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Southern Africa in Transition

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Capital and the Congo *

ALVIN W. WOLFE

Prefatory note: This paper is printed essentially as it was presented to the conference in April, 1963. The re-entry of Moïse Tshombé, replacing Cyrille Adoula as Prime Minister of the Congo, has not invalidated anything in the paper. In fact, subsequent events may help the reader to appreciate even more one point of the paper—that any government beholden to foreign powers, public or private, is certain to generate considerable opposition within its own territory and will thus be unable to organize for self-sustaining growth. Since this paper was written, the United States and Belgium (under American prodding) have involved themselves more directly in the Congo, beginning with technical military assistance, then arms, planes, and pilots, and finally the well-publicized paratroop attacks on Stanleyville and Paulis that ensured the defeat of the anti-Tshombé forces in that area. The only action of the Tshombé government aimed at changing the system of external control over capital was the decree of November 29, 1964, dissolving the Comité Spécial du Katanga and declaring that all its rights and properties became the rights and properties of the Democratic Republic of the Congo. No real consequences have flowed from this declaration, and even through 1965 there has been no real change in the administration of any of the operating companies.

The Congo is one of the largest of the African nations in territory, being eighty times the size of Belgium and one-third the size of the United States. Its boundaries enclose land that is varied, so that, unlike some African nations, the products on which its economy depends are diverse. The tropical forests on either side of the equator produce for export bananas, cacao, coffee, palm oil, palm kernels, rubber, and timber. The higher lands produce coffee, cotton, fibers,

* This paper was revised and updated by the author in the spring of 1965.

and pyrethrum. And from beneath the surface of the earth are extracted cobalt, copper, gold, manganese, silver, tin, tungsten, uranium, and zinc, as well as the nonmetallic minerals, coal and diamonds. Not only has the Congo a near-monopoly on the production of industrial diamonds, it is also the major African producer of cobalt, silver, tin, tungsten, and zinc.

Although the Congo is by no means densely populated, its 13 million inhabitants make it one of the larger African nations in population. As a labor force, however, this population does not show high productivity, per capita national income being well under \$100. While this is not an accurate measure of what one man can produce in a year, it still suggests something less than full commitment of this resource to commercial production. Actually, fewer than half the adult male population have been actively engaged in the money economy—that is, working in productive enterprises other than traditional agriculture. One can imagine what the Congo would do if the potential labor force were fully employed. As a consequence of the paucity of technical and professional personnel among the African population, most positions requiring such training have been filled in the past by non-Africans recruited from Europe, largely from Belgium, at costs that far exceed those for comparable personnel in Europe. Fernand Bézy, economist at Lovanium University, found that Belgian personnel in the Congo cost their employers approximately three times as much as comparable personnel in Belgium.¹ In 1957, the 115,000 Europeans in the Congo had a per capita income of \$2,791, while the 13 million native Congolese had a per capita income of \$42.²

The Congo has had the benefit, more than most African nations, of considerable capital investment, both public and private. Much of this is in the mining industry, as a consequence of which productivity per man has been rising rapidly in this sector, which produces more than 20 per cent of the national product, yet employs less than 10 per cent of the labor force. The value of the product per African worker was, in 1957, \$812 in the tin industry, \$3,820 in the industrial diamond industry, and \$19,210 in the manganese industry, the variation correlating directly with the amount of capitalization, according to Bézy.³ The important role of capital in the economy is suggested when one observes the 149 per cent increase in production in the mining industry in the years 1950–57, during which time the number of workers actually decreased. In manufacturing, production

¹ *Problèmes Structurels de l'Economie Congolaise* (Louvain, 1957), p. 186.

² *Ibid.*, p. 212.

³ *Ibid.* d. 107.

increased by 256 per cent, while the number of workers declined.⁴ During the same period, capital investment in the total economy increased by almost \$2.5 billion, capital formation running at the rate of 30 per cent of gross national product.⁵

W. W. Rostow, observing the Congo economy of 1951, cited it as one that lacked only the third condition for the take-off to sustained growth.⁶ So healthy was the economy, that the remarkable growth referred to above was accomplished almost entirely from internal sources, external borrowing accounting for less than 10 per cent of the cumulative capital formation from 1950 to 1957.⁷ Actually, it could well be argued that the Congo's economic growth has always been financed "internally," for it is unlikely that capital imports have over the years exceeded the export to Europe of dividends, salaries, and other benefits. Fernand Bézy concluded a study of economic development of the Congo prior to independence on an optimistic note: "What is important is that the conditions seem satisfied now for development to proceed by indigenous forces."⁸

Such a summary review might justify a prediction of continued growth for the Congolese economy. With ample natural resources and labor supply, especially as education proceeds, and with ample capital sources, organized in the production of mineral and agricultural goods for which the world demand is stable or growing, the Congo ought to be in the forefront of developing societies, whether independent or not. But there is something wrong with the picture these statistics present. They tell us how the economy grew, but they do not tell us why. Investigating the situation more thoroughly, identifying the concatenation of circumstances that made for such a high rate of capital formation before independence, we shall understand that the future may be something quite other than a mere projection of the past, and we may even be in a position to say what that future will be. Our approach to this task ought, it seems to me, to be guided more by the integrated perspective of anthropology, which prepares us to deal with relationships among all the institutions of social systems, rather than the narrower perspective of economics, whose perfect analytical models tend, unfortunately, to blind one to factors that may be crucial in some systems.

⁴ *Ibid.*, p. 196.

⁵ United Nations, Department of Economic and Social Affairs, *Economic Survey of Africa Since 1950*, E/CN. 14/28 (1959).

⁶ *The Stages of Economic Growth* (London and New York, 1960), p. 45.

⁷ United Nations, Department of Economic and Social Affairs, *Economic Survey*. . . .

⁸ "Belgian Congo," in Adamantios Pepelasis *et al.* (eds.), *Economic Development* (New York, 1962), p. 214.

The Congo economy did not develop by chance, or by the unfettered operation of producers and consumers in a free market. Rather, its development was guided—or cajoled, pushed, forced—by two strong hands quite deliberately controlled so that they worked for the most part with perfect coordination. One of the two hands was the government: first that of the Congo Free State under Leopold II, from 1885 to 1908, then the Belgian colonial government from 1909 to 1960. The other hand was the big private investor, primarily in the mining industry but with fingers extended into all sectors. All nerves, arteries, and veins led toward Europe, where resided the crucial tissues of heart and brain. From its very beginnings up to the excitement of the year 1960, this system has seen government in business and business in government.

Surely it was not chance that brought President Chester Arthur of the United States to recognize Leopold's private business enterprise, the International Association of the Congo, as a "friendly power" in 1884. This act made a government out of a business. It was a business free of governmental control, and a government that derived its power from its capital, not its people. With skillful diplomacy and considerable force, the chairman of the board and head of state staked out his estate in the interior of Africa, making sure that he got what was necessary to make the state a profitable concern. He kept control over access to the sea at the mouth of the Congo River in dealing with Portugal and France. He was able to keep a finger of land jutting down into the Copperbelt of Rhodesia, by then claimed by the British South Africa Company, by promising a third of its wealth to another company in which Rhodes also had major interests, the Katanga Company. It was here, in the mining industry of Katanga, that business and government were indistinguishable and that little was left to chance, or free enterprise, either in the beginning or in recent years, when it became necessary to turn some sort of government over to those who had been governed.

Because it is so important for an understanding of how economic development was fostered on such a grand scale, we must go in some detail into the relations between government and business in the Congo under colonial rule. Much more than any other government in Africa, the Congo Government has participated in what has been called the "private sector" of the economy through direct investment in common and preferred shares, in bonds, and in loans to business firms. While this portfolio has been carried regularly in the assets column of the government balance sheet, it is of course difficult to determine its precise value at any time because the shares are in such blocs that they could not be put on the market without depressing

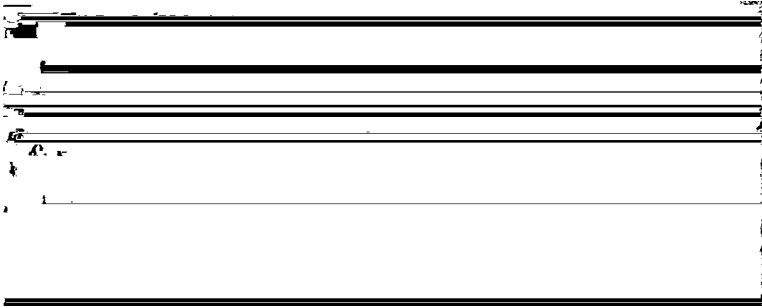
the price. Professor J. Wertz, in the semiofficial *Encyclopédie du Congo Belge*, estimated its total value as of June 30, 1952, at 11.96 billion francs (U.S. \$240 million). *Etudes Congolaises* reports its value as of January, 1960, at from 32 to 38 billion francs (U.S. \$640 to \$760 million). Some part of this, a relatively minor part, consists of investment in public bodies, such as cities and the Office de Transport, which is a parastate organ. These figures do not, however, include regular public investment in roads and such. This government investment in business enterprise had been growing steadily as the whole economy developed, and, at the same time, the revenue to the state increased just as the revenue to private shareholders was increasing. In 1940, the portfolio of the Belgian Congo brought into the treasury 122,751,535.53 francs (approximately \$2.46 million), but by 1951 it brought into that treasury 344,791,062.40 francs (approximately \$6.9 million), and by 1959 it yielded 1,198,000,000 francs (approximately \$24 million). Income from business investments, then, accounted for something like 7 per cent of total government receipts.⁹

The most precise information available in 1963 on the constitution of this investment portfolio was a report in *Etudes Congolaises* on the situation as of December 31, 1959, just six months prior to independence.¹⁰ Sixty-three firms in which the government owned shares are listed, although the value of these holdings is not estimated. This same source lists twenty corporations in which the government has, or had, 50 per cent or more of the shares, or a majority of the voting rights. These are, or were, just prior to independence:

- Banque Centrale du Congo Belge et du Ruanda-Urundi
- Union Nationale des Transports Fluviaux (Unatra)
- Société des Chemins de Fer Vicinaux du Congo (Vicicongo)
- Compagnie des Chemins de Fer Katanga-Dilolo-Léopoldville (KDL)
- Société des Transports en Commun de Léopoldville (TCL)
- Société Anonyme Belge d'Exploitation de la Navigation Aérienne (Sabena)
- Société des Forces Hydro-Electriques du Bas-Congo
- Société des Forces Hydro-Electriques de l'Est de la Colonie
- Société Minière du Kasai
- Compagnie Minière du Congo Belge

⁹ Sources: J. Wertz, "Organisation Financière du Congo Belge et du Ruanda-Urundi," in *L'Encyclopédie du Congo Belge* (Brussels, 1953); Banque Centrale du Congo Belge et du Ruanda-Urundi, *Rapport 1959* (Brussels, 1960); "Quelques Notes sur le Contentieux Belgo-Congolais," *Etudes Congolaises*, II, No. 5 (1962), 42ff.

¹⁰ *Etudes Congolaises*, *loc. cit.*, pp. 104-9.



The real prize in the government portfolio was the two-thirds share in the Comité Spécial du Katanga (CSK). The other third was held by the Compagnie du Katanga, in which the government also held shares, though not a controlling proportion. The CSK, to which the Congo Government had the right to appoint two-thirds of the members, held about 25 per cent of the shares of that revenue-producing giant Union Minière du Haut Katanga, which itself has scores of subsidiaries. To give some notion of the significance of Union Minière to the Congo portfolio, it can be pointed out that of the 1951 revenue produced by that portfolio, almost two-thirds was from Union Minière alone—\$4.14 million of the \$6.9 million. In addition to the dividends, CSK gets a royalty, two-thirds of which goes to the state, amounting to a sum equivalent to 10 per cent of all dividends distributed over and above a certain total. In 1951, the government received approximately \$1.38 million under this rubric. Furthermore, Union Minière pays to the state taxes of several kinds. Of course, the private investor in CSK (Compagnie du Katanga, controlled by the Société Générale de Belgique) also benefited handsomely, as did the direct investors in Union Minière. And its profits permitted the growth of Union Minière to be self-financed. By 1959, Union Minière was able to distribute profits of \$54 million, which meant dividends and royalties to the Congo Government alone in the amount of \$11.5 million in that year, more than double what it had received in 1951. It should be clear that whatever the government could do to help Union Minière and the other mining companies to increase their profits would benefit the government in two ways: first, it would increase the government's revenue; second, it would make the Congo economy show up well in terms of economic growth.

How did the government help? Two methods stand out clearly. First, the government, under Belgian control, holding the power that stock ownership in corporations gives, regularly yielded that power of management to the Belgian businessmen who represented private

financial interests and not necessarily the Congolese public interest. For example, the government's control of the CSK gave it the statutory right to name the president of the board of directors of Union Minière; nevertheless, that powerful office always went to a director of the Société Générale de Belgique, which owned directly only a fraction of the voting shares. Similarly, Forminière, a huge operation in Kasai before its collapse in 1962, was managed as if it were a subsidiary of the Société Générale even though the government of the Congo owned 55 per cent of the shares while the Société Générale held a scant 5 per cent.¹¹ In such ways, the directors of the Société Générale de Belgique came to control a much larger segment of Congo industry than their risk, in terms of actual capital investment, warranted. In consequence, this Belgian company is in a stronger position than its investment warrants in the supranational system of mining enterprises that involves such giants as Tanganyika Concessions, Rhodesian Selection Trust, De Beers Consolidated Mines, Anglo-American Corporation of South Africa, and the British South Africa Company.

What this means internationally, in the mineral industry especially, has been treated in other works and cannot be discussed fully here.¹²

The other outstanding way in which the government of the Belgian Congo used its power to aid private business interests and thereby make the Congo a profitable enterprise was fairly complicated, though it can be stated simply. The government forced the Congolese to invest their labor in the system. As Fernand Bézy put it in his study of the Congo economy: "In effect, the development of the economy of the Congo has been financed by the forced savings of the workers and, in a more general manner, by the local proprietors. In addition, the economic policy has permitted this phenomenon to take place and to persist by keeping agricultural prices artificially low in order to avoid an increase in the cost of living which would entail a raise in wages."¹³

Only in the beginning was it necessary for the government to use, or to permit the companies to use, labor acquired by direct application of force. Early collections of ivory and rubber illustrate that approach only too well. After World War I, the Belgian Government acquired

¹¹ For more particulars, see Pierre Joye and Rosine Lewin, *Les Trusts au Congo* (Brussels, 1961), especially pp. 217, 227, and 279-88. See also *Morphologie des Groupes Financiers* (Brussels, 1962), and various editions of the *Mining Yearbook* (London).

¹² See Alvin W. Wolfe, "The Team Rules Mining in Southern Africa," *Toward Freedom*, January, 1962.

¹³ "Belgian Congo," p. 213.

control of the densely populated territory of Ruanda-Urundi, which could supply large numbers of workers for the Congo plantations and mines at relatively little cost.

By the 1930's, the administrative system was firmly enough established over the whole of the Congo to control population movement and ensure tax collection on a per capita basis. This permitted the inauguration by the government of a rigidly enforced system of native agriculture that had extremely important consequences. By encouraging, under penalty of imprisonment and whipping, each adult male not otherwise profitably employed to raise on a specified plot of ground a specified cash crop—rice, cotton, peanuts, and others—which could then be sold to a specified "private" buyer, for example, to the Société d'Élevage et de Culture au Congo, or Compagnie Cotonnière Congolaise, at a specified price, the government could see to it, first, that each Congolese had the means to pay the tax in money; second, that growth of the money sector of the economy was fostered; and third, that agricultural production was high enough to feed and clothe those workers removed from the subsistence economy without raising agricultural prices.

Congolese laborers were remunerated, at minimums established by the government, in money and in subsistence goods. The lower the agricultural prices could be maintained, the better could the Congolese workers' subsistence needs be taken care of by the paternal company while the company could operate at a level of profit that would permit, first, a high rate of reinvestment, and second, a high rate of dividends in which, of course, the government shared. The agricultural prices, enforced by the government, were established by a joint committee of government and agricultural company representatives. This is but another instance of the close coalition between the two, and really the only two, segments of what we have been calling the "economy of the Congo."

As an illustration of how this operates, we might take the Compagnie Cotonnière Congolaise, owned primarily by the same Belgian financial corporation mentioned previously in connection with most mining operations, the Société Générale de Belgique. The Belgian Congo Government participated also, at least up to 1960, by owning more than 17,000 shares. The government recognized Cotonco, as the company is popularly known, as having the monopoly rights to all cotton grown under the government's forced agriculture program in the northern parts of the colony, in the provinces of Equateur and Orientale (Stanleyville). The price the company would pay the Congolese farmer was, of course, established by the company and the government. Needless to say, the operation was profitable to the com-

pany, and to its parent Société Générale de Belgique, just as were the operations of its other affiliates, whether in mining, in power, in transportation, or in foodstuffs. Needless to say, the operation was important for the economic growth of the Congo economy, contributing more than may be apparent to the maintenance of a favorable balance of trade and a favorable balance of payments.

The foregoing demonstration of the close cooperation between the Belgian colonial government and the predominantly Belgian private business firms is introduced into this paper not to tar the Belgians, after the fact, with the brush of harsh imperial exploitation, but to identify those conditions which fostered, over many years, a high rate of growth for the Congo economy. Our problem is to predict, if at all possible, whether the "Congo economy" will be viable in the years ahead. In order to attempt that, we must understand what made it viable in years past. Now, we must inquire what, among these conditions, has changed and what effect such change ought to have on the economy of the Congo under a political regime that has Congolese occupying governmental positions.

Conditions began to change with the first awareness on the part of some Belgians in about 1956 that the Congo would have to become politically independent. Some civil disobedience and violence in the Congo in 1959 preceded the sudden announcement that the Congolese would be granted their independence in 1960. Then, of course, the events that followed independence—the mutinies, the secessions, the strikes, the violence, the involvement of the United Nations and the United States—resulted in such chaos that many observers of the scene, even after the reintegration of the dissident provinces in 1963, feel predictions ought not now be made. It will be argued here, however, that at least two major changes are of such magnitude that the narrow and rocky path of the future can be identified even through the smoke raised by internal and international crises that may give the illusion that all depends on chance and on personalities. These two changes are: first, the significant weakening of the government, a result that would have occurred in the process of transfer from colonial to independent status even without the secessions and mutinies; second, the relatively greater isolation of an economic system that had never been in any full sense a "national economy," though economists, for lack of appropriate concepts, tended to treat it as such. Though theoretically more important, this second change is much more complicated and more difficult to argue. For that reason, and because the first, the weakening of the government, may well be sufficient basis to predict cessation of growth, and probably inviability, for the Congo economy, it will be discussed first.

More than any other such transition in Africa, the Congo changed from a political system in which all power derived from above or outside the society, to a political system in which the government derived, or was supposed to derive, its power from the will of the governed. In all the other territories that have achieved independence, and even in those which have not, there were institutionalized means for the expression of will and, frequently, for the making of decisions by the population, even though the metropolitan state was recognized as the ultimate source of power. In the Congo, until the last few years preceding independence, there were virtually no legal means of expressing opposition, no free labor unions, political parties, or even traditional communities. The government was in no way dependent on the support of the population. The decision-makers and administrators consisted wholly of outsiders. For appointment, they depended on the Belgian Government. For operating revenue, they depended heavily on the taxes, royalties, and dividends received from the European-operated firms. As we have seen, the mutual aid between the European corporations and the government was such that no opposition was felt from this quarter, the only other potential source of power in the situation. Here was, then, an *unusually strong government*, relative to the population.

The Congolese, for their part, were so intimidated—and so disorganized—that the government could maintain firm control without expending great sums on enforcement. As recently as 1953, when the author was in the Congo, one young European agent, with rank equivalent to a noncommissioned officer in the Belgian Army, could maintain a tolerable sort of order over a rural population of more than 30,000 Congolese with no more than a submachine gun, a motorcycle, and 6 or 7 Congolese policemen armed only with clubs. Even his itinerant prison was self-financing, in a sense, for the prisoners were used for public works. Obvious as it was to the local villagers that they could at any time overpower him, it was also certain that swift retribution would come in the form of the Force Publique, or the paratroops, against which their unarmed villages were helpless. In 1953, the government boasted that Léopoldville, a teeming, booming city, had fewer policemen than any other city of comparable size.

Now, a government democratically elected, a government of Congolese men, could not intimidate the masses of Congolese as the Belgians had done, especially since on the eve of independence there arose scores of organized power cliques with rapidly shifting alignments. At the least, a Congolese government would have to have the support of *some* Congolese. At the very least, a Congolese government that would be as strong as the colonial government would need

much more in the way of enforcement, and where would it get the revenue for such a task?

The logical source for increased revenue would be those same big companies which had financed the colonial government. Here, however, lies a myriad of obstacles. Some disinvestment had begun as early as 1956, at the mere prospect of greater Congolese participation. Most of that early "flight of capital" was probably made up of savings of private persons and smaller enterprises, but by 1959 even the Société Générale de Belgique showed its concern and perhaps its intention by causing Union Minière to declare a larger dividend than usual, and just before independence the Compagnie du Katanga petitioned to withdraw its shares from, and hence effectively to dissolve, the CSK, through which the government had had the potential, for sixty years past, to influence Union Minière by naming directors to its board.¹⁴ It was clear, then, even before independence, that the European financiers were either not going to cooperate with the Congolese Government or were preparing to charge a higher price for their cooperation than they had under the previous system. In short, financial structures were being arranged so that the new government would be in a weaker position vis-à-vis European businessmen than was the case under Belgian administration.

It must be recalled that under the old regime, a sort of balance of power was possible between business and government, partly because, politically, the Congo Government was a branch of the much more powerful Belgian Government. Under the independent system, the Congo Government, supposedly deriving its power from the governed, who are economically impotent, is a weak government at best.

The test came quickly, in July, 1960, when the Banque Centrale, under European administration and with deposits guaranteed by the Belgian Banque Nationale, refused to advance to the elected government the funds the government felt it needed to pay the Force Publique in the hope that this might satisfy the mutineers. The July secession of Katanga and South Kasai—in which provinces are found Union Minière, with most of its affiliates, and Miba, producing more than 70 per cent of the world's industrial diamonds—constituted, of course, a blow to the financial structure of the state, already considerably weakened by the dissolution of the CSK and by the withdrawal, during the previous year, of \$100 million of private capital even while the public debt of the Congo had been rising steadily during the process of financing a major economic development plan, conceived by the Belgians in 1948. By legal maneuvering, the Congo Govern-

¹⁴ See Joye and Lewin, *op. cit.*; and *Morphologie des Groupes Financiers*.

ment was deprived temporarily, at least, of the voting rights in virtually all those "private" corporations in which it held shares.¹⁵

The Belgian Government has a legitimate concern about the integrity of the Congo and its viability, for the Belgian state stands as guarantor for most of the Congo public debt. Thus, whereas in the colonial era the interests of that government and the major private companies in the Congo were wedded, conditions are now such that certain companies may benefit from events that are detrimental not only to the Congo Government but to the Belgian Government.¹⁶ This is not the place to discuss the entire Katanga affair, but it is important to know that neither the Société Générale de Belgique, Tanganyika Concessions Limited, nor the Katanga Company speak or act for the state of Belgium. Actually, the secession of Katanga put the Belgian Government in a most difficult position.

To return to the basic problem the independent Congo faces, we recall that in so far as the government is elected by universal suffrage it is dependent on considerable support of the Congolese population, but in so far as it must have revenue to operate it is dependent on the European-controlled business firms. The relatively small direct contribution of the African population to governmental revenue can be appreciated when one knows that the *impôt africain*—the tax that encouraged Congolese participation in the money economy and the only direct tax paid by the overwhelming majority of Africans—netted only about \$7 million, even in 1959, the last full year of Belgian rule. By contrast, the revenue from the stock portfolio in that year was \$22 million; revenue from the income tax, which applies to Europeans and corporations, amounted to \$70 million; and income from customs and excise duties, paid predominantly by Europeans rather than Africans, due to the grossly uneven distribution of purchasing power, amounted to more than \$100 million.

One might be tempted to interpret as a stabilizing mechanism this peculiar balance of forces under which an independent government would have to operate. If the government of the Congo is dependent on the popular support of Congolese, it cannot move too far from expressing "the will of the Congolese nation"; on the other hand, so long as it is dependent for its revenues on the foreign-controlled business enterprises, it cannot move too far from a position expressing the interests of capital investors. To the average American, and possibly

¹⁵ *Etudes Congolaises*, loc. cit., pp. 42-44.

¹⁶ For instance, the Katanga secession. If Katanga had successfully seceded without assuming responsibility for any part of the Congo's public debts, Katanga and companies operating wholly in Katanga would have benefited while the Congo and Belgium would have suffered.

the average European as well, such a situation suggests a moderate "middle-of-the-road" government that ought to be positively valued. Given, however, the structure of the Congo economy and polity, and taking into account that the remarkable growth of the Congo economy in the past was achieved with the very active participation of a strong government, it is perhaps more valid to interpret this peculiar balance as one that places the government between two essentially opposed forces capable of tossing the much weakened government in a stormy political sea. In such a situation, no Congolese government will be able to act decisively in matters that have a direct bearing on the development of an economy that, despite its apparent self-sufficiency, is woefully lacking in local capital and in the means to increase local savings. Virtually the only indigenous capital is that held by government, and that capital was built up, as was the foreign private capital, during a period when the colonial government could apply firm controls on labor and prices. What can a weak government do?

One of the first things the new Congo Government almost had to do was to meet the demands of the soldiers of the Force Publique for higher salaries. Later, it granted salary increases to most government personnel. Within a year of independence most clerical salaries had tripled. The general desire for more money in the pocket, and a serious diminution of production of many necessities, combined with other factors beyond the control of the government to bring about serious inflation. According to the price index calculated by an economic research unit at Lovanium University, the price level had doubled in the first two years of independence.¹⁷ The skyrocketing costs of government accompanied by serious reduction of revenue created conditions favorable to even more inflation. If the colonial government's ability to keep the Congolese cost of living, and therefore wages, at low levels was important in maintaining the profitability of capital investment prior to 1960, the new government's inability to control these factors now makes unlikely any increase of investment. The huge deficits in the public accounts are not simply temporary; they are not due only to the secession of Katanga. Expenditures are up because of inflation, but also because certain public needs, such as higher education and the maintenance of legislative bodies, simply have to be met. It is unlikely that expenditures will recede; therefore, it is essential that revenue shall increase if there is to be any kind of political stability that might make economic development possible. What can produce the necessary revenue?

¹⁷ *Etudes Congolaises*, III, No. 8 (1962), 17-26.

We noted earlier that the Belgian-enforced agricultural program served to increase the supply of foods and fibers locally produced at a relatively cheap price. The present government, dependent as it is on Congolese support, can no longer enforce so effectively this program. The seriousness of the breakdown is seen in production figures. The 1961 cotton crop amounted to a mere 20,000 tons, as against an average of more than 50,000 tons annually in the six preceding years. Rice production, equally dependent on government pressure on individual Congolese villagers, dropped to 54,000 tons in the year 1961 from an average of almost 175,000 tons in preceding years. That these declines are due primarily to collapse of the government's agricultural program and not to breakdown of the commercial economy or the transportation system seems demonstrated by comparison with figures for rubber and palm oil, export items produced primarily on European-operated plantations. Rubber production was hardly affected by the events of independence, for the exports of rubber in both 1960 and 1961 amounted to more than 35,000 tons, very close to the average in the four preceding years. The Congo exported, through the port of Matadi, in 1961, 153,000 tons of palm oil, only slightly below the annual average of 170,000 tons in the four preceding years.¹⁸

Caught between the need for popular support and the need for revenue that only the foreign-owned corporations can now supply, any government of the Republic of the Congo is unstable. A further difficulty, from this point of view, derives from the fact that the government of 1962-63 was able to bring back under its jurisdiction the major mining firms only through the intervention of the United Nations, the United States, and finally, Belgium. In the process, dependence on these additional external elements increased. In order to train and maintain the vastly enlarged military and police forces now necessary simply to keep the Congo integrated—for which is required much more revenue than was produced under much better circumstances—American and Belgian technical and financial assistance was accepted. Any government so beholden to foreign powers is certain to generate considerable opposition within its own nation. Obviously, under these circumstances, little attention can be given to the problems of organizing for genuinely "self-sustaining growth," an undertaking fraught with difficulties even for nations much more efficiently organized than the Congo.

It is appropriate now to consider the second of those two major changes that bear so heavily on the economic future of the Congo—referred to above as "the relatively greater isolation of an economic

¹⁸ The figures for production and export are all taken from *Main Congo Agricultural Products, Annual Review* (Antwerp, 1961).

system which had never been in any full sense a 'national economy.'"

Politically, the Congo was always an adjunct to the Belgian state system, even though it had, constitutionally, a *personnalité unique*. Economically, it was an adjunct to the Western industrial system. Almost wholly devoid of private indigenous capital, and lacking any internal capital market, its capitalization depended ultimately on the world financial markets. Even though most financing was from re-invested profits, the decisions regarding reinvestment and dividend distribution were made with an eye to the world money market. Internal demand for goods produced by the commercial sector of the economy was so low in relation to production capability that more than 60 per cent of the product was intended for sale abroad. On the other hand, the needs of the commercial sector were such that almost 40 per cent of the disposable goods were imported.¹⁹

The point is simply that the "Congo economy" (and I call attention to the quotation marks) is so tightly integrated with other national economies that it seems unrealistic to view anything as the "Congo economy." All the factors of production, including entrepreneurship, depend in important ways on outsiders. Patterns of internal distribution, as we have seen, were not the result of free interplay in a market but were heavily controlled by a government whose power derived from the outside. The major market for the goods produced in the Congo was the world market, upon which internal Congo forces had virtually no effect.

Another vitally important way in which economic institutions in the Congo are far from independent is seen when one analyzes the mineral industry of Southern Africa as a whole.²⁰ The mining firms in the Congo, the single most important sector of the "Congo economy," are integrated with not only the parent firms in Belgium, but with other mining firms in Southern Africa, on which depend the "economies" of the Rhodesias, Angola, South West Africa, and the Republic of South Africa. Not merely do they participate in the same world capital market, and in the same market for the sale of their minerals, but they participate in a common system of production through functional agreements, formal and informal, and through interlocking directorates that ensure the sharing of information among

¹⁹ Bézy, "Belgian Congo," p. 203.

²⁰ See Wolfe, "The Team Rules Mining in Southern Africa," *Toward Freedom*, January, 1962; Wolfe, "The African Mineral Industry and Its Significance for Anthropological Theory," unpublished paper presented to 61st Annual Meeting of the American Anthropological Association, 1962; and Wolfe, "The African Mineral Industry: Evolution of a Supranational Level of Integration," *Social Problems*, Fall, 1963.

all firms. Similarly, the transportation network which most of these firms use and have interest in is an international one that necessitates a certain economic integration.

For all the foregoing reasons, we should question whether there is any but a spurious statistical validity in the concept of a unique Congo economy. So much does every aspect of the commerce of the Congo depend on other economic systems that predictions cannot possibly be made from a study of internal economic resources and their organization. The Congo itself was certainly not at the point of "take-off to sustained growth." The forces that produced statistics indicating such growth were generated and controlled by institutions external to Congo society. The events of 1960, somewhat euphemistically called "the achievement of independence," changed the social and political structure of the Congo so markedly as to weaken those forces significantly. To the extent that the economic units in the Congo become isolated from the total Western industrial economic system—by the rupture of the political bonds with Belgium, by the straining of the bonds which made for close collaboration between European firms and the Congo Government—the economic statistics will show considerably less potential for growth. On the other hand, to the extent that such bonds remain intact, political independence has very little meaning. The dilemma of the Congo would appear to be this: The welfare of the Congolese is dependent upon an international industrial system in which they participate without having, even through their own government, any significant voice. Perhaps realistic analysis would reveal that this is the dilemma of all Africans, and a dilemma they share with many other peoples in both East and West—the dilemma of those who strive for political independence in isolated state structures even while economic realities necessitate interdependence.