Articles

Industrialisation and Society; A Comparison of the Japanese Developmental State and South Africa

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Abstract

This paper argues that it is important to study the trajectory of economic development in different societies comparatively. This need not be a mere contrast of success and failure. A number of writers have looked at South African economic development and contrasted it with East Asia, and Japan in particular using the developmental state model. This is true of Fine and Rustomjee's work on the Mineral/Energy Complex and Nishiura on monopoly capital and *konzernen*. I attempt to pursue these comparisons, looking as well at Korea and to a lesser extent Taiwan, further. South Africa can be said to have moved significantly from the 1940s in the direction of a developmental state but with certain key constraints, notably the disinterest in export outside of the given, then stable, market in gold, and the absence of a dedicated source of industrial finance of substance. Market orthodoxy never was substantially ousted. There is also a set of constraints we can associate with the failure to escape the limitations imposed by the dominance of the MEC. Impressive growth up to the early 1970s was followed by a severe period of crisis which has never really been successfully resolved even if the obsessive concerns of the government of the day have been abandoned. In addition, while the social basis of accumulation in Japan and Korea allowed for a relatively low level of inequality and high standards of mass welfare, the racial system in South Africa bred inequality right at the top of world rankings and poor human development indicators, problems that are only beginning to be addressed. Developmental success and social and economic equity are very distinctive and differentiable categories of analysis.

Key words : developmental state, comparative industrialisation, gender, Konzernen, mineral/energy complex, inequality, parastatals, Japan, Korea, South Africa

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This paper will attempt to make useful comparisons between historic national forms of industrialisation. The heart of the comparison will be an examination of South African industrialisation in the light of some of the principal findings that score the literature on East Asia. Japan has to be a central feature here although Korea and Taiwan, Japan's former colonies, shall also make for useful comments as well. In their well-known study of the 'mineral/energy complex', Fine and Rustomjee (1996) have actually begun their assessment with a chapter that focusses on Korea while occasionally referring to Japan[1). I will make use of their analysis and try to perhaps take it a little further. In addition, Japanese economic historian Akio Nishiura has written very specifically about the dominant businesses in Japan and South Africa, using the concept of *Konzernen*, to make a somewhat different sort of comparison (Nishiura 2014).

As Fine and Rustomjee point out, a new literature raised its head in the development field in the 1990s that promoted the idea of a developmental state. Alice Amsden's polemically spiced writing on Korea, 'Asia's next giant', was a very important marker here. Also significant was the official Japanese critique of the World Bank, which had insisted on a distorted and inaccurate portrait of the economic rise of Japan from the late 19th century. Much of this discourse was bedevilled by a particular insistence on the part of the International Financial Institution ideologues that the market needed to be freed up with distortions imposed by state regimes cut down. Enthusiasm about this swept the post-Communist world, often expressed very crudely. Some of this perspective was itself a reaction to 'rent-seeking' corrupt practices in 'developing countries'. However radical critics also suspected a bias in favour of dominant Western-based economic power which would win out on a 'level playing field' due to many inbuilt advantages, as also a motivating factor. (Khan and Sundaram, 2000)

In any event, the result was a very stark juxtaposition of state and market with an assumption of the desirability of untrammelled market forces as the ideal. Ha Joon-Chang, the Korean economist, has been especially forceful in pointing out that this simple dichotomy has little to do with historical fact. (Chang 2003) The heyday of British market global suzerainty at the start of the Industrial Revolution followed on an inheritance of

1) A re-evaluation will be part of a second edition that is in the process of being written.

state-sponsored naval power, naval wars, exclusive company charters and the violent imperialism of the 18th century. In jumping to the present, if we look at the economic power of the USA today the role of technology developed in conjunction with state-supported research linked to war and defence purposes and the massive R & D support offered to the leading universities has immense importance in every field, a very different but equally crucial way of understanding state/market relations.

What varies within capitalism is first of all, the shifting array of possibilities in the course of time, and second, the forms that state involvement takes depending on the history and nature of the state. If we follow this approach in examining the East Asian story, the so-called developmental state represents a very successful variant in this picture. Japan is the best example by far of a powerful country that met the challenge of Western imperialism and the Industrial Revolution through a process of quite rapid adaptation and innovation in which the Meiji state energetically steered key policies. There are other examples of countries faced with similar challenges from the same period but they were far less successful: Persia, the Ottoman Empire, Ethiopia, Madagascar and Siam as well as Korea and China would be prime candidates for comparative study. Studying such a group of countries comparatively in the context of the second half of the nineteenth and early twentieth century ought to be a strong element in understanding the broader history of economic development. In equivalent clashes to the Japanese Satsuma Rebellion, crucial ruling class elements elsewhere by contrast with Japan were successful in braking or even shutting down drives towards economic modernisation.

Japan however also yields a second source of interest. The state, notably promoted through the Ministry of Trade and Industry—MITI—despite the weight of the US occupation and the continued shadow of US economic power—was successful in powering an amazing advance after the defeat in World War II. (Johnson, 1982) By 1970 Japan was the second largest economy in the world, a position it has now lost in favour of China. Japan's success was followed within a generation by the industrial rise of its former colony, South Korea. Amsden stressed that Korea's success, again sheltered under the US military alliance, required bold decisions by the state that effectively defied market wisdom. (Amsden 1989) Thus, contrary to Western advice Korea turned itself into a massively successive builder of container ships through 'getting prices wrong'. Sinologists debate the extent to which party control still determines key economic outcomes for China but it would be a bold analyst who did not feel the remarkable economic rise of China, simultaneous with Korea but carrying on to the present moment, has been linked to key state interventions varying over time.

If China continues to experience rapid economic growth, the period of dramatic advance is no longer present in our other cases. Korea (and Taiwan) experience significant problems in growing their economies today. Japan has enormous strengths and great specialties that largely allow space for her large international debt to be tolerated but clearly this is no longer a country characterised by rapid growth on the order of half a century ago.

The rise of China as well as other phenomena have led to a growing disinterest in the idea of the developmental state, which might be in danger of becoming a time-bound intellectual fad. This would be a great shame, not because imitating Japan and Korea in any literal sense would be ideal today, any more than 'getting prices wrong' is a guaranteed formula for success, but because economic development is a fascinating and stirring subject for study and debate and they are part of the picture. Japan and Korea both need to be seen in a comparative light, set in particular phases of time and set against less successful contemporaries. To take an obvious case, these two countries and Taiwan were for a time often set with Hong Kong and Singapore as a whole network of Asian tigers (or for a less violent analogy, the flock of aligned geese), later joined by South-East Asian nations (Malaysia, Thailand, Indonesia and perhaps Viet Nam or the Philippines waiting in the wings). But Hong Kong and Singapore are spatially very small territories best-judged as [successful] entrepôts extremely well-located and fruitfully compared rather to, say, Mauritius or the Gulf States. The second generation of tigers have experienced very significant forms of growth but they remain much poorer than Japan or Korea and are far more reliant on primary product exports in terms of international trade. They struggle to move 'up the value chain.' It may be that in any specific capitalist era, there are apt to be only a few big-time winners and many losers, some of them also big-time. The study of failures is also important. Distinctive trajectories, primarily national but also regional, provincial and urban ones, have to be identified, characterised and studied in order to understand the course of history better. We need to turn away from identifying the greatest success cases as a model for all, a kind of idealised Weberian ideal type way of comprehending history.

Identifying such trajectories may be far more fruitful than the fashion of following formulae that seem impressive for a short period and then lose traction. Here one thinks of the Rostovian idea of five stages of economic growth (Rostow, 1960) or the sometimes very crudely put dependency theory that attracted 3rd world nationalists in the 1960s and 1970s. Much of the latter related to the frustrations of development specialists interested in Latin America but to some extent, these ideas were also imported to Africa. Dependency and underdevelopment theory at least accurately characterise real historically grounded economic relationships in many places for important periods of time. However they are not universally applicable and particularly, the fatalism often inherent in their application, cannot be used to justify as much as it has. Notably this side of development studies has been far less important to studies of Asia and especially East Asia. The remainder of this essay is going to try to bring into more focus one important African case study, that of South Africa, which has engendered some comparisons with Asian development discourses. In a book to be published shortly, I argue that in some respects from mid-twentieth century, South Africa actually was a particular kind of developmental success story. (Freund, forthcoming) For a long period of time, enemies of the *apartheid* system assumed that economic growth underpinned political power and made opposition far more of an uphill battle. However, while still to some extent benefitting from past successes, contemporary South Africa battles both with problems of extreme inequity and sluggish economic growth. The choices inherent in the successes of some decades back are now part of the problems of today.

The closest South Africa seems to come to a transition to becoming a developmental state comes at the time when J.C. Smuts was premier at the head of the United Party 1939–48. His former allies in the Fusion government, led by D.F. Malan, tended to be interested in development mostly to benefit the so-called poor whites and to discomfit the 'khakis' without a clear larger vision and guided by a very orthodox finance minister, Nicolaas Havenga. With Malan out of the picture, and wartime priorities dominant, Smuts additionally was no longer tied to those in his own party who were closely linked to British commercial and mining interests. H.J. van der Bijl, effectively the war-time economic czar of South Africa, was a distinguished scientist as well as a nationalist eager to promote industrialisation and with important administrative experience. During the World War II years, a series of government commissions examined various facets of economic and social development in the country[2)]. Much hope was placed in the growth of parastatal corporations. ESCOM, the state electricity agency, acquired control over electric power transmission nationally and was on the way to the creation of a national grid by 1948. ISCOR, the rather small iron and steel corporation based in Pretoria much resented by British interests, created a second major plant from 1940 at Vanderbijlpark and reduced dependence on British steel, for which South Africa had been the largest foreign customer. SASOL was planned (although only founded after 1950) to expedite the transformation of coal into oil primarily as fuel) as were other state economic agencies. The Industrial Development Corporation and the Council for Scientific and Industrial Research were created. There was as well a social planning element included so that the first Minister of Health, Dr. Max Gluckman, promoted a National Health Commission which proposed—unsuccessfully--creating a national health service. Around Smuts were gathered a fairly impressive group of men, mostly Afrikaners who did not support the National Party such as van Eck and van der Bijl but were strongly nationalistic, devoted to their jobs and

2) To quote from my forthcoming book: 'The Industrial and Agricultural Requirements Commission of 1940[chaired by H.J van Eck], largely motivated by war demands, was an early example of the new generation of thinking. Ringing words called for a society where every individual would have a right to develop himself [sic] to the best of his abilities and to a decent living standard and the state, where necessary, should intervene to support this right. The state would inevitably be "the largest investor" and stabilizer through its investments in the economy with Sweden held out as a model. This remarkable report really was a charter for a new wave of industrialization. The Commission called for rationalization and a more efficient industry that did not depend on protection for its existence long-term. It affirmed the centrality for industrial development, focused on the Rand, of "a cheap supply of electrical energy generated from coal." Investment in machinery would counterweigh the poor quality of skills and weakness of social protection in South Africa. However, there was skepticism about the beneficial effect of aid to agriculture which had already come some way.[2] Smuts initially hoped that this commission would be the advance notice for the formation of a powerful planning unit, a capitalist equivalent of the Soviet Gosplan, that would synchronise the work of ministries and provide "for the development and progress of this country...a scientific planning body' that would be the key to the development of all of Africa'.

business-orientated. They constituted a model for cadres in the parastatals and elsewhere and fit the human characterisation of the East Asian developmental state model rather well.

Fine and Rustomjee tend to miss this critical phase and rather identify this developmental thrust with the National Party government that won power in 1948. In fact, the National Party (NP) essentially took over the reins and accepted the main thrust of policy direction for many years. It is tempting to say that they then rewarded their own cadres who managed this process. However this was not entirely the case. On the one hand, top managers like van Eck (who had made the political transition from UP to NP) insisted on competence and continued to make extensive use of white but non-Afrikaner talent. On the other, the record does not show that Afrikaner fortunes blossomed quickly and dramatically. There was a group of important Cape Afrikaner financiers whose money came from agriculture; SANLAM/SANTAM and Volkskas, the Transvaal based equivalent from a weaker position, and they were beneficiaries. However Tienie Louw, the key figure in SANLAM and the one really important autonomous Afrikaner capitalist who made his money at first from tobacco, Anton Rupert, did not have easy relationships with the party bosses, especially Hendrik Verwoerd. The same could be said for Albert Wessels who made the connection with Toyota in Japan and manufactured Toyotas in Durban. Surprisingly most big business remained in the hands of English speakers while some of the principal businesses run by Afrikaners today have grown very largely since the NP lost power in 1994.

One striking difference between these initiatives and the overall Japanese or Korean trajectory is a long-term historical platform in East Asia. The industrialisation of Korea and Japan was preceded by a rich tradition of handicraft manufacture and intermediate technology often of very high quality, together with relatively high levels of literacy on the part of men (Pomeranz, 2000) and a standard of living that supported a complex consumer-orientated market. The level attained before significant contact with the West set in was impressive. However, when modern industry arrived it swept some of this away and had itself little precedent in the archipelago. In Japan what was striking in the long term was the tendency of the Japanese consumer to save and to prefer distinctive national products for daily use.

By contrast, in South Africa, the developmentalism of the 1940s was preceded by a half-century that is conventionally known as the Mineral Revolution. This Revolution lay at the heart of international economic interest in South Africa. Gold mining provided most of the world's gold and required huge investments. Not only did the mines magnates dominate the capital market of the Johannesburg Stock Exchange, they had intimate ties to the City of London to which they really were synonymous with the country. Gold mining had, up to a point, itself stimulated secondary industry, both in terms of supplies of materials such as timber that were necessary and in the provision of consumer goods for the rapidly expanding urban population. This latter stimulated small-scale industries scattered through the towns of all provinces.（Feinstein 2005, Schirmer 2009）In fact, the ambition in the 1940s was to re-direct capital away from gold mining to create a more balanced kind of economic development.

Direct state ownership of industry in the form of the parastatals was a major feature of the period of rapid growth in the South African economy, where Japan has ranked quite far down the list here, perhaps because it has been relatively easy for Japanese business and the state to see eye to eye on key management questions. In the late nineteenth century, Japanese government industrial initiatives were succeeded by privatisation, no doubt often to designated favourites. Government management was part of a learning process.

There was no pre-industrial class of great influence or wealth that created problems for Japanese industrial growth, at least after the 1872 war had devastated the basis for feudal/agrarian power. In both Japan and South Africa, as Nishiura notes, very large concerns with a big range of industrial interests which he terms *Konzernen* held a dominant place in the economy for long periods. This may relate easily to the influence of the state in opening and closing economic doors. Often such business empires are dominated by one particular family such as the Mitsuis and Mitsubishis in Japan at one time and the Oppenheimers, Hersovs/Menells and Ruperts in South Africa. In South Africa, the role of the state in awarding tenders and access to capital for large-scale projects certainly led to a very high level of economic concentration. It is probably noteworthy that Nishiura uses figures that stop with the old regime in 1994 or shortly after. If the Japanese *Konzernen* or holding companies are less clearly demarcated than in the past, in South Africa they have often disappeared in the new era.

Finance is a major difference between industrialisation in Japan or Korea and in South Africa. While the state had ample access in Japan to capital[3] (and the banks were nationalised in Korea), in South Africa this was a problem. Extensive sources of capital existed but were shepherded towards the mines, especially the gold mines. The Industrial Development Corporation was not endowed with large sums to invest although it was able to assist SASOL in particular at peak. However it developed under van Eck's leadership into a very capable organisation that could put together complex deals and raise money from European capital markets based on the excellent profits of the good years of the 1950s and 1960s which furthered South Africa's reputation as a good investment. The IDC certainly had the confidence of the government and understood its priorities.

The usual assessment of Japanese industrialisation places emphasis on the lack of valuable natural resources, particularly for export. This may have been a blessing in disguise. Japanese export therefore developed out of competitively priced consumer goods, first silk and then cotton, still of huge importance in the 1930s. At this point, the absence of control over supplies loomed as a serious problem. In post-war Korea, firms were rewarded or punished for expanding or lacking an export component. South African industrial planning in the 1940s completely lacked this export orientation. It was assumed that the gold trade was sufficient as a basis for a vigorous participation in international trade. Indeed, as late as 1965, this was the essence of why South Africa's share of global international trade was still as high as 2.9%. (Padayachee, 1990, 208) With time, assorted government commissions deplored the lack of export outlets and orientation but nothing was done in this regard for decades. Moreover, the prices of two basic commodities produced locally, coal and steel, were fixed at levels which assured very widespread domestic use first and foremost until the 1980s.

3) '...by controlling the availability of its credit, the Bank of Japan directly controls the degree of liquidity in the economy.' (Patrick, 1965).

The kind of society created through industrialisation can also vary greatly. It will be posited here, as Fine and Rustomjee suggest, that the class nature of a particular society will determine the social form of industrialisation. To this one can add differentials in gender or race and ethnicity. The industrialisation of Japan went together with the extinction of the *samurai* class or the successful transformation of most of the survivors into surprisingly effective entrepreneurs following the defeat of the Satsuma Rebellion of 1877, and the relatively wide distribution of land amongst the peasantry[4]. Nevertheless ‘the state very deliberately set out to modernize Japan by importing the technology of the most advanced countries and adapting it to the country’s needs. It was the state that took the initiative here, not private businessmen who were reluctant to risk their capital in new and untried fields of enterprise.’ (Kemp, 1993, 171)

In South Africa, there is a parallel in that Union governments moved against sharecropper arrangements and against poor farmers seen as unproductive. Ultimately a surprisingly successful agribusiness emerged with considerable state intervention helping. For instance, large-scale grain purchases for workers (also true of the mines) were critical in building oligopolistic companies.

The obvious general interest of the public in the whole industrialisation project lay in the provision of employment, which was prolific in fact. This impacted very differently on the racially categorised parts of the population. Instead of a mass of smallholder peasants, the heart of the working class consisted of migrants who were expected to return to rural areas with little productive activity and gradually, peasant production itself virtually died beyond marginal subsistence activity. (Wolpe 1972)

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4) Gill Hart makes this case for Taiwan in her book on Taiwanese capitalists in Newcastle, KZN: ‘What is different about China and Taiwan -and dramatically different from South Africa-are the redistributive land reforms beginning in the late 1940s that effectively broke the power of the landowning class...the retention of peasant property-along with other state-sponsored subsidies securing the reproduction of the workforce—have been both underappreciated and absolutely central in defining the conditions of “global competition” emanating from both Taiwan and China, underwriting the massive mobilisation of peasant labour post-World War II.’ (Hart 2002, 200) In Japan, land was largely peasant-owned into Meiji times and major land reform characterised the post-war years also. (Gleason 1965)

Industrialisation was at first intended to give strong preference to the whites who were pushed off the land as inefficient. For the white minority, the virtual elimination of unemployment was coupled with major advances in training and education. Wages were high, certainly by the 1960s, absorbing a large part of the total wage bill. For the black majority, wages were kept very low, trade unions were not permitted until the end of the 1970s and there was only very basic educational provision. They were virtually excluded from the skilled trades. Whites defended their exclusive access to jobs considered desirable and especially those associated with skills. For the black majority, there was for long very little advantage in state-led industrialisation. Even genial planners such as van der Bijl envisioned South African development to harmonise with the conventional ideas that whites alone were the national citizens and blacks were backward conquered people, the descendants of savages, good mostly for low skilled labour from whom one might at most hope for improvement through a long evolutionary development process.

In the gold mines, the proportion of white miners was not very high, usually around 10% but elsewhere white workers formed bigger cohorts and their high wages, enforced by the absence of unemployment on any scale, made up for the low wages of the black workers. South Africa was neither very competitive in terms of skills, R & D or the price of labour. It is true that whites formed a useful local consumer market that encouraged some kinds of industry and in fact even the black market played an increasing part in promoting the food and clothing industries and, on a small scale, supporting leisure activities such as sport and music. During the late reform years of apartheid, opportunities for blacks began, on a segregated basis, to open up but this occurred little and late and in a context of growing civil unrest.[5)]

If one looks for historic exploitation in Japan on an extreme level, perhaps the worst （barring war-time measures） would be the employment in the late nineteenth century of factory girls by agreement with their fathers. These were young, unmarried individuals whose small wage contributed a share to the family wage. Korean industrialisation also

5） This discussion excludes the situation of Indian and Coloured South Africans which would require considerable attention and which improved through the apartheid years whereas for the first half of the history of the Union, their economic possibilities were if anything more and more curtailed.

profited from the strikingly low wages of women workers. In South Africa, I am only aware of women factory workers in this category on the part of the Indian minority who were also earners of a second, third or fourth family income for a limited period of time in their lives. (Freund 1991) When white or Coloured women worked in factories, they were apt to be employees for much of their adult life. They were hardly a factor at first in the parastatals although that altered with time. African women workers in factories generally have been the chief earners for their households. If anything, industrial employment created tensions in the various types of existing family structures which it weakened in South Africa. In Japan and Korea, the relatively low levels of inequality and continued family economic coherence probably built towards increasing social cohesion whereas in South Africa, high levels of inequality and the migrant labour system made social cohesion very difficult especially since differentials were to such an extent understood in racial terms.

If we try to establish a chronology for the efforts to build a developmental state in South Africa, the following can be proposed.

1. 1910–40. During this period, industrialisation developed at a moderate pace with much growth in consumer goods industry. The state intervened especially at the level of tariff policy and attempted to increase the white component of the labour force particularly in state employment. ESCOM and ISCOR were created.
2. 1940–48. As we have denoted, these years were formative in the attempt to mould a developmental state.
3. 1948–75. The National Party government largely continued this effort and notably founded several important new parastatal enterprises while retaining some key institutions. These were years of quite rapid economic growth. International economic relations are governed by 1) the stable gold price and supply and 2) the availability on reasonable terms of loans from largely European banks.
4. 1975–90. Here the developmental state in large part unravelled. Several of the main postulates for development became very problematic and required a considerable reorientation of priorities. The most important of all was the departure from the Bretton Woods agreement marking the fixed price in dollars of gold sales and thus stabilising in an unusual way a huge export market on which South Africa depended.

> While the free market occasionally (1979–81) threw up gold prices that were desirable for South Africa, these phases were exceptional and unsustainable. Further development of gold resources depended on increasingly expensive, technically difficult deep-level mining that simply did not make much sense in terms of costs. As a result (Macmillan, 2017), the amount of gold traded per annum peaked in the middle 1980s and has continued on a steady decline ever since.

Once gold could no longer provide the foreign exchange needed, during the 1970s the market turned to base metals as a source of foreign exchange. This meant *inter alia* the construction of expensive and challenging transport links to bring coal and iron ore to new ports that had to be constructed. This engaged the state frantically. Provision of cheap energy became more problematic and coal production had to be expanded dramatically to meet the needs of the other mines for power as well as to serve as a source of export income. It was possible at first to obtain international financing for this sort of venture but now the absence of state financial sourcing became more telling as foreign loans began to be less and less available. Moreover, there was certainly some desire in the developmental planning of the 1940s onwards to move the economy away from exporting raw materials. The mineral/energy complex, the core idea in Fine and Rustomjee, now came back with a vengeance. In conventional development assessments, mining and other primary economic activities should give way with time to manufacturing. This did happen in South Africa when measured in terms of employment but not by other measures.

Politically the state became obsessed with two priorities. One was to move industry to the edge of the Bantustans, putative independent states. With massive subsidisation this happened on a significant scale but the number of workers hired was nothing like the totals envisioned and the costs very large with corruption a notable factor. In theory, this could have been the basis for an export orientated industry based on cheap consumer orientated goods but this never really transpired. Once the subsidies were removed from 1994, the new industrial zones largely collapsed and were deserted. It paralleled the movement out of manufacturing by *Konzernen,* initially lured by heavy state protectionism, but with most interest lost in a neo-liberal policy climate. This revealed a landscape where economic development was heavily concentrated in a small number of parts of the country, particularly Gauteng Province around Johannesburg and Pretoria, and where major investments tended to be in base metals mining in North-West and Mpumalanga Provinces.

Second, the state promoted a wide range of often metal-linked industrial production activities to back up its response to the ‘total onslaught’ by real and prospective enemies of the apartheid system. These activities have been evaluated as quite innovative, especially in terms of adaptation to African conditions, and often pursued by very dedicated management but they never succeeded in finding an international market and struggled with achieving any level of profitability. Resources were thrown into buying up crucial industrial plants that were seen as vulnerable to international, especially British, sanctions and into building up a large arms industry. This proved to be largely a developmental dead end from 1994. As one of its last gaps, apartheid South Africa decommissioned its atomic weapons on which much attention and money had been devoted.

In this comparative essay, it would be a mistake to suggest that Japan's road was one without serious problems as well. In particular, during the 1930s, tariff barriers increasingly limited the prospects of export of inexpensive consumer items, especially to other parts of Asia. Instead the Japanese elite moved towards planning the Greater East Asian Co-Prosperity Sphere. This was initiated through years of violence, war and conquest. In particular, the Japanese were concerned to establish partnerships with Asian governments—little brown brothers—taking over the prized open colonial markets in South-East Asia, the source of many rich mineral and other natural resources. Here we can only refer to World War II and the massive bombardment of Japan which was reduced to defeat in 1945.

It is remarkable that, starting with the US occupation, Japan was able to find a way to renew itself profoundly. (Johnson 1982) If it became the ‘unsinkable aircraft carrier’ for US armed forces, it did not become a major arms producer in this new incarnation. Instead, Japan became an outstanding specialist in precision machinery of all sorts, notably automobile manufacturing, and experienced a second coming with huge positive balance of payments figures—Japan 'in the passing lane'. Japan has of course rich individuals but the social context for further development was relatively egalitarian. The big companies offered for decades jobs for life with concomitant high levels of worker stability while small companies servicing them or in the consumer sector employed pensioners, women and others in a low unemployment context. The average Japanese child born today can expect to live longer, according to current Wikipedia figures, than one born in any other country in the world while South Korea ranks 11th. By contrast, South Africa with the largest number of HIV positive individuals in the world, ties with Papua-New Guinea at 151st.

The commonest international measure of inequality used consistently, normally measuring incomes, is the gini coefficient. To this it is interesting to add a look at the relative wealth of the top tenth (and fifth) of the population set against the bottom tenth and fifth. Current figures here are available from Wikipedia considering the United Nations and the World Bank as sources. Japan's gini coefficient was estimated at 32.1 and Korea's at 31.3. There is no corresponding figure for Taiwan but the CIA estimate is in much the same range at 33.8. These figures are very comparable to western Europe (Germany 30.1, France 33.1, Britain 32.6) and to Canada (33.7). If one compares the top and bottom 10% in income, Japan at 4.5 is one of the lowest national ratios in the world while Korea at 7.8 is a little higher than most of western Europe (Germany, 6.9, Austria 6.9, Sweden 6.2).

Coming back to South Africa in 1994, the post-apartheid regime was left with a heritage that was difficult to build upon. Arguably very ill-advisedly, it opted for a remarkable turn away from government control or guidance of economic activities. (Gumede 2005; Freund 2013; Marais 2011) There was a rapid turnover from white to black in government employment but this was coupled to a virtual absence of specialist engineers and economists sympathetic to the new government as well as the continued lack of direct financial capacity to aim investments. The state would much like to see a dynamic set of black big businesses emerge, ideally with strong political ties to the ruling party, but in fact such apparent successes here are accompanied by debts that become punitive in crises or continue to depend on linkages to wealthy white capitalists. Thus far the black component of the capitalist class looks fragile and very limited. As we have noted, two of the three family *Konzern* firms discussed by Nomiura sold their interests out and one had by then also moved its headquarters to Britain. The third has mainly expanded its interests in the developed world. Even SASOL, still with some state ownership and the country's biggest taxpayer, is focussing its expansion plans on the USA. If big capital had been instrumental in bringing apartheid to an end, it was not because it had big plans for the further development of South Africa under new management. There are some major new players, largely focussed on the consumer goods of today as well as finance, but nothing is being channelled in any particular direction and capital seems to have no long-term developmental thinking attached to it.

Much of the most impressive industry in the country was bought up by foreigners and incorporated into international value chains. This is probably the way to understand the important automobile industry which now represents the most significant industrial export but represents strategies on the part of German, Japanese and other manufacturers. Industrial exports are more important than in the past but it would be hard to find any internal logic, any clustering based on real expertise, lying behind them. The Mineral/Energy complex dominance was in a sense confirmed. South Africa was obliged to expend much effort on renewing coal based power stations and the character of the complex made it an extremely energy-dependent (and pollutant) country in which costs were no longer rock bottom as they were when set by the state[6]. Mining retained primary importance but it no longer rested on a fixed gold price. Other base metals were mined on a very substantial scale but their prices were unpredictable and the long-term tendency was for these to diminish relative to the costs of imported goods and inputs. Although favourable state concessions might make a difference, it does not seem likely that major new mining discoveries will take place in South Africa. Thus South Africa's growth figures, while quite positive for a few years when mineral prices shot up early in the new millennium, are generally stagnant. No real renewal of development shows its face so far.

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6) The energy sphere is of course increasingly challenging in many industrialised countries. Japan has some hydroelectric capacity and coal but it basically needs to import extensive amounts of fossil fuels. The Fukushima disaster has certainly finished for our time the hope that nuclear energy could step in and solve problems.

The social context needs equal attention as well and it can be argued that South Africa requires a developmentalism now that reverses to some extent the extreme inequalities that have been created. Measured over the past twenty years, each of the four racial categories which continue their legal existence for affirmative action purposes, show growing differentiation between rich and poor. However, most whites, despite being kicked out of state employment, have survived this reversal very well. This is a tribute to the emphasis that was laid on technical and higher education and business opportunities that had real economic traction. Trade union organisation also helped and there are now high figures of participation in higher education.

For blacks it is perhaps exclusion and exclusion of opportunity which reinforced older and deeper historic patterns, rather than direct racial discrimination, which by contrast casts a long shadow over the present from the point of view of economic development. State planners in the 1940s and after conceived of the need to plan for a black working class. The necessity of a national health scheme was considered obviated in favour of a small network of impressive hospitals in cities that mostly served employed individuals and their immediate families. A small pension was introduced on a racially unequal but universal basis. Education became universal but only at primary school level with high schools spreading from the late 1960s but poorly geared to the job market. The NP built massive state housing for blacks on a segregated basis for a generation but after that, for fear of the demographic implications, created a huge housing shortage by focussing on workers' hostels alone. This was a very threadbare welfare state indeed to which differential access was assigned by race systematically and one that contrasted dramatically with what was available to whites.

The black majority, 80% of the current population, have a steep mountain to climb, in order to alter the per capita figures. If we go back to national inequality features, by contrast with Japan or South Korea, South Africa has a gini coefficient measured at 63.4, more or less at the top of current world rankings with the closest comparisons in some of the Latin American countries with a history of large conquered indigenous populations or large-scale slavery in the past, in both cases with most or all of the population considered as races different from that of the colonial conqueror. The top to bottom 10% measure is similarly extremely high at 33.1. The political transformation of 1994 has allowed for differentiation to be far less closely linked to racial identity insofar as a black middle class within the top national 10% is now in absolute terms considerable but the basic dynamism creating inequality has survived racial classification's end.

Industrialisation in South Africa did not have the effect of increasing equality in the population. Yawning historic inequalities either were sustained or even increased. Much of this now relates to skills, to education and differential family obligations. Blacks are enormously affected by both unemployment and the precarity of much of the work on offer. The gap in pay between skilled and unskilled, graduates and non-graduates, is accepted as legitimate and is very large. What might have been seen as a system based on the unequal relationship of different modes of production became one where the earlier mode of production, sustained for a time, collapsed. (Wolpe 1972) The post-apartheid state continues to sustain economic activity in many ways and in part through agencies such as the IDC which continue to exist. However much of this is a holding or defensive operation. The current state is also rather obsessively concerned not with institutional restructuring to build greater equality as a whole but with empowering blacks at the top of the extant income totem pole. Without creative state direction, it is difficult to see how the massive inequalities usually measured in racial terms will be reduced, let alone disappear.

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