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THE ROLE OF REGIONAL POLICY IN SOUTH AFRICA

This paper focuses principally on the question of the fundamental political and economic functions of regional policy in the South African system. A number of interesting and useful contributions on this subject have appeared recently¹ but the discussion remains in an unsettled state and further efforts to clarify the issues seem to be needed.

One requirement for dealing satisfactorily with the question of the role of regional policy is the determination of actual past trends in the regional distribution of the manufacturing employment and the causes of these trends. There is in fact a remarkable paucity of solid data on actual past trends in the geographical distribution of industrial employment, and a consequent tendency for some recent discussion of the role of the state in this sphere to suffer from reliance on out of date and inadequate information.² One aim of the paper, therefore, is to clarify the question of actual trends in the inter-regional distribution of manufacturing employment and the causes of these trends.

I

From the time of the Tomlinson Commission report of 1966, right through to the late-1960's the policy was taken by many, including myself, to be aimed at increasing "the proportion of Blacks resident in the Bantu areas" by influencing "the geographical distribution of employment in manufacturing industry both by directly restricting the rate of growth of the larger industrial centres and by encouraging industrial development at certain 'growth points' situated predominantly in the border areas". (Bell, 1973b : 401). There was a great sense of urgency about this: nothing less than the survival of the nation was at stake and in official circles at least there seemed to be no doubt that South Africa simply had to decentralise economic activity on a very grand scale indeed.

Various writers thus saw the objectives of the government's policy of industrial decentralisation as essentially political in this sense. It

¹ Notable amongst these are Lacey (1982), Zille (1983a and 1983b) and Hirsch (1983).

² On the impact of the state on the location of industry in the period up to 1970, both Glaser (1983) and Tomlinson (1983), for instance, refer mainly to data in a more than ten year old study (Bell 1973b), published at a time when regional industrial employment data were not available for any year later than 1970.

was taken that industrial decentralisation was regarded by the government as worth pursuing in itself for 'political' reasons. It, therefore would be worthwhile trying to decentralise economic activity even if this exceeded what was economically optimal, and thus reduced the rate of economic growth at least in the short to medium-term.

The matter thus seemed fairly clearcut. It was generally thought that the objective of policy could be expressed in terms of the number of jobs needed in the border areas and homelands in order to stem the flow of Black workers to the cities. This view of the aims of industrial decentralisation as essentially political in that sense was I believe particularly reasonable ten or more years ago. It was in response to essentially political problems that the Tomlinson Commission was established and furthermore, the period after the Commission's report was published saw a marked increase in the rate of unemployment amongst Whites, Coloureds and Asians as well as amongst Blacks.³ The conditions in which regional policy was being formulated were thus reminiscent of the general conditions in which the Native Economic Commission of 1932 delivered its report, which emphasized the problem of conflict between Blacks and Whites in the major cities during a time of high unemployment. The Permanent Committee for the Location of Industry was thus established in mid-1960 at a time when the rate of growth of industrial employment was lower than at any time since the Second World War and the position was to deteriorate still further in the next two years.

It was probably clear to many quite early on that pursuit of this objective, at least on the scale apparently implied by the government's public statements, would far exceed what was likely to occur spontaneously if market forces were left to themselves, and what might be justified in terms of some social, economic optimum, and indeed, even what was economically possible. Events bore out this view of the enormous difficulties involved in diverting industry to the development regions. Hardly any progress was made initially, as is shown in Table 1. In the period 1961/2 to 1965/6, as the great boom got underway, the growth of industrial employment in the border areas and homelands rose sharply, but it increased even more sharply in the metropolitan areas. The proportion of manufacturing employment in the main industrial centres increased from 79,6 to 81,9 percent and no headway was made in dealing with the dangers emphasized by the Tomlinson Commission. On the contrary,

3 See Bell 1984b.

TABLE 1

Employment in Manufacturing Industries (%)

	1956/7	1961/2	1965/6	1967/8	1970	1972	1976	1979
	%	%	%	%	%	%	%	%
Western Cape	16,2	16,5	16,0	15,7	15,5	15,6	14,6	14,3
Port Elizabeth-Uitenhage	4,9	5,9	6,1	5,9	6,4	6,1	5,6	5,3
Durban-Pinetown-Inanda	12,5	12,7	13,2	13,2	13,6	13,6	13,7	13,8
Pretoria-Witwatersrand-Vereeniging	46,0	45,3	46,6	46,3	45,5	44,7	44,4	43,5
Main industrial areas	79,6	80,4	81,9	81,1	81,0	79,9	78,3	76,9
Rest of South Africa	20,4	19,6	18,1	18,9	19,0	20,1	21,7	23,1
Republic of South Africa	100,00	100,00	100,00	100,00	100,00	100,00	100,00	100,00

Sources: The PWV region figures for 1979 are estimates, which assume that the share of the PWV region as defined in the above table, to exclude the magisterial districts of Brits, Nigel and Heidelberg, declined by the same number of percentage points (0,9) as the PWV region excluding Brits but including Nigel and Heidelberg which fell from 45,1 percent in 1976 to 44,2 percent in 1979. Since Nigel and Heidelberg are a very small proportion of the total this must give an estimate very close to the actual. Estimation is necessitated by the fact that separate information is not available for Nigel and Heidelberg for 1979.

Note: See notes to the Appendix to this section. Also note that the percentages for 1956/7 are based on average employment figures for the year in each of the regions, whereas for subsequent years they reflect employment levels as at a specific date in each year.

with the rapid growth of employment in this period in the metropolitan areas, though the problem of unemployment receded, the political problem of Black urbanisation was greatly increased.⁴

At the end of the boom of the sixties, probably as a result of the patent failure of the policy of industrial decentralisation as originally envisaged, the authorities resorted to various other measures to stem the flow of Blacks to the larger cities. That is, the emphasis appears to have switched to an attempt to achieve a considerable degree of territorial separation of the races, not by revolutionising economic conditions in the border and Bantu areas, but by tightening 'influx control', by 'endorsing out' Africans from the larger urban areas, and by resettling Africans from White farming areas in the homelands.⁵ The period 1966 to 1968, as the great boom receded, is thus marked by various measures designed to check the movement of Blacks into the major industrial areas. The Physical Planning Act was but one of these.⁶ At the same time efforts were made to increase the chances of attracting industry to the periphery by a decision in 1968 to allow White capital into the homelands, and increases in the financial inducements in the same year and various dates thereafter.

A change in the perception of the scale of development that could be achieved in the border areas and homelands thus appears to have set in in the late 1960s. This is apparent in a statement in January 1970 by Dr P J Riekert, at the time Economic Advisor to the Prime Minister, that the "development of the Homelands can never be the only aim of economic policy in South Africa" and that "our development target for the Bantu areas should be of a more modest nature" (Quoted in Bell 1973a : 258). It seems to me that at some point in the late 1960s, the nature of the policy began to be radically transformed. There is a shift towards an emphasis on direct controls of population movements and generally towards more purely political arrangements; and away from the previous apparent emphasis on the use of economic development to stem the flow of Blacks.

⁴ On unemployment rates over this period see Bell (1984b : 16-18).

⁵ See Bell 1973a : 259.

⁶ In the case of the Western Cape, the attempt to check the inflow of Blacks was accompanied by the adoption of an official Coloured labour preference policy.

Yet today the policy of industrial decentralisation appears to play as important a part as ever in the government's thinking and would appear to have been given a shot in the arm by the revised, greatly increased package of incentives announced at the Good Hope conference of November 1981. If economic decentralisation on a grade scale was seen to have been a failure, why has it continued to be pursued determinedly? How is this to be understood?

II

Ironically, the authorities in seeking, by means of unsuccessful decentralisation policies and direct controls on the geographical movement of Black labour, to deal with the problem of urban influx, found that another problem was intensifying in the homelands. The problem was that of the legitimacy of homeland governments, both in the eyes of their own people and internationally. This became particularly acute as Black unemployment rates in the country as a whole began to increase sharply in the period 1968 to 1972, and then, after declining somewhat during the gold boom of 1973 to 1974, resumed a secular upward trend from 1975 onwards which, but for a slight decline in the Black unemployment rate in 1980, persisted right through to 1982, and probably beyond. The problem became especially acute since, owing to influx controls, the unemployment came to a large extent to be located in the homelands.

Hirsch (1983) indeed sees the legitimisation of homeland governments as the central purpose of the policy, and as representing a switch away from the objectives which predominated in the sixties. His view of the objectives of the policy in the sixties seems to be essentially the same as that adopted by myself in earlier studies (Bell 1973a and 1973b). In his view they involved "relatively ineffectual attempts --- to relocate some industry towards the Bantustans but not inside them. Two interlinked central purposes dominated - the desire to reduce the attraction of the urban centres which the government regarded as increasingly dangerous melting pots, and the wish to draw people from these centres and from the rapidly capitalising White farms to the bantustans ---" (Hirsch 1983 : 13).

From the late 1960s on, however, the "highest priority" became "the strengthening of emerging political structures in the bantustans", since the "economic decline of the bantustans exacerbated by resettlement" was having effects on the social and political order of things. He says:

"The limited legitimacy retained by the bantustan hierarchies, from headman to Chief Minister, rested on their ability to allocate goods and this was being threatened. In addition resettled people were being inserted into alien political and social structures which offered them very little. Bantustan industries were established to restore faith in the ability of the system to dispense goods" (Hirsch 1983 : 13). The switch from an exclusive emphasis on border areas industrialisation to industrial development within the homelands themselves he sees, therefore, as reflecting the shift of policy from the earlier central objective of stemming the flow of Africans into the towns, to that of legitimizing homeland governments. This is a perfectly reasonable view as far as it goes, and it may well have been the central concern of policy in the early part of the 1970s and may even remain a consideration of considerable significance today.

Indeed, Helen Zille (1983b : 175) reports Dr Simon Brand as having stated in an interview that the objective of decentralisation policy is "to give sufficient economic content to the policy of homeland development so that the governments which are created in those states are not simply fictitious governments but that they have an economic base to create their own sources of tax revenue to enable them at least in some respects to act independently from the South African central government"

This view of the policy, however, seems to imply that though the more ambitious goals of economic decentralization had to be abandoned in the light of practical experience, the objective of legitimizing homeland governments might be met by a much more modest, practically attainable rate of decentralization. A difficulty, by contrast with the objectives of the sixties, is that this motivation does not seem to be easily quantifiable. The objective, according to Hirsch's view, now appears rather to be a qualitative one and much more elusive. How much industrial development (with the emphasis perhaps now more on income and tax-base creation, rather than on employment creation) in and near the homelands is needed for this purpose? While the goal of legitimacy for homeland governments, put in this way is difficult to grasp, Helen Zille (1983b : 175) goes on to report Dr Simon Brand as saying, in the same interview referred to above, and apparently in amplification of his earlier remarks:

"Influx control must be controlled more through economic measures so that people will voluntarily remain in and go to certain areas rather than being forced to do so. That was the crux of the Riekert Commission's proposals".

This statement appears to say that it will be very difficult to legitimize homeland governments so long as the authorities have to rely on coercion to stem the flow of Blacks to the metropolitan areas. But in that case how different would the objective of legitimizing homeland governments be from that of the 'sixties? It would seem, very little; and it is equally unattainable. It is nevertheless possible that the authorities do in fact regard legitimation of homeland governments as a major objective of decentralization policy, and even that in the medium term at least it has in some measure succeeded in this aim. Indeed, the homelands policy does not yet appear to have suffered any major setback, and it may well be that combined with other political measures, relatively little economic decentralisation is needed for this purpose.

Only if this is the case is it possible to regard Hirsch's view as a persuasive explanation of the government's persistence with decentralisation policy during the 'seventies. For, as we shall see below, though some significant changes in the inter-regional distribution of manufacturing employment have occurred since the late 1960s, the degree of industrial decentralisation actually achieved to date is relatively small and certainly falls far short of what is needed to make Blacks "voluntarily remain in and go to certain areas rather than being forced to do so". For this and other reasons related to developments in the seventies, it seems to be necessary to go beyond Hirsch's thesis to take into account other possible interpretations of decentralisation policy.

III

In a recent paper⁷ I have argued that since the late 1960s and particularly since the mid-1970s, not only the nature of regional policy, but of South African economic policy in general appears to have been completely transformed, and that regional policy must be seen in the context of these larger changes. The year 1976, I have suggested, may be seen as a watershed in this process of transformation. This is not only because of the traumatic political events of that year, though these are clearly important. What is crucial is that the economy in 1976 went into a long decline (actually begun in the late 1960s but interrupted by the gold boom of 1973-1975), which notwithstanding the cyclical upswing of 1979-1981 has persisted right through to the present.

⁷ Bell (1974a). This paper was written before Hirsch's paper or that of Lacey (referred to below) came to my attention.

This long decline in South Africa's trend rate of growth and the accompanying change in the social philosophy of economic policy-makers must, in turn, be seen in the context of changes in the international economic system as a whole. The decline here has largely resulted from shocks to the economy originating outside the South African economy, and is intimately related to the problem of secular stagnation which has beset the advanced industrial countries of Western Europe and North America in the past ten years or more. And, just as in the case of some of these advanced industrial countries, where it has spawned Thatcherism and Reaganism, this has had a major impact on economic policy in South Africa.

W.W. Rostow (1978) the well known neo-classical theorist of the process of economic developments, has interpreted the rise of the new classical economics and its Thatcherite policy implications essentially as a political revolt against continual increases in public expenditure when private real incomes are stagnating. That is, he sees it essentially as the consequence of a taxpayers' revolt, and whatever its economic consequences, it has thus far been a great political success. This applies equally to South Africa, where these tendencies have been intensified by racial conflict and rapid political change. In the context of slow economic growth, however, the conflict has not simply involved questions of the size and allocation of government expenditure, but also the distribution of income in general as partly determined by the organisational activity and bargaining strength of workers.

In the South African context there was apparently a significant increase in the organisational activity and bargaining strength of Black workers in the 1970s, culminating in the industrial relations reforms following the Wiehahn Committee report of 1979. In these circumstances, regional policy may be seen as one component of a general strategy of exposing industry and workers in the major industrial centres to greater competition both from abroad and within the country, in an attempt to counteract the potential impact of these political changes.

Amongst the most important aspects of government policy in this respect, in my view, are those relating to foreign exchange markets and foreign exchange. It is noteworthy, for instance, that by contrast with the 1920s when the proportions of the Poor White problem were growing steadily and the government adopted its protectionist "South Africa First"

policy, there is strong political support today, when the rate of unemployment particularly (but not only) amongst Blacks is showing a long-term tendency to increase, for a more open trade and foreign exchange policy. This, I would argue, cannot be justified, taking account of the currently highly protectionist nature of the international economic system, the magnitude of the problems of adjustment with which South Africa is faced, and the severity of the current recession. In my view, it can be understood only in terms of the need to discipline industry and labour.

Regional policy, as I have suggested, should be seen as but one aspect of this overall approach in a period of slow economic growth and comparatively rapid political change. It is intimately connected, however, with other aspects of the current approach to economic policy. For instance, a more open trading system tends to intensify the problem of foreign competition, and hence, as I shall argue in more detail below, to accelerate the process of industrial decentralisation. This combined with the greatly increased package of regional incentives introduced in November 1981, the direct controls which increase the number of Blacks dependent for employment on development in the border areas and homelands, and the much more conservative industrial relations legislation applicable in the homelands, tend to weaken the competitive position of workers in the metropolitan areas.

Thus, quite apart from any contribution it may make to the physical separation of the races on a geographical basis, regional policy has a political effect as a constraint on the organisation and other activities of Black labour in the metropolitan areas. Thus, whereas in the earlier stages of regional economic policy, in the latter 1950s and 1960s, it was perhaps correct to see its role primarily as that of increasing the security of Whites by reducing the number of Blacks in the metropolitan areas it is questionable whether it is plausible to see it in this light today. An extra political dimension, quite distinct from any attempt to legitimize homeland governments, therefore, seems crucial and indeed predominant now. Thus whereas the functions of regional policy remain "political" in a sense, the role of the policy appears to have been completely transformed. No longer is it merely a "numbers game" or a matter of legitimizing homeland governments, but rather a policy involving essentially qualitative mechanisms of control applying to Blacks in metropolitan areas.

When looked at it in this way, the government's persistence with this policy becomes comprehensible, despite economic decentralisation as such being utterly discredited as a means of significantly influencing the geographical distribution of the Black population.⁸ The rate of development of manufacturing employment and output in the industrial periphery required to serve this particular function of regional policy is much smaller than that needed to make a significant contribution to territorial segregation, or possibly even to legitimize homeland governments. Substantial but not massive industrial development in the border and Black areas is enough to contribute significantly, along with an open trade policy and other measures, to the discipline of industry and workers in the metropolitan areas. This view of regional policy is consistent with the prevalent philosophy of South Africa's economic policy makers, in which the alleged merits of maximum exposure of participants in various markets to competition are central. It enables one to make sense of regional policy without having to assume that government really does aim to stem the flow of Blacks to the cities by economic rather than other means, but is ignorant of or unwilling to accept the implications of the insuperable obstacles to the attainment of this goal.

In the next section we go on to consider the view outlined above in more detail in the light of empirical evidence.

IV

What emerges from analysis of the basic data is that whereas between the years 1956/7 and 1965/6 the proportion of manufacturing employment situated in the main industrial areas increased from 79,6 to 81,9 percent, between 1965/6 and 1979 it fell without interruption from 81,9 percent to 76,9 percent. This suggests that in the latter half of the 1960s a fairly fundamental structural change occurred in the relative strength of the forces making for geographical concentration of industrial employment compared with those making for decentralisation or

⁸ It also enables one to see that the obvious inevitability of having to rely on coercive measures to check the movement of Blacks to the cities is not inconsistent with the basic function of the policy, and indeed, in so far as such measures increase the volume of unemployment in the homelands and thus affect wage rates and labour supply there, they are actually consistent with it.

deconcentration. There had previously been fluctuations up and down in the proportionate share of the main industrial regions in manufacturing employment, but never a completely uninterrupted declining trend over such a long period, of thirteen or fourteen years.

What particularly, of the border areas and homelands? These collectively, as Table 2 shows, substantially increased their proportionate share of manufacturing employment without interruption from 11,75 percent in 1967/8 to 15,54 percent in 1979, having prior to that declined from 12,16 percent in 1961/2 to 11,75 percent in 1967/8. The probably fundamental structural change in the balance of forces making for concentration and deconcentration is thus reflected in the particular case of the border areas and homelands as well.

These changes imply substantial inter-regional differences in the average annual percentage growth rates, as Table 3 indicates. Whereas the average annual rate of growth of manufacturing employment in the main industrial areas was 5,9 percent in 1961/2 to 1967/8 and fell to 2,1 percent in 1967/8 to 1979, the corresponding rate of growth in the border areas and homelands increased slightly from 5,2 percent in 1962 to 5,3 percent in 1967/8 to 1979. Thus, during the 1970s when the rate of growth of industrial employment declined sharply compared with the 'sixties in the country as a whole, the rate of growth in the border areas and homelands picked up, and there was consequently a marked improvement in the employment growth performance of the industrial periphery relative to the core.

What is perhaps even more remarkable is the improvement of the growth performance of the homelands relative to the major metropolitan areas, the border areas and apparently also the previous rates of increase in industrial employment. The process of deconcentration implied by the figures cited in the previous paragraphs, therefore, cannot be readily written off as merely one of "suburbanisation" of industry from the main industrial areas, rather than as one involving general decentralisation of outlying areas, including particularly the homelands themselves. As Table 1 shows, throughout the period 1965/6 to 1979 there occurred a relative transfer of industrial employment from the PWV region to the Durban-Pinetown region. Within Natal, while the greater Pietermaritzburg region grew more rapidly than any other part of the province in the years 1967/8 to 1976, from 1976 to 1979 employment growth was most rapid

TABLE 2

Employment in Manufacturing Industry in Border and Homelands

(excluding Transkei) and Rest of South Africa as a Percentage of South African
Manufacturing Employment

	1961/2	1965/6	1967/8	1970	1972	1976	1979
Cape	3,07	2,93	2,88	2,91	3,06	3,09	3,37
Natal	6,53	6,42	6,43	6,29	6,78	7,53	7,87
Transvaal							
	2,56	2,52	2,46	2,57	3,00	3,92	4,30
Total border areas and homelands	12,16	11,87	11,75	11,77	12,83	14,54	15,54
Rest of South Africa excluding border and homelands	7,44	6,23	7,15	7,23	7,27	6,95	7,56
Rest of South Africa including border areas and homelands	19,6	18,1	18,9	19,0	20,1	21,7	23,10
Total border areas and homelands	100,00	100,00	100,00	100,00	100,00	100,00	100,00

Sources: Based on employment figures compiled from various manufacturing census reports.

Notes: (1) The corresponding regions included in the provincial totals for 1967/8, 1970 and 1972 are: Cape 0504, 0602, 0603, 0604; Natal 0902-0910; Transvaal 1101, 1104-1108. And for 1976 they are: Cape 0501-0503, 0601-0603, less the Albany magisterial district; Natal 0702-0703, 0801-0808; Transvaal 1001-1003 plus the Brits magisterial district. Though the region codes differ, the magisterial districts comprising the various provincial totals are, with negligible exceptions, the same over time, and the figures are therefore comparable.

(2) The percentage share of the Transvaal border and Black areas excluding Bophutatswana increased from 3,35 in 1976 to 3,73 in 1979. It has been assumed that the 1976 Transvaal figure of 3,93 including Bophutatswana increased by the same number of percentage points to 4,30 in 1979. Separate figures for Bophutatswana are available only for 1976, and this territory was not included in the 1979 industrial census.

(3) Employment in the Transkei is not reflected in any of the above figures. It was not covered by either the 1976 or 1979 industrial censuses and it has thus for reasons of comparability been removed from the Cape figures for earlier years as well.

TABLE 3

Average Annual Rates of Growth of Manufacturing Employment in
Various Regions 1961/2 to 1979 (%)

	1961/2- 1967/8	1967/8 1979	1961/2 1965/6	1965/6 1967/8	1967/8 1970	1970 1972	1972 1976	1976 1979
1. Border areas and homelands	5.2	5.3	6.5	2.2	5.2	6.1	8.1	1.4
2. Rest of South Africa	5.1	4.6	5.2	5.0	5.5	4.3	6.9	1.4
3. Main Industrial Areas	5.9	2.1	7.4	2.3	4.9	1.0	4.2	-1.5
4. Republic of South Africa	5.7	2.7	7.0	2.8	5.0	1.6	4.7	-0.9
5. Western Cape								
6. Durban-Pinetown	6.3	3.1	7.7	3.0	6.4	1.6	8.7	-0.8
7. PWV	6.1	2.1	7.7	2.4	4.2	0.8	4.6	-1.6

outside the Durban-Pinetown-Pietermaritzburg axis. Indeed, as Table 4 shows, in the period 1976 to 1979 manufacturing employment in the Durban-Pinetown region decreased by over four thousand and in the Pietermaritzburg region by about two hundred. Increases in employment thus took place only outside the Durban-Pietermaritzburg axis, where employment altogether increased by 2078. This was partly due to growth in the Natal Midlands and in the Newcastle and Richards Bay areas, but what is particularly noteworthy is that only 768 of the increase occurred in "White" Natal, the bulk of it (1310 jobs) having recurred in Kwazulu, which on the very small base of 2839 in 1976 represents an extraordinarily large increase of 46,1 percent. This is in very marked contrast with the absolute decrease of 3 percent in the country as a whole and of 0.8 percent in Natal in particular. This phenomenon, however, was not confined to Natal, and its widespread nature is suggested by the fact that between 1976 and 1979 even the Ciskeian border and homeland areas increased their share of national industrial employment significantly (albeit from a small base). Whereas in the Cape border areas and homelands manufacturing employment increased by 65 percent, inside the Ciskei it rose from 721 to 2019, that is, by 180 percent.

The trends described above represent a remarkable reversal of the earlier trend towards geographical concentration, and as such is a phenomenon of considerable importance, particularly for the long-term. But the actual number of jobs involved in the border areas and homelands is quite small. From 1967/8 to 1976 industrial employment in these regions increased by 10458 jobs per annum and according to my calculations, based on earlier performance, no more than half of these can be attributed to the government's regional policy. And, for the homelands in particular, as high as the percentage rates of growth have been, the absolute increases of 1310 in Kwazulu and of 1298 in the Ciskei, in the period from 1976 to 1979, are very small indeed. Taken overall, therefore, these numbers of extra jobs clearly cannot be expected to have had any significant impact on the geographical distribution of the black population, or, one would have thought, in giving legitimacy to homeland governments. The significance of these figures, therefore, lies mainly in the picture which they present for 1967/8 to 1976 of historically low rates of growth of manufacturing employment in the metropolitan areas, combined with a marked relative improvement in the performance of the border areas and homelands, and for 1976 to 1979 in the considerable absolute decline in employment in the metropolitan areas, together with the fact that increases in industrial employment elsewhere, though slight

TABLE 4

Employment in Manufacturing Industry in Natal by Main Region within the
a Percentage of South African Manufacturing Employment

	1976				Change 1976
	Number	%	Number	%	to 1979 Number
Durban/Pinetown/Inanda	186 427	13.7	182 326	13.8	- 4 101
Rest of Natal (i.e. Natal less Durban/Pinetown/Inanda)	102 351	7.5	104 247	7.9	1 896
Pietermaritzburg region	42 180	3.1	41 998	3.2	- 182
Durban/Pinetown/Inanda/ Pietermaritzburg	228 607	16.8	224 324	17.0	- 4 283
Natal less Durban/Pinetown/ Inanada/Pietermaritzburg	60 171	4.4	62 249	4.7	2 078
KwaZulu	2 839	0.2	4 149	0.3	1 310
Natal less Durban/Pinetown/ Inanda/Pietermaritzburg and KwaZulu	57 332	4.2	58 100	4.4	768
Natal	288 778	21.2	286 573	21.7	- 2 205
Republic of South Africa	1 360 000	100.00	1 320 000	100.00	-40 000

Source: The data for 1979 are provisional figures provided by Central Statistical Services in July 1983 in advance of publication.

Note: The figures for Natal include KwaZulu. The Pietermaritzburg region for the purposes of this table includes the magisterial districts of Pietermaritzburg, Camperdown, Richmond, Ixopo, New Hanover, Lions River, Umvoti, Kranskop and Lower Tugela.

in this period, were largely confined to the border areas and homelands. The significance of the period 1976-79 is increased by the fact that total manufacturing employment has gone into decline again since the boom of 1980-81, and that it seems quite likely that during the current recession the same tendencies are in operation as during the period 1976-79.⁹ Thus for a considerable proportion of the past ten years a major part of the impetus to the expansion of industrial employment has been situated in the border areas and homelands.¹⁰

The developments thus indicate a marked relative shift in the inter-regional distribution of manufacturing employment towards the border areas, due to a very high proportion of new industrial employment being located in these regions. Industrialists and workers in the metropolitan areas have been experiencing intensive competition "at the margin" from firms and workers in the border areas and homelands. This is crucial for the bargaining position of workers of all races in the major centres, and is in keeping with the interpretation of decentralisation policy suggested above. It is of central importance for this interpretation, which essentially sees decentralisation policy as a device for curbing the growing organisational activity of workers in the 1970s, to consider the causes of the trends described above.

As we noted above a fundamental change in the relative strength of forces making for geographical concentration and those making for deconcentration appears to have occurred in the late 1960s. Given the timing of this change, it is arguable that it was in some measure at least related to market forces whose operation preceded the introduction of the various direct controls in the late sixties. The tendency towards deconcentration after 1968 may partly be seen simply as the result of an intensification of these forces due to the rapidly increasing productivity and international competitiveness of the newly industrialising countries of the Far East and Latin America and of Japan,

9 Though manufacturing census data are not available for any year since 1979, Spies (1984) and Bridgman (1984) report continuing rapid rates of increase in manufacturing employment in Kwazulu and the Ciskei respectively, although for the country as a whole it increased only slightly from 1468400 in 1981 to 1473700 in 1982, and declined to 1392000 in 1983. Indeed, Bridgman, in conformity with the picture presented above, observes that in the Ciskei the number of applications for the regional incentives tends to increase during times of recession. Thompson (1984) also reports rapid industrial expansion in the past few years in the Pietermaritzburg area.

10 This also suggests that a very high proportion of new industrial employment in South Africa is being subsidised in terms of the regional incentives. Whether these subsidies were a decisive factor in bringing about these trends, however, remains to be considered.

which also assumed major proportions in the late sixties.¹¹ There are a number of reasons for thinking that there were in operation in the sixties certain forces making for a market-related, spontaneous process of industrial decentralisation. First, the tendency for the share of the main industrial areas in the country's total manufacturing employment to decline sets in about 1965/6 (as we noted above), at a time when the size of the financial inducements available in the development regions was very small and before direct controls via the Physical Planning Act were introduced.

Second, in the case of two major labour-intensive industries, textiles and clothing, the PWV region experienced substantial decline before 1968, indeed even before the industrial decentralisation programme had really got underway, and the subsequent decline of this region and the metropolitan areas collectively (Durban-Pinetown being the one exception) may thus partly have been a simple continuation of the earlier trend.¹²

Third, the tendency for employment in the textiles and clothing industries to shift away from the PWV region mainly towards Durban-Pinetown and the Cape Peninsula, rather than towards small industrial centres, was in evidence well before 1968 and therefore probably cannot be attributed entirely to the application of the Physical

11 Lacey (1982 : 49) also links decentralisation to the fact that "in line with other third world countries' efforts to industrialise, South Africa is forced to compete with countries like Taiwan, Singapore and Brazil to attract foreign investment". However, she does not relate this either to the timing of the impact of the industrialising countries on the international trading system or to empirical trends in the inter-regional distribution of industry in South Africa. She also appears to focus exclusively on the role of government intervention, particularly via the relocation allowances, rather than consider the possible role of market pressures as such.

12 The PWV region's share of employment in the clothing industry, for instance, fell from 44,0 percent in 1956/7 to 35,1 percent in 1967/8, whereas it fell a further 12,6 percentage points in the next eleven years from 1967/8 to 1979. Its share of textiles employment fell from 21,6 percent in 1959-60 to 15,1 percent in 1968, and by only a further 4,2 percentage points in the next eight years from 1968 to 1976. There thus appears to be no justification for speaking of the decline in the Transvaal clothing industry after 1968 as "unprecedented", as Glaser (1983:25) does.

Planning Act and other direct controls to the PWV region and the exemption of the other two centres.¹³

It appears therefore that there was in operation a spontaneous tendency towards industrial deconcentration in certain industries going as far back as the fifties, and that the pressure in this direction may well have increased from the late 1960s on as international competition from the newly industrialising countries and Japan intensified. This may partly be seen as the result of a striving after lower wage rates through the substitution of Black labour in the less industrialized areas, for more expensive White, Coloured, Asian and indeed, also Black labour available in the larger industrial centres. The South African labour market is segmented both on a racial basis within metropolitan areas by the job labour bar, and on a regional basis by influx control measures of various kinds; and the tendency towards a geographical redistribution of industry may thus be seen partly as a means of circumventing both these forms of labour market segmentation. Given the obstacles to inter-racial substitution within the metropolitan areas the incentive to make greater use of non-white labour in an attempt to cut costs became translated into an incentive, especially in the case of the PWV region, with its almost exclusively White and African labour force, for existing plants to relocate and for new plants to be established in industrial centres outside of the main industrial areas.¹⁴

¹³ In textiles the Cape Peninsula's share of employment increased from 12,9 percent in 1962 to 15,3 percent in 1968, but then rose by only another 0,9 percentage points before tailing off somewhat after 1970; and the Durban-Pinetown regions share rose from 20,5 percent in 1959/60 to 27,7 percent in 1968, but thereafter rose by only a further 0,6 percentages point before tailing off after 1970. Similarly, in clothing the Cape Peninsula's share rose from 31,0 percent in 1956/7 to 31,9 percent in 1966, and then gained 0,8 percentage points from 1968 to 1976. In the case of Durban-Pinetown the proportionate share of employment in the clothing industries was already strongly on the rise, having increased from 17,0 percent in 1959/60 to 20,1 percent in 1968, and though in the next eleven years to 1979 it rose by another 10 percentage points this may be seen at least partly as a continuation of the earlier firmly established trend.

¹⁴ See Bell (1983 : 50) which shows for instance that the average earnings of Black workers in the Natal border areas and Kwazulu were only 63 percent of those in the Southern Transvaal in 1976.

During the early 1960s the country was experiencing comparatively high unemployment rates and the pressures making for decentralisation would thus have been comparatively weak.¹⁵ With the great boom from 1963 to 1966 however, the labour markets of the metropolitan areas probably tightened significantly, and the incentive to move to less developed areas in order to make greater use of cheap, Black labour would also have been greatly increased by the intensified competition from the newly industrializing countries and Japan which several writers date as assuming major proportions in the late sixties.¹⁶ The increased organizational activity and bargaining strength of Black workers in the 1970's noted above, which culminated in the industrial relations reforms following the Wiehahn Committee report of 1979, would probably also have increased the attraction of the border areas and homelands, especially as industrial relations legislation in the homelands is today much less progressive than in the rest of the country.

The tendency towards overall deconcentration after 1968 noted above therefore, may well have been partly due to factors having little to do with government intervention via either the financial inducements or direct controls. Indeed, Lacey (1984 : 48-49) seems to go so far as to suggest that the basic motivation for the government's decentralisation policy is an economic one. She refers, for instance, to the growing unprofitability of export industries in the urban areas due to the monopolistic position of white trade unions, the inefficiency of migrant workers in metropolitan areas, and the need to compete with countries like Taiwan, Singapore and Brazil to attract foreign capital. This leads Hirsch (1983 : 11) to dismiss Lacey's argument on the grounds that it fails to answer two questions: "Firstly --- if decentralisation is such a tempting prospect to capital, why have so few capitals taken it up? Secondly, why has the state been forced to assist capital to the extent it has through cheap loans and investment where private capital feared to tread".¹⁷

¹⁵ See, for instance, Douwes-Dekker and Watts (1973) on the problem of unemployment amongst Indians in the Durban metropolitan area in 1963. Also, despite the application of influx control in the Western Cape in the period 1959-60, Coloured wage rates did not rise relative to other regions suggesting no general shortage of labour in the Western Cape (See Bell 1983 : 48).

¹⁶ See, for instance, Beenstock (1983).

¹⁷ In this view, it appears that the relocation opportunities which the financial inducements provide, and the state's policy of relocating people in the homelands, which increase labour supply and lower wages in the homelands, are instruments for dealing with the problems of the non-competitiveness of manufacturing in metropolitan areas.

Hirsch, however, perhaps too hastily dismisses Lacey's interpretation of decentralisation. The evidence considered above suggests that market forces might well have been attracting capital to the border areas and homelands, a possibility which Hirsch does not adequately consider. While there may be forces making for spontaneous decentralisation, however, as Lacey's view implies there would be, this does not necessarily mean that the government's policy of industrial decentralisation must be motivated by economic considerations. In the face of economic pressures, such as international competition making for industrial decentralisation, it may make sense for government to accelerate this process up to a point by means of labour training and other regional incentives for purely economic reasons. Indeed, given GATT rules, labour-training subsidies and regional subsidies may serve as a useful second-best form of protection of South African manufacturing against foreign competition. The existence of any spontaneous tendency towards deconcentration, however, does not imply that it is economically desirable to accelerate this process to any significant extent. Lacey's argument is, at best, incomplete in this respect. In that her explanation depends heavily on economic motivations for industrial decentralisation policy, without adequate analysis of the economic case for the policy, her view does not appear to be satisfactory.

Hirsch's second question, which he claims Lacey's argument also fails to answer, raises the problem whether the financial assistance provided by the state to firms in the border areas and homelands through cheap loans and investment, has in fact been decisive in bringing about the industrial decentralisation which has actually occurred. Hirsch seems to take it that the mere fact that substantial subsidies have been offered and given to industrialists means that these subsidies must have been necessary for any industrial decentralisation actually achieved. This seems to be implied in some other recent contributions too.

For instance, Todes and Waston (1984 : 23) question the view that the industrial decentralisation observed could to a large extent have been a spontaneous process and tend to suggest that the financial inducements have had a significant effect. They claim (p.23) that my "argument is based mainly on the movement of clothing out of the metropolitan areas". In fact, in the work to which they refer (Bell 1983) textiles and clothing were dealt with in detail simply because as large, labour-intensive sectors they are important examples of the problem, but in fact I stated (Bell 1983 : 82) in the light of the empirical evidence:

"In the new South African inter-regional division of labour, it is not only in the highly labour-intensive, low skill-intensity sectors that a substantial redistribution is occurring away from the industrial core of the system. The newly industrializing countries obtained a firm foothold first in unskilled, labour-intensive sectors, but have since moved up rapidly in the technological and skill hierarchy of the world's industrial structure. Similarly in the changing inter-regional division of labour, there has also been a substantial relative shift from the PWV region in certain heavy, fairly skill-intensive industries as well".

Furthermore this does not seem to be in the least inconsistent with the notion of spontaneous decentralisation, since such capital-intensive, highly-skilled sectors may have been attracted to the development regions because of proximity to raw materials or markets rather than subsidies. In addition even in the case of these industries there is the immediate advantage of cheaper unskilled and semi-skilled Black labour, and the somewhat longer term prospect, aided by labour-training subsidies, of a cheaper supply of labour at increasingly high levels of skill.¹⁸ Also even in the case of capital-intensive, skill-intensive industries, another major attraction in the sphere of labour would probably be the weaker state of trade unions in those areas.

Todes and Waston also question the significance of spontaneous decentralisation on the grounds that the clothing and textiles industries, are "a small proportion of manufacturing industry outside of the four major metropolitan areas". In fact, however, textiles and clothing employment (according to official, census data), together comprised 22 percent of total employment in non-metropolitan Natal and 33,4 percent in the greater East London region in 1979.¹⁹ In view of these significant proportions, any tendency towards spontaneous decentralisation in these two sectors, such as we described earlier, would have had a considerable impact on the rate of growth of manufacturing

¹⁸ Bell 1983 : 63. See also Amsden (1980) on de-skilling and the comparative advantage of Third World countries.

¹⁹ In fact, their Table 29, to which they refer in support of their contention, shows each sector's employment in non-metropolitan areas as a percentage of the national total for the sector, and this gives figures for textiles and clothing of 6,2 percent and 11,7 percent respectively. This, however, seems much less relevant in assessing the potential for unsubsidised industrialisation than the figures cited above.

employment in the border areas and homelands relative to the rest of the country. The other empirical evidence which they adduce in questioning the relative significance of spontaneous decentralisation also does not support the idea that the financial inducements are the predominant determinant of industrial location. They also acknowledge (p.21) that there are advantages for certain industries in the growth centres which lie in "a combination of the benefits to be obtained from incentives and a supply of cheap, available labour", and none of their evidence rules out the possibility that the impact of the financial inducements themselves was comparatively slight. They say, for instance (p.25), that "incentives appear as a reason for location in almost half the cases, though labour - as suggested by Bell - is perceived as an important reason for location, and an advantage in many cases". Their Table 19 shows labour supply and cheap labour as mentioned in 25 cases in border areas and homelands, whereas the inducements are mentioned only in 19 cases. Indeed, somewhat curiously they themselves at one point (p.23) suggest several reasons why they would not expect the impact of the incentives to be significant. But apart from this, their statistics are of doubtful value owing to what they describe at the outset as "several problems with the use of the survey data", because of the unrepresentativeness of their sample in several significant respects including the fact that their "sample as a whole over-represents the more capital-intensive sectors".

Further, in considering the possibility that market-related competitive pressures have been a major reason for the reversal of the earlier tendency towards industrial concentration, it must be remembered that this reversal, though of fundamental importance, has involved a relatively small impact in terms of the number of additional jobs per annum in the border areas and homelands. Spontaneous market pressures, thus, could well have been responsible to a significant extent for the change in the trend. Finally, it must be noted that the fact that government has paid out considerable sums of money in regional subsidies does not mean that these have had any significant effect. The monetary values of the subsidies as reported by the Decentralisation Board are not a good guide to the costs of the policy, or, in other words, to the extent to which the subsidies have served to offset the real disadvantages of producing in the development regions. This is partly because what is paid to firms probably exceeds by a substantial amount what is needed to induce them to site their plants in the development

regions. That is, a significant part of it is probably simply in the nature of a pure, income transfer from taxpayers to industrialists - a sort of gift to industrialists which they are naturally glad to have but which is not needed to compensate them for real economic disadvantages of location in the development regions. This of course does not mean that the financial inducements have had no effect, especially since they were greatly increased with effect from early 1982. However, it is arguable for the period up to 1979 for which we have reliable, manufacturing census data, that they had relatively little effect, and that since 1982 the inducements have been greatly in excess of what has been necessary for the increases in industrial employment in the border areas and homelands for which subsidies have been provided. Also, given the earlier trends, it is likely that a significant proportion of the additional jobs which have actually materialized in the period since 1981 would have occurred without the greatly increased packages of incentives announced at the Good Hope Conference.²⁰

In so far as Government has had a significant influence on the trend towards industrial decentralisation evident since the late 'sixties', it has probably been mainly through the controls on population movements and on the use of Black labour in the metropolitan areas which, as noted earlier, came to be increasingly applied from the period 1966-68 on. I have argued so far that the tendency towards industrial deconcentration probably reflected market forces, as distinct from the effect of financial inducements. What has to be recognized, however, is that industrialists have found it attractive to establish plants in cheap labour areas in the face of competitive pressures very largely because of the job colour bar inside the metropolitan areas and influx controls. That is, as argued earlier, they have found this attractive as a means of circumventing both these forms of labour market segmentation. In view of this, what is crucial is that in the late sixties there was a marked increase in the degree of segmentation of the labour market as a result of the introduction of various measures, of which the Physical Planning

²⁰ It is, of course, also the case that in a period of slow economic growth and stagnating incomes, even pure income transfers are by no means a negligible consideration. This is especially so in the case of industrial development inside the independent homelands, whose governments in terms of the present regional programme are required to bear half the costs of subsidising industry. These sums could doubtless be put to better use either in the homelands or elsewhere in South Africa.

Act was but one.²¹ Thus when one talks of market forces having been at work to decentralise industry, one has to understand that such forces have had to operate within the framework created by these institutional changes.²²

This does not detract from the fact that a tendency towards industrial decentralisation was evident before the measures of the late 1960s and that this tendency, reinforced by the significant intensification of international competition at about the same time, would have been expected to persist without any other changes. The attractions of cheap labour which were in operation up to that point, however, were probably considerably strengthened by those created by the greater degree of labour market segmentation. They were strengthened yet further with the significant increase in the organisational activity and bargaining strength of Black Workers in the seventies²³ which, as noted earlier, culminated in the industrial relations reforms following the Wiehahn Committee report of 1979. This was especially so since, with the creation of self-governing and independent homelands, industrial relations legislation in the homelands either remained unchanged or became more conservative than it had been. Today, therefore, there is a

21 As noted earlier, in case of the Western Cape, segmentation was intensified by the adoption of an official Coloured labour preference policy. In the Durban-Pinetown region, though there is no official Indian labour preference policy, it is striking that in this region too Black manufacturing employment has been increasing at a much slower rate than total manufacturing employment. Thus, for whatever reason, in the Western Cape Blacks as a proportion of the industrial labour force declined from 16,4 percent in 1967/8 to 12,9 percent in 1979, and in Durban-Pinetown the proportion of Blacks after rising from 47,8 percent in 1967/8 to 50,3 percent in 1972 fell to 47,4 percent in 1979. These figures for Durban-Pinetown contrast with much higher and rising proportions of Blacks in the industrial labour force of non-metropolitan Natal. (See Bell 1983).

22 Much of burden of industrial decentralisation has thus fallen upon Blacks, rather than on taxpayers. In the case of those actually employed in the border areas and homelands, it has taken the form of lower wage rates and worse conditions of service than would have been available to them but for (increasing) labour market segmentation; and in the case of others outright unemployment.

23 See also Lacey (1982 : 46) for a somewhat fuller description of these developments during the seventies.

considerable gulf between industrial relations legislation in the homelands and the rest of South Africa.²⁴ These developments alone would be expected to have had an influence on the inter-regional distribution of manufacturing employment in the seventies and especially, perhaps, the eighties. They provide another reason for questioning the emphasis which some place on the financial inducements as the fundamental factor in industrial decentralisation in South Africa.

The view taken in this paper is basically in agreement with Lacey's (1982 : 49) contention that "the central feature of the 1970s has been the re-emergence of class struggle", and that this has been a decisive factor for industrial decentralisation. Hirsch has tended to overlook the "tempting prospect to capital" offered by decentralisation, evidence for which has presented above, and on which, as he suggests, Lacey's thesis appears to rely. It is nevertheless questionable whether the policy of industrial decentralisation can ultimately be explained in terms of economic causes and or intentions, as Lacey apparently suggests it can. The existence of a spontaneous tendency towards industrial deconcentration does not necessarily allow one to reduce the motivations of state policy to short to medium-term economic interests. It does not imply that it is economically desirable to accelerate an existing spontaneous process to any significant extent.²⁵

In the light of rapid political change, changing industrial relations, the declining rate of growth of the economy, and the overall re-orientation of economic policy in the seventies, the policy of industrial decentralisation should be seen essentially as a means of constraining the organisational activity and bargaining power of Black workers in the metropolitan areas. The emphasis therefore is on industrial decentralisation as involving essentially qualitative mechanisms of political control on workers in the metropolitan areas by

24 This is described in detail in an as yet unpublished study by Alan Whiteside.

25 This is especially so in so far as it has been necessary to apply direct controls on the movement of Black labour and its use in the metropolitan areas, to influence the geographical distribution of the Black population. Lacey's claim (p.48) that the state's policy of relocating people in the Bantustans has increased their vulnerability to exploitation through the payment of low wages, and that this policy is "inextricably linked with the state's decentralisation policy", seems to suggest that influx control and relocation of people were motivated primarily by economic considerations.

means of competition from firms and workers in the border areas and homelands. Fergus Murray has argued in similar vein for the cases of several European countries. He states that whereas for generations it was assumed that there was a tendency in capitalism towards greater and greater concentration of production (p.75), an incentive for decentralisation was provided by "a change in the balance of class forces", when "labour rebelled and markets began to stagnate" (p.77).²⁶

While, according to Murray, decentralisation was initially adopted in Italy as a short-term strategy aimed at evading the labour movement's advances, the longer term aim of decentralisation, including geographical decentralisation, is "the destruction of the spontaneous organisation of the mass worker on a collective basis" (p.93). In South Africa, the advantages of decentralisation were initially perceived and acted upon by industry itself. From the late 1960s on, but especially from 1973 on and during the long, severe recession of 1975-79, however, as the rate of unemployment rose, as the unions became more radical, and the pressure for industrial relations reforms increased, the advantages of regional decentralisation as a counter to union power came to be more clearly perceived, and the transformation of the functions of decentralisation policy was more or less complete.

26 He particularly mentions "'unfavourable' industrial relations" as an important reason for industrial restructuring, including geographical decentralisation, as well as employment legislation; though he also mentions incentives, grants and subsidies amongst other factors (p.78-80). He also suggests that this process is most likely to occur in those industries where there is a high divisibility of the production cycle - such as aeronautics, marketing, electronics, clothing and shoes, rather than industries which require a large, unified production site.

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