

6-1967

# Economies in Bondage: An Essay on the Mining Industry in Africa

Alvin W. Wolfe  
wolfe@cas.usf.edu

Follow this and additional works at: [https://scholarcommons.usf.edu/ant\\_facpub](https://scholarcommons.usf.edu/ant_facpub)

 Part of the [Anthropology Commons](#)

---

## Scholar Commons Citation

Wolfe, Alvin W., "Economies in Bondage: An Essay on the Mining Industry in Africa" (1967). *Anthropology Faculty Publications*. 3.  
[https://scholarcommons.usf.edu/ant\\_facpub/3](https://scholarcommons.usf.edu/ant_facpub/3)

This Article is brought to you for free and open access by the Anthropology at Scholar Commons. It has been accepted for inclusion in Anthropology Faculty Publications by an authorized administrator of Scholar Commons. For more information, please contact [scholarcommons@usf.edu](mailto:scholarcommons@usf.edu).

working for Ghana's economic and social development, as well as those working against it, militated against such an outcome.

**The Myth of Totalitarian Triumph**

It is necessary, in summary, to return to the question we have been concerned with in this essay. That question is: Is Africa in danger of totalitarian rule? We have not dealt with whether or not African regimes are good or bad. This is a crucial moral question which must be constantly weighed according to each individual's philosophical norms. We have not considered whether or not Africa's leaders have been wise or foolish in terms of the goals that have been set for them or even the goals they set for themselves. This is an all-important prudential and strategic question. Rather we have sought to determine if any regimes in Africa can be accurately designated totalitarian. It is my belief that even the most authoritarian of them have fundamental weaknesses; that even the most monolithic are rent with divisions of purpose and organization; and that none is or has been totalitarian. Undeniably there have been tendencies in the direction of

greater control of social life. But such developments need not be linear or one-directional. With further modernization this tendency may well be slowed, arrested, and even reversed. Although totalitarianism is more easily achieved in a modern, technically developed society, the modernization process creates such destabilizing forces that rigid control of all forms of social life is unlikely in transitional societies. Thus to regard African states as totalitarian is not only premature, it is misleading.

**NOTES**

1. A Dictionary of the Social Sciences, edited by Julius Gould & William L. Kolb (Glencoe, Ill.: The Free Press, 1964), p. 719.
2. David E. Apter, The Politics of Modernization (Chicago: University of Chicago Press, 1965).
3. New York Times (Western edition), January 11, 1964, p. 2; and February 8, 1964, pp. 1 & 4.
4. A careful account appears in: St. Clair Drake and Leslie Alexander Lacy, "Government Versus the Unions: The Sekondi-Takoradi Strike, 1961," in Gwendolen Carter (ed.) Politics in Africa: 7 Cases (New York: Harcourt, Brace & World, 1966), pp. 67-118.
5. Arthur Hopcraft, "Party and People in Ghana," in Manchester Guardian Weekly, February 13 1964, p. 7.
6. "Back to the 'Dawn Broadcast'," West Africa, No. 2520 (18 September 1965), p. 1039.
7. See William Gutteridge, "Military Elites in Ghana and Nigeria," African Forum, II, No. 1 (Summer, 1966), pp. 31-41.

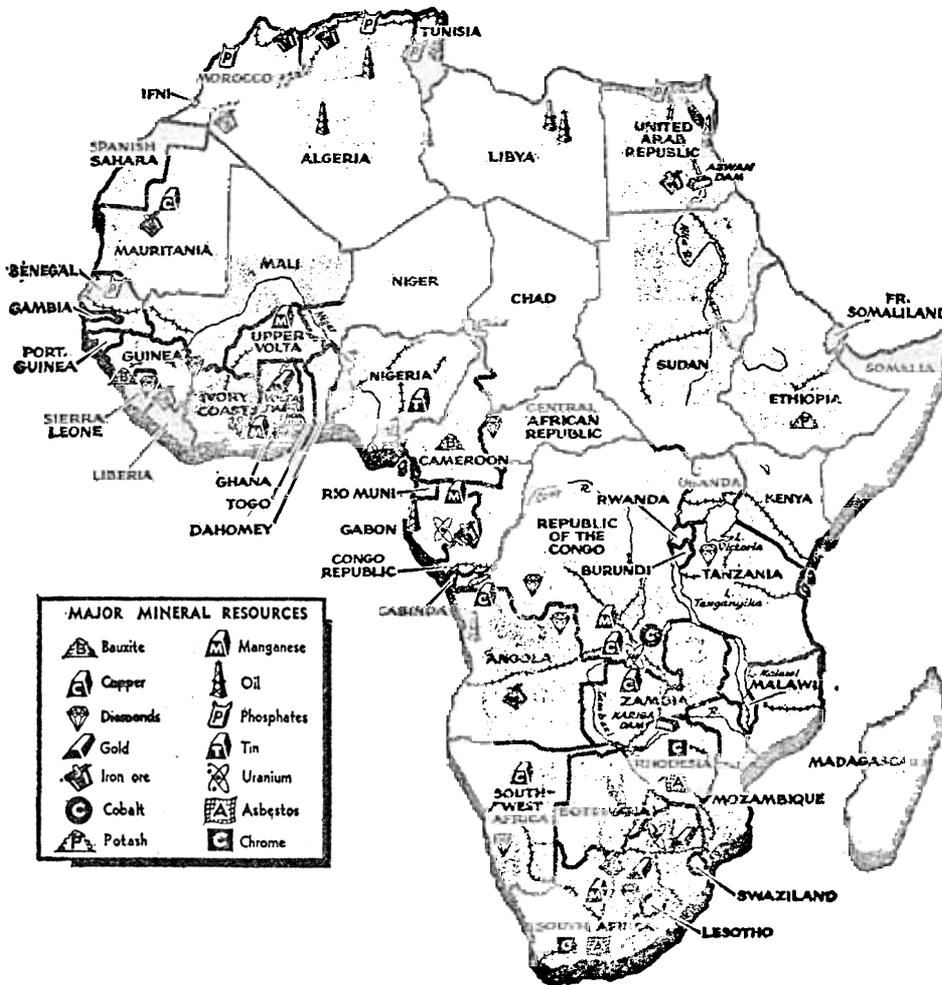
# Economies in Bondage: The Mining Industry

Alvin W. Wolfe

Although the quantitative importance of the mineral resources of Africa is generally appreciated, the economic and political consequences of those resources have been inadequately treated in both the scholarly and the more public press. To whom are the mineral resources of Africa important? How is the exploitation of these minerals controlled? Have the "African revolution" or the "winds of change" affected the industry? What are the prospects for the future?

**Mineral Wealth**

The minerals of Africa may, in a very real sense, be more important to Europe, and other industrial areas of the world than they are to Africa. Africans cannot themselves eat the ores, nor do they have the industrial systems that utilize minerals. For Europe, as for other developed industrial systems, minerals have become as necessary as is food for organic systems. The Africans, by and large, participate only in the extraction of the ores, which are then shipped out of the African sphere. "The company", a social institution through which vast understandings



can be organized, gets paid for the mineral product, and out of those earnings, the African miner is paid a wage and the African state a small share through taxes or royalties. The African miner buys such necessities as food and clothing with his wage; the African state with its share buys such things as means of administration and of transportation largely in and out of the mining regions. The company uses its remaining profits to pay dividends to shareholders, regularly outside of Africa, and to invest in capital equipment for further mining undertakings so that the greatly increased world demand for minerals to feed industrial systems can be met.

In these ways the African mining industry has been developed to produce significant portions of the ores needed for European industry, even while Africa in general remains underdeveloped, and Africans living close to richly endowed mines remain in poverty. African mines produce 23% of the antimony of the world, 6% (and soon more) of the bauxite, 31% of the chromium ore, 22% of the copper ore, 90% of the diamonds, 67% of the gold, 28% of the manganese, 28% of the phosphate rock, 11% of the tin concentrates, 15% of the uranium, 29% of the vanadium ore, and 7% of the zinc ore of the world (U. S. Dept. of Commerce. **Overseas Business Reports**, August, 1966.) Contrast these figures with Africa's percentage of the world's supply of other valuables—people, automobiles, telephones, education, physicians—to fully appreciate how little Africans get from the industrial countries in return for what the African mining industry yields.

Misled perhaps by two very special, illusory cases, South Africa and the Congo, some students of African development have overemphasized the spin-off effect of mining enterprises. The fairly spectacular growth of these two systems to which mining is central is probably more explained by the manner in which each government could manipulate the labor supply (each in its own way) so as to foster investment and reinvestment than it is to any intrinsic property of mining enterprises. In the Congo, where under the Belgians the economy was growing by 25% per year, the cost of labor was deliberately kept low, and profits of the companies high, by forcing the population to produce foods and fibers, necessities for maintaining the population. In South Africa the cost of labor is kept low by direct and indirect government control of the labor supply for mining. Whereas in many countries gold production has virtually ceased because the price remains stable while costs rise, in South Africa, where a miner is paid something less than the minimum judged necessary to keep a family in health, 1966 gold production is 181% of the rate in 1957. Reaching this rate, however, requires more than mere cheap labor; it also requires investment of capital, for despite the depressed wage costs other gold-mining costs have risen, at more than 3% per annum (in fact, 1966 costs are 6% over those of 1965). From an African point of view, such heavy investments of capital might better be made in another industry, one with greater relevance to economic production for Africans. In South Africa currently such reinvestment and

growth in mining for other minerals is also occurring. The 1966 rate of production of iron is 400% that of 1957, the copper rate—354% of 1957, manganese—248%, diamonds—254%. ("Financial Times and Industrial Press," Feb. 1967.) These increases, too, require enormous investment of capital and have very slight bearing on the general economic or social development of the country. (An informative analysis demonstrating the lack of congruence between mining development and general social and economic development, drawing data largely from Latin America, is a study by Glaucio Soares, **Economic Development and Political Radicalism**, Doctoral Dissertation, Washington University, St. Louis, 1965.)

### The Excavation Economy

For the long term, it should be recalled that extractive industries leave an emptiness where they have extracted. Gaping holes, piles of tailings of little or absolutely no use—these are anticipated prospects. Some of the damage they do may lie hidden, unexplored. In their intensity to exploit the lands of Africa and remove her ores to Europe, some delicate natural ecological balances may well be disturbed. The Bancroft copper mine in Zambia can be worked only by continually pumping out water—not a little water, but 65 million gallons a day! Can the water table be thus lowered, without affecting other natural things in that environment? Are the planners of Zambian development weighing all factors in such exploitation which has very small direct feedback into the non-mining economy? The first beneficiaries of Zambia's Copperbelt are most certainly those that control the industry: Anglo-American Corporation of South Africa and American Metal Climax.

If the mining industry is to contribute to the development of other sectors of an economy or other aspects of a society, profits must be taken out of mining and put in somewhere else. Neither the taking out nor the putting in are likely to occur by chance. Such actions must be taken deliberately. Through deliberate generosity, some families or foundations (Oppenheimer, Guggenheim, Phelps-Stokes, African-American Institute) may voluntarily distribute some of the profits from mining. They may put something into education, into an agricultural demonstration project, or into the training of social workers, but they will not take money out of mining and invest it adequately in the basic development of the whole local economy. Even with monopoly control, as exhibited in the diamond industry, the controllers put excess profits into developing their own enterprises, such as the manufacture of synthetic diamonds (in Europe), rather than into an industry that might also benefit Africans and lead to general African economic development. Thus far, in Africa, other sectors of economics have been milked for the benefit of the mining industry more than the mining industry has been used to generate solid growth. (For an illustration of this,—see the author's "Capital and the Congo", in **Southern Africa in Transition**, edited by James Baker and John Davis. New York, 1966.)

Governments are able to skim off some of the cream from royalties and export taxes. How-

ever, in the mining industry it is unusual for this to be as high as fifty percent. In the richer mineral and oil industries a small percentage of profits is reclaimed by reinvestment in the country. The drain of profits abroad and the wealth of capital gains are all lost to internal development. Nor are these favorable terms for foreign capital always necessary for investment and growth. The wealth of the Congo was developed primarily by internal capital reinvestment. Between 1950-57 external borrowing accounted for less than 10 percent of capital accumulation.

The flow of dividends, other benefits, and salaries abroad from mineral exploitation frequently exceeds the capital imports of these developing African countries.

In this perspective, it is proper to say that Africa and other underdeveloped areas are being exploited more now, perhaps, than in the past, for we are told constantly of the widening gap between the rich nations and the poor.

### **Sources of the Widening Gap**

The reasons for this state of affairs—the exploitation of rich African resources and yet the widening of the gap—are not to be sought merely in the depredations of colonialism—“paleocolonialism”, if you will—nor simply in the connivance of “neo-imperialist” financiers and industrialists bent on enslaving the world on the South African model. Some of the causes lie in certain historically derived peculiarities of the world economy: the relative prices of raw materials versus manufactured goods, the status in the market of what the poor nations need relative to what the poor nations control, the fact that some items in the situation are indeed subject to world market conditions while others are not. Africa will not achieve economic independence until she can truly bargain, not beg, in the world marketplace. This means that unless changes are effected in the world economy, the African nations will not succeed in overcoming the poverty that is now their lot. The necessary changes can come only from international political action, not from any step, even nationalization, taken by one country.

In regard to the mining industry, an African country has two, or at best three, components to control in the situation—access to the sub-soil resources, to the supply of local unskilled or semi-skilled laborers, and, sometimes, to natural power resources—none of which are highly marketable in the world at large. On the other hand, the components that must be added—engineers and entrepreneurs, machinery and equipment—are outside the control of the local government and are highly marketable on a world-wide basis. And the mineral or metal product is clearly on the world market. Local producer countries with no control over the world price can only adapt to conditions by controlling the access to the ore or by controlling the unskilled local labor supply. In other words, when the cost of engineering and entrepreneurial talents and of capital equipment increase while the price of the marketable mineral remains steady, pressure is great to reduce wages or numbers of unskilled workers or to reduce the royalties or taxes on the extracted minerals just to keep the plant in operation. Whether the

government or some foreign company owns the plant is not the crucial criterion; the fact that access to the ore and unskilled labor are alone not subject to direct world market conditions is the governing factor.

### **Gold**

The Government of Ghana can no more afford to operate a gold mine at a loss than can Consolidated Gold Fields of South Africa. But the South African Government keeps the mines open, even though the world price of gold is relatively low, by keeping mine wages low; in Ghana, by contrast, several mines closed.

What is the meaning of a “price” in the world market? The United States works diligently on the world market to keep the price of gold as low as it is; but, on the other hand, it is the international political decision to use gold to balance international payments that keeps the price of gold as high as it is. It is well to remember that “world market price” is not a natural price. Prices in any situation emerge from human interaction. Most world prices are manipulated in one way or another, but only by those with power, and power is increased by units working in conjunction with one another. The African states have been unable thus far to cooperate enough to have much effect. The mining companies have done better at this.

The gold-producing companies of South Africa are so well-organized, for both internal cooperation and external solidarity that they alone produce almost three-quarters of all the gold produced in the world. Through C. W. Engelhard, an American citizen who serves on South Africa's quasi-official Chamber of Mines but is a New Jersey supporter of the Great Society, the gold mining companies of South Africa influence the United States Government. They managed a contract under which the United States Atomic Energy Commission guaranteed loans for \$100 million by the American Export-Import Bank so that the Gold Mining Companies might tool up to produce uranium, which the United States and the United Kingdom bought, during the ten years from 1957-1967 at a rate some four times higher than American producers were being paid. Price is what can be managed.

### **The Diamond Industry**

The diamond industry is even better organized and again tends to focus on South Africa. Cartel arrangements have been effective in maintaining very high diamond prices. The price of gems is raised as much as ten per cent at one time by the Central Selling Organization; still, the cartel has managed to control most producers and thus to control the market to their own benefit.

[For many details on the organization of mining companies in Africa, the reader is referred to the author's “The African Mineral Industry: Evolution of a Supranational Level of Integration,” *Social Problems*, (Fall, 1963).]

### **The Copper Industry**

Consider copper, an important metal widely used and widely found over the earth but growing scarcer as demand increases. Copper-producing companies all over the world, but particularly those in Africa, maintain fairly close connec-

tions with one another so that the production and marketing of copper can be organized in their own long-term interest. The goal is to minimize fluctuations in price and in production so that the whole copper industry is efficient and profitable. Price control as such is precluded because of the large numbers of producers but also because of the competition from other metals, such as aluminum, which would make it unwise to drive copper prices up very high. In fact, in 1966, with strikes and the shortage of coal in Zambia interfering with production in the face of greatly increased demands, copper producers tried hard to supply users without raising prices for fear that if they were not supplied they would turn to aluminum to the long term detriment of the copper industry. In 1967, concern was shown over the dispute between the Congo Government and Union Miniere or Societe Generale de Belgique, for all copper producers lose, potentially, when interruptions in delivery, such as might have been caused by Congo's prohibiting exports, make industrial manufacturers consider moving from copper to aluminum.

The companies are organized, at least loosely, in a network of overlapping groups so that even though a company may compete directly with another at one level, their higher-level supranational organization emphasizes their common interests.

#### **An African Consortium**

The African states, weak as they are individually, have not methodically utilized what resources they have for enhancing their collective influence vis-a-vis the developed industrial systems. Individual attempts at nationalization have no effect on the rate of exchange between what the developing country has to give and what the developing country needs. Collective action, aiming at control of a significant proportion of the resource—say copper and its substitutes such as aluminum—could force the industrial systems to pay more for what they use. Such action, if successful, could begin to close the gap. If the United States can manipulate the price of gold, if a company cartel can manipulate the price of diamonds, why should not an OAU or ECA or OCAM uniting Congo (Kinshasa), Zambia, Ghana, Congo (Brazzaville), Mauretania, Guinea, South West Africa, Zimbabwe, Uganda, and Cameroun manipulate the price of copper and aluminum (and their substitutes). Collectively, they could get a higher price on the world market for what they have to sell.

In the ten years during which so many African states achieved independence, 1957 to 1967, these new states have tended to bargain individually, not collectively, in their dealings with companies in the mining industry. It might not be valid to say that the Africans lost each encounter, but it is fair to say that, had they united as Africans controlling their resources, they might have struck better bargains. Both Zambia and Congo have copper resources of immense importance, and each African country has been dealing quite independently with various companies, thus not bargaining from the strongest possible position. Zambia purchased back from the British South

Africa Company mining rights for the future on land where the Company had profited enormously for forty years. Perhaps the price was not dear, but some legal experts believed the Company's rights would not have been valid if tested against international law. Should Zambia with all its needs have paid the British South Africa Company anything more, beyond all the royalties collected?

The Congo Government's recent attempt to reassert greater control over the mining industry established in Congo might have been more successful if it had had support from other African states. As it happened, the companies apparently held their ground, established at the supranational level, all of them refusing to deal with the company established by the Congo government so long as the Societe Generale de Belgique and Union Miniere (of Belgium) remained unsatisfied. A consortium composed of the Belgian Banque Lambert, the French Penarroya Company, and the American Newmont Mining Company, presumably organized to acquire 40% interest in the government-controlled company which was to replace Union Miniere, reportedly refused to buy any shares at all unless the Congo government indemnified Union Miniere. Without staunch allies among its fellow African states, the Congo government was forced to accept an agreement that returns essentially to the *status quo ante*. Instead of Union Miniere, there will be the Generale Congolaise des Minerais administered by Societe Generale des Minerais.

#### **Foreign Advisors and African Interests**

In its negotiations with Union Miniere and its allies, the Congo had the counsel of Theodore Sorensen, formerly assistant to the late President Kennedy. Zambia has also used expatriate counsellors in its relations with the mining industry. Probably most African states have done so.

The use of foreign expert advisers is inherently weak. Their counsel is likely to be limited to the purely technical (in either law, or economics, or engineering) and conceived in the context of status quo; the basic problems, however, are surely political, and the context of African decision-making should be oriented toward a future world system quite different from today's.

The inappropriateness of the advice of politically sterile technicians is clear in reports by teams of experts from the International Bank for Reconstruction and Development and from the United Nations Economic Commission for Africa. For example, several years ago, The World Bank (Tanzania, and Zambia) advised against building the Tanzam rail link on the technical grounds that it was not economical, apparently utterly oblivious to the crucial role such a railway to the Indian Ocean would play in the fight against racism and colonialism in Southern Africa.

Such a rail link would have strengthened them, too, vis-a-vis the private investors such as Tanganyika Concessions, Ltd., who have interests not only in important mines, such as Union Miniere's in Congo, but also in the important Benguela Railway through Portuguese Angola.

Had the African states acted with unity—and

self confidence—they might have called in the economists and said, in effect, we have decided to build a railroad, show us that it will be economically feasible so that we can raise the capital to do it. In the light of political developments in Rhodesia such a decision would have been not only economically viable but also politically

The first requisite of the revolution in Africa sound. must be that poor countries combine to get a greater share of the products of world industry. For the workers or the peasants or the military to overthrow a local elite accomplishes nothing in itself.