

- (iv) The development of the human factor is an essential requirement in the entire development programme, so that the Bantu can take his place and climb to the highest rungs of the social ladder in all spheres of life within the Bantu Areas. Any programme of development which did not aim at providing all possible opportunities of development for the Bantu in their own Areas, would be of little social and political significance.
- (v) In order to bring a diversified national economy into being, the first essential is the development of a true Bantu farming class, settled on farm units which will ensure the full means of existence to each family, and in the second place, it is necessary to develop a true urban population. This in turn implies the necessity of large-scale urban development based on factors of economic growth, which can provide the means of existence to the surplus agricultural population, as well as for the further increase of population within, and also partially outside, the Bantu Areas. The contemplated urban development will require a comprehensive programme of industrial development with corresponding development in the tertiary sphere.
- (vi) Development must include the creation of security for the Bantu, and in this respect, the Commission recommends an alteration in the system of land tenure for both the rural and urban populations, based on private proprietary rights.
- (vii) The development programme should be a balanced one, and not merely concentrated on economic activities, but should also emphasise the various social facets of human development, such as ecclesiastical, educational, medical and other welfare services. These social services should take the cultural background and/or the economic capacity of the Bantu, into account.
- (viii) On the basis of the inherent potential of the Bantu Areas, the Commission's development programme envisages the attainment of a total *de jure* population of 10,000,000 in the Bantu Areas, *within a period of 25-30 years*. Of this number it is estimated that 8,000,000 will be dependent for their existence on activities within the Bantu Areas, and 2,000,000 on activities in the European sector. If the Bantu Areas are not developed, the European sector will probably have to accommodate a Bantu population of about 17,000,000 at the close of this century.
- (ix) The development programme proposed by the Commission, is of such magnitude that the Department of Native Affairs will not be able to undertake the task of development alone, but will be able to cope with only certain aspects thereof. Reorganisation and considerable expansion of this Department will be necessary. In addition, a Development Council, chiefly charged with research and planning, and a Development Corporation, chiefly charged with the promotion of Bantu enterprises as well as the establishment of undertakings of its own, will have to be instituted.
- (x) In future, the South African Native Trust will not function as an executive authority, and the South African Native Trust Fund will serve as the central treasury for the Bantu Areas.
- (xi) For the first ten year programme, an amount of approximately £104,000,000 will be required, about £55,000,000 of which will be of a private-economic nature, and about £49,000,000 of a socio-economic nature. The Commission foresees that the present budget of the Department of Native Affairs, will probably have to be doubled during the following ten years. A large proportion of these capital investments and expenditures will, in any case, have to be incurred, whether development of the Bantu Areas takes place or not.
- (xii) The present geographical pattern of the Bantu Areas, is so fragmentary that it will not be possible to carry out in all respects, the programme of development proposed by the Commission. Consequently, the Commission is convinced of the necessity of a policy which will aim at the consolidation of the Bantu Areas, on the basis of the historico-logical homelands of the principal ethnic groups.

## CHAPTER 51

# SOME IMPLICATIONS FOR SOUTH AFRICA

### I. GENERAL.

1. The programme submitted by the Commission, comprises regional development as well as the development of ethnic groups into independent entities which can manage their own social, economic and political administration within a broader political nexus. At the same time, it includes the elements of a policy of upliftment of the less privileged portions of a heterogeneous population.

2. Owing to the absence of international boundaries between the Bantu Areas and the rest of the Union—which for the sake of convenience will be referred to as the “Bantu sector” and the “European sector” respectively—the “Bantu sector” will have at its disposal the entire economic and administrative machinery of the “European sector” on which to draw for its development. These circumstances make the task of development somewhat easier than it would be when an underdeveloped community or area has to rely on its own

energy and potentialities, or on the support of relatively slight assistance from abroad. At the same time, it must be pointed out that there are important implications for the European sector in this very fact.

## II. DISPERSION OF PRODUCTIVE ACTIVITIES.

3. Viewed as a regional development programme, the proposals of the Commission signify the future dispersion of economic activities in the Union, over a larger number of regions than is the case at the present stage. Moreover, it means that in future, a part of the economic activities which would otherwise have been located in the European sector, will shift to the Bantu Areas. The former will gain not lose, as a result.

## III. UTILISATION OF THE FACTORS OF PRODUCTION.

4. Economically speaking, the outstanding advantage of the Commission's programme is that the South African factors of production will be better utilised.

5. The development of a class of Bantu entrepreneurs—and entrepreneurs are the leading factor of production in a development programme—will have vital significance for this population group, since it completes their pattern of opportunity in the national economy and removes frustrating influences to which they are subject at present. To this end, they will have to be assisted with capital and counsel. However, since this class will not develop with sufficient speed to meet the needs, and the State cannot assume this function in its entirety under a private capitalistic system, European entrepreneurs will also have to be encouraged to establish their enterprises in the Bantu sector.

6. The agricultural programme has, as its object, the prevention of the destruction of soil fertility and its regeneration in order gradually to bring about higher productivity. Nutritional standards and the provision of raw materials can be improved. The existence of natural resources beneath the surface will be determined and thoroughly exploited.

7. At the moment, several hundred thousand man-years of labour are being lost. The increase in national production which will result from the mobilisation of this labour potential, is evident. The social-economic transformation will also change the attitude towards work and stimulate greater effort. The better utilisation of labour also includes the free opportunities which the worker will have, to rise to all grades of skill and responsibility in the organisational hierarchy of undertakings. The existent ceiling to promotion is removed. This in turn will counteract the high rate of labour turnover. The productivity of labour will also be increased by the occupational specialisation resulting from the development programme. Diversification of the economy will increase the opportunities of employment to such an extent that dependence on agriculture will greatly diminish.

This improved utilisation of labour also means that Bantu labour, and especially unskilled labour, will become scarcer in the long run, from which it follows that the so-called European sector will also have to be more economical in its employment of labour. In order to be able to pay the higher wages which will result from its higher scarcity value, rationalisation will be required.

## IV. THE NATIONAL INCOME.

8. The proposals of the Commission represent a programme of investment in natural resources, human resources and other productive assets. The national income is increased as a result. The increased income becomes the basis for further capital formation and employment, which sets in motion a cumulative process as a result of which the national market is enlarged for all industrialists and business men. The effect can be heightened by the establishment in the Bantu sector, of enterprises which cannot profitably be established—at least not to the same extent—in the European sector. If competition should become keener—something that can only benefit the South African economy—it must be pointed out that increased incomes will also facilitate sales.

9. There is little reason to believe that the development programme will result in inflation. The expenditure involved in this connection is small in comparison with the total national income and present government expenditure. The precise effect will depend on the elasticity of production, the measure in which additional saving (in the *ex ante* sense) materialises, the degree to which gold and currency reserves can accommodate deficits in the balance of payments, and monetary and fiscal policy.

## V. SAVING AND CAPITAL FORMATION.

10. The investment programme calls for an increase in savings. The savings may originate in South Africa itself or may be drawn from abroad. During the period 1947-1952, domestic savings were responsible for less than half the total. The rest was obtained in the form of imported capital (including the diminution of foreign currency reserves). Considering the abnormal conditions prevailing during the past decade, and of the pronouncement by the President of the Reserve Bank in his latest report, it would, nevertheless, appear that domestic saving can provide for an increasing proportion of the total. It is possible, however, that development of the Bantu Areas may absorb savings which would otherwise be employed in the European sector. The problem with regard to foreign sources of capital is that we do not have control over them, and they may run dry just when they are most required.

11. As a general rule, it may be accepted that the consumption function of the Bantu is so high that little reliance can be placed on their saving capacity, even when their incomes increase. On the other hand, their love for the land may be the cause of considerable savings, when the system of land-ownership proposed by the Commission is put into effect and they can acquire their own property. An average annual amount of saving of £4,600,000 on this account, is not impossible, and forestry development may add another £1,000,000 to this, in the long run.

Saving which originates simultaneously with the process of capital formation, is that associated with the construction by Bantu in their spare time, of dwelling houses and, perhaps, public buildings, if the Bantu authorities can organise a voluntary system of communal labour. There is a savings potential present in the Bantu system of livestock ownership, which is not utilised at the moment because cattle serve as a medium of hoarding. Under conditions of planned

agriculture, for instance, there would be surplus live-stock to the value of £20 million. Similar observations also apply in the case of other habits and customs like the worship of ancestral spirits, initiation feasts and other ceremonies the termination of which might release means which will not necessarily raise the consumption function.

12. In the final instance, development of the Bantu Areas will introduce a medium of saving in the form of the reserved profits of successful enterprises.

## VI. THE SOUTH AFRICAN BALANCE OF PAYMENTS.

13. One of the most vulnerable elements in the South African economy, with reference to the development of the Bantu Areas, is probably its international balance of payments.

14. Investment taking place in the process of generating income, may directly give rise to imports, in as much as machinery and spare parts—as well as raw materials—which cannot be produced in the country itself, may be needed to enable production to begin. The increased incomes which persons earn as a result of the increased production, may also be partly diverted to the foreign market. The significance of imports for the South African national economy appears clearly from the following: During the period 1923-1939, the total importation of goods and services (on the current account of the balance of payments) amounted on an average to 36 per cent of the value of the national income. In the post-war period, the propensity to import was even greater.

15. There is no necessity for this historical pattern to repeat itself, but from the relevant figures we may, nevertheless, obtain an indication of the order of magnitude of the balance of payments problem that may arise. With the aid of functional equations which relate imports and portions thereof to national income and investment, the Commission estimated that under certain conditions, an investment of £15 million in the Bantu Areas, might lead to importation to the tune of £11 million. The question is whether the Union can earn enough foreign exchange to finance these additional imports. If we examine the conditions obtaining during the past few years, which have been characterised by large deficits on current account of the balance of payments, the prospects do not appear to be particularly rosy. However, during this period, as shown in Chapter 51 of the Report, extraordinary factors were in action, which either will not make their appearance again or, in any event, will not operate on the balance of payments with the same intensity. There are also indications that the credit side of the balance of payments will be strengthened by increased production of gold and uranium. Another important factor is that the secondary industry of the Union, which up till now has been pre-eminently a consumer of foreign exchange, is also becoming an earner thereof. The anticipated development of factories in the Bantu Areas, may contribute thereto.

## VII. FISCAL POLICY.

16. In fiscal policy, the development plan will have to be regarded as a long-term project which cannot be relegated to a position where it is dependent on the level of economic activity which may happen to prevail

in the European sector. Notwithstanding this, the possibility, nevertheless, exists that the programme may be so adapted to economic conditions, that it may serve as a stabilising element. Besides the basic programme, additional plans may be drawn up, which can be brought into effect when there is a recession or depression, and gradually turned off as conditions improve.

17. The manner in which the public revenue required for the development is obtained, may also be adapted to prevailing economic conditions. Although it may be accepted as a general principle that the expenditure characterised in Chapter 49 of the Report, as being of a social-economic nature, will be reflected in the Revenue Account of the budget, and that expenditure of a private-economic nature will be financed from Loan Account, there is no necessity for this rule to be carried out under all circumstances. Conditions such as depressions are conceivable under which everything may be financed from the Loan Account (and from loans), while inflationary conditions may require that the entire burden be borne by taxation.

## VIII. THE NEED FOR DEVELOPMENT PERSONNEL.

18. The execution of the programme will create a need for more administrative officials, technicians, professional workers and artisans, than are available at the moment. It is self-evident that the Bantu are going to be offered every opportunity to train themselves for these positions, and to fill them. But at least in the beginning, there will have to be a nucleus of European development officials (including all types), and the indications are that in terms of numbers, this nucleus will not be small. The European sector will also need an increase in manpower.

The following can be done to cope with this problem: More intensive and better education; more rational employment of labour and harder work by Europeans; the attitude that certain types of work should only be done by Bantu, will have to disappear; the effort to attract immigrants will have to be intensified.

## IX. THE BANTU AS PERSON.

19. A question which frequently arose in compiling the Report, was whether the Bantu would be able to "absorb" the development, that is to say, whether they can adapt themselves rapidly enough to the demands of development to carry it further on the basis of their own energy and initiative. Economic, social and human development are mutually interdependent, and for all of them a change in the entire framework of customs, intellectual habits, opinions, attitudes, etc. is called for. But to alter the latter, social-economic development is necessary, and, thus, we have a vicious circle.

20. The Commission's programme envisages the evolution of an independent community; and to this end a broad frontal attack is launched in which action the social and human spheres are included. The co-operation of the Bantu thus remains a prerequisite and will continually be sought. It is possible, however, that human development may lag behind

economic evolution. Naturally, this does not apply to the nucleus of educated, trained and urbanised Bantu who may form the advance guard. In so far as it does occur, it may well be that the personal welfare of the Bantu is temporarily diminished in the light of their conceptions with respect to the work, income, being tied down to tasks, etc. But in the process of action, the community and the individual reform themselves.

A full-grown community is thus built up, in which individuals belonging to the same strata feel at home with each other, in which they find scope for self-expression in the company of their fellow Bantu, in which they will have facilities for recreation, amusement and all other services without occasioning or experiencing friction in the use of these facilities, or being dependent on Europeans for them. The frustration experienced because they cannot obtain full recognition for their talents, will also disappear. In this matter, the motive for exertion and progress is called into play.

21. These observations do not imply that the Bantu are to be westernised. It stands to reason that the new industrial milieu will exercise such influence on their thoughts and habits, that they will tend to move in the direction of the industrial civilisation of the European. Nevertheless, they may preserve their identity.

#### X. THE FUTURE POLITICAL STRUCTURE.

22. To the Commission, it appears to be an irrefutable truth that the programme which is held out in this Report, will derive its driving power in very large measure, from the prospects it offers to the Bantu, of a form of political expression. This will be the propellant which facilitates co-operation and is in reality the necessary consequence and an integral part of socio-economic development.

23. The Commission may furnish the following indications as to possible guiding lines. The assumption by the Bantu of responsibility for their own local administration, that is in municipalities, town councils, village boards, etc. will be the first step in political development. Thereafter, their administrative responsibility can in time be increased to government on a regional basis. Thus they can eventually carry out the functions of government in accordance with a system similar to the present provincial system, in each of the seven parts of the Bantu Areas, which were indicated in Chapter 46 of the Report, with reference to the consolidation of the Bantu Areas. The populations in the respective regions, will then be able to elect their own representatives to one or other form of provincial government.

24. The Commission wishes to refrain from suggestions in connection with further political developments; but if it may permit itself a prophetic look at the future, it would be inclined to regard the proposed development plan as a means of bringing about a degree of political development which might serve as the forerunner of an eventual configuration in Southern Africa, under which certain parts of the continent would be reserved for Europeans, and to which the

Bantu would be allowed entry as temporary migrant workers, without being able to claim political rights there.

#### XI. WILL THE DEVELOPMENT BE ECONOMIC?

25. In so far as the welfare of a community, and even its economic welfare, is not merely a function of the quantity of goods and services at its disposal at one or other stage, the conventional question whether such a programme of development would mean the most economic utilisation of the factors of production, would certainly not be of decisive importance. The correct approach would be: given the ends premised in this Report, are they going to be pursued in the economically most effective manner? In itself, the objective may presuppose a state of things in which the application of productive powers may result in a smaller return, in comparison with the existing economic conditions. But if, in fact, the end or objective is generally accepted, the results are accepted along with it, and by implication the advantages brought about by attainment of the objective, outweigh the possible disadvantages. Given, then, the premises accepted by the Commission, it can see no reason why the plan of development submitted, should not attain the objective envisaged, in the most economical manner.

26. But even if any other considerations are left out of account, and attention is paid only to the question whether, under the Commission's programme, the factors of production are not going to be applied less efficiently than is the case under the existing configuration, then, in the considered opinion of the Commission, the answer must be decidedly negative. The contrary is more likely to be true. This should already have become evident from the discussion in the preceding paragraphs.

27. What is of essential importance, is the question whether Bantu and European enterprise will be attracted to the Bantu Areas, in sufficient measure to utilise to the fullest extent the capital which will be invested in the Bantu as human beings and as labourers, and in basic facilities for productive purposes (railways, roads, power supply, town building, soil conservation, etc.).

#### XII. CONCLUSION.

28. It is the conviction of the Commission, that the development programme must be tackled in the spirit of an act of faith, in the same manner in which many other great undertakings in the Union have already been launched as acts of faith at times when the chances of success were at their minimum, or were totally denied by some people. If it is permissible for the Commission to draw a comparison, it would like to point out that the task set in its Report, cannot be described as impossible, indeed not even as exceptionally difficult, when it is compared with the task of reconstructing the war-devastated countries after 1945. And these countries succeeded in their task.

29. The choice is clear: either the *challenge* must be accepted, or, the inevitable *consequences* of the integration of the Bantu and European population groups into a common society, must be endured.

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