prominent black tycoons of the 1970s and 1980s such as Richard Maponya and Ephraim Tshabalala, as will be shown in Chapter Six, originated in the 1950s from the informal business sector, which was the main route available to black entrepreneurs at the time. The limited social and economic environment in which these black entrepreneurs operated – among other things – served to heighten their class-consciousness. In 1955, this led to creation of the first national business organisation – called the African Chamber of Commerce (ACOC). Characterising the organisation as a “chamber of commerce” rather than a “trader’s association”, signified their purpose to enter the mainstream of the economy. Keeble also observed that this characterisation was the result of the influence of their black counterparts
in the then Rhodesia (now Zimbabwe). She described this influence as follows:

"During 1954, J.C.P. Mavimbela, J.M. Mohlala and S. J.J. Lesolang, all members of the Orlando Traders Association, attended a Moral-Rearmament Conference in Salisbury, (Rhodesia). While in Rhodesia, they took the opportunity to visit a Chamber (of Commerce) organised by Rhodesian African traders. They were introduced to, among others, Mr Simario, proprietor of a large bus service company, and Mr Moamoka, owner of a large general dealer concern. These men showed the visitors their Chamber's offices and businesses. The South Africans were so impressed that they decided, on their return home, to change their traders association into one powerful Chamber."34

Indeed, the approach adopted by Naftcc (see next chapter), which succeeded ACOC at the beginning of 1960s, indicated that it wanted black businessmen to take charge of the economy, especially within the black community. ACOC had disbanded by the end of the 1950s, according to Koeble, because of clashes among some of its prominent members.35

This chapter discussed key issues that spurred the rise of black nationalism. It showed that the primary reason for the formation of the ANC was the black elite's desire to advance their economic wellbeing, and to fight, initially, for their inclusion in the existing white controlled legislative structures. However,
subsequently – typical of a nationalist movement and also in response to the formation of the ICU – the ANC broadened its mass appeal to embrace both the working and middle classes. Its struggle for black capitalism was supported by other organisations such as the traders' associations. Although these organisations did not last long, they nonetheless laid the basis for the development of a black entrepreneurial class's awareness. The following chapter analyses the role and effects of the black economic organisations that succeeded those discussed in this chapter.

Endnotes

4 Cobley, Class and Consciousness, 1990, pp.159-160.
5 Ibid.
8 Ibid., p.315.
10 Prospectus of the African and Indian Trading Association Limited, File
B.A.O. F685/326, kept at the South African National Archives, Pretoria.


15 See footnote 49 in Chapter Two for a full reference.


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26 Hart, African Entrepreneurship, 1972, p.100.


33 Lodge, Black Politics in South Africa since 1945, 1983, p.73.


CHAPTER FIVE

The Roles and Effects of Nafcoc and Fabcos

The collapse of the black business organisations discussed in the previous chapter was followed in the early 1960s, as indicated, by the establishment of another organisation called the National African Federation Chamber of Commerce (Nafcoc). This organisation became the main force that sought to improve the regulatory environment under which black entrepreneurs operated in the urban areas. As it will be demonstrated, Nafcoc tried to change the policies governing operations of black entrepreneurs by collaborating and bargaining with the apartheid government. It also enlisted the assistance of the white private sector to initiate some of its corporate projects such as the formation of African Bank in 1975. The chapter also analyses the effects of the entrepreneurial ideology Nafcoc propagated. As it will be shown, Nafcoc's record contained successes, which included winning some concessions from the government. On the other hand, its shortcomings included losing legitimacy within the black community that led to the formation of an alternative organisation in July 1988 called the Foundation of Business and Consumer Service (Fabcos). The chapter ends with a discussion that takes stock of the role of these organisations to date.
The formation, objectives and structure of Nacoc

Nacoc was initially established as Nacoc in 1963 at a conference held in Johannesburg and attended by 60 black traders. R. Maponya, S.J. Conco of Durban, and Masekela of Johannesburg were elected president, vice-president and secretary, respectively. Nacoc evolved as an offshoot of the then defunct African Chamber of Commerce (Acoc) founded in 1955, as indicated in the previous chapter, by a group of Johannesburg-based black entrepreneurs, including those mentioned above. Unlike its predecessors, which were small and regionally based, Nacoc's profile was broader, combining black business organisations from around the country. The motivation for the creation of Nacoc was the need to forge unity among black businesspeople to address two main issues. The first was to provide protection against competition from non-black businesspeople operating in the townships. The second was the need to venture into wholesale trade or bulk-buying which would achieve the economies of scale necessary to attract the buying power of black people. At an annual conference held in Pietermaritzburg in Natal on 24 May 1969, Nacoc renamed itself the National African Federation of the Chamber of Commerce and Industry (Nafcoc). The main reason for this was to address the concerns of the government that wanted the organisation to organise along ethnic lines. As its 1969
memorandum to the Minister of Bantu Administration regarding "the advisability of creating ethnically-divided Bantu Chamber of Commerce based in the homelands", makes mention:

"Our National Chamber of Commerce and its constituent branches take full cognisance of the existing policy of separate development and will as far as possible endeavour to adhere to its terms and requirements."  

Nafcoc's exact membership at its inception remains unclear. However, in 1973 the federation claimed to have 4,000 members on its books and by the 1980s its membership was estimated to be between 10,000 and 15,000, coming from an estimated 15 to 18 regional chambers in 'white' South Africa, and in the 'independent' and non-independent homelands. Nafcoc's national executive committee consisted of 20 people, who were elected at its annual conferences. Four people held portfolios of president, vice-president, treasurer and secretary. Samuel (Sam) Motsuanyane, a businessmen since 1967, became its president from 1969 and until the early 1990s, and he usually represented the public face of the organisation. He played a major role in steering it through difficult times and tribulations. This included raising financial support and leading Nafcoc delegations in meetings with homeland and central government officials and, later, with the ANC leadership in exile. From its inception through to the early 1980s, the organisation had no permanent
offices or a permanent secretariat to run its day-to-day activities. Motsuanyane volunteered much of his time, in return being awarded an honorarium of R400 per month, and a car. The reason for this was that Nafcoc's members contributed very little to the organisation's coffers. For example, in 1975 only R2 814 were collected from membership and subscription fees.

To survive, carry out its activities and finance its annual meetings, Nafcoc depended heavily on associate members who were, in the main, white businessmen. As will be shown later, the white business sector did this for purposes of trying to legitimate the ownership of the economy, notwithstanding white business interest in staking a claim in the growing black consumer market. However, as it will also be shown, Nafcoc's actions involved opportunism, using the white business sector when it suited its own cause, and opposing it when the white business threatened Nafcoc's interests in monopolising the black market. Nafcoc's financial statement for 1977 for example, showed a total income of R64 511, of which R19 274 and R22 783, respectively were donations and membership fees from associate members.

In 1984 its dependence on white business donations, and sometimes loans, for example, assisted the federation to build plush headquarters in Soshanguve near Pretoria with finances raised from the Hill Samuel Group of South Africa.
In fact, the attempts to provide training and other forms of assistance to urban-based black entrepreneurs by a section of the white business sector began in the 1960s. As Lipton has shown, through their business organisations, white businesspeople had complained about the limitations that the job colour bars imposed on the utilisation of the skilled blacks.\textsuperscript{11} To solve this problem, and also to improve the skills of black businesspeople, they tried unsuccessfully to help black entrepreneurs based in the urban townships. For example, in 1964 the Johannesburg Chamber of Commerce, in response to a request by Nacoc, had in turn requested the Minister of Bantu Administration and Development to set up a commercial college for blacks in Soweto. The minister turned down this request because the proposed college was going to employ white teachers, and therefore contravened the racial segregation policy that was then in place.\textsuperscript{12} In 1967, the Johannesburg City Council proposed the creation of a "stabilisation fund" to assist black businesspeople. Again the Minister blocked this initiative because the government policy was that "moneyed Bantu and Bantu institutions being desirous of entering the field of trade should establish themselves in the Bantu homelands."\textsuperscript{13} Nonetheless, despite the apartheid government's refusal to provide urban-based black entrepreneurs with any sort of assistance, the granting of financial assistance and training to black entrepreneurs became integral to its reform programme
from the mid-1970s onwards, and white business enterprises played a prominent role in this process. The reform programme will be examined in some detail in the next chapter.

With regard to its policy and objectives, Nafcoc pursued essentially the same objectives as those of its predecessor, Nacoc. The objectives outlined in Nafcoc's constitution were:

- to promote a spirit of co-operation and unity among black businesspeople in South Africa;
- to mobilise the black community towards self-help and full participation in the economy of South Africa;
- to speed the development of the black business community by sponsoring necessary industrial and commercial projects;
- to collate and distribute information on business matters, creating scholarships for commercial training;
- to organise special training courses and seminars for businesspeople;
- to protect the rights and interests of black South Africans in business, by proposing any measures which directly and indirectly might hasten their progress.\(^4\)

In advancing the cause of black capitalism Nafcoc had to maintain "a precarious balance", to use Rothchild and Chazan's phrase.\(^5\) On one hand, it sought to engage, and simultaneously appease the apartheid government in
order to get restrictions that were impeding the growth of black enterprises lifted, as well as to gain access to credit facilities and other forms of assistance. By adopting this approach, Nafcoc risked damaging its reputation within the black community, especially with some liberation organisations, which condemned collaboration with the white government. At the time, anti-apartheid organisations argued that any form of collaboration provided the government with the political legitimacy it lacked. However, Nafcoc's engagement with the apartheid government was not unconditional, an aspect often missed by other social scientists who have analysed it. Its engagement with the government involved a bargaining process, which sometimes frustrated the apartheid state's plans of shaping the manner and scope of the operation of black entrepreneurs in the urban areas. On the other hand, Nafcoc sought to gain acceptance in the black community by projecting itself as the custodian and champion of the development of black capitalism. These aspects will be discussed in detail below.

Nafcoc's engagement with the apartheid government

The first known official engagement between Nafcoc and the government was in January 1969, in which representatives of Nafcoc held a meeting with the Minister of Bantu Administration. Following this meeting Nafcoc submitted to the minister a memorandum spelling out its "proposals and recommendations
operate in the homelands. In its memorandum Nafcoc confirmed that it "was a creation of urban society, where up to now its leadership and source of strength have emanated from". It also conceded that "our present Chambers in the homelands are still very poorly organised, due to lack of leadership and the comparatively lower number of Bantu traders in those areas at present."  

The second reason, it seems, was that it wanted to adopt an initial wait-and-see attitude, especially given that Nafcoc's recommendations were not too radical for the government to accommodate, since they did not explicitly agitate for political rights.

In addition, Nafcoc's public statements appeared to accept the logic and morality of the apartheid government's policy of separate development. For example, in 1972 Nafcoc stated that: "In the broadest and fairest interpretation of the policy of separate development, we would expect the state to allow Africans to serve Africans, and African money to build African progress."  

It went on to state in subsequent years that it sought to "foster harmonious relationships" with homeland governments, because it was "where our governments are in power."  However, Nafcoc's conception of the policy of separate development was different to that of the apartheid government. For Nafcoc the concept of separate development did not differentiate blacks, as the government conception did, along ethnic lines. In Nafcoc's thinking,
"acceptance of separate development" entailed black/racial solidarity across ethnic divisions. As Motsuenyane argued in 1972:

"The interests of the country and the people as a whole, should be placed above our narrow ethnic and sectional ethnic affiliation as the principal condition governing Malawi and other states, come from all over the world and represent a diversity of ethnic groups. By encouraging inter-ethnic investment, our homeland governments will not have departed from the same economic policy that is practised by South Africa itself."24

Even though Nafcoc's conception of the idea of separate development was different to that of the apartheid government, it did appear that the latter viewed Nafccc approach sympathetically, and hence from 1975 onwards the government decided, notwithstanding other factors discussed later, to grant the federation a number of concessions. These reforms are discussed in detail in Chapter Six. The government concessions to Nafcoc were similar to the overtures it had originally made in the early 1970s towards the Black Consciousness Movement (BCM) under Steve Biko. Ramphele - a former black consciousness activist and vice-chancellor of the University of Cape Town, now a leading executive at the World Bank - observed that the apartheid government had allowed the BCM space to operate, because it thought that the BCM had "bought into its own ideological programme of separate development."25 The government's belief that the BCM and Nafcoc
had accepted the idea of separate development was expected to have immediate spin-offs. That is, to provide stability and political legitimacy to the philosophy of separate development in the black community. However, the BCM turned out not to be what the government had expected. It rejected the separate development philosophy and advocated an anti-collaborationist position towards the white racist government.\textsuperscript{26} Nafcoc, on the other hand, "accepted the philosophy of separate development" in so far as it allowed blacks irrespective of their ethnic affiliation to live separately from white people. As it argued in 1969 that, "from a purely business organisation's point of view, the National African Chamber of Commerce finds it inappropriate to think strictly in terms of ethnic division, as this is more a matter of politics than business."\textsuperscript{27} However, as will be shown later, it was also willing to perform a stabilising role, especially in the political turbulence, which occurred post-1976.

**Nafcoc's approach to the development of black capitalists**

From its inception, Nafcoc sought to mobilise the support of black people in the development of black capitalism. Beginning with the "buy-at-home" campaign in 1969, it appealed to nationalist sentiments for the support of black-run enterprises. Davies \textit{et al.} found this strategy to be similar to that followed by Afrikaners in the 1930s and 1940s.\textsuperscript{28} While this analogy is
plausible, perhaps a more appropriate comparison could be drawn with the black bourgeoisie in the United States, from whence the ANC in the 1930s, as indicated, and Nafcoc also drew their inspiration. Conceding that the system of racial separation was ‘inevitable’ in the United States, the Negro Business League (NBL) had advocated the cultivation of an exclusive economy for black Americans.²⁹ At the end of its founding conference in 1900, it adopted a resolution that:

"The mass of Negro [sic] must learn to patronise business enterprises conducted by their own race, even at some slight disadvantage. We must co-operate or we are lost. Ten million people who join in intelligent self-help cannot be long ignored and mistreated."³⁰

The NBL pursued this strategy until roughly the late 1960s and early 1970s, and reportedly only abandoned it after the US government introduced civil rights legislation that ended overt discrimination but which was less successful in improving race relations.³¹ Nafcoc’s policy of building ‘black capitalism’ essentially suggested, as in the case of the NBL, the propagation of a separate economy. This was illustrated in Nafcoc’s previously cited statement that it “would expect the state to allow Africans to serve Africans, and African money to build African progress”. Hence Nafcoc’s “buy-at-home” campaign, launched in 1969, appealed to blacks to support each other, and keep ‘African money’ in their own hands. In the correspondence sent to its members in
October 1969, Nafcoc explained that the campaign was intended to encourage blacks to give greater patronage to businesses owned by their community members. As its pamphlet in 1969 stated: "By supporting our local traders and buying all or most of our requirements at home, we shall be stopping our money from draining out, and thereby strengthening ourselves financially." However, in later years, Nafcoc changed its position on the need for a separate black controlled economy. It instead explained the notion of a separate economy as a means and not an end in itself. In this respect, Motsuenyane asserted in 1977 that:

"Until they allowed blacks to trade freely in South Africa and all existing barriers impeding their participation in the country's economy were removed, it was altogether unfair and morally unsound for white businessmen to be allowed wholesale and unconditional entry into the black areas."

This change of position was undoubtedly influenced by the nature of South African politics in the post-1976 period. From that time onwards, a central theme on the agenda within the liberation movement was the attainment of a unified South Africa, and the rejection of the ethnic enclaves created by the apartheid government. In the post-1976 era, Nafcoc also faced a serious legitimacy crisis, which, as shown below, had dreadful consequences for its members. Thus, Nafcoc's new vision for the integration of blacks into the
mainstream economy was conceivable only when the white ruling elite recognised them as "citizens" and accorded them "equal protection under the law." Nafcoc also viewed the integration of the black capitalist class into the mainstream economy as possible when this class had captured "a fair share of the South African market", especially the market of the black community.

While advocating the inclusion of blacks in the mainstream economy, Nafcoc fervently opposed white enterprises operating in the black townships, arguing in 1978 that these businesses were "exploiting the severe restrictions placed on black businesspeople". Thus, for example, Nafcoc opposed the development of a shopping complex in Kliptown (an area on the outskirts of Soweto and near Johannesburg) by a white syndicate. This project, Nafcoc maintained, threatened to draw black customers from Soweto and would "destroy the livelihood of thousands of Soweto traders". Nafcoc also believed that such a complex would detrimentally affect an application by the Black-Chain, a chain store owned by Nafcoc, to build a similar centre in Jabulani. Nafcoc, furthermore, discouraged partnerships with white business enterprises, arguing that blacks needed help in acquiring business facilities, rather than in securing white partners. Sometimes its opposition to collaborative ventures suggested that it feared being swamped by big white businesses. For example, it turned down a joint venture proposal by the Pick
'n Pay supermarket chain, whereby Black-Chain stores would hold 80 percent and Pick 'n Pay 20 percent of the shares of stores in black areas, and with reversed percentages in white areas.\textsuperscript{31} Nafcoc's resistance to such partnerships, however, was often well founded, as some white businesses sought merely to use their black partners as fronts to secure access to lucrative township markets. The actions of Gerstler and Hochstadter, a wholesale distribution company, confirmed suspicions of this type of duplicity. After Nafcoc refused its proposal for a partnership, the company then approached individual black traders and sold them 49 percent of its shares. It also appointed four black directors against five white directors to its governing board.\textsuperscript{42} Another case was the establishment of the Soweto Bakery Ltd by a white business syndicate that fronted as its "director" the chairman of the Soweto Community Council, David Thebehali.\textsuperscript{43} To prevent such dubious partnerships, Nafcoc, at its annual meeting in 1980, outlined the conditions under which its members would accept alliances with non-blacks. These stipulated that:

- the government should first remove all discriminatory regulations and policies affecting blacks in the economy;
- black businesspeople trading in black areas should, for the time being, be protected against unfair competition from white businesspeople;
- partnerships should evolve naturally rather than be imposed upon
blacks against their will;

- as far as possible, business partnerships should be free from
government participation;
- the primary objective of any partnership venture in black areas
should be to maximise benefits to blacks;
- partnerships should not always be thought of as involving blacks
and whites only;
- partnerships between blacks and whites should also be extended to
markets in both black and white communities;
- access of blacks to capital and expertise should not primarily
depend on the formation of black-white partnerships;
- partnerships should create enabling conditions through which blacks
could obtain the necessary expertise. 44

So determined was NaFCOC in its resistance to partnerships established
outside these guidelines, that it acted strongly against members who breached
its policy, just as it vehemently protested against white companies that ignored
its guidelines. For example, in November 1983 it expelled four senior
members – R. Maponya, D. Pooe, V. Kraai, and G. Mashile – for participating
in the creation of the Afrimet Company, a partnership with the white-owned
Metro Cash and Carry Company. This was despite the fact that this partnership
was forged on the basis of a 51:49 percent shareholding in favour
of the black associates. Explaining the decision to expel these members,
NaFCOC stated that: “It is the policy of NaFCOC that since Africans are not
allowed to own businesses in ‘white’ areas, the same should apply to whites
(in) African areas. Because the four defied this policy, they had to be expelled.\textsuperscript{45}

Nafcoc also embarked on a successful boycott campaign, forcing Metro to relinquish all of its R490 000 investments in Afrimet to blacks with the necessary finances.\textsuperscript{46} In an arrangement apparently acceptable to Nafcoc, Metro transformed its investments to a loan repayable within five years. The arrangement also entailed Metro receiving 10 percent of Afrimet's pre-tax profits, Metro providing management assistance for Afrimet and reducing its white directors from four to two, and these acting in an advisory capacity.\textsuperscript{47} A Metro spokesperson reflected on this experience as follows:

"The company has learnt a lesson – if you want to do business in African areas, let Africans do it. Metro had gone with the best intentions, and many people had lost sight of the second leg of the deal – where African shareholders would have gained a stake in Metro stores in white areas. The issue of whether to turn Afrimet into a wholly-owned African company was put to shareholders in July 1984, 113,700 voting in favour, against 600."\textsuperscript{48}

Furthermore, Nafcoc disapproved of government's ownership of businesses through the BIC\textsuperscript{49}, and the Small Business Development Corporation (SBDC), which had been established in 1980. It argued that the role of these quasi-
government agencies should be limited purely to "finance and advise joint ventures." Its opposition to the direct involvement of the government in business ventures angered the homeland governments, especially those of the Transkei and Bophuthatswana, who in 1980s demanded that their chambers of commerce break away from Nafcoc.51

Yet, despite its disapproval of partnerships with white-owned businesses and the involvement of government agencies in running businesses in black residential areas, Nafcoc accepted support from local and foreign white firms when it suited its goals, or those of individual black businesspeople. The following examples will suffice to illustrate this point. In July 1975 Nafcoc established the African Bank of South Africa (Afbank), through assistance it received from local (Standard, Nedbank, Trust and Volkskas) and foreign (Barclays) banks. Afbank began its operations with a share capital of R1.3 million, with the above mentioned banks acquiring 24 percent of these shares and black private investors owning the rest.52 Enlisting the help of these banks happened against a backdrop of the failure of black entrepreneurs to raise the necessary capital on their own when the idea to form the bank was initially suggested in 1964. As Motsungenyane stated at the ninth annual conference of Nafcoc in 1973:

"The idea never advanced any further since the response of black
entrepreneurs was rather weak and insignificant. (Their) general attitude was one of slackness and undecidedness (sic), and very few members contributed anything above R100."

In 1977, Nafcoc, together with Murray and Roberts Construction, formed a company called the African Development and Construction Company, in which Nafcoc held 51 percent of the shares.53 In 1986, a group of American firms, who were signatories of the Sullivan Code of Conduct, founded a company called Joint Business Development (JBD), in which black South Africans held majority holdings with 55 percent of the shares. The JBD aimed to transfer management and technical expertise from whites to blacks by providing technical support and training programmes.54

It is interesting to note that Afbank and the other corporate initiatives were created at a time when the government had legislated against the existence of black-owned companies. The exemption granted by the apartheid government in the formation of Afbank was, as Southall has explained, based on the agreement that Nafcoc would match the establishment of each branch in the urban areas with the establishment of a branch in the homelands.55 In essence, therefore, Afbank's operations were linked to the apartheid government's homeland project, which required the provision of some services to the migrant labour force in the urban centres. In addition, the bank's
expansion in the urban areas followed the kind of concessions that the government had granted to Nafcoc from 1975 onwards. Initially these concessions were given in the belief that Nafcoc was willing to buy into the philosophy of separate development, and later the concessions were integrated into the reform initiatives the government introduced from 1979 and beyond. These reforms will be discussed in detail in the next chapter.

The costs of Nafcoc's collaboration with the government

In pursuance of its objectives to changing and improving conditions under which black entrepreneurs operated, Nafcoc allowed its members to participate in such apartheid structures as the Urban Bantu Councils (in 1983 renamed as Community Councils). The participation of Nafcoc's members in these structures was consistent with principles outlined in the memorandum it had submitted to the government in 1969. In this memorandum, Nafcoc had also called for representatives of black chambers of commerce to be permitted to sit on the licensing boards. It was noted in Chapter Three that black businesspeople in the 1920s and 1930s had adopted a similar strategy when they took part in the Local Advisory Boards and the Native Representative Council. This initiative, it was indicated, had failed to yield the desired outcomes. In the case of Nafcoc, however, evidence of concessions won through this strategy was apparent in the reforms introduced from 1975.
onwards. Aspects of these reforms will be discussed in the following chapter.

The participation of black businesspeople in apartheid structures was never endorsed by the black community in general and, was condemned by particularly by activists and the organisations to which they belonged, notably the BCM and United Democratic Front (UDF). As a consequence of agitation by these organisations, Naafoc lost respect in the black community as a consequence of its perceived collaboration with the white government. Some elements in the community demonstrated their disapproval of Naafoc's collaboration by destroying property belonging to the organisation's members, especially in the wake of the students' uprisings in 1976.\textsuperscript{58} The devastation of the losses that occurred after the 1976 rebellion led Naafoc to establish a fund called "Operation Restock" to assist affected traders. However, of the estimated R1 043 million needed to cover losses, Naafoc only managed to collect donations amounting to only R5 000. In 1977, the Urban Foundation awarded Naafoc a R100 000 loan to help re-establish the victims of the uprisings.\textsuperscript{59} As it will be shown in the next chapter, the white business sector became extremely concerned that reforms were necessary in order to avoid the collapse of the economy, following the severe depression of the mid-1970s and the flight of foreign capital.\textsuperscript{60}
Attacks on businesspeople-cum-councillors became even more intense during the quasi-insurrection period between 1984 and 1987. Consider this report of the gruesome discharge of street justice in 1985 upon a business tycoon and community councillor, Tamsanqa Kinikini, in Uitenhage near Port Elizabeth:

"The three guys who were supposed to have been buried on Thursday were buried on Saturday. After the funeral, people went to the house of Tamsanqa Benjamin Kinikini, the only black community councillor who had not resigned. Kinikini was stabbed, and then tyres were put on him after he was dead and he was burned like that. The crowd also killed three of his sons. It was a terrible thing. I have never seen so much anger in my life. You could see anger of the people in how they were killing – whoosh, whoosh, whoosh – Kinikini’s young son, just eleven years old."61

The effects of the attacks on black businesspeople, notwithstanding other factors such as the economic recession of the late 1980s, led to the weakening or collapse of some of Nafcoc structures.62 For example, by the beginning of the 1990s the membership of its biggest affiliate, the Soweto Chamber of Commerce and Industry, had declined to 112 from a previous high of more than 1,000 members.63 Nafcoc’s legitimacy crisis also led to a decline in financial support from white companies, on which it had relied heavily for its revenue, partly because it was unable to stabilise the masses. As a Nafcoc spokesperson asserted in 1987, “Nafcoc should move away from reliance on
donors, (and start) to depend on its members for the bulk of its funding. In an attempt to salvage its tarnished image within the black community, from the mid-1980s onwards, Naicoc adopted a confrontational approach in its encounters with the apartheid and homeland governments. For instance, in 1986, after meeting with the exiled ANC in Lusaka in Zambia, Naicoc announced its support for almost all of the ANC's short-term demands, which were aimed at forcing the government to agree to negotiations with the exiled organisation. These demands included the imposition of sanctions against the government, support for the boycott of the general municipal elections held in October 1988 and demands for the release of all political prisoners. In addition, in 1986 Naicoc refused to participate in the then proposed National Statutory Council – an advisory body intended for blacks in the tri-cameral parliament, which had been established in 1983.

Naicoc's newly found radicalism led the Inyanda Chamber of Commerce (ICC) – one of Naicoc's biggest affiliates based in what was then Natal Province – to threaten its withdrawal from the organisation. However, the ICC failed to carry out this threat. The ICC was also affiliated to Inkatha, a cultural organisation, headed by Chief Mangosuthu Buthelezi, who at that time was also the leader of the KwaZulu homeland government. Buthelezi was at loggerheads with the ANC over, among other things, his participation in apartheid structures and his
opposition to the sanctions campaign against South Africa. Chief Buthelezi accused Nafcoc of trying, through their support of ANC programmes, to buy immunity from ANC 'reprisals' against black traders, an indictment with which the Inyanda Chamber of Commerce concurred. Nafcoc's new approach, although it did not prevent the split, to be discussed later, that led to formation of Fabcos in July 1988, was rewarded with the restoration of its legitimacy within the forces of the liberation movement. This was shown when prominent political leaders of such organisations as the UDF and the black consciousness-oriented Azanian People's Organisation (Azapo), as well as leaders of the trade union federations, began attending Nafcoc annual conferences.

The establishment of Fabcos

Despite Nafcoc's shift to a more confrontational approach from 1986 onwards, this development did not prevent other black entrepreneurs who had disapproved of Nafcoc's previous collaborationist politics from breaking away from the organisation. In July 1988, members of this disenchanted group established an alternative business organisation called the Foundation for African Business and Consumer Services. Some of the leading personalities behind the formation of Fabcos were individuals with anti-collaborationist struggle credentials such as Joas Mogale, a political activist and former
Robben Island prisoners, and Ellen Khuzwayo, a well known community activist and leader in Soweto. Fabcos was established with member associations that included the following organisations: African Builders Association (ABA), Afro Hairdressing and Beauty Association (AHBASA), Black Association of Travel Agents (BATASA), National Stokvel Association of South Africa (NASASA), National Black Consumers Union (NBCU), National Cottage Industries Association (NCIA), National Hawkers Association (NHA), National Tuckshops Association (NTSA), South African Bus and Taxi Association (SABTA), and Southern Africa Taverns Association (SATA). Fabcos claimed to have a combined registered membership of 100,000, and an unofficial membership of 1.2 million.\(^7\)

According to its general secretary, J. Mogale, Fabcos aimed at uniting black businesses, so that: "We can share resources, support each others’ projects and (so that) African consumers can participate in South Africa’s economic development and the wealth-creating process."\(^8\) Its basic tenets and approach were, however, not fundamentally different from those of Nafcoc, as it in the early 1990s Fabcos sought to create a "Black Rand" for the circulation of capital within the black community.\(^7\) However, more than Nafcoc, Fabcos also sought to promote the development of black business by providing training, marketing expertise, research skills, and management services to its members.
and to other entrepreneurs both in the formal and informal sectors.73

Fabcos, like its counterpart, was also not just an interest group. It also ran its own enterprises, which included a joint venture with Wesbank, launched in 1992, and involving the Southern Africa Taverns Association’s Sata and the Future Bank Foundation Scheme.74 The latter provided loans of between R2 500 and R10 000 to liquor taverns in the townships. Its aims were to help alling taverns with stock, and to improve their business premises through a “do-it-yourself” brick paving scheme.75 In 1992 Fabcos became the subject of controversy when two executive members, James Chapman and Gaby Magomola resigned from the organisation, and many of its initiatives reached the verge of collapse. For example, such Fabcos projects as the Spear, a taxi driver-training scheme and another called “Ads on Taxis” initiated by its affiliate Sabta, collapsed after the withdrawal of sponsors. Simultaneously, Fabcos retrenched 143 staff members, including senior officials.76 One of its biggest affiliates, Nasasa, with a membership of 150 000, collapsed in 1997 because, it was maintained, “we were always at loggerheads since the whites came. They took over the administration and ran the show.”77

However, a business consultant explained that Fabcos’s difficulties emanated from the resentment that existed between its affiliates and the organisation
itself. This developed because most of the sponsorship money went to the central management committee of Fabcos, which, in turn, was accused of being autocratic and of failing to communicate effectively with its affiliated structures. However, its president, James Ngcoya, stated in 1998 that the organisation "was stronger now than ever before", and cited normal business rationalisation as the reason for retrenchments. He added that they were re-opening closed branches and Fabcos was re-employing workers whom they had retrenched. Nevertheless, in a tacit acknowledgement of their problems, the chairperson of its board, Brian Johnston, stated in 1995 that: "Banks would have to provide increased financial assistance to black entrepreneurs while foreign investors would also have to focus more on promoting black business."

Black business organisations in the 1990s

With the advent of a democratic dispensation in 1994, both Nafcoc and Fabcos took advantage of the fact that there was a sympathetic government in power. While they both retained their existing economic enterprises, they also continued to function as interest groups championing the aspirations of their constituencies. For example, Nafcoc called on the new government to make a "development break" by giving black-owned businesses and joint ventures favourable treatment. It also demanded that the new government should
introduce such measures as the redirection of state spending, the subcontracting of work to black businesses, and the provision of incentives to black-owned companies in the private sector. In its manifesto for the “black economic empowerment” programme, which it submitted to the government in January 1995, Nafooc proposed the introduction of the following provisions:

- implementation of its 3-4-5-6 Resolution by 2000, by which blacks should occupy 30 percent of the boards of listed companies, and should have 40 percent of the equity in those companies;
- companies should receive 50 percent of their supplies from black suppliers, while 60 percent of company managers should be black;
- simplification of the tender system to ease participation by black business;
- restructuring of government institutions such as the SBDC and the Industrial Development Corporation to fall in line with the capital requirements of black business;
- using unbundling and privatisation programmes to ease black economic empowerment;
- unbundling should, however, benefit black business overall and not a few individuals;
- giving the Competition Board authority to deal effectively with monopolistic tendencies in the business sector;
- appointing a minister, deputy minister and commissioner of small business, with Nafooc to participate in the structuring of such a ministry;
- providing tax incentives for foreign investors conducting business with blacks in South Africa.
As will be discussed later, the new government through its own initiative, and to the extent possible in a free market economy, attempted to address most of the proposals contained in this manifesto. Nafcoc also envisaged the formation of a non-racial, unified national organisation of employers in South Africa. In turn, this organisation would be affiliated to the Pan-African Employers Confederation and International Organisation of Employers, an idea that has yet to reach fruition. Meanwhile, a consortium of black businesspeople called the Black Business Council – a body representing a host of professional and corporate organisations, which included the Black Management Forum, Fabcos, and Nafcoc – was formed in June 1997. Its objectives included the promotion of black economic empowerment and participation in the political restructuring of the country. However, apart from releasing statements at irregular intervals, nothing much has been heard about this organisation. Recently, it was announced through radio and television broadcasts that Nafcoc and the South African Council of Business (Saccob), a predominantly white business organisation, have signed a declaration of intent to merge.

This chapter analysed the role and effects of the black business organisations, namely Nafcoc and Fabocs. It showed that Nafcoc had to walk a political
tightrope in its attempts to improve the conditions of black entrepreneurs. On the one hand, it collaborated with the apartheid government in the hope of extracting concessions from it. On the other hand, it tried to set itself up as the champion of black capitalism by advocating a separate economy where blacks would be in control. In the end, while Nafccoc won concessions from the state, it also lost its legitimacy within the black community. This led to the formation of Fabcos as an alternative business federation. In the light of the changes that have taken place in the political landscape since the early 1990s, both Nafccoc and Fabcos have redefined their roles to those of interest groups. While Nafccoc and Fabcos fought for the collective aspirations of black entrepreneurs, the next chapter will focus on the forms and methods of capital accumulation by individual black entrepreneurs.

Endnotes

National Africa Chamber of Commerce: Regionalisation and Bantu Investment Corporation Policy, Memorandum from the National African Chamber of Commerce to the Minister of Bantu Administration and Development, 29 August 1969. The same explanation was expressed in "Ethnic Commerce", Excerpts from the Presidential Address to the Sixth Annual Conference of the National Conference of the National African Chamber of Commerce, Bloemfontein, 23 May 1970. Both these documents are reproduced in full in van der Merwe, et. al. (Ed.), African Perspectives on South Africa: Speeches, Articles and Documents, 1978, p.155.


Samuel M. Motsuénanye was born in Potchefstroom, spending his childhood there, and in Pretoria. He obtained a diploma in social science from Jan H. Hofmeyer School of Social Work in Johannesburg and a Bachelor of Science (Agriculture) degree from the University of North Carolina and in 1983 the University of the Witwatersrand honoured him with a doctorate degree. He started a nursery and poultry business in 1967 in the Pretoria district. See van der Merwe, et. al. (Ed.), African Perspectives on South Africa: Speeches, Articles and Documents, 1978, p.594; and Financial Mail, Special Edition, 1 January 1900 - 17 December 1999, p.42.

11 Lipton, M. Capitalism and Apartheid, 1986, pp.143-149.
12 Hart, Black Entrepreneurship, 1972, p.106.
13 Ibid.
19 See National Africa Chamber of Commerce: Regionalisation and Bantu Investment Corporation Policy, Memorandum from the National African
Chamber of Commerce to the Minister of Bantu Administration and Development, 29 August 1969, reproduced in van der Merwe, et. al. (Ed.), African Perspectives on South Africa: Speeches, Articles and Documents, 1978, p.150.


21 Ibid. p.156.


25 Ramphele, M. Mamphela Ramphele: A Life (Cape Town and Johannesburg: David Philip Publishers, 1995,) p.84.


27 National Africa Chamber of Commerce: Regionalisation and Bantu Investment Corporation Policy, Memorandum from the National African Chamber of Commerce to the Minister of Bantu Administration and Development, 29 August 1969, reproduced in van der Merwe, et. al. (Ed.), African Perspectives on South Africa: Speeches, Articles and Documents, 1978, p.155.

28 Davies, et. al. The Struggle for South Africa, 1988, p.120.


31 Based on my conversation with Dr. Yvonne Scruggs-Leftwich, Executive Director and Chief Operating Officer, Black Leadership Forum, Inc. during a visit to Washington, US, in September 1999.


41 *Cape Times*, 12 July 1978.


45 Sowetan, 11 November 1983.


56 Between 1975 and 1991 Afbank opened branches eight branches, seven satellite branches and three agencies in Ga-Rankuwa and Mamelodi near Pretoria, in Diepkloof (Soweto), Giyani in the Northern Province, Nelspruit in Mpumalanga, and in Umtata, Queenstown and Bisho in the Eastern Cape Province. (Southall, "African Capitalism in the Contemporary South Africa", 1980, p.56; City Press, 18 August 1991; and SAIRR, A Survey of Race Relations, 1992/93, p.103.


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60 The Soweto uprisings aggravated an already depressed economy, suffering from a fall in the gold price of gold, oil price hikes and industrial action, unheard of in the 1960s.
61 This awful story was narrated by a journalist Mono Badela, in an interview cited in Lodge and Nasson, All, Here, and Now, 1991, p.239.
63 Ibid.
65 City Press, 1 March 1987; and SAIRR, A Survey of Race Relations, 1987/88, p.37
68 Eastern Province Herald, 2 April 1987.
69 Business Day, 1 September 1987. Further, after the 1994 elections Motseuoryane, the long-serving president of Nafcoc, was elected to parliament as a senator representing the ANC, and subsequently served, as democratic South Africa’s first ambassador to Saudi Arabia. Financial Mail, special edition, 1 January 1900 – 17 December 1999, p.42.


72 Tribune, April 1991.

73 Fabcos Corporate Report, From a Decade of Empowerment into a Millennium of Delivery, undated.


75 Ibid.


79 Cited in Ibid.


85 Sam Montsi, Vice-President of the Cape Chamber of Commerce and Industry, a Sacob affiliate maintains that the "the merger is a code name for the swallowing up of Nafcco by Sacob" as the former has no real assets for
boast about. (Interview with Montsi, Claremont, 11 December 2000). I agree with Montsi's assertion, especially stated against the backdrop of reports in the media alleging corruption by leaders and bankruptcy of Nafcoc. (Cape Time Business Report, 7 September 2000, and City Press 10 September 2000).
CHAPTER SIX

The Development of Black Capitalists in the Urban Areas

This chapter looks at the varied paths of accumulation and growth adopted by individual black entrepreneurs, particularly from the 1960s onwards. This accumulation took place initially despite the apartheid governments' policies to restrain the urban black business class. Later the growth of this class was aided by the reforms, which were introduced by the apartheid government from the mid-1970s. Individual black entrepreneurs also benefited from the assistance they received from the white business community. The reforms began with the official recognition of an already existing black business class in the urban areas, and moved on to expand the scope of its operations. However, rather than eradicating white economic domination, the reforms were primarily intended to earn political legitimacy and to defend the ideals of a capitalist economy. Thus, the chapter contends that the growth of the black business class was driven by a combination of factors, which included the reforms themselves, the individual efforts of black businessmen, as well as through bargaining with, and receiving help from the white entrepreneurial class.
The early generation of black entrepreneurs

From the 1960s through to the 1970s, the origins of black entrepreneurs could be divided into two categories. The first category was a group of entrepreneurs that emerged from the ranks of the poor. Unemployment, inadequate schooling, and low-income levels amongst those who were fortunate enough to have some employment typified the circumstances of most of these entrepreneurs. Their entry into private business, largely in the informal sector, was primarily driven by the need to find the means of basic survival or to add to their paltry incomes. In doing so, they started enterprises on the pavements as hawkers and vendors, or operated kiosks in their homes, selling items such as offal, sanitary products, clothes, homemade beer, meat and vegetables. It is of interest to consider the profiles of some of the entrepreneurs who developed their embryonic informal ventures into mature and successful businesses.

Peggy Headbush, a businesswomen at New Brighton near Port Elizabeth who was a joint owner with her husband of business operations, began by selling fat cakes to school children. She describes their development as follows:

"In 1936 James and I were married and in 1941 we settled in P.E. (Port Elizabeth) and he worked in a butchery. I made 'vetkoeks' (fat cakes) to
sell to the local schools and the general public. While I was involved in this informal business, we applied for premises on which to trade, but were turned down by the (Bantu) Administration Board. I then went to work with James at the butchery, and later after saving enough money and eventually acquiring a permit, we opened the R. Dali Self-service Supermarket, in New Brighton in 1962. When the supermarket was on its feet and going strong, we wanted to expand but we faced the same problem which most black businesspeople faced. Blacks were not allowed to own business, they could also not erect their own buildings. You had to wait for the local town authorities to erect such structures and once this was done, you then had to apply through the local community council to rent a building."

Another businessman, Justice Thula Radebe described his entry into business as a means to earn a better living:

"I failed matric (Grade Twelve). I wanted to become a doctor or a lawyer, but those plans were shattered because I could not make the grade. I ended up in an office making tea... I later got married and left (my job) to (start) brewing and selling my homemade Africa beer. My wife also helped to supplement our income by selling clothes in the townships. We saved our money, and in 1971 we opened our present business, the supermarket."

Although the informal sector had in the early stages played an important role as a breeding ground for some future capitalists, this sector no longer plays
this role. Presently, the vast majority of informal sector operators remain trapped in a cycle of underdevelopment and poverty. For example, according to the World Bank study of 1994, many of the informal or micro-enterprises remained unregistered and were run by individuals who were unemployed. On average, the enterprises utilised the labour of 2.1 people, including the proprietor and unpaid family members. The average monthly incomes of spaza shops and street vendors were below the subsistence level of R650 a month, while their average mean monthly turnover was R1 502.3

The second cohort of black entrepreneurs emerged from the ranks of a few individuals who were better educated and/or had obtained on-the-job training and experience. These individuals were appalled by the racism they confronted at work or were unsatisfied with their low incomes, and so they tried their luck at private business. As David Motale aptly commented about his decision to enter private business in 1976:

"I worked at the Wolnitz knitting factory in Rustenburg as a wage clerk. There were many white women in the same job who earned about five times my salary. After three months, I resigned and joined Bradlows Furnishers where I had to call everyone 'Baas' or 'Miesies'. This was very degrading, but the worst was yet to come. Leon Sigma's Garage employed me as a clerk and my job description included recording wages, ordering spares, balancing the petty cash book, stocktaking,
handling workshop job cards, and training new staff. I was earning R30 a week and the people I had trained ended up earning more than I did! I couldn't stomach this. After I resigned, I swore never to work for a white person again, and that as soon as I had the capital, I would establish my own business."

Another businessperson, Nicodemas Taelo Maleshoa had, as a pupil, admired the success and prestige of people in the medical profession, but could not gain entry into medical school because he had failed Afrikaans — then a compulsory subject — in his final year of high school. He then "decided to do Business Management (Diploma) which changed the course of my life." He worked first in a clerical job, and later held lower management positions in successive petroleum firms: Caltex, Shell and Mobil. He started in private business through selling houses he had bought in Mangaung, near Bloemfontein — and had registered under different names — from township residents, who were leaving for the homelands. "After opening my first business, I became interested in other people's 'success stories', so I started reading financial magazines about people like (Harry) Oppenheimer to learn about their backgrounds and how they started." In 1972, he branched into another business area after applying for, and being granted, a licence to operate his Nico's Cash and Carry Supermarket. He later operated a string of other enterprises.⁵
Despite these limited successes, however, the process of capital accumulation by urban black entrepreneurs was never without difficulties. To the contrary, the constraining provisions of the Native (Urban Areas) Consolidation Act of 1945, among other things, prohibited them from owning companies and property, and tightly controlled their path of development. Moreover, before 1975, as indicated, successive apartheid governments had been vehemently opposed to the presence of black entrepreneurs in the urban areas, and had sought to deport them to the homelands. However, some of the initiatives especially in education which were undertaken to make the homeland project a more viable proposition, were in turn incorporated into the reform initiatives undertaken by the apartheid government from 1979 onwards. As the table below conveys, the enrolment of black pupils in secondary schools increased sevenfold between 1960 and 1975, and trebled a decade later. This expansion in secondary schooling corresponded with a significant increase in the number of black students admitted in tertiary institutions.

Table 1
Numbers of African Students in Secondary and Tertiary Education.

<table>
<thead>
<tr>
<th>Year</th>
<th>Secondary School</th>
<th>Matriculants</th>
<th>University</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>45,588</td>
<td>717</td>
<td>1,871</td>
</tr>
<tr>
<td>1965</td>
<td>66,568</td>
<td>1,606</td>
<td>1,880</td>
</tr>
<tr>
<td>1970</td>
<td>122,489</td>
<td>2,938</td>
<td>4,578</td>
</tr>
<tr>
<td>1975</td>
<td>318,568</td>
<td>9,009</td>
<td>7,845</td>
</tr>
<tr>
<td>1980</td>
<td>577,584</td>
<td>31,071</td>
<td>10,584</td>
</tr>
<tr>
<td>1984</td>
<td>1,001,249</td>
<td>86,873</td>
<td>36,604</td>
</tr>
</tbody>
</table>
Initially the graduates from the secondary and tertiary institutions were destined to run the homeland administrations and their economies. As the Minister of Labour confirmed in 1972 that: “the policy of this government... is to refrain from training and using Africans as skilled workers in white areas.” This policy, however, changed, as discussed below, after the apartheid government relaxed influx control measures, thereby allowing these graduates to find employment in the corporate sector in the so-called white South Africa.

Necessitating the introduction of reforms was the fact that from the early 1970s through to the late 1980s, the South African economy had begun to stagnate and decay. Drawing on the writings of the Italian Marxist writer Antonio Gramsci, Saul and Gelb described this situation depicting a typical case of an 'organic crisis'. According to them, the signs of economic, structural and political crisis were evident in the soaring rates of inflation and unemployment, the shortages of skilled labour, the deficit in the balance of payment and political resistance by the black masses, especially in the post-1976 era. In response to this crisis the government initiated new forms of social, economic and political relations through a process of reform from
Aside from their limitations, which will be discussed later, the reforms were of critical importance in opening up possibilities for the advancement of black entrepreneurs. They also marked a turning point in the thinking of the apartheid government, since it became clear to some of its more moderate and pragmatic members that the existing political and economic systems could no longer continue to function in the old narrow racist style. Therefore, something different had to be done to maintain both systems. With the benefit of hindsight, one can see that the reforms evolved in distinct stages and patterns, which the apartheid government may not have fully discerned at the time. It is also important to note that the reforms pre-dated the reforms that were introduced under the Total Strategy doctrine from 1979 onwards. Thus, the timing of the reforms should be understood firstly as intended to recognise the existence of the black business class in the urban areas, and secondly as meant to affirm its presence and expand its base. What also propelled the shape and pace of the reforms were the popular pressures exerted by the collective efforts of black entrepreneurs and those of white entrepreneurs. Although the scope of the reforms was wide-ranging, and included reforms to labour laws and so on, the discussion here will focus on those reforms that influenced the position of the black business class.
The first phase of reforms, 1975-1978

The first phase of reforms was implemented after the apartheid government agreed, for the first time in May 1975, to meet with a delegation from Nafcoc.\textsuperscript{11} Subsequently, the two parties held a further series of meetings in August and December 1976 and in September 1978.\textsuperscript{12} At these meetings, Nafcoc presented a range of demands, which called for the repeal of regulations that inhibited black business operations. Interestingly, most of the restrictions scrapped in 1978 were direct outcomes of these meetings. Speaking in the National Assembly, after a meeting with a Nafcoc delegation in May 1975, the Minister of Bantu Administration at the time announced the government's intention to change policy regarding the operation of urban black entrepreneurs. Again in April 1977, following his December 1976 meeting with Nafcoc, the Minister reaffirmed the government's commitment to ease conditions for black businesses in the urban areas.\textsuperscript{13} The concessions granted in November 1977 included the following:

- increasing the number of business activities open to blacks in their townships from 26 to 66;
- broadening the size of the trading sites from a maximum of 150 to 350 square metres, with provision for the granting of larger sites;
- scrapping the requirement that compelled black business people to be in possession of homeland citizenship before qualifying for a
trading site in urban areas;

• scrapping the prohibition against granting a site in black areas to a trader who had business outside that area;

• discarding the requirement that demanded black traders to show their books to inspectors to obtain permission to employ assistants, and to undergo medical examinations at the request of the township superintendent;

• freeing a black trader to run his or her business personally without the risk of losing his or her licence if absent for more than three months;

• abolishing the time limit and the granting of leave of absence, and leaving this to the discretion of the township superintendent.14

Further amended regulations announced in September 1978 entailed:

• the lifting of the (pass law) requirement that a trader had to be more than 21 years old, born in an area or to have lawfully resided continuously in such an area for not less than 15 years, or to have worked continuously for one employer for not less than 10 years;

• permitting the formation of partnerships, if all shareholders were black and the administration board gave such authorisation;

• abolishing the maximum requirement of 350 square metres for a trading site, thus paving the way for the formation of large supermarkets (emphasis added);

• lifting the restriction preventing a trader from operating on more than one site or in more than one business, and allowing blacks to employ non-blacks;
• reducing the number of reasons by which an administration board might cancel a trader’s right to occupy a site;
• lifting the restriction that excluded black businessmen from doing business if they had been convicted twice for a contravention of regulations; or when declared to be of an unsound mind by a competent court;
• lifting the restriction on the sale of merchandise or produce to non-blacks outside a black residential area,
• scrapping the condition that made a trader lose his or her licence for being absent from the business for longer than the period for which the superintendent had given permission, or for refusing to undertake improvements or repairs required by the superintendent, and for insolvency;
• abolishing the schedule setting out a list of trades to which black traders were restricted, thus opening all trades to them subject to their obtaining the necessary licences.16

In addition to these concessions, the Vorster administration, through the promulgation of the South African Bantu Homeland Citizenship Amendment Act of 1978, also relaxed the policy of influx control, albeit differentially.19 The relaxation of influx control earned the emergent black middle class ‘qualifying’ rights as urban dwellers in terms of the pass law, while the majority of the working class were still ‘disqualified’ and condemned to live in the homelands.17 From 1978 onwards, the ‘qualifying’ group, including entrepreneurs, also qualified for property ownership rights in the townships
through 99-year leaseholds.\textsuperscript{16}

In Chapter Five, it was noted that in 1975 the government's decision to recognise and subsequently grant some concessions to Nafcoc could have been motivated by the conviction that Nafcoc had bought into the philosophy of separate development. It would, however, be unfair to attribute these concessions purely to the government's success in enticing Nafcoc as unwilling dupes to its side of the broad political divide. This is because the type of concessions granted showed evidence of trade-offs reached between the government and Nafcoc representatives. Evidence of bargaining for trade-offs was apparent, for example, in a statement by Richard Maponya, a Soweto tycoon and then senior member of Naftoc. He suggested that granting black entrepreneurs the rights to expand their businesses would result in the development of a middle class, which would, in turn, provide political stability in the country. As Maponya asserted in 1975:

"If black businesspeople can move out of the small general dealer's set-up into a diversified business area then the black community will see an emergence of a middle class that will serve as a bulwark to any political uprising in this country."\textsuperscript{19}

In addition, further proof of trade-off was apparent in the concessions granted
between 1977 and 1978, as these largely matched Nafcoc's demands contained in the memorandum submitted to government in 1969.

Another factor influencing the granting of these reforms was the pressure representatives of white-owned capital had brought to bear on the apartheid government. As it was shown in the previous chapter, some sections of the white business sector complained about the limitations that the job colour bars imposed on the utilisation of the skilled black labour force.\textsuperscript{20} The threat of the collapse of social and political stability, in the wake of the 1976 students' uprisings, helped intensify the pressure against the apartheid government, and strengthened the bargaining leverage of Nafcoc. Concerned about these developments, representatives of white-owned capital, such as the Afrikaans Handelinstuut (AHI), the Federated Chamber of Industries (FCI) and the Association of Chambers of Commerce (Assocom), called on the government to allow blacks to operate small industrial and manufacturing plants.\textsuperscript{21} To demonstrate their seriousness on this matter, in 1976 they established, independently of government, the Urban Foundation, which aimed at 'creating a black middle class', oriented towards:

"Western-type materialistic needs and ambitions (because) only by having this most responsible section of the urban black population on our side can the whites of South Africa be assured of containing on a
long-term basis the irresponsible economic and political ambitions of those blacks who are influenced against their own real interests from within and without our borders.\textsuperscript{22}

The Urban Foundation financed and initiated projects aimed at "improving the quality of life" in the black townships. It gave priority to financing housing projects throughout the country, pressuring the government to introduce a 99-year leasehold scheme, and initiating educational and training projects such as literacy work, and pre-school and adult education.\textsuperscript{23} In addition, the white business sector had, from the mid-1970s, recruited blacks into the industrial, legal, medical, scientific and technological sectors of the white corporate South Africa. For example, Gaby T. Magomola was recruited in the 1970s and ended up holding senior positions, such as Financial Manager at Cummins Engineering between 1977-1979. From 1979 to 1984 he held a position of Corporate Loans Manager at Citibank, and thereafter as Manager/Executive Assistant at First National from 1984 to 1987.\textsuperscript{24}

Through its concessions, the apartheid government sought to use the black business class as a buffer between the state and white capital on the one side, and the impoverished black masses on the other. Nafcoc was prepared to perform this stabilising function, as Maponya's assertion, cited earlier, has shown. However, as subsequently became evident, this class was unable
such a role successfully, partly due to the small size of the black business class in particular, and the black middle class in general. It also could not play a stabilising role partly due to the fact the black middle class lacked a vote and any power to influence the government of the day. Thus, the reforms, more than anything, largely created more possibilities for the betterment of a black entrepreneurial class than had been the case prior to 1975. These opportunities were, nonetheless, still limited as, apart from the formation of Afbank in 1975, the government still prohibited blacks from, for instance, establishing companies.

With the reforms, there was only one route for black entrepreneurs to grow and maximise their profits, and that was through horizontal expansion — owning a cluster enterprises of similar-type. For example, Ephraim 'ET' Tshabalala, twice mayor of Soweto and a multimillionaire, began his career selling offal in the 1950s, and went on to develop a business empire comprising several petrol stations, a string of butcheries, bottle stores, supermarkets, dry-cleaning depots and a cinema in Soweto. Another rags to riches family, Richard and Merina Maponya, who started out selling soiled and rejected garments in the townships, in the 1970s owned a string of enterprises that included a butchery store, a general supply store, a supermarket and a service station. In the 1980s, their enterprises expanded to include a shopping
complex, a General Motors dealership and racehorses.26

Vertical growth for black entrepreneurs from shop-owners to company directors, was possible only in the homelands where the apartheid government had initially permitted and 'promoted' them. Although such successes were rare, the story of the development of Habakuk Shikwane's enterprises, illustrates the point:

"I started a small-time shoe factory in Dube, Soweto in 1951. Then I moved over to Orlando East, Soweto, where I built my own factory and started trading on a small scale. Later, I was motivated to open up in Hemmanskraal near Pretoria where, unfortunately, due to government restrictions on black peoples' movement, I was not welcomed and was forced to retrace my steps to my birthplace, Lebowakgomo (in the homeland of Lebowa). The cane factory I established in Lebowakgomo has grown and grown and today we have 80% of the cane furniture market in South Africa, supplying most of the white-owned giant stores. I import the cane and in recent times the poor Rand/yen exchange rate has, had an adverse effect on my business. But I'm still the major cane furniture manufacturer in the country. That alone motivated me, but it's also made me restless, wanting to diversify and test myself in other areas. As a result, I've expanded into new and exciting areas. One such area is providing a cattle feed service in the Northern Transvaal. I formed a company, Northern Feed Manufacturer, which today is a vibrant growing concern providing a necessary service to farmers in the region. I also diversified into manufacturing buses and trailers. I"
imported a team of specialists from Portugal to teach my staff. In addition, I have a bottle store, a car sales outlet and a supermarket.\textsuperscript{27}

The second phase of reforms, 1979-1985

The second wave of reforms began in 1979, following P.W. Botha’s replacement of B. J. Vorster as the National Party leader and head of government in September 1978. Upon taking office, the Botha administration announced a policy known as the “Total Strategy”, which in part embraced the idea of “creating a black middle class”. O’Meara explains that the policy intended to give blacks a stake in the capitalist economy, thereby preventing political grievances from becoming a threat to the economic system itself.\textsuperscript{28}

According to this scheme, blacks would take part in the defence of the capitalist system against the ‘communist threat’ from the Soviet Union, which used its ‘surrogates’ inside the country to foment instability.\textsuperscript{29} However, as repeatedly stated in this thesis, the notion that these reforms marked the “creation of the black middle class”, as some analysts have argued, is erroneous.

More accurately, perhaps, the reforms had twin objectives. On the one side, they officially acknowledged the growth of a black business class that was already underway. They also sought to expand the base of this class in the
townships; hence the formation of the SBDC in 1980 to provide assistance to aspirant and existing small business operators. As the SBDC's managing director Ben Vosloo explained, the corporation intended: "To accelerate actively new (business) developments so that the present African townships become normal cities with their own neighbourhood shopping centres and central business districts." The role and functions of the SBDC will be discussed in the next chapter. Evidence of the growth of the black middle class since the 1970s was provided by economists, Whiteford and McGrath, who showed that the wealthiest 20 percent of black households in South Africa – representing about 5.6 million people – enjoyed a 40 percent growth in income from 1975 to 1991.

The other side of reforms formed a part of the strategy to demarcate new regions, involving black townships that shared borders with the homelands – a strategy called the "soft border" approach, which was originally suggested by the Buthelezi Commission, set up in 1980. Clearly influenced by the idea of "soft borders", the Bophuthatswana administration proposed the development of an economic plan that would be implemented within coherent regions, which were free of constraints imposed by political borders. Its purpose was to use the homeland and urban black business classes, and their respective governments to stimulate economic growth and create employment
opportunities. To this end, P.W. Botha pronounced, at an economic summit held between the government and the white private sector in 1979, that:

"An extremely important aim in South Africa's economic strategy ... is to promote stability through regional co-operation in Southern Africa (read as homelands)... involving joint operation of projects of two or more governments."\(^{34}\)

The result was the drawing-up of six economic regions that incorporated these areas. Firstly, the eastern Cape, Ciskei, and Transkei. Secondly, Natal, KwaZulu, and northern Transkei. Secondly, the northern Transvaal, Venda, Lebowa and Gazankulu. Thirdly, the western Transvaal, northern Cape and Bophuthatswana. Fourthly, the Orange Free State, Qwa-Qwa and Bophuthatswana. And lastly, the eastern Transvaal, Kwa-Ngwanke, Lebowa and Gazankulu.\(^{36}\) The first economic region, and one of the few where the 'new regional' arrangement was actually implemented, involved, as Mamdani noted, collapsing powers to a joint administration of Umlazi local, and the KwaZulu "self-governing" administrations.\(^{36}\) The 'new' economic region co-existed with the already 'independent' Transkei-Bophuthatswana-Venda-Ciskei 'states'. In the case of these nominally autonomous 'states', development planning and finance priorities and implementation were co-ordinated by the newly created "multilateral decision making structures"; the
Regional Development Advisory Committees, and the Development Bank of Southern Africa (DBSA), the latter replacing the Corporation for Economic Development (formerly the BIC).\textsuperscript{37}

\textit{The advent of a second generation of black entrepreneurs}

The reforms introduced in the 1980s, notwithstanding their political motives and limitations, resulted into the emergence of another generation of black entrepreneurs. These reforms had opened new opportunities including access to state contracts, which were previously closed to blacks entrepreneurs. For example, Dick Mabane, a builder, won state contracts to build the ubiquitous two-rooms-and-a-garage houses in the back yards of Soweto homes, as well as houses for the black middle class in residential areas such as Dobsonville, Pimville and Diepkloof on the outskirts of Soweto. He explained his entry into business as follows:

"My sister invited me to visit her at work (at the West Rand Administration Board in New Canada, near Soweto) because she had something to show me. She insisted I come on a Friday. I arrived at midday and she led me to an office where some 20 men seemed to be signing cheques. In fact they were signing cheques. It emerged that they were receiving payment for the structures they had put up in various townships in Soweto. My sister requested some of the men to show me the cheques they had received. The amounts were
staggering. I compared the money with my salary and discovered I would have to work more than 20 years to earn only a fraction of those paid cheques. When I left New Canada that day, I had made up my mind. I was going to plunge myself into this venture. I had no training as a builder but I was going to give it a go anyway. (The multimillion rand Vukoma Construction Company was subsequently created and benefited from state-awarded contracts). ³⁸

Another entrepreneur who felt the direct results of the reforms, though he remains very critical of the scope of the reforms, reflected as follows:

"After the reforms were introduced I was able to transform my business from selling coal to distribution of gas and paraffin in the townships of Langa, Gugulethu and later Khayelitsha... At one stage, before the electrification of houses in the townships I used to distribute about 36 tons of gas per month to about 10,000 customers." ³⁹

Further, as Table 2 below also shows, the reforms made it possible for black entrepreneurs to venture into new enterprises, such as hotels/motels, filling stations, funeral parlours, upholstery, etc. Other examples of enterprises created after the reforms were introduced include hairdressing and beauty salons, franchised fast-foods outlets such as Captain Dorego, Chicken Licken and Kentucky Fried Chicken, as well as medical aid schemes. Some of these enterprises grew into successful and profitable ventures. For instance, Bonitas
Medical Aid, a black-run medical aid scheme started in 1982 with a 27.3 percent shareholding in Medscheme (South Africa's largest medical aid group). In 1994, of the franchises that had been launched in the mid-1980s, 6.5 percent were black-owned compared to 5.2 percent for Asians, 2.1 percent for coloureds, and 86.2 percent for whites.


<table>
<thead>
<tr>
<th>Types of Businesses</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>General dealers</td>
<td>2,270</td>
</tr>
<tr>
<td>Café, restaurants, eating houses, fish and chips shops</td>
<td>884</td>
</tr>
<tr>
<td>Fresh produce</td>
<td>149</td>
</tr>
<tr>
<td>Butchery</td>
<td>390</td>
</tr>
<tr>
<td>Dairy, milk depots</td>
<td>502</td>
</tr>
<tr>
<td>Wood and coal</td>
<td>751</td>
</tr>
<tr>
<td>Hairdressing, beauty salons, etc</td>
<td>74</td>
</tr>
<tr>
<td>Shoemaking, tailoring</td>
<td>127</td>
</tr>
<tr>
<td>Dry-cleaners, laundry</td>
<td>113</td>
</tr>
<tr>
<td>Funeral parlous</td>
<td>78</td>
</tr>
<tr>
<td>Photography, watchmaking</td>
<td>24</td>
</tr>
<tr>
<td>Hotel, motel</td>
<td>4</td>
</tr>
<tr>
<td>Passenger transportation (taxis)</td>
<td>1,928</td>
</tr>
<tr>
<td>Bottle store</td>
<td>85</td>
</tr>
<tr>
<td>Places of entertainment</td>
<td>1</td>
</tr>
<tr>
<td>Filling station, garage workshop</td>
<td>84</td>
</tr>
<tr>
<td>Carpentry</td>
<td>9</td>
</tr>
<tr>
<td>Upholstery, carpet fitting</td>
<td>4</td>
</tr>
<tr>
<td>Bricklayer, cement masons, builder, etc.</td>
<td>3</td>
</tr>
<tr>
<td>Welding, burglar proofing, bicycle shops</td>
<td>32</td>
</tr>
<tr>
<td>Scrap yard</td>
<td>8</td>
</tr>
<tr>
<td>Paddlers</td>
<td>149</td>
</tr>
<tr>
<td>* Unspecified</td>
<td>97</td>
</tr>
<tr>
<td>Other</td>
<td>414</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8,180</td>
</tr>
</tbody>
</table>

* Licences that did not specify types of businesses (Northern Cape)

The third phase of reforms, 1986-1994

The last set of reforms began in 1986, in what appeared to be the last throw of the dice to preserve white domination, when the three-chamber parliament passed the Temporary Removal of Restrictions on Economic Activities Act, following the recommendations of the President's Council report of 1985. The passing of this law was a renewed response to popular pressures that had developed to levels of quasi-insurrection in the townships, despite the declaration of states of emergency. The reforms were also a response to the persistent economic crisis, which in the 1980s was accentuated by the imposition of sanctions by the international community, especially the government of the United States.

The new legislation gave the State President, P.W. Botha, the powers to review laws, bylaws, and regulations that "unduly impeded the economic progress and the creation of job opportunities". In the case of black businesses, the new legislation introduced "temporary exemptions" in the registration and licensing of businesses, trades, professions, and the use of land and building premises. It set aside restrictions on the days and times for conducting business, bringing these into line with the hours followed by white businesses. It also set aside health and safety requirements for the
construction of buildings and the use of machinery, and the regulations governing conditions of service and working hours. In 1938, the government scrapped some sections of the Development Trust and Land Act of 1935, particularly section 24, clauses 3 and 11 (2). These clauses had required all black professionals to obtain annual permission to practice, besides having to obtain a licence before going into business. It abolished the prohibition on the creation of partnerships without government permission. It also withdrew regulations imposed in 1968, which had prohibited blacks from obtaining trading sites if there were existing businesses within a radius of 40 kilometres; from raising capital from, or sharing profits with, non-blacks without permission; and from building or purchasing business premises on state-owned land. With the passing of the Temporary Removal of Restrictions on Economic Activities Act, black entrepreneurs could, like their white counterparts, apply to form companies through a common regulating body.

Arguably, the removal of these regulations made it possible for the black business class to venture into the mainstream of the economy, and to access bigger loans from the Industrial Development Corporation (IDC). For example, the Lesedi Clinic, a private black-owned clinic established in the mid-1980s in Soweto, received a loan of R15.5 million from the IDC in 1986, to improve its balance of payments and to purchase surgical and intensive-care equipment.
After the passing of the Temporary Removal of Economic Restrictions Act in 1967, the white government introduced policies allowing for the privatisation and deregulation of business activities. Nafcoc supported the privatisation programme with a hope that it would boost the fortunes of black entrepreneurs. As Sam Molebatsi, executive member of Nafcoc, asserted: "I do not think there is anybody in business that will be against privatisation. It is a move from state control towards a free economy... Privatisation would raise the involvement of blacks slightly better than it is at the moment." The privatisation of state assets was disappointing, as the government only allowed potential black buyers to purchase liquor outlets controlled by the then defunct administration boards. In 1987, Ephraim Tshabalala, a former mayor of Soweto and the then local tycoon, was among the first black businesspeople to purchase some of these liquor outlets. In the same year, the apartheid government sold 21 other beer halls, owned by the Lebowa Development Corporation, to Lebowa businesspeople.

The deregulation of black-run enterprises did alleviate most of the restrictions that were previously imposed on them. Thus, the creation of big black business consortiums in the early 1990s was mainly because of the lifting of these restrictions. They also provided black businesspeople with an opportunity to overcome the subordinate economic status that had
characterised their activity for a long time, and therefore allowed them to become involved in the mainstream of the country’s economy. These developments were largely ignored in the accounts of the writers who analysed the development of the black business class from the 1990s onwards. At the time when these reforms were introduced, many black entrepreneurs and commentators criticised the reforms as being insufficient to facilitate the development of the black bourgeoisie. James Ngcoya, president of SABTA, argued that the reforms neglected the fact that white entrepreneurs were historically more favoured than their black counterparts, and instead the government now treated black and white entrepreneurs as if they were on an equal footing. “Now the government has removed a large slice of that legislation, it stands back, pats itself on the back and says ‘fair race’. I don’t think this is done in the honest belief that the results will be effective,” he lamented. He added that early Afrikaner business had had the advantage of cartels, protective laws, subsidies and the very regulations that the government now wanted to do away with: “Let African business gain from those regulations that worked so well for the white capitalists. Why change a successful formula only because black business wants to use them?”

Speaking in 1991, George Negota, the former director of the Centre for Development and Human Resources, argued that the deregulation policy
should have been accompanied by suitable financing packages to help the growth of black entrepreneurs. Finally, Friedman, a political commentator and then a manager at the Institute of Raco Relations, noted that the evidence that “black business (was) an awakening giant (was) hardly overwhelming.” For him, the economy's key sectors such as mining, manufacturing and finance were still white-owned. He noted that the taxi industry was growing but the major bus companies were still in white hands. He doubted then whether black business could grow without having access to power.

These criticisms of the apartheid government's reforms were generally valid. Moreover, motivations for the reform initiatives were often suspect, since they were always underpinned by the desire to find a working formula for retaining the basis of white political and economic domination. The following chapter amplifies the analysis of the reforms' shortcomings. The criticisms of the reforms, however, were generally informed by a particular school of thought, which expected the state to play a key, and almost a singular, role in the development of bourgeois classes. The contention of this dissertation, on the contrary, is that the development of the black business class came about through a combination of factors. These included individual efforts, gaining from the opportunities presented by the reforms of the apartheid government, bargaining with and receiving help from white entrepreneurs. The case studies
discussed below demonstrate this factor. They also provide evidence of continuity in the development of a black business that went through the various stages identified in this dissertation.

*Five Select Case Studies*

The first case is that of the Kunene Brothers Holdings, currently one of South Africa's most prosperous black owned enterprise. Five brothers, Keith, Zanosi, Zoli, Dudu and Menzi run this enterprise. Their father, Fortune Kunene, started a milk depot in the 1970s after his career as a headmaster came to an end. Later his sons joined him in running the business and enlarged it into small retail shops in the East Rand townships of Vosloorus, Kwa-Thema and Katlehong. During the turbulent years of the 1980s the business expanded into bottle stores and the distribution of Coca-Cola products, meat, poultry, paraffin, bread and maize to other small shop owners. Their leap out of the township came when the Kunene Brothers Holdings were appointed in 1991 as the official distributor of Nigel Bottling Industries. In 1994 the Kunene Brother's Holdings acquired a 64 percent shareholding of Vinto Minerals, a Coca-Cola bottling franchise based in Nelspruit in Mpumalanga. To date within the stable of the Kunene Brothers Holdings are subsidiaries such Kunene Technology (formerly Grinaker Holdings), Grinaker Electronics, Siltek, SouthCorp Capital Sourcing and Fortune Beverages (named after their
The next case study is of the Black-Like Me Company, a chain of hair and beauty salon stores, and which manufactures a range of black hair care products. Herman Mashaba, the owner, started the enterprise in 1985 at the age of 22 and after he had dropped out of the University of the North because "they were trying to confuse us by claiming that South Africa was a democratic country". He procured his start-up loan of R30 000 from friends as commercial banks had turned him down because he did not have the necessary collateral. Initially the enterprise was situated at the SBDC-owned industrial complex in Garankuwa near Pretoria. In 1993 it moved to Halfway House in Midrand after the factory in Garankuwa was "destroyed by fire caused by arsonists". By 1992, the company had captured about 50 percent of the black hair-care market, employing 1,600 hairdressers in salons in Cape Town, Durban, East London, and Johannesburg, and in Botswana, Lesotho, Namibia and Swaziland, and lately Cameroon, Zambia, Malawi and the Congo. "We get good enquiries almost every day from all over the continent, but we can only do one thing at a time. Sometimes I see my products on shelves in some (African) countries and never know how they got there." 

The third case study is of the National Sorghum Breweries (NSB) formed in
1991 by Mohale Mahanyele. His background goes back to Sophiatown where he was born and had gone into business after matriculation in the 1950s. He then had a short spell as assistant librarian in the US Information Service, and in 1979 he formed his own personnel consultancy business and became an executive director of Nafcoc. The establishment of NSB was a direct result of the privatisation programme initiated by the P.W. Botha government in 1987. Almost ten years later, in 1995, India’s United Breweries bought a 30 percent stake in the company. The reason for shedding some of its shares was as a result of problems the NSB faced between 1993 and 1995 and these included allegations of corruption, mismanagement and nepotism by high ranking individuals including Mahanyele, which were published mainly in the black press. In 1994 the NSB was again plagued by problems after it attempted to diversify out of the sorghum beer business. In that year the NSB, through its Vivo Breweries subsidiary, made an ambitious bid for 20 percent stake of the then R5 billion a year clear beer market hitherto monopolised by South African Breweries. It also sought to diversify into the soft drinks distribution business by forming the Africa Beverage Corporation and into the food through acquiring a control stake of Jabula Foods Company.

The fourth case study is that of a businessman, Zithulele, ‘K.K’, Combi, who initially operated a small property development business in Gugulethu, Cape
Town, in the 1980s. His break into big business came in 1991 when he won the rights to develop, at the cost of R35 million, the Nyanga Junction Shopping Mall, which is situated at Nyanga Metrorail station in Cape Town. This train station services residents of mainly Gugulethu (black) and Bontebuewel (coloured) townships. In 1994 he sold this development to Southern Life for R45 million. Currently, Combi is chairperson and founder of Master Currency exchange bureau, which operates from 16 branches in Cape Town, Johannesburg, Durban and Pretoria and employs 200 people. Master Currency presently commands 10 percent of the South Africa's forex market. Combi entered into the forex sector because, as he states: "I was concerned about the future of black business after I realised how far advanced white business was in terms of expertise and capital." So he travelled to Europe on a "fact-finding mission" where he literally stumbled onto the idea of getting involved in forex business. "Everyday I had to change money and realised this is a business", he indicated. While in Europe he received a crash course from the manager of a London foreign exchange booth. On his return to South Africa he consulted widely and conducted further research on the forex business, and in the same year (1994) he applied for, and was awarded a foreign exchange licence by the Reserve Bank. Initially, for practical and legal reasons, and to gain experience he entered into a 51 and 49 percent partnership with Rennies Foreign Exchange. Interestingly, Combi together with
other black entrepreneurs, was involved in the 1980s in a 51 and 49 percent partnership with the Picardi Liquor Group that resulted in the establishment of the first disco and entertainment club in Gugulethu. As it would be recalled from Chapter Five, Nafcoc had opposed the formation of these partnerships between black and white entrepreneurs.\textsuperscript{12}

The last case study is that of Montsi Investment Holdings, a company involved in property development and fishing. In an interview with its owner, Sam Montsi, he indicated that he started his businesses in 1990, with his own capital, after resigning from his position as a manager at the South African Breweries (SAB), a position he had held from 1987. As the property developer he buys industrial properties in the greater Cape Town area, which he develops and then sells to various consortiums. Some of the properties he developed and sold, and which I independently confirmed, include the bus terminus in Diep River, the Hout Bay shopping complex, and the hotel and restaurant complex situated at the Heritage Square in Cape Town. His fishing business exports, according to him, 1 000 tons of hake a month to Spain.\textsuperscript{63}

This chapter analysed the growth and the paths of progress of a black business class from the 1960s onwards. It outlined how they manoeuvred through a battery of restrictive laws, bargained with the apartheid government
to introduce reforms favourable to them, and co-operated with the government when this was deemed expedient. The chapter also demonstrated the importance of the reforms in creating opportunities for the further expansion of a black business class. However, the reforms suffered major shortcomings, which will be discussed in the chapter that now follows.

Endnotes

1 Interview with Peggy Headbush in *100 Outstanding Black Business Achievers, A Supplement to Tribute*, September 1988, p.19. All the original interviews derived the commissioned by Tribute and cited here were verified by myself through telephonic interviews and in some cases by means of personal visits to where the enterprises are situated.


6 Quoted in Lipton, *Capitalism and Apartheid*, 1985, p.60.

7 Saul, and Gelb, *The Crisis in South Africa*, 1986, p.77. Tapscott has challenged the application of the concept "organic crisis" in the South African context. He has argued that this approach was open to charges of class reductionism. He also stated that its analytical acceptance hinged on the equation of class subordination with that of race. He, nonetheless, conceded that the approach provided "a useful way of looking at the events of the later


11 It is important to note that meeting between the government and Naifcoc delegation preceded the reforms that came the 1976 uprisings, a period which many commentators attribute to the beginning of reforms.


16 SAIRR, Race Relations as Regulated by Law in South Africa, 1948-1979, (Johannesburg, 1982).
17 Marais, South Africa Limits to Change, 1998, p.43.
20 Lipton, M. Capitalism and Apartheid, 1986, pp.143-149.
25 Interview with Ephraim Tshabalala in 100 Outstanding Black Business Achievers, a supplement to Tribute, Supplement, September 1988, p.16.
27 Interview with Habekuk Shikwane's in 100 Outstanding Black Business Achievers, a supplement to Tribute, September 1988, p.7.
29 Ibid.
31 According to the economists Andrew Whiteford and Mike McGrath cited in

32 The Commission sought to find a federal formula for especially the Natal Province and KwaZulu 'self-governing' territory. Its final report in 1982 proposed a consociational formula for Natal/KwaZulu. This entailed a legislative assembly based on universal franchise, elected on a proportional representation basis, combined with minimum representation for minority groups and a 10 percent minority veto in matters concerning cultural and individual rights. It also envisaged an executive coalition (made up of KwaZulu and Natal provincial executives and Indian and coloured representatives), a bill of rights, and an independent judiciary. (MaCaul, C. "The Wild Card: Inkatha and Contemporary Black Politics", Frankel, Pines, and Swilling, (Ed.), State, Resistance and Change in South Africa, 1988, p.156).


34 Keynote Address of P.W. Botha made at the economic summit involving the government and representatives of the white private sector held at the Carlton Hotel in November 1979, quoted in SAIRR, A Survey of Race Relations, March 1981, p.311. Unemployment has been a time bomb that threatened, and still continues to threaten, the stability of the country. Formal unemployment was estimated to have jumped from 22 percent in 1970 to 38 percent in 1996. Jobs Summit Indaba, A Supplement to the Mail and Guardian, October 23 to 29, 1998.


38 Interview with Dick Mabane, in 100 Outstanding Black Business Achievers, a supplement to Tribute, July 1988, p.42.


42 As its name suggested, the law was intended to last for a short period, initially from September 1986 to June 1987. However, its duration was extended to September 1988, and again extended to expire on 31 March 1994. (Government Gazette (No. 72), 1987; and Government Gazette (No. 67), 1988).


44 On sanctions see particularly the article by Danaher, K. "The US Struggle over Sanctions Against South Africa", Orkin, M. (Ed.) Sanctions Against Apartheid (Cape Town and Johannesburg: David Phillip Publishers, 1989,) pp.131-141.


46 Ibid.

47 This section was repealed with the enactment of the Development Aid Laws Amendment Act No. 53 of 1988.


Cited in Week Mail, 1 July 1988.


Ibid.


Ibid.

Interview in Enterprise 200, 1987, p.22, and in Rumney and Wilhelm, Movers and Shakers, 1999, pp.103-104. Although, I was familiar with the enterprises of the Kunene Brothers during the time I lived in Gauteng, I also verified this information documented in the above sources with the office of Keith Kunene. (Interview, 11 December 2000).

Interview with Herman Mashaba, owner of Black-Like Me (Pty) Ltd, 15 November 2000.

See, for example, Tribute, December 1993, and May 1994.

All the information contained in paragraph was derived from various sources


63 Interview with Sam Montsi, 12 December 2000.
CHAPTER SEVEN

Constraints on, and the Performances of Black Entrepreneurs

This chapter discusses the operational problems faced by black entrepreneurs in the urban areas. These ranged from obstacles enforced by successive white governments, the lack of finance, individual inadequacies such as a lack of education and managerial skills, to social problems such as robberies and political unrest. It concludes with a critical appraisal of their achievements despite the constraints imposed by government.

An assessment of the reforms

In assessing the impact of the reforms of the late 1970s and 1980s, it is important to reiterate that they were not intended specifically to address the needs and desires of the aspirant black bourgeoisie nor to enable them to indulge in the unfettered fruits of capitalism. Rather than abolishing the system of white domination, the reforms sought to ensure its continuation. In that sense, the apartheid government was interested in the growth of the black business class largely for instrumental purposes. That is, not to allow the black business class to become equal to its white counterpart, but to use this class as a buffer against the impoverished black masses. Thus, despite the reforms, the development of a black business class was tightly regulated through racist
statutes and other legal instruments. For example, as a consequence of the Group Areas Act, up until the late 1980s blacks could only buy and own houses and businesses in the black townships. They could also not choose the schools and universities to where they could send their children and they were confined to racially classified institutions. At workplaces, racist practices remained common, and opportunities for upward mobility in the hierarchies of white-controlled firms were generally extremely limited. Thus, for example, it was largely to counter the frustrations experienced by and to improve the career opportunities of black managers in the workplace that the Black Management Forum (BMF) was established in 1976.

Despite the early reforms, black businesses still faced a host of restrictions that stifled their growth. The prohibitions laid down by discriminatory laws such as the Group Areas Act of 1966 and the Black (Urban Areas) Consolidation Act of 1945, still prevented black people from conducting business in the central business districts (CBDs) and from establishing companies in these areas. Even though the government had amended the Group Areas Act in 1984, Chris Heunis, Minister of Constitutional Development and Planning, made clear in 1985 that “not all businesses in the cities are to be automatically opened to all races.” The amendment, as it subsequently turned out, only applied to those metropolitan areas in which black people already had a significant presence. In 1988, around the country, a further 90 central
business districts with large non-white populations were also opened up—42 in the Cape Province, 26 in the Transvaal, 15 in Natal and 7 in the Orange Free State. Besides the government’s staggered opening of CBDs, the public mood seemed ready for their racial deregulation. A survey by Market Research Africa, conducted in September 1986, showed that 37 percent of urban blacks and 72 percent of urban whites supported the granting of trading rights within the CBDs to all races. Notwithstanding the results of this survey, the white government still did not have the political will to follow through, and some sectors of CBDs remained closed to black entrepreneurs.

Another area where black entrepreneurs faced problems was in the administrative realm, where bureaucratic red tape caused delays in the issuing of trading licences. The National Manpower Commission report of 1984 noted that the Administration Boards were frequently slow in issuing licences, or rejected applications for licences, usually without giving reasons for doing so. The Administration Boards, which in 1983 were replaced by black local governments, were largely self-financing, and often denied applications because of their own self-interest. They argued that the liquor trade was their only stable source of income for financing the debt-ridden town councils. Hence, they tightly controlled the issuing of licences and rejected most applications, with the exception of those of a few entrepreneurs (such as the Soweto millionaire E. Tshabalala, and G. Mothlaping of Kwa-Thema township
in the East Rand) who were granted liquor licences in the 1980s. The issuing of trade licences furthermore generally favoured white businesses. For example, in greater Johannesburg, which had a population of 1.6 million in 1981, the composition of licence holders did not match the racial composition of the area, which consisted of 4 percent Asians, 32 percent whites, 7 percent coloureds, and 58 percent blacks. The distribution of licence holders, in contrast, was 12 percent to Asians, 81 percent to whites, 2 percent to coloureds and 6 percent to blacks.11

Evidence of corruption, especially involving members of the local authorities also clouded the issuing of licences. Three examples give substance to these charges of corruption. In November 1983, the mayor of Alexandra Township, Reverend Sam Buti, allegedly acquired a trading licence for his son. In 1984, Esau Mahlatsi, a mayor of the Lekoa town legislature in the Vaal Triangle, obtained licences from his local authority to build a petrol station and a roadhouse in Sebokeng. In the same year, the deputy-mayor of Sharpeville, Jacob Dlamini, obtained a site to build a shop in Zamdela, a township west of Johannesburg. Other cases involved two councillors in Soweto – Isaac Buthelezi, deputy mayor, and Joe Marimba, a clerk in the office of the mayor – who obtained garage licences from their town council.12

Black entrepreneurs also generally faced problems with regard to the
inadequate infrastructure of the buildings in which they traded. They generally lacked such basic requirements as electricity, water, transport and telecommunications (e.g. telephones and faxes). The buildings were also located in places that were not easily accessible to customers, while lease rentals of business premises were exorbitant.\textsuperscript{13} Unfavourable industrial practices also compounded the problems of black entrepreneurs, as different local governments applied variable, and often inappropriately stringent, health and safety standards, as for example, in the construction of houses. As a result, many small black entrepreneurs were precluded from entering the housing construction industry.\textsuperscript{14} Furthermore, black business operators were subjected to limited and fixed business trading hours. For example, a legal shebeen owner could only sell liquor between 10h00 and 14h00 during weekdays. On public holidays, and on Sundays, business hours were fixed between 11h00 and 18h00.\textsuperscript{15}

In addition, as the President's Council Committee on Economic Affairs of 1985 reported, there were still some laws in need of review in order to further promote the development of small businesses. These included the Influx Control measures and the Black Development Act of 1984, which governed the use of land and township development.\textsuperscript{16} Furthermore, the President's Council noted that the country's economic policy generally did not take on board the informal sector, an area in which most black businesses were, in
fact, concentrated. To remedy this policy inadequacy, the President's Council report called for the "nurturing" rather than "persecution" of entrepreneurial talent in the informal sector. It also called for the active participation of the state in assisting black entrepreneurial activities. The recommendations of the President's Council report formed the basis for the removal of most obstructive legislation, after the passing of the Temporary Removal of Economic Restrictions Act in 1986. Lastly, apart from the problems that were imposed by government, black entrepreneurs faced destruction of their properties during periods of political unrest, as well as vandalism or robbery by criminal elements. A survey conducted by the Soweto Investment Trust Company in 1992 found that out of 100 retail outlets in Soweto, 94 percent of them were operating at a loss owing to a spate of robberies and the political unrest of the 1980s.

Further constraints faced by black entrepreneurs in the 1980s

Apart from the obstacles mentioned above, black people in business also faced difficulties of a personal nature. These related to their lack of basic training, education and management skills, which resulted in them having limited knowledge, or total ignorance of the legislation and regulations passed by parliament. Their lack of business skills was also manifested in injudicious purchasing and marketing practices, and a general lack of awareness about the activities of their competitors. Stan Kaplan, managing director of the
Tastic Rice Corporation, commented that the retail outlets in the townships were badly laid out, displayed their merchandise poorly, and did not carry enough of the most popular lines. To remedy these shortcomings, at the beginning of the 1980s, universities as well as private and public sector bodies formed institutes to assist small business owners with necessary skills. These included the following:

- **University Institutes**: the Fort Hare Institute of Management; the Advisory Bureau for Black Businessmen at the University of the North; the Centre for Businessmen at the University of Zululand; the Institute for Small Business at the University of the Western Cape; and the Small Business Advisory Bureau at the University of Potchefstroom.

- **Private Sector Initiatives**: the Urban Foundation; the Small Business Services (Norton/Barlows); and the Small Business Units at Barclays Bank, Standard Bank and Trust Bank.

- **Joint public/private sector initiatives**: Small Business Development Corporation.

Moreover, most black-owned enterprises were "over-traded" in such sectors as bulk distribution, hairdressing and transport, and they generally failed to identify new gaps in the market. The problem of over trading is persistent even today. In one of my visits to one of the busy trading site in Nyanga Terminus in Cape Town, a complex covers approximately 5 kilometre radius, I could count more than 20 traders (both formal butcheries and hawkers) selling
meat. Further black entrepreneurs also faced problems of a seemingly 'cultural' kind, where customers would buy merchandises on credit with the intention of paying later. This culture was based on the concept of Ubuntu (in isiZulu) or Botho (in seSotho), which placed the highest values on sharing, generosity, hospitality, brotherhood (or sisterhood), empathy, equality and humanness. The concept, while it noted the importance of the individual, placed greater emphasis on working for the common good. However, the concept of Ubuntu was misused and abused by customers, who bought on credit, and often failed to pay, expecting impunity and compassion on the basis of this concept. Sam Matona, owner of the movable-toilets hiring firm, Soweto Easy Loo, explained the exploitation of the cultural concept by bad creditors:

"The essence of black culture, known as 'Botho', (Ubuntu) or humanness', means you have to consider the interests of the human before anything else, and it causes conflict in the deliberations of black businesspeople. However, in business this approach can have disastrous repercussions. I have since discovered that you cannot extend that humanness without limit."

The most crucial difficulty that faced black entrepreneurs, notwithstanding those noted above, was the difficulty in gaining access to financial institutions to obtain loans. Informal business and even formal small enterprises generally could not open accounts or access loans at banks, because most of them,
especially those situated in the informal settlements, apparently neither had "permanent addresses" nor were able to provide adequate security for loans. However, Barney Tsita, chairman of the projects committee of the Canadian Association for Black Business in South Africa, disputed this problem. He argued that it was a misconception that insufficient capital was a major reason for the failure of black business in South Africa. Rather, according to him, cash-flow problems had been a 'symptom' of a situation where a small businessperson had too many debtors, and an inadequate credit control system. Tsita's claims, however, appeared to have been largely ill informed, for the difficulties faced by black entrepreneurs in securing loans were real and widespread. For example, Davies in a study of black entrepreneurs conducted in 1987 in the Uitenhage Township, in Port Elizabeth found that "over 80 percent of the respondents derived their initial capital from their own personal savings, and the balance were funded by parents or other family members... (This) was largely because collateral requirements and interest commitments were stringent and beyond their means." This fact was also confirmed in another survey conducted in 1988 by the Tribute magazine. As one black entrepreneur aptly stated: "My greatest difficulty when setting up my business was raising funds. Loans are difficult to come by because blacks do not have the necessary security." In view of the difficulties that black businesses experienced in acquiring loans from financial institutions, it is necessary to provide a critical appraisal of the role of the SBDC, a body that was expressly
formed to help the development of the black business class from the 1980s onwards.

The role of the SBDC in financing small businesses

The SBDC was established in 1980 following an agreement reached at a summit between the representatives of government and white capital, held in 1979 at the Carlton Hotel (Johannesburg). The summit also marked the beginning of an official collaboration between white capital and the apartheid government aimed at developing a black business class as part of the Total Strategy doctrine. The SBDC was registered as a public company in 1981 with the primary objective of developing small business enterprises for all 'racial groups'. This involved the provision of loans and share capital to small business entrepreneurs, the construction of building facilities such as industrial parks and renting them out at reasonable rates, and the provision of training, advisory and aftercare services.

The SBDC's starting share capital in 1980 was R100 million and this was increased to R600 million in 1986. Although the state originally intended to provide half the initial share capital of the corporation, the private sector ended up taking more of the equity; thus, at the outset, 82 private companies owned R63 million worth of shares. The dominance of white-owned businesses in
the shareholding of the SBDC gave them an advantage over black people who were anyway never part of the governing board. To a significant extent, this arrangement, as in the case of the BIC, undermined the very essence of the project to empower a black business class.

The corporation's record in assisting black entrepreneurs, and in creating employment, was not impressive. Most of the loans did not reach black entrepreneurs, but instead were awarded to white businesses. For example, from the time of its inception to the end of the 1990/91 financial year, the SBDC granted 25,302 loans totalling R780 million. Although the figures did not show racial breakdowns during this period, its operating budget of R506 million during the 1989-1990 financial year provided a clue: only 12 percent of the budget was spent on the construction of black businesses. Consequently, the projects, which the SBDC initiated and completed in black designated-areas, were not numerous. In February 1983, it completed an industrial park in Orlando West (Soweto) to be occupied by 25 industrialists at the cost of R2.2 million. This project created more than 400 jobs at an average capital cost of R5 000 per job. Another industrial park was opened in May 1983 to serve the townships of Atteridgeville and Saulsville, near Pretoria. It consisted of 22 factory units that covered an area of 1,758 square metres. Its business activities, which included clothing manufacture, welding, panel beating, furniture making and printing works, employed 95 local residents.
The SBDC built another small business complex, costing R830 000 and comprising 33 factory units, in KwaZakhele, near Port Elizabeth in 1984.\textsuperscript{30}

In general, however, the industrial parks were largely unsuitably situated for viable business purposes. For example, most of the 55 businesspeople at the Orlando West industrial park complained that they were struggling to survive due to their inaccessibility. Customers and clients had to drive along a winding gravel road for more than a kilometre to reach the park.\textsuperscript{40} For its less than impressive record, black businesspeople accused the SBDC of being “racist” and “a disguised Bantu Investment Corporation.”\textsuperscript{41} Defending the corporation, Ben Vosloo, its managing director, pointed out that, from the outset, the corporation promoted the idea of racial equivalence in all matters relating to business.\textsuperscript{42} Nevertheless, the real reasons for the SBDC’s poor record were not to be found in the belief in ‘non-racialism’, but in its composition and practice. White private-sector companies dominated the SBDC’s governing board, increasing from 82 in 1981 to 125 in 1989.\textsuperscript{43} As the representatives of private companies, their objectives were primarily to make profits rather than to help black businesses. As Vosloo asserted, “nothing was sinister about the corporation wanting to generate profit.” He added that without capital growth, \textit{largely from white clients}, the SBDC could not afford to expand its support services (emphasis added).\textsuperscript{44}
As result of the difficulties in securing loans from the SBDC, some black entrepreneurs attempted to form alternative capital lending institutions. One such body was the Get Ahead Foundation (GAF), started in June 1985 by Nthato Motlana with financial assistance from the United States Agency for International Development (USAID). GAF operated along the principles of stokvels where individuals requiring financial help worked together in groups of five or more. In each group, every member acted as a co-guarantor of the others, and repayments were collected from each member of the group at a central location. The onus was placed on all the groups to repay the full amounts due to the lending fund. The scheme required applicants to submit a business plan, which was scrutinised by assessors to establish whether there was growth potential for the business, and to assess the managerial ability of the applicant. However, the idea of GAF did not prove to be a successful alternative since the size of loans it provided were not large. For example, during the 1989/90 financial year 57 percent of the loans went to individuals operating in the informal sector, largely hawkers and the amounts of loans usually ranged from R500 to R1 000.

Evaluating the strengths of black entrepreneurs in the 1980s.

Until a decade ago, determining the strength of black-owned enterprises was difficult because most of them were privately owned, and some escaped or defrauded the tax collector. Nonetheless, clues as to their performance were
first indicated in the survey of "100 Black Business Achievers" conducted by *Tribute* magazine in September 1968. These "business achievers" had individual turnovers and assets ranging from R300,000 to R5 million and more. Many black-run enterprises, however – estimated in 1985 to be approximately 80,000 in number – were still confined to retail and service outlets, artisan activity, transport (mainly taxi operators) and construction firms, with a few being manufacturers.

At the beginning of 1988, only one black-owned company was listed on the Johannesburg Stock Exchange and blacks owned two percent of the economic wealth of South Africa. Referring to this poor record of economic control, Joe Manchu, a business consultant, lamented:

"For too long black business has been synonymous with small business. Being shoe repair shops instead of companies manufacturing footwear, doctors' rooms instead of private hospitals, or small shops instead of department store chains."

Commenting on this fact, Mollana, a wealthy businessman whose track record goes back to the 1950s, asserted that the aspirant black bourgeoisie could do better if they changed their patterns of utilising the capital at their disposal:

"We must stop being a nation of consumers and start being a nation of producers and manufacturers... We do not even produce items of
which we are major consumers. That trend has got to stop... In this way we can capture and keep the power of the economy in our own hands... We can have all the political power, but unless we have economic power, we are nothing. We must take an example from Jewish people, the Chinese, the Asian community in this country and even the Afrikaner."53

This chapter analysed difficulties that were encountered by black entrepreneurs in the urban areas, especially during the 1980s. Most of these difficulties were not alleviated even after the apartheid government had introduced reforms to assist the development of a black business class. Even though the reforms created opportunities for this class, they were not really intended to assist the black business class to rise to levels where they could compete with their white counterparts. On the contrary, the reforms were aimed at reinforcing the system of white domination, hence their limitations which were demonstrated in this chapter.

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Endnotes


According to Eric Mafuna, a business consultant and a founder member of the BMF, the idea of the formation of the BMF was conceived at a dinner party Mafuna had hosted for a visiting members of the National Council of Coloured People (NCCP) from the US. From there he canvassed the idea with five or six colleagues who worked for white owned companies. He indicated that he could not recall the exact date the BMF was formed. Initially the intention was to launch the organisation in 1976, after they had registered it as a Section 21 non-profit company, using whites as fronts. The launch was, however, aborted because of the out-break of the student riots in June 1976. So, it was not until late 1977 that the organisation was known to the public (Interview with Eric Mafuna, 16 November 2000).


This was according to the stipulations of a licence granted to P. Mbatha, a Soweto resident, in 1982, cited in SAIRR, A Survey of Race Relations, 1984, p.302.


Ibid.

Ibid.


The survey was reported in the Sowetan, 8 October 1992. These problems were also noted in the reports of the National Manpower Commission in 1984, and of the President's Council, 1985.


Enterprise Magazine, April 1994, and SAIRR, A Survey of Race Relations,


26 Interview with Sam Motana, in *Tribute Magazine*, April 1989, p.46.


29 This study was based on interviews with 43 most “successful and relatively affluent” black entrepreneurs, and these were chosen from more than 400 trading establishments. Davies, W.J. “Black Entrepreneurial Experience and Practice in Port Elizabeth”, Development Studies Working Paper, Number 36, Institute of Social and Economic Research, Rhodes University, Grahamstown, December 1987, pp. 3 and 8.


32 Ibid.


34 Ibid.


36 Ibid. Davies also found that of the 43 respondents in his survey only a quarter claimed to have received loans from the SBDC. Davies “Black Entrepreneurial and Practice in Port Elizabeth”, 1987, p.17.

38 Ibid.


40 Ibid. p.216.


43 Ibid.

44 Ibid.


46 Stokvels (or 'stokfel') or otherwise known as *mahodisana* in the northern provinces, or *umgalelo* in the Eastern and Western Cape provinces had their origin among migrant labourers in the 1940s. Stokvels functioned in two different ways. In the first manner predominantly practised by women, stokvels functioned as a means of augmenting their meagre subsistence wages. Members paid into the association a fixed sum of money on a weekly or monthly basis. They would use the accumulated lump sums to pay off their debts or to purchase clothes and furniture. A second type of stokvel involved members of a society hosting parties on a rotational basis, where the host received an agreed financial contribution from other members. The host of the party would also receive the profits accrued from admission fees and the sale of food and drinks to party revellers. Both types of stokvel involved tight organisational codes and discipline, including detailed record keeping, loyalty and a high degree of peer pressure. Penalties could be imposed on members who did not honour their commitments. (Kuper, H. and Kaplan, S. "Voluntary Associations in an Urban Township", *African Studies*, Volume 3, Number 4, 1944, pp.178-186. Based on my personal experience having lived in black townships until recently, skokvels still operate along the principles described by Kuper and Kaplan).


51 *Drum* magazine, April 1992, p.34.


53 *Drum*, April 1992, p. 34.
'Normalisation' of the Economic Playing Field

This chapter examines the politics of transition in the 1990s, including those policies of the ANC government aimed at fast-tracking the penetration of blacks into the heart of the South African economy. It ends by assessing the strength of the black business class to date.

**Acceleration of black participation into the economic mainstream**

The surprise announcement by President F.W. De Klerk in February 1990, of the government's decision to reverse the ban on outlawed black organisations, to release political prisoners and to allow the return of exiles, had more far reaching implications than has generally been appreciated. This bold initiative, apart from paving the way for the commencement of political negotiations, also gave rise to a parallel process, which attempted to speed up the integration of the black business class into the mainstream of the South African economy. As it has become publicly known, two separate series of secret meetings preceded the formal, direct negotiations between the principal protagonists in the South African conflict: the ANC and the white government of South Africa. From 1984 until he was released from prison in February 1990, Nelson Mandela who was then a political prisoner, was involved in a
series of secret meetings with senior officials of the apartheid government.² At the same time, from 1987 to May 1990, a separate series of clandestine meetings took place between ANC representatives in exile and officials of the National Intelligence Agency (NIA) – 12 meetings in all.³

Also participating in some of the latter meetings were prominent Afrikaner intellectuals, and church and business leaders, some of whom had links with the Broederbond (the secretive Afrikaner think-tank). In their respective books, Sparks and Waldmeir show how Willie Esterhuyse and Sampie Terreblanche, respectively professors of philosophy and economic history at the University of Stellenbosch, were key facilitators of the start of negotiations between the ANC and the South African government.⁴ Both were influential Afrikaner intellectuals, members of the Broederbond and former advisors to the P.W Botha government. Business leaders who were invited to some of the meetings included Attie du Plessis, brother of the former Minister of Finance Barend du Plessis, and Mof Terreblanche, brother of Professor Sampie Terreblanche.⁵

The secret meetings explored varied topics of concern on both sides of the conflict. These included the establishment of a system of multiparty democracy, constitutional safeguards for the white minority and the economic system that would prevail in a democratic South Africa. That broad consensus
was reached on such issues was particularly pleasing to the Afrikaners, who were traditionally nervous about their future as a people on the continent of Africa. For instance, Willem de Klerk, a theologian turned journalist, wrote to his brother, the then President F.W. de Klerk, about his frank assessment of the ANC:

"We can do business with the ANC. They are not radical. They are willing to negotiate. They are willing to compromise. They see the Afrikaners as an indigenous part of the South African population. They are not that dangerous. There's a flexibility even in their economic outlook."\(^5\)

Mof Terreblanche, a stockbroker, reflected on the meetings he had attended as follows:

"It's a civilised world there (referring to one of the meetings held at Mells Park House in Britain). If you have a drink with somebody, and you argue and you sit, and sit and talk, and have another drink, it brings understanding. Really, we became friends."\(^7\)

Willie Esterhuyse stated that: "For me personally it was one of the most liberating experiences of my life."\(^8\) In another interview he stated: "I came back and I told my wife, I said I am prepared to entrust my life to Mbeki."\(^9\) The clandestine meetings between the ANC and the white South African government were followed by the official, direct negotiations, which commenced in May 1990. While this process was unfolding, local and foreign
representatives of big capital continued to question the ANC about its economic outlook. For a while after the return of its leadership from exile, the ANC appeared cautious on this matter, partly because of the internal dynamics of the organisation, which embraced a diverse political membership encompassing liberalism, nationalism and socialism. It was eventual. the ANC upheld a position consistent with its stance prior to its banning in 1980, that is, of advocating pro-capitalist ideals. The ANC position after 1990 will be discussed later in this chapter.

From the early 1990s, anticipating the implications of the possible outcome of political negotiations, white business leaders initiated a process of widening South Africa's economic ownership. As Frank Kilbourn, director of the corporate finance division at Standard Corporate and Merchant Bank, explained in 1995:

"The bank realised three years ago that there would be social, political and economic changes in S.A. which would have a significant impact on the way in which corporate finance would be done."

Clearly, white business leaders were aware that unless they helped to address the legacy of colonial and apartheid rule, the stability, legitimacy and perhaps the survival, of the capitalist economy in South Africa, could not be guaranteed. The process of broadening economic ownership, therefore, involved monopolies, such as Gencor and Sanlam, selling some of their
assets (unbundling) to aspirant black shareholders. For example, the establishment of Nthato Motlana's life assurance company, Methold, in May 1993, came after the acquisition of a 10 percent stake (financed by the IDC) from Sankorp, a subsidiary of Sanlam. At the same time some of the white businesspeople were embracing black entrepreneurs for purposes of ensuring their own survival and prosperity. As one white businessman stated his reason to enter into jointer venture with Moss Nxumalo, a black businessman.

"He dropped a lot of names, Mandela right through to Buthelezi almost. He got the Zulu connection. He is a Zulu prince according to himself. He is close to the ANC, he is close to Na foco — he had all the right connections... he is the best marketing man I have ever come across anywhere in the world... he has got the gift of the gab. He could talk to a crowd and in half an hour they will do anything the man says." 

This practice by some white entrepreneurs has invited criticisms from mainly black journalists who accused white business establishment of "using black faces to gain access to the new government", and black entrepreneurs of allowing themselves to be used as "tools of the old establishment". These criticisms reflect stereotypes in explaining the growth of black business class. Such stereotypes are in the same mould as those reflected in the dependency theory (discussed above) which labelled bourgeois classes in Latin America and Africa as comprador or stooges of the imperialist West. For example, Bond who shares these stereotypes concludes his article with a quotation from
Frantz Fanon that reads as follows:

"In its beginnings, the national bourgeoisie of the colonial country identifies itself with the decadence of the bourgeoisie of the West. We need to think that it is jumping ahead; it is already senile before it has come to know the petulance, the fearless, or the will to succeed of youth."

However, as it has often been repeated in this dissertation, the process of the development of black entrepreneurial class was not one-dimensional, but involved a complex process. This entailed individual and collective opportunism and bargaining by members of this class, the acceptance of assistance from the white private sector, capitalising on the reforms introduced by the apartheid government, as well as gaining from the efforts of the ANC government to further the growth of this class.

The financing of the black capitalist in the 1990s

As was discussed earlier, few avenues for accessing finance to start or to expand existing enterprises were available to black entrepreneurs prior to 1994. Those enterprises that were formed and thrived were started with personal savings and, to a limited extent, with loans from the SBDC and the IDC. However, from the onset of the 1990s more options for raising finance became available. One of these avenues was through selling shares to individuals, such as the ‘N’ shares offered to the public at R1 per share by
NAIL,17 and through the investments of burial societies or stokvel groups, as evidenced by the 10 percent shareholding acquired by Nasasa in Real African Investments Limited.18 Another form of raising capital has been through the usage of pension savings (provident funds) of black workers to finance new companies. The question of whether to use workers’ pension funds in “black economic empowerment” programmes had been a subject of discussion within the black labour federations in the late 1980s and early 1990s. In those discussions, leaders of labour unions sought to have a direct say in how and where workers’ retirement funds were invested. Labour leaders were of the view that, rather than paying fees to institutions which administered workers’ retirement funds, unions themselves could take over this administration and let workers benefit from the returns on their investments.19 As a result of the decision to invest workers’ pension funds directly, some labour unions have acquired shareholdings in “black economic empowerment” enterprises. This is evident, for example, in the 25 percent that NACTU (National Council of Trade Unions) and the South African Clothing and Textile Workers Union (SACTWU), an affiliate of Cosatu, have invested in Tsogo Sun Investment Holdings.20

Lastly black entrepreneurs have raised finance through merchant banks, which had taken a conscious decision to finance black-owned enterprises.21 The primary reason behind the merchant banks’ decision to assist black
entrepreneurs, although other reasons may now exist, was to address the question of legitimacy in the economic sphere, especially in the eyes of the black majority. As Gaby Magomola, Vice-chair of Afrilink Holdings has aptly stated "We ... bring with us considerable political clout, which helps to enhance the legitimacy" of the economy of the country. A white executive director of a merchant bank concurred:

"We decided to assist black business to enter into the mainstream of the economy. As part of our first phase we decided to help build role models which would play a meaningful role in the economy. We played a major part in assisting Real Africa and Nail with finance two years ago (1993) and invested R60m of our own capital in these companies."23

In this vein, merchant banks, such as the Msele NedVentures (a joint venture between local and international enterprises), Standard Corporate and Merchant, FirstCorp, Rand Merchant, and Citicorp, have been key players in financing mergers and acquisitions of new black controlled companies of R2 million and more in value.24 Merchant Banks have been accused by some black entrepreneurs of being a "law unto themselves and (of) making it difficult for blacks to obtain loans".25 Nonetheless, the widening of options for black entrepreneurs in raising capital has resulted in the mushrooming of "black economic empowerment" enterprises, some of which have since been listed at the Johannesburg Stock Exchange (JSE).26
The ANC and the development of a black capitalist class

As was intimated above, in the post-1990 period the ANC reaffirmed its commitment to capitalist ideals, which were consistent with the position it had developed in the 1920s and throughout. Nelson Mandela, then President of the ANC, clarified the position of his organisation, stating: "In our economic policy ... there is not a single reference to things like nationalisation, and this is not accidental. There is not a single slogan that will connect us with any Marxist ideology." In mid-1992, anticipating that it would come to power following the conclusion of the negotiations, the ANC released a document that outlined its economic policy guidelines. The guidelines, *inter alia*, revealed the ANC's intention to introduce antitrust legislation, which, amongst other objectives, signified its intentions to assist aspirant black capitalists to gain a stake in the mainstream of the country's economy. In this respect, the document stated that:

"The concentration of the economy in the hands of a few conglomerates has been detrimental to balanced economic development in South Africa. The ANC is not opposed to large firms as such. However, the ANC will introduce anti-monopoly, antitrust and mergers policies in accordance with international norms and practices, to curb monopolies, the continued domination of the economy by a minority within the white minority and to promote greater efficiency in the private sector."25

The ANC explained its intentions to unbundle major conglomerates as
necessary to "promote and protect competition". At the core of the ANC concern, however, was what Nelson Mandela described as the "unacceptable" situation in which four white conglomerates controlled the economy of the country (emphasis added). Apart from unbundling conglomerates for purposes of promoting healthy competition among firms, it was clear, as its actions in later years demonstrated, that the ANC also intended to use unbundling to foster the further development of the black business class. In actual fact, the position that the ANC adopted against monopolies was consistent with the views articulated by Mandela in 1956 on the means by which to foster the development of black capitalists.

"It is true that in demanding the nationalisation of the banks, the gold mines monopolies and farming interests that have centuries plundered the country and condemned its people to servitude. But such a step is absolutely imperative and necessary because of the realisation of the (Freedom) Charter is inconceivable, in fact impossible, unless and until these monopolies will open up fresh fields for the development of a prosperous Non-European bourgeois class. For the first time in the history of this class their own name and right on mills and factories and trade and private enterprise will boom and flourish as never before."

Some of the conglomerates mentioned above had initially greeted the idea of unbundling with suspicion because they did not trust the intentions of the ANC, which was still regarded in some circles as being controlled by communists within its ranks. For this reason, representatives of some of the
conglomerates crafted a range of excuses for resisting the unbundling of their monopolies. It must be stated, however, that their reasons would not have held in other capitalist settings, such as in the US where, in theory at least, anti-trust legislation is strictly enforced by the state. For example, such representatives of monopoly capital as Meyer Kahn (then chairperson of South African Breweries [SAB]), argued that effective competition arose most readily where the legislative environment was predictable and non-interventionist, and where neutrality was ensured among economic players. He added that it was to no one's long-term benefit that: "Current major producers, whose efficiencies and economies of scale ensure the availability of quality goods at well-contained prices, are penalised for their hard-earned market position." Therefore, in Kahn's view, antitrust legislation favoured business interests, which for various reasons were unable to compete without some form of protection. Julian Ogilvie Thompson, chairperson of Anglo-American, asserted that his company had no intention of unbundling, because: "Unbundling is often perceived to be a "catch-all" solution to the problems of corporate governance and restructuring, economic, concentration, black empowerment and even broader political issues." However, the turning point for many white conglomerates that were reluctant to unbundle came after May 1996, when the ANC-government unveiled a free market-oriented macro-economic policy known as the Growth, Employment
and Redistribution strategy (GEAR). This programme replaced the earlier, more interventionist and populist programme, known as the Reconstruction and Development Programme (RDP).\footnote{36} Underpinning the approach of the RDP policy framework was that economic growth should take place simultaneously with economic redistribution. While the approach underlining the GEAR strategy emphasised similar issues to those propagated by the Structural Adjustments Programmes of the International Monetary Fund, such as fiscal discipline, reduction of budget deficits, trimming of bloated bureaucracies, and so forth. In the present era of globalisation (or internationalisation of economic life), as Mittleman has aptly argued, these issues are considered important indicators by international finance institutions, international donor agencies as well by foreign and local investors for the provision of loans and for boosting investor confidence in a country.\footnote{37} Hence, the unveiling of GEAR served as an assurance that the ANC was committed to free-market principles, as opposed to being a communist-oriented organisation that many businesspeople suspected it to be. Some of those conglomerates that had been opposed to unbundling decided, after the unveiling of GEAR, to sell some of their assets to potential black buyers. This was evident, for example, in the 1997 sale of the JCI mining house – a subsidiary of Anglo-American – to the African Mining Group led by Mzi Khumalo’s Capital Alliance.\footnote{38}

Since assuming political office in 1994, the ANC government has, through
legal and administrative actions, attempted to affirm the development of black-controlled enterprises. However, its programme to affirm the black business class has not been implemented in a coherent fashion, nor has it satisfied those who expected to benefit from it, as complaints about lack of coherence and clear policy on affirming have been voiced in the report of the Black Economic Commission. Nevertheless, apart from this observation, some of the ANC programmes of helping the development of black capitalists has been through awarding government contracts to small and medium size black enterprises. Under a system developed in 1996, the ANC government introduced a point system of awarding contracts to bidding companies. This system provides 88 out of 100 points for contracts worth less than R2 million to bidding companies, and gives an additional 10 points if individuals from ‘historically disadvantaged’ backgrounds own a bidding company. The system also awards a further 2 points if a firm has substantial female representation on its board. Furthermore, the system has scrapped the requirement of security guarantees for contracts below R100 000, and has reduced the collateral requirements for contracts of less than R1 million, while retaining the requirement of 10 percent collateral for all larger contracts. In addition, the guidelines emphasise the importance of affirmative action principles, of labour-intensive contracting, and the involvement of women in development programmes. As a result of the introduction of this system, between 1996 and 1998, 47.3 percent of state contracts were awarded to companies owned
by "previously disadvantaged individuals" (PDIs).41 However, some doubts have been cast on the authenticity of some of the black companies, which received state contracts through this affirmative action system. According to the survey of the Breakwater Monitor, some of these PDIs are believed to be 'fronts' for white corporations who use 'ghost' black directors and managers of white corporations in order to win "state empowerment contracts."42 Seemingly this allegation has some validity, as the ANC government has in response introduced measures intended to weed out the practice of fronting. These include visits to all contracting sites by officials of the government departments and agencies responsible for issuing the contracts; and the monitoring of black participation to ensure that black partners are involved in the operations at equity levels, and in the management and the control of the budget.43

Privatisation of state assets is another avenue through which the ANC government has sought to help the growth of black entrepreneurs. In 1996, for example, it sold a part of the shares of the South African Express Airlines to a black-owned consortium called the Alliance Airline Holding, a subsidiary of the Thebe Investment Corporation.44 However, the ANC government does not appear to pursue the privatisation of state assets strictly on affirmative action principle. According to the draft report of the Black Economic Empowerment Commission, black entrepreneurs have complained that the government decides on a biding company largely on the basis of profitability and other
commercial considerations, which are at the expense of affirming black enterprises. For example, in 1998 the Kopano Ke Matla, an investment arm of the Congress of South African Trade Unions (Cosatu), lost the bid to buy Aventura (a previously state-owned holiday resort company), after it failed to raise the R35 million selling price demanded by the government. In another case, black entrepreneurs failed to raise sufficient capital to purchase a 10 percent shareholding allocated to black bidders during the partial privatisation of the Airport Company in 1997. As a result of this inability to raise the necessary selling price, blacks currently own only 4.2 percent of shareholding in the Airport Company, instead of a 10 percent originally reserved for a potential black consortium.

Apart from these misgivings, there is not doubt that ANC-government's actions have contributed, though not to the full satisfaction of black entrepreneurs, to the already ongoing development of the black business class in South Africa. It also needs to be appreciated that the ANC faces different challenges than those faced by other nationalist movements in Africa, say for example in Kenya. In Kenya at the period of independence, the Kenyatta government, according to Himbara, could afford to introduce policies that specifically intended to help "indigenous capitalists" at the expense of other capitalist classes, especially the white and Indian capitalist classes. However, differently from the nationalist the Kenya African National Union (Kanu) of Kenyatta, the
ANC government has to balance the interest of various segments of South Africa's capitalist class, that is, in racial terms, white, black, coloured and Indian capitalists. The importance of Himbara's work, as was mentioned in Chapter Two, rests on his suggestion that the definition of the 'indigenous bourgeoisie' has to be broadened to embrace all homegrown capitalists irrespective of their racial affiliations.

Evaluating the black entrepreneurial class in the 1990s

The liberalisation of society in the early 1990s, notwithstanding the reforms of the apartheid government especially after 1986, allowed the black entrepreneurial class access to wide-ranging areas of the economy. This signalled the graduation of the emergent black business class from traders to fully-fledged capitalists involved in the mainstream economy. To date their involvement ranges from entertainment (cinema, casinos and gambling), across transportation (ground and aviation) and distribution, construction and property development, beverages, energy (oil and fuel), finance (banks and insurance), communication, information technology, food, catering and cleaning, media publishing and management consultancy to mining industries.48

In 1988, just one black-owned company was listed on the JSE, and blacks owned two percent of the economic wealth. By comparison, in May 1995 there
were 11 black-owned companies listed with a market capitalisation of R4.3 billion. In February 1998 this had increased to 53 companies with a market capitalisation of R58 billion, or 15 percent of the overall control of the economy.\(^{49}\) The latter are simply statistics to illustrate the extent to which the black bourgeoisie has developed from the time of apartheid’s ascendancy. Beyond the figures of economic growth, moreover, lie the social and economic roles that the emergent black capitalist class seeks to play or is already performing. The type of contributions that members of this class seek to make is broadly contained in the ideology of “black economic empowerment”, initially suggested and popularised in the 1980s by the BMF and Fabcos. For the BMF, the “black economic empowerment” idea was used as a mechanism to improve the position of black managers in the hierarchies of white-owned companies.\(^{50}\) For Fabcos, this concept meant the participation of blacks “in South Africa’s economic development and the wealth-creating process.”\(^{51}\) In the post-apartheid period, the meaning of “black economic empowerment” has been broadened to demand redress with a view to achieve benefits to the majority of the historically disadvantaged people to gain access to resources, especially capital for black businesspeople, procure equity in the management and ownership of the economy.\(^{52}\) On the need to transform the patterns of economic ownership, Cyril Ramaphosa, a former secretary-general of the National Union of Mine Workers and ANC secretary-general and Member of Parliament and later Chair of the Constituent Assembly, and now a key
businessman, stated as follows:

“We need to be more aggressive. That's the operative word-aggressive. One has to be unconventional in one's efforts to find black people and to put them in positions of authority, power and seniority. Black people have ability. They just need to be given the chance. Many companies just pay lip service to some of the higher principles and never put them into practice. Established white businesses and management have to realise that there is a new imperative in the country. Unless we become more representatives in everything we do in South Africa, it will only be to the detriment of our businesses. I'd like to suggest that smart companies and executives are those that realise this very quickly and start putting in place effective mechanisms that will help bring those previously disadvantaged into key positions – not Mickey-Mouse or token jobs. We've got to move beyond the concept of affirmative action for its own sake. Many companies offer the excuse that they cannot find black people and if they do, they stay for a very short period then move on. Smart headhunting is the answer. We must go out and find the right people. There are many well-qualified black people in mediocre positions in a number of companies who need to be drawn out. Once this process has taken place, there should be mentoring programmes to prepare people to be eventually in charge. That means clear career paths need to be sorted out for such people. And they need to be incentivised (sic), not only financially, but in many other ways where they can see their worth is appreciated, and that they can add value.”\[52\]

In addition, the concept of 'black economic empowerment' has been attached to the need to redress black poverty. As Nthato Motsana, the founder of the
New Africa Investment Limited company stated in 1995 that:

"The goals we have set are ambitious. Our long-term goal is to roll back poverty, to generate jobs and to attain a standard of living commensurate with the resource base of our country. Our mission is to ensure black economic empowerment advancement by promoting black-led partnerships with leading businesses to ensure that black entrepreneurs are fostered... My colleagues and I in New Africa Investments Limited believe that only through entrepreneurship (sic), leadership and hard work will blacks inherit the economic kingdom. We do not want guilt offerings or handouts. At the same time our goal is not a gradual bottom-up approach to economic empowerment. We cannot wait decades to participate fully and effectively in the economic future of SA. I must emphasise that we are not suggesting 'free lunches'; black economic empowerment has to be meaningful. But there are many 'jewels' out there and established industry should move faster to embrace black economic enablement (sic). This will benefit our nation as a whole." 54

In practice the notion of 'black economic empowerment' has fallen into three spheres of economic activity. These are the procurement of shareholding in, and ownership of, big companies, especially those listed at the JSE; the advancement of black managers in white-owned corporations; and the calls for the awarding of state contracts to black-owned small and medium enterprises. However, the ascent of blacks into the mainstream has not yet yielded positive results for the South African society. For instance, the acquisitions of firms, most of them pre-existing, has not resulted in the creation of job opportunities
and eradication of poverty, especially among black people. As Bond has observed, many of the black-owned enterprises were composed of pyramid-style investments. In addition, very few black capitalists have contributed to social responsibility programmes such as those providing scholarships to students, or funding for community development programmes. Problems have also been experienced with some members of the black capitalist class who have used the concept ‘black economic empowerment for purposes of crass personal enrichment. For example, as Mzi Khumalo, a former political prisoner and now the head of Capital Alliance, asserted: “Everyone else on (Robben) Island (prison) wanted to be a politician. I wanted to be a stinking rich businessman.” President Thabo Mbeki has also observed the trend in unethical personal enrichment by some black capitalists, and commented as follows:

“I was in Rustenburg two weeks ago (May) and I saw some strange structures being passed off as houses. Obviously, the NorthWest government in its commitment to black economic empowerment had given a black contractor a contract to build houses. This contractor built some corrugated iron structures standing on some wooden pillars and called this housing. That cannot be accepted. He has now gone to the next job. Others simply disappear. The government has burnt its fingers... There is nothing wrong with getting rich. It is how you get rich which is of concern to us. Black economic empowerment must be handled in an ethical manner.”
For these shortcomings, analysts such as Bond have pronounced a verdict on the future of the black business class. He described the black capitalist class as a failure because he believes it can hardly be called a "class", since it consists of a few "filthy rich" individuals numbering no more than a few hundred.\footnote{This judgement, it is felt, is premature, as it is possible for members of this class to overcome such shortcomings as the bourgeoisie matures. Already attempts towards this end have been initiated with the formation in September 1998 of a non-statutory body called the Black Economic Empowerment Commission (BEEC).\footnote{This commission was tasked to report on broad issues relating to the development of the black capitalist class. These included assessing the impact of national policies and the initiatives of the various sectors in promoting the programme of black economic empowerment and making recommendations on the benchmarks used to measure the success or failure of the programme.}} Towards the end of 1999 the BEEC study was also been linked to the brief of the cabinet's working group to promote "black economic empowerment."\footnote{In its report, endorsed at the summit held to discuss this report in October 2000, the BEEC has acknowledged the problems noted above. It also called on the government to pass legislation that would lead to a co-ordinated, coherent policy of helping further development of the black business class.\footnote{At the time of writing the government has not responded to the BEEC report.}}
This chapter discussed the progress of the black bourgeoisie in the 1990s. It showed that the changed political circumstances, including the formation of a democratic government, created favourable conditions for this class to penetrate the mainstream of the economy. While this class is still small when compared with its white counterpart, it is likely to grow further. Speculation about the future role of this class in South African politics is a theme explored in the concluding chapter.

Endnotes


5 Ibid.

6 Quoted in Sparks, Tomorrow is Another Country, 1995, p.80.

7 Cited in Waldmeir, Anatomy of a Miracle, 1997, p.79.

8 Quoted in Sparks, Tomorrow is Another Country, 1995, p.81.

9 Quoted in Waldmeir, Anatomy of a Miracle, 1997, p.78. Perhaps, true to his
undertaking Esterhuyse was a member of the editorial board that produced a book on Mbeki's selective speeches. The book – Mbeki, T. "Africa – The Time Has Come" (Cape Town and Johannesburg: Tafelberg and Mafube Publishers, 1999) – was intended to counter the negative campaign against, and promote the image of, President Mbeki on the eve of South Africa's second democratic elections, held in June 1999.

10 For a detailed discussion on this subject, see Adam, H. and Moodley, K. The Negotiated Revolution: Society and Politics in Post-Apartheid South Africa (Johannesburg: Jonathan Publishers, 1993,) Chapter Four.

11 Interview with Frank Kilbourn published in Enterprise, October 1995, p.63.


17 Financial Mail, August 1999.


19 Enterprise, November 1996, p.67. The use of workers' money in investment ventures was not uncontroversial, with questions being posed as to whether such moves did not put workers' money at risk. See South African Labour Bulletin February 1997, p.1.

20 Enterprise, July 1997, p.36.

21 Merchant banks operate differently from the commercial public banking
sector. The merchant banks raise capital from investors (usually institutions) for its clients, thereby acting as brokers. A Merchant Bank, although it charges service fees, does not provide loans, but takes a stake in a business, of between 30 percent and 49 percent, assists the company to grow by providing management expertise, and then terminates its investment after five years. In that way, according to the banks, the fledgling businesses are not burdened with interest payments (Enterprise, October 1995, p.60).


23 Interview with Frank Kilbourn published in Enterprise, October 1995, p.63.

24 Ibid.

25 Interview with Mzoli Ngcawuzula, a property developer and real estate agent, Gugulethu, 20 October 2000. Similar, have been echoed by other black entrepreneurs. See Black Leader, a publication of the Black Management Forum, Issue 17, March 1998, p.7.


29 Tito Mbweni, then Deputy Head of the Economic Planning Department of the ANC, see Sowetan, 11 January 1993; Finance Week, 1 April 1993; and SAIRR, A Survey of Race Relations, 1993/94, p.198.

30 Nelson Mandela, ANC President, speaking in London in May 1993, reported in The Natal Mercury, 5 May 1993; and SAIRR, A Survey of Race Relations, 1993/94, p.199. A report by a stock brokers firm, Kaplan and Stewart, entitled Anti-Trust in the New South Africa, identified the Anglo American Corporation of South Africa (Anglo), the Rembrandt group, Sanlam, and South African Breweries (SAB) as four major conglomerates controlling the Johannesburg Stock Exchange. See Finance Week, 1 April 1993; and SAIRR, A Survey of


32 Up until around 1996 the media often conducted a headcount of Communists within the ANC's decision-making structures to justify why the ANC's apparent pro-capitalist stance could not be trusted.


38 Enterprise 200, 1997, p.34.

The document on this system is reproduced in SAIRR, *A Survey of Race Relations*, 1996/97, p. 263.


Ibid. p. 74.


Individuals involved in running enterprises in these spheres are regularly catalogued in the annual editions of *Enterprise 2000*. See for example *Enterprise 2000*, 1996 and 1997 versions.


This is based from my conversations with Lucy Lesolang, former executive committee member (1989), Western Cape branch of the BMF. Lucy Lesolang is based in Cape Town where she works for a German Insurance company, and she is a daughter of the J.J. Lesolang, one of the early black business personalities (1950s), and the founder member of Acoc and later Nafcoc in the 1960s.

53 Interview in Leadership, July 1997, p.25.
55 Bond, "The Rise and Fall of Black Economic Empowerment", 2000, p.3.
56 Conversation with Moaletsi Mbeki, a consultant and businessman based in Johannesburg, October 1999.
58 Interview with Thabo Mbeki, President of South Africa, in Enterprise, June 1999, 31.
59 The Cape Argus, 19 August 1999, and Reconstruct, The Sunday Independent, 22 August 1999. The phrase of "filthy rich" was first used supportively by Phumzile Mlambo-Ngcuka, cabinet minister in Mandela and Mbeki governments. (See Adam, et. al., Comrades in Business, 1997, and Adam, H. Mail and Guardian, 1997).
60 The BEEC management committee was comprised of the following individuals: Cyril Ramaphosa as chairperson, Gavin Pieterse as deputy chairperson, Gwen Ramokgopa as alternate deputy chairperson and Loyiso Mbabane as executive director. Itumeleng Mosala, principal of North-West Technikon, headed the sub-commission that was responsible for the evaluation of national policy, while Salukazi Dakile-Hlongwane, the women's empowerment activist, headed the sub-commission that dealt with the assessment of the impact of black economic empowerment. Its membership was made up of the Islamic Chamber of Commerce and Industry, Nafcoc, Fabccs, BMF and the Association of Black Accountants of Southern Africa. It was endorsed by the Johnnic Group, New Africa Investments Limited, Nedcor, Eskom, the Theta Group, Shell, and BMW, the South African Medical and Dental Practitioners Association and the Committee of Technikon Principals.
Enterprise, June 1999, p.47.

51 Ibid.


CHAPTER NINE

Summary and Conclusions

The subject of this investigation has been the rise of the black business in South Africa, especially after the 1960s. The dissertation sought to explain that the development of the business class has long been in the making, an aspect that has often been downplayed by the existing literature, which was reviewed in Chapter Two. Precisely, the central argument of this investigation was that the origins of this class date back to the 1920s, even though its size was small and the scope of its operation limited due to the restrictions imposed on it by the successive white governments. However, this class grew significantly from the 1960s onwards. Its growth derived from a set of peculiar factors and processes, which occurred over the duration of the 20th century. The first process was the constraints imposed by government policies, which from the 1920s through to the late 1980s served to enforce racial separation. The inherent contradictions in the policies of racial separation, however, presented aspirant black entrepreneurs with opportunities to emerge and grow. The second process that created the conditions for the growth of the business class was as a result of the process of urbanisation, over which the apartheid government lacked total control. Before and after the World War II large numbers of black people migrated to the cities in search of employment, and many of them later earned the legal rights – stipulated in the pass law requirements – to remain permanently as urban residents. The regulations of
the pass law also permitted aspirant black businesspeople, if they were lucky, to earn trading licences.

The third factor that helped the process of the development of a black business class was the role played by Nafcoc particularly. Nafcoc's history was controversial due to the bifurcated approach it adopted in order to improve the environment under which black entrepreneurs operated. On one hand, it collaborated and bargained with the apartheid government to gain favourable reforms. It also enlisted the assistance of white private sector in order for black to start businesses, for example the help it received to establish the African Bank in 1975. On the other, it cast itself in the black community as the champions of 'black capitalism'. In the end, the results it achieved were mixed and costly in human and material terms. While Nafcoc won some concessions from the apartheid government, it also lost legitimacy in the black community as a consequence of its collaborationist approach, which was despised, especially by the liberation movement. Its loss of legitimacy led in 1988 to the formation of an alternative organisation called Fabcos, which apart from its non-collaborationist stance, was in principle, no different from Nafcoc.

The fourth process, which supported the development of a black bourgeoisie were the reforms initiated by successive apartheid government between 1975 and 1994. Although the reforms entailed obvious limitations, they nonetheless provided further opportunities for the advancement of black entrepreneurs. The reforms were supported in material and other ways by foreign western
and local white business sectors. Significantly, the dissertation argued that the reforms, especially those introduced after 1978, recognised and enhanced a process that had been unfolding in the evolution of the black business class, especially since the 1960s. That is to say, rather than having created a black business class in the late 1970s and in the 1980s – as some commentators have suggested – the reforms merely supported and expanded the scope of a process that had begun more than a decade earlier. As indicated, the growth of the black middle class facilitated by improved educational levels leading to the growth of a professional class such as managers, teachers, nurses, and so on. The dissertation also argued that to some extent the reforms, particularly in the later stages from 1986 onwards, made it possible for black entrepreneurs to graduate from being traders to becoming members of a fully-fledged capitalist class.

The final process owed to the legal and administrative actions of the ANC-led government after it came to power in 1994. The policies of awarding state contracts to small- and medium-size black businesses, and selling states assets to black entrepreneurs, even though these were not carried forward in a coherent and consistent manner, accelerated the growth of the black capitalist class. The ANC actions in that regard are seen as consistent with those of many nationalist movements such as those in Kenya and Nigeria that had reached the climax of their struggles. As Mandela had stated in 1964: “The ideological creed of the ANC is, and always has been, the creed of African nationalism... The African nationalism for which the ANC stands is the concept of freedom and fulfilment for the African people in their own land.”
Thus, to restate, the dissertation has argued that all processes described above collectively have contributed towards the development of a black business class.

Whilst the growth a business entrepreneur class has long been in the making, it is nevertheless still small when viewed as a proportion of the black population and the South African population as a whole. However, if the current trends pertain and if the South African economy continues to grow and barring unforeseen local and international economic uncertainties, it is likely that its proportional share of the economy will increase in the years to come.\textsuperscript{2} Its growth, even though there would be limits to it, will be assisted among other things by assistance it would receive from the present government. President Mbeki has unashamedly pronounced his government’s backing of the development of a black business class, when stated that:

\begin{quote}
I would like to urge, very strongly, that we abandon our embarrassment about the successful and therefore prosperous black owners of productive property, and think and act in a manner consistent with realistic response to the real world.\textsuperscript{3}
\end{quote}

The continued development of South Africa's black capitalist class is also likely to play a role in the development of economies of countries elsewhere in Africa. Some black companies such as Black-Like Me Beauty Hair Salon, as indicated in Chapter Six, have already penetrated markets in countries elsewhere on the African continent. In that respect, the exportation of South African capital into other African countries is an important research agenda for social scientists.
Despite its growth, the position of the black business class in the ownership of the South Africa's economy is still fragile, since most of its members are in control of firms but have yet to own them, until they complete payment of loans or other forms of assistance. This fragility was glaringly exposed in 1998 when many firms had to renegotiate loan repayments after the steep rise in interest rates. Also, the contribution of the emergent black capitalist class to South Africa's broader economic development has so far been minimal. Members of this class have not invested in new industries leading to the creation of much-needed employment, nor notably, have they become involved in social responsibility programmes. They have largely invested in existing economic activities, through a process of asset acquisitions from, and mergers with, certain white-controlled firms, and through financial engineering of 'black chips' on the JSE. In addition, the tendency of some of the members of this class to be largely concerned with vulgar forms of enrichment has not earned them a good reputation in society at large, as shown by the saga at NAIL. In this case two executive directors, including founder member Nthato Motlana, were forced to leave the company after the company's usually low-voting shareholders rebelled against a proposal by the directors of NAIL to award themselves substantial financial bonuses.

That stated there is little doubt that the development of this class will change the political landscape in the country, moving away from racial, to more class-based distinctions in society, as President Mbeki has envisaged. A possibility though, will be an unchecked process of wealth creation by a minority
capitalist class at the expense of the working class majority, as this will exacerbate the gap between the rich and poor. Sadly, this appears to be the way in which the black economic advancement is currently evolving. To be meaningful, even within the limited precepts of liberal democracy, a concerted effort, led by government, has to be made to ensure that wealth distribution reaches the poorest of the poor. While the international economic forces demand that the ANC adheres to the broad dictates of the market, it, at the same, cannot afford to neglect the needs of the impoverished (mostly black) majority. Failing that, social and even political instability is likely to be a constant feature of South African society. These hazards notwithstanding, the visible penetration of the black business class into the heart of economy is of critical importance in the development of a non-racial South Africa. Given the history of South Africa, both of colonial and apartheid rule, the immediate role of the growth of the black capitalist class will be to provide legitimacy for the new political and economic order.

Endnotes


2 As the recent report of the United Nations Development Programme has shown that the number of wealthiest blacks has increased five-fold, from 2 percent to 10 percent, between 1990 and 1995. At the same time, blacks share of the total richest income increased from 20 percent in 1970 to 35 percent in 1996. See Transformation for the human development: South Africa 2000, United Nations Development Programme Report 2000, p.65.


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