

# DOWN MEMORY LANE

## THE ECONOMIC SOCIETY OF SOUTH AFRICA

PAST PRESIDENTS 1925 - 1963

### EDITORIAL

When I tell my young daughter about aspects of our country's history – the Anglo-Boer War, the Pact government, the apartheid era – she is, well, “amazed”. But she is also curious and wants to know “why?” What else can a busy father do but refer his daughter to the written and recorded history of her own society?

Yes, “history matters” and Joubert Botha's stroll down memory lane is a fine example of that tenet. It tells us much about the history of our own Society, and how it influenced and was influenced by the broader social environment within which it operated – an environment which was every bit as complex as it is now, and which certainly did not function like “clockwork”. It takes us back to a time when economists grappled with issues surrounding the old gold standard, and debated the desirability and feasibility of providing state support to a fledgling agricultural sector. It makes one wonder about the role played by protectionist policies generally, and domestic steel production in particular, during the early stages of a country's economic development. Above all, it reminds us of the concern people had for the perennial problem of black *and* white poverty, with several past Presidents anticipating and propagating both the findings and recommendations of the Tomlinson Commission and the more recent transformation of the country to a fully fledged democracy. If only policy makers had taken heed of the advice offered by these individuals...

Historical analyses should be both informative and entertaining, and we had no doubt that Joubert Botha would meet both criteria when we asked him to write our own history. Reading

this essay is bound to give the reader much pleasure, much as a new novel by Etienne van Heerden might do. But it may also confer benefits to “third parties”. Reading a new novel or an historical treatise, or for that matter the morning newspaper, may alter the attitude and behaviour of the reader – to the benefit of others. What would we have been if there had been no Keynes or Friedman? In any case, there is little point in *not* sharing with others the new insights and sheer joy one derives from reading a van Heerden or a Botha. And it is through this sharing that the real value of the written word is ultimately determined.

Philip Black  
Managing Editor

# DOWN MEMORY LANE

THE ECONOMIC SOCIETY OF  
SOUTH AFRICA

**PAST PRESIDENTS, 1925 - 1963**

JOUBERT BOTHA<sup>1</sup>

It was a splendid idea of our able conference organiser, Professor Elsabé Loots, to include in the agenda of the 2001 banquet a reference to those who had presided over the proceedings of our Society over the past seventy-five years. There have been forty of them so far, of whom fourteen are still with us. Very recently we lamentably lost our friend and colleague Mike Truu, President in 1986-87, who had been in poor health for some time, and, four years before him, Geert de Wet (1996-97), both of the Department of Economics at the University of Pretoria. They were respected colleagues who had made their mark not only in their own Department but also on the wider front of the economics profession in South Africa and internationally.

On this special occasion we may allow ourselves to indulge in a little reminiscing, as suggested by the organising committee. Many of the younger generation of economists - members of the Society - appear to be uninformed about our past, both as regards our activities and the people involved. For this they are not entirely to blame.<sup>2</sup> There has been only one survey article so far on papers published in the Journal over the first fifty years of its existence - an extensive *tour de force* by the late professor H.M. Robertson in the 1983 jubilee issue - but none about the authors

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<sup>1</sup> A much extended version of a toast delivered at the banquet on the occasion of the 75<sup>th</sup> anniversary of the Economic Society of South Africa, Johannesburg, 13 September, 2001, offered in response to requests from the Editor and a number of members of the Society. The keynote address was delivered by Mr Tito Mboweni, Governor of the South African Reserve Bank.

<sup>2</sup> Memories are fading fast, especially when history is no longer a compulsory subject in schools. It rather reminds one of A.J.P. Taylor's piece "Daddy, what was Winston Churchill?" in his *Essays in English History*, Hamish Hamilton, London, 1976.

themselves. That would be an impossible task. A focus on a much smaller number, some of the past Presidents, may perhaps better serve the purpose. Names that hitherto have meant little to us emerge as representing some very eminent and worthy people who instilled an interest and pride in our Society, a tradition which it is our duty to maintain and foster.

### **EARLY DAYS OF THE SOCIETY.**

One of the very earliest suggestions for a regular discussion of economic issues was that of Dr J.E. Holloway, professor at the Transvaal University College (later University of Pretoria) in 1922 in a letter to the first Governor of the Reserve Bank, Mr W.H. Clegg. He attached a memorandum setting out his ideas more fully. He only had in mind a discussion group of a "small circle ... of men who, by virtue of their knowledge of the theory or practice of the body-economic, could provide one another with the essential atmosphere of stimulation and constructive criticism..." And: "Such a circle, to be successful, need not be large..." This is, of course, true. Very valuable discussion can take place among a small number of persons who meet regularly. But that would be a club, not an open Society, a club of perhaps like-minded persons and a limited membership, which may inhibit young economists to join.

Appendix I below contains a transcript of the letter and memorandum which Holloway in his neat, legible hand addressed to Clegg. It is not known what role this played in the eventual formation of the Economic Society. Perhaps his ideas bore fruit - directly or indirectly - for less than three years later the first economic conference was held in Johannesburg, on 23 and 24 July, 1925.

We can today fall back on two publications in the Journal on the early history of the Society, one by C.W. Pearsall (1939), the other by C.S. Richards (1954).<sup>1</sup> It may serve a purpose if we

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<sup>1</sup> C.W. Pearsall, Some Account of the Origin and Development of the Economic Society of South Africa, *South African Journal of Economics* (hereafter *SAJE*), September, 1939, pp. 341-357, and C.S. Richards, The Society and the Journal - Their Origins, Developments and Achievements, *SAJE, Special*

briefly outline the major events here, shorn of the many names and events mentioned in these two papers.

The idea of a wider Society than what Holloway had in mind apparently originated with Professor H.E.S. Fremantle of Cape Town, who was then also connected with the Board of Trade. "There should really be no doubt on this point," said Pearsall (p.341). Fremantle issued a roneod circular from the Board of Trade in Pretoria in June, 1924 - where he had no doubt had contact with Holloway - which contained the names of 31 persons who had already given their support. The first few sentences neatly sum up the very essence of the Society:

"I am trying to start an Economic Society for South Africa, and am anxious to enlist your sympathy and support. What I want is to have serious discussions of our great economic problems and to publish them with discussions in a quarterly. I am trying to get the leaders of our economic life together to form a sort of council to get the thing going.." And: "All the professors fall in with the proposal eagerly. I have also secured the support of many of the leaders in our economic life" (pp. 341-2).

The latter remark soon characterised the early years of the Society: the keen interest taken in its affairs by academics, businessmen and a number of leading politicians, especially at conferences (*infra*). This is not surprising, judged by the topicality of the papers read at these early conferences, some of which were contributed by leading businessmen. Among the early supporters were Sir Robert Kotzé, Sir Abe Bailey, Mr S. Evans (Mining), J.W. Jagger, R. Stuttaford, A.Aiken, W.J.Laite (Commerce) and a number of prominent bankers.

Fremantle gave public addresses in Cape Town, Johannesburg and Pretoria to garner further support for the idea of an Economic Society. The greatest interest was shown in Cape Town, where it was decided at a meeting - chaired by J.W. Jagger - on 30 September, 1924 (three months after Fremantle's circular) to form an Economic Society of South Africa. A provisional committee was formed and a constitution drafted for

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*Coming of Age Issue, 21 Years in Retrospect*, March, 1954, pp.7-21. There are a few discrepancies in regard to the tenures of some of the early Presidents in these two surveys. The listing on the Contents page above largely follows the dates given in Richards's paper.

submission to committees that may be formed in other centres. It took as its model the constitution of the Royal Economic Society. A second meeting in Cape Town was held on 23 April, 1925, with Jagger again in the chair. Reference was made to a forthcoming conference in Johannesburg in July,<sup>1</sup> and it was decided to organise a seminar on 19 May at Cape Town, to give further publicity to the proposed Society. On that occasion Professor Arnold Plant read a paper on customs tariffs to an audience of some one hundred who had come "from all parts of South Africa" - a feat surely never to be repeated since at any branch meeting of the Society.

The first branch that appears to have been officially constituted was at Pretoria, on 24 April 1925. J.H. Hofmeyr was in the chair, and a paper read by W.H. Clegg, the first Governor of the Reserve Bank, on "The Necessity for Economics," was subsequently published in the *Journal of the Economic Society of South Africa*, in the very first volume, January, 1927. The Johannesburg branch was officially constituted only after the conference, on 24 August, 1925.

The conference must have been an impressive affair, very much a "first" for South African economists. It had originally been suggested by Professor R.A. Lehfeldt of the Witwatersrand University, whose personal involvement attracted many economists from different parts of the country. The organising committee included influential national figures such as the President of the Association of Chambers of Commerce of South Africa (F.C. Sturrock), the President of the Transvaal Chamber of Industries (W. Seals-Wood) and the mining industrialist Samuel Evans. Eight papers were read over the two days:

*Thursday, 23 July.*

Professor R.A. Lehfeldt, The Study of Economics.

F.C. Sturrock, The Limitations of State Enterprise.

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<sup>1</sup> Between September, 1924 and April, 1925, Fremantle was very active and was no doubt responsible for arranging the Johannesburg conference. As Pearsall mentions (p.344), there is no record of these activities.

Professor J.F.W. Grosskopf, Marketing of Agricultural  
Produce.

*Friday, 24 July.*

Professor H.E.S. Fremantle, The Effects of Tariffs on the  
Cost of Living.

Professor R.A. Lehfeldt, Railway Rate Policy.

J.W. Jagger, M.L.A., Taxation.

A.P. Van der Post, Economic Factors in Agriculture.

S.H. Frankel, Co-operation and Competition in the Marketing  
of Maize in South Africa.

All the papers, except Fremantle's, were published in a special conference issue in July, 1925. Some of the topics well reflect the problems of the time, especially Sturrock's on the limitations of State enterprise, a subject which was then hotly debated in Parliament around the issue of the establishment of an iron and steel plant. Others were railway rating, and tariffs - an extremely topical issue in the year 1925. And, of course, there was agriculture.

At noon on the Friday a meeting was held to draw up the draft constitution in the light of comments that had been received on the draft drawn up in Cape Town in September, 1924. A week later, on 31 July, 1925, the first general meeting of the Society was held at the Chamber of Commerce in Johannesburg, where the constitution was accepted and the first Council elected. Six members were from Cape Town, five from Johannesburg and four from Pretoria.

At a meeting immediately afterwards the Council elected Mr W.H. Clegg, Governor of the Reserve Bank, as the first President, and three Vice-Presidents, H.E.S. Fremantle, W.H. Andrews and R.A. Lehfeldt.<sup>1</sup> Such is the nature of committee decisions: the person who had done all the spadework was passed by and elected to a subsidiary position. Pearsall was of

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<sup>1</sup> There was suspicion of an irregularity about this meeting. Some Cape Town members felt it was unconstitutional of the Johannesburgers to hold a general meeting and adopt a constitution and appoint officers without notifying the Cape Town branch. The chairman, Mr Jagger, advised that the Johannesburg decision be accepted to save time.

the same opinion: "I think that Fremantle was disappointed that he was not made the first President of the Society" (p.348). On the other hand, Clegg could not have been overlooked: "No one could have surpassed him in the tact combined with firmness with which he steered the society through its initial stages" (*ibid.*).

Two years later (1927) Clegg was again elected. This started the custom, still adhered to, that Presidents of the Society serve for a period of two years. In January the first issue of the *Journal of the Economic Society of South Africa* was published, and in February a large conference was held in Cape Town, formally opened by the Mayor, at which eleven papers were read, including one by Professor Edwin Cannan from London. A special general meeting of the Society was convened, at which amendments to the constitution were adopted and the size and method of selecting members of Council determined. Professor Grosskopf of Stellenbosch, plagued by ill health, reluctantly accepted the position as the second President in 1928.

Clegg felt that, for reasons of goodwill, the headquarters of the Society should alternate between Cape Town and the North. As Pearsall put it: "... despite the extreme misgivings of some, it was decided to move the headquarters to Cape Town" (p.351). For the various reasons detailed by Pearsall (*ibid.*) it turned out to be an unfortunate decision, so much so that it was resolved at a belated annual general meeting in Cape Town that the office should return to Johannesburg.

In 1929 Holloway became the third President. A capital endowment fund was instituted, and Holloway "introduced a new feature, since become permanent, into the proceedings of the annual general meeting, by delivering a short presidential address on an economic subject to which the public was admitted" (Pearsall, p.352). To this Richards commented: "Unfortunately the public has not greatly availed itself of these opportunities" (p.11).

Samuel Evans was elected the fourth President, for 1931-32, but did not serve his full term. On 3 and 4 March, 1932, a conference was held in Cape Town at which six papers were read. At the conference dinner, with the President in the chair, the health of the guests were proposed by Mr J.H. Hofmeyr,

M.P., to which the Minister of Finance, Mr N.C. Havenga, replied. It was a fine gesture on the part of two opposing old-world politicians putting aside the hatchet to enjoy an evening with members of a Society whose mission transcended party politics. It also again illustrates the happy association that existed between the economics fraternity, the business world and leading politicians of the day.

During 1932 Council appointed a sub-committee (Professor S.H. Frankel, Dr G.E.N. Ross and Mr A.J. Limebeer) to investigate the future of the old *Journal of the Economic Society of South Africa*, which had appeared irregularly in nine issues since January, 1927. In August, 1932, on the recommendation of the sub-committee, Council decided to issue a new quarterly journal, *The South African Journal of Economics*, to be administered by Professors C.S. Richards, R. Leslie and S.H. Frankel - Richards as managing editor and Leslie and Frankel as editors.<sup>1</sup>

These appointments were made by the "Journal Committee" consisting of Richards (chairman), Frankel, Limebeer, Pearsall, E.H.D. Arndt and G.E.N. Ross. It was later changed to a "Board of Management." The Board met only twice for, as Richards put it, "the conduct of a regular quarterly, it was found, did not lend itself to administration by a Committee..."(p.11). He could have phrased it in more realistic terms: the editorial work on a publication of this kind is continuous and intensive, which involves continual decision-making, a process in which a Board of Management has no role to play.

When, in the same month (August), Samuel Evans resigned as President, Mr C.L. Read was elected. It fell to him and Richards to undertake the many tedious preparatory duties in time for the first appearance of the Journal in March, 1933. By coincidence, the timing was propitious. South Africa had left the gold standard and devalued at the end of December, 1932, which initiated a process of economic prosperity that lasted well after the Second World War. In the early years the Journal benefited from the goodwill shown towards it by the mining industry in

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<sup>1</sup> At the insistence of Dr Arndt and Dr Ross it was decided that the Journal would be a bilingual publication. Cf. Arndt, *SAJE*, Dec. 1975, p. 558.

the form of advertising and subventions. When in later years the novelty of an economics journal had begun to wear off, it was the Chamber of Mines that throughout remained a reliable financial anchor when others began to dither.

At the Council meeting of 29 September, 1941, two important decisions were taken. The "Charles Pearson Memorial Fund" was established for the "furtherance of economic study or research" to which contributions were invited from friends and associates. Richards, in his paper on the Society (p.13), mentions that at the end of 1952 the Fund reached the "highly satisfactory figure of £1375 17s 11d." The considerations around the establishment of the Fund will be discussed further below (see C.W. Pearsall)

At the same meeting Mr J.J.I. Middleton, a staunch supporter of the Society, suggested the establishment of an annual "Founders Medal" to commemorate the long association of the founders - Fremantle, Lehfeldt and Pearsall - with the Society. The conditions were finalised at a Council meeting on 30 June, 1943. They still apply today, with minor changes. A design for the medal, submitted by Miss K. Howitson of Pretoria, was accepted on 10 May, 1944. It was decided to use it also as a logo on the outside cover of the Journal: a worker ant (*Myrmecaria Natalensis*) with the motto in Latin "Go to the Ant, Thou Sluggard" (*Vade ad Formicam O Piger*), taken from Proverbs 6:6. The design was registered at the Design Office, Pretoria, 10 July, 1944 (No. 67 of 1944).

The "Ant" logo first appeared on the cover of the Journal in March, 1945, twenty years after the foundation of the Society. In a Note in the June, 1945, issue of the Journal Professor Richards explains that the Ant design had been unconsciously influenced by the Bee on the outside cover of *The Economic Journal* of the Royal Economic Society, both appropriately suggesting the industry and activity of economic life.

The Ant has always stood out on the cover of the Journal. It has recently been replaced by a design representing the letters ESSA. It stands for the Economic Society of South Africa, letters that have never been generally associated with the Society. The inscription underneath these letters is also in one language only, in a Society whose members are mostly Afrikaans speaking.

The current Council has broken with a proud tradition of bilingualism which has characterised the Society since its inception, in an environment dominated by English speakers. We can today salute the memory of these broad-minded people. It is a tradition that is well represented even in the pages of the old Journal, in the published Minutes of Council meetings and all official announcements about Society matters. It was also seen as a gesture of goodwill in years when it was not unconstitutional - as it has since become - to discriminate against an official language. This step by the Council was uncalled-for.<sup>1</sup>

We shall not recount the further developments of the Society and the Journal here, as was so well done in the articles of Pearsall and Richards. One milestone, almost fifty years ago, however, deserves mention: the publication of the *Special Coming of Age Issue, 21 Years in Retrospect*, in March, 1954. It carried 14 papers divided into Changes in Economic Theory (5 papers) and Economic Activity in South Africa (9). The Minister of Finance, Mr N.C. Havenga, supplied a Foreword - in English and Afrikaans - and Professor Richards the paper on the history of the Society and the Journal. A similar special publication was the Jubilee Issue of March, 1983, and the 75<sup>th</sup> Anniversary Issue of which the present publication forms a part.

Over the years the Society has undergone a change. Although initially established as a forum for discussion to bring together businessmen, other interested persons, academics and government officials - which, as we have seen, had been the case frequently in the early years - in due course businessmen began to lose interest in the activities of the Society. Of the 40 Presidents so far, only 6 were not academics, the last being Mr A.J. Limebeer, who served as President for one year only (1950). Gradually the academics took over, and as the topics discussed became more and more theoretical - and, later, statistically esoteric - the Society became more exclusive. In recent years the tide seems to have turned somewhat as a result of parallel

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<sup>1</sup> The decision was justified by an adviser as being in line with the modern trend in logo design. That may be so for a popular magazine, not an academic journal.

sessions in the conferences, which allows for subjects of a more topical nature to be discussed, and makes it worthwhile for men of affairs to attend.

### **PAST PRESIDENTS 1925 - 1963**

In this review of past Presidents of the Society we draw the line at the late Professor L.M. Lachmann, who served for the two years 1962-63 as the twenty-first President. All those discussed here have passed on, and many of them are unknown to the present generation. This serves as a special reason why we should attempt to rescue their careers from oblivion - some of them very remarkable careers indeed.

The review of the work of these eminent people given below is necessarily uneven, in some cases due to the preference of the author, in others the nature and extent of the material available. Some stand out as leading economists, others as organisers and benefactors of the Society. No attempt was made to provide full coverage of the activities, publications and views of those dealt with here. More attention is given to the life of Professor S.H. Frankel - about whom much information was available - than to those of the others. And his career was so much more dramatic.

The many views expressed below are the subjective impressions of someone of a later generation. The present author had personal contact with eleven of the twenty-one presidents - albeit with some only slightly. As a student I stood in awe of them. Many influenced my thinking, as they no doubt did with the thousands of students who had passed under their hands or merely read their works. One evaluates them with circumspection - often trepidation - realising that this is the opinion of only one individual, one who had followed the careers of a number of them over the past half a century.

There may be readers - perhaps many readers - who disagree with views expressed below. What follows are the impressions of someone who has had long experience of both the Afrikaans and English academic worlds in South Africa. Those whose experience was more limited may find my attempts at objectivity controversial if seen against the background of other life experiences.

Of four of the past Presidents no information worth mentioning was available. They had to be omitted from the discussion. They are Dr G.S.H. Rossouw (1946), Professor H.R. Burrows (1947-48), Professor T.H. Kelly (1952-53)<sup>1</sup> - the latter two both of the University of Natal - and Mr A.J. Limebeer of Johannesburg (1949).

### **W.H. CLEGG (1925-27)** **CENTRAL BANKER**

William Henry Clegg (1867-1945), the first President of the Society, was born in Bloemfontein where his father was the first headmaster of St. Andrews school, one of the leading schools in the old Republic of the Orange Free State. He returned to England at the age of one year with his mother, brother and sister after the death of his father in 1868. He joined the Bank of England in 1886, reaching the post of chief accountant in 1919. In January, 1921, he returned to South Africa as the first Governor of the newly established Reserve Bank.

Keynes played an important role in the appointment. He and General Smuts had been close since the days of the peace talks at Versailles, when Smuts advised Keynes to write his *The Economic Consequences of the Peace* against the harsh conditions imposed on the Germans in the Peace Treaty. In 1920 Smuts invited Keynes to come to South Africa for two months to assist in formulating a currency policy for the country, but Keynes, "laying the foundation of his career" as Harrod put it in his biography,<sup>2</sup> was unable to accept. He recommended Henry Strakosch who, "together with Arthur Gillett, was involved in drafting legislation that year to set up a central bank in South Africa."<sup>3</sup> Keynes

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<sup>1</sup> The June, 2000, issue of the *SAJE* contains an obituary notice on Kelly (1907-1999) by Professor J.P. Nieuwenhuysen of the University of Melbourne, mainly on his administrative contributions to the Faculty of Commerce at the University of Natal.

<sup>2</sup> R.F. Harrod, *The Life of John Maynard Keynes*, London, Macmillan, 1951, p.289.

<sup>3</sup> R.W.K. Parsons, Keynes and South Africa, *SAJE*, Vol. 51, 1983, No.3, p.421. This article contains much interesting material on the relation between the two great Cambridge men, Smuts and Keynes.

became a member of the selection committee for the post of Governor - a "difficult post to fill," Keynes wrote to Smuts, "and well qualified candidates are scarce; but we met yesterday, and there are good prospects, I think, of a good appointment."<sup>1</sup>

It was indeed a good appointment. Clegg served for a second five year term, which was extended for another year in 1931. He did much to acquaint audiences with the need for, and functions of a central bank, and endeavoured to effect changes in the Reserve Bank Act that would ease the practical operations of the Bank. The extension of his appointment by another year in 1931, according to the official biographer of the Bank,<sup>2</sup> was at his own request, in order to allow him to witness the completion of the new headquarters building at Church Square in Pretoria. What he could not have foreseen at the time was that he would during that year experience at first hand the South African gold standard saga, and the obliteration of the gold reserves that the Bank had so carefully nurtured ever since its establishment 10 years previously.

He was President of the South African Institute of Bankers in 1922 and 1923, before becoming the first President of our Society in 1925-27. In *vol. I no. 1* of the *Journal of the Economic Society of South Africa* (forerunner of the *SAJE*) of January, 1927, a paper of Clegg's appeared under the title "The Necessity for Economics," being his address delivered at the first meeting of the Pretoria branch of the Society. In it he sketched the new world that had been brought about by the great technological advances over the previous one hundred years, and the necessity for approaching from an *economic* point of view the many new problems that had arisen as a result.

The next issue, *vol. I no. 2*, of August, 1927, contains his presidential address. The first, if one had been delivered, could not be traced. It was in the nature of a survey of economic events in the country during the previous year, with again a

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<sup>1</sup> J.M. Keynes, *Collected Works*, Vol.XVII, pp.200-201. Cf. Parsons, *op cit.*, p.421.

<sup>2</sup> Other apparent reasons for Clegg's extended service will be mentioned under M.H. de Kock, *infra*.

reference to the need for education in economics, and for economic analyses of national problems. He continued: "there is a growing tendency among Governments to seek the advice of economists, and amongst them we may honourably mention our own South African Government" (p.2). He then referred to the Economic and Wage Commission appointed in 1925 by the Hertzog government, whose report contained "valuable matter for any student of the economic condition of the country" (p.3). But he was critical of the constitution of the commission, a "mixed commission of experts and non-experts" (*ibid.*), which explained the sharp divergence of opinion in the report. "The Report was still-born, and, except for its wonderfully educative value ... it might as well not have been written" (*ibid.*).

These were straight words on a government report coming from the Governor of the central bank.<sup>1</sup> The appointment of the Commission formed part of a number of considered economic measures instituted by the Hertzog government when it came to power in 1924, some of which went much against the grain of received business sentiment. Clegg, the appointee of the then Opposition, may be assumed also not to have been enamoured of the new turn of events, hence his open denigration of the Commission. Having thus shown his colours, it could be asked whether this could have had any influence on his career, in the light of the later relationship between him, Havenga and de Kock - with de Kock no doubt playing the passive role (see de Kock, *infra*).

In 1931 the British government invited him to head a commission of enquiry into the monetary situation of Hong

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<sup>1</sup> It was in fact a double-headed report: the one was signed by S. Mills (Chairman), professor Henry Clay (Manchester) and John Martin (presumably the noted mining financial specialist); the other was signed by W.H. Andrews, W.H. Rood, and F.A.W. Lucas. The former was much the more incisive of the two, and pointed out the high wage levels obtaining in South Africa compared with any other European country, and the large differences between skilled and unskilled wages (p.201). The latter warned that international wage comparisons could only be made if the category "Miscellaneous" was included, which was difficult to calculate (p.377). *Report of the Economic and Wage Commission (1925)*, U.G. 14 - 1926.

Kong. At the beginning of 1932 he was made an executive director of the Bank of England, a post which he occupied until 1937. In 1932 he was elected Lieutenant of the City of London, and in 1935 he was awarded the King's Silver Jubilee Medal.

Dr Arndt, the banking specialist, was less enthusiastic about Clegg:

"I think he was a self-made man who knew little about the nature of academic training in banking. When on an occasion I told him that I had dealt with central banking with my students and would like him to round things off with a first-hand talk about our local central bank, he gave only an elementary general talk."<sup>1</sup>

Yet he had his strong points. He brought to South Africa the culture of central banking - *via* the Bank of England - and the standards of the proud accountancy profession: as Governor he "fitted the role in every way, setting an example in dignity and dress and tolerating no familiarity" (*ibid.*).

William Clegg married Elinor Bowen in 1916. They had two sons and a daughter.

### **J.F.W. GROSSKOPF (1928).**

#### **RENAISSANCE MAN. AGRICULTURAL ECONOMIST.**

The second President of the Society was Johannes Friedrich Wilhelm Grosskopf (1885-1948). He was born in Bloemfontein into German missionary families, on both sides. He matriculated from Grey College and furthered his studies at the Victoria College, Stellenbosch, where he gained a BA *cum laude* in 1904 and an MA in German and English in 1906. He taught Dutch and German at the Diocesan College (Bishops), Cape Town, for a year. Then followed broad and extensive overseas study at various Universities: Berlin, Leipzig, Vienna, Leiden and Zurich, studying literature, history, philosophy, law and economics. At Leiden he took a doctorate with distinction in contemporary Roman-Dutch law. He was the Renaissance man among the economists discussed in this paper.

Back in South Africa he joined the Rebellion against the decision of the Botha government to side with Briatain and

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<sup>1</sup> E.H.D.Arndt, *SAJE*, Dec. 1975, p. 553.

declare war against Germany in 1914, was taken prisoner, spent nine months in the Pretoria gaol and was released on payment of a fine. For the next five years he practised journalism in Pretoria and Bloemfontein, renowned for the high level of his literary criticism.

From 1920 to 1935 he was Professor of Economics at the University of Stellenbosch, followed by ten years as head of the division of Economics and Marketing in the government Department of Agriculture in Pretoria. From 1945 until his death he was vice-chairman of the National Marketing Board and chairman of the control boards for tobacco, mealies and wheat.

Grosskopf was one of the leading agricultural economists of his day and became well-known as the compiler, in 1932, of the first of five reports of the Carnegie commission on the poor white problem in South Africa. He read a paper on agriculture at the first meeting of the Society in Johannesburg in 1925. Of this, Pearsall writes in his survey article (*supra*): "Until the 1925 Conference, he probably was not as well known in the north as he should have been, but his address there had an instantaneous effect; he was recognised to be the foremost agricultural economist in the country" (p.351).

He was elected President for 1927-29, a position which, according to Pearsall (p. 351), he accepted "with great reluctance" because of poor health. This probably explains why he resigned in mid-1929 without completing his term. Grosskopf was, however, better known for his extensive work as a playwright, in particular his contribution to Afrikaans drama, in the form of both original works and translations from German. Generations of Afrikaans children devoured his *Patrys Hulle*, a book of daredevil and adventurous boys and girls.

### **J.E. HOLLOWAY (1929-30)** **PROFESSOR. PUBLIC SERVANT.**

Next came J.E. Holloway, President for 1929-30. There were very few people in public service in South Africa *over the whole of the twentieth century* whose influence on national economic policy at the highest level was as significant, pervasive and enduring as that of Jack Holloway's. He commanded authority and enjoyed

the confidence of the minister of Finance over many years. His views were regarded with respect at Cabinet level and the civil service for a period of a quarter of a century, from 1925 to 1950. Despite his extensive work on practical and policy matters, he remained the scholar to the end of his life, when over many years he stoutly defended the principles of "honest money" based on gold.

John Edward Holloway (1890-1979) was born on a farm in the district of Hopetown, Cape Colony, the grandson of an Afrikanerised immigrant from England. The family moved to Stellenbosch under reduced circumstances where the young Holloway attended primary school. His father was already advanced in years, and he had largely to fend for himself. He paid his school fees by working as a delivery boy for a clothing shop in the town. After matriculating he furthered his studies with a loan from the shopowner, and received a BA (Hons) degree in history from the Victoria College, Stellenbosch, in 1910.

He taught history at Grey College (school), Bloemfontein, and in 1913 married Tienie, a descendant of an English missionary and a pioneer of Afrikaans children's poetry. In 1914 they left for the University of Ghent in Flanders where Holloway had intended to study history. When the Germans invaded Belgium in the same year they fled to Britain. Holloway enrolled at the London School of Economics (LSE), where he developed an interest in economics. In 1917 he obtained the DSc (Econ) with a thesis on the economic causes of the Great Trek, for which he was awarded the Hutchinson Research Medal.

He then returned to the Grey University College Bloemfontein, where he lectured on history and economics. Among his students was E.H.D. Arndt. In 1919 he was appointed senior lecturer in economics and economic history at the Transvaal University College (later University of Pretoria), and in 1922 to 1925 was the first full Professor of Economics - teaching in Afrikaans in an English medium University - as successor to the eminent and versatile W.A. Macfadyen, who had taught economics, psychology and philosophy. Holloway always cherished his connection with Pretoria University, on whose

Council he served for many years. During his short six years there he played a leading role in many high level Senate committees. He was at one stage chairman of Senate and a nominee for the position of Rector. Those were turbulent years when he got thoroughly embroiled in University language and rectoral politics which led, a decade later, to the transformation of the University of Pretoria into an Afrikaans medium institution.

Perhaps his greatest contribution during those years was the role he played in the foundation of the extra mural section of the University. This allowed many a gifted but poor student to gain a University education, which opened the way to a top position in the civil service later on. The boy who had run errands for the clothing shop in Stellenbosch many years before knew the hardships of poverty and, given the opportunity, the stimulus it gives to perseverance and eventual success.

What to many constitutes the apex of career satisfaction - professorship at a University - turned out to be only a stepping stone for Holloway. His career came into the ascendant properly only after he had entered public service in 1925 as Director of Census and Statistics. At that time he was one of the few economists in the service. The Nationalist-Labour Pact government of General Hertzog was in power, and Holloway's advice was often sought by Mr N.C. Havenga, minister of Finance and Hertzog's right hand man. Those were the difficult years of the crash on the New York stock exchange, followed by the gold standard crisis in Britain in 1931 - which affected South Africa seriously - and the belated decision by the government on 28 December 1932 to leave gold. The World Depression - the greatest the world had ever known - had set in, with prices and economic activity disastrously low, and the agricultural sector especially hard hit by the prolonged and devastating drought of 1933 which brought ruin to many a farmer in South Africa.

Holloway acted as adviser to the South African delegation to the Commonwealth Conference in Ottawa in 1932 and the World Economic Conference a year later. In 1934 Havenga appointed him economic adviser to the Treasury, and in 1937 to the top post of Secretary for Finance, which he filled with

distinction until his retirement in 1950.

In this capacity he represented South Africa at numerous international conferences: the Commonwealth Conference of 1937, Bretton Woods in 1944, the conferences on trade and employment at Geneva in 1947 and Havana in 1948 (which led to the GATT), the Commonwealth Conferences of ministers of Finance in 1949, 1950 and 1954 - the latter after his retirement from public service - followed by the conference of Prime Ministers in 1957 and the Commonwealth Economic Conference at Montreal in 1958. In 1961 he was the leader of the South African trade mission to Europe.

In 1954 he was appointed Ambassador to Washington, and from 1956 to 1958 to the plum diplomatic post of High Commissioner at South Africa House in London.

Holloway served on or chaired numerous commissions of enquiry. In 1923 he wrote an appendix on the poor white problem for the final report of the Carnegie Commission, and in 1928 became a member of the control board of that Commission. He was connected with six other important commissions, three of which are worthy of mention: (1) the Report of the Native Economic Commission, 1930-1932, (2) the Customs Tariff Commission of 1934-5 and (3) the commission of enquiry into University Finances of 1951-53. The latter contained a formula, the so-called "Holloway formula," for University finance which was adopted and put into effect by the government for many years.

The Report on the Native Economic Commission is perhaps the least known of all Holloway's many public documents. It is doubtless also the most important in its intent. In the report Holloway<sup>1</sup> lays down the fundamentals of a possible future "native policy." The gist of the findings of the commission on this huge subject is reflected in paragraphs 693-695.

Full economic segregation would be "uneconomical even if

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<sup>1</sup> As chairman, Holloway's views may be expected to have prevailed, if necessary by steering members of the commission in the direction of his thinking. But he allowed well-argued dissent, which was printed in the main text of the report.

possible." However, "nobody advocates this." It is sobering to know that this was apparently a generally held view at the beginning of the 1930s - how different from government policies after 1948!

The commission favoured a partial economic segregation, which "lies at the basis" of the report. "This consists in developing the Native areas sufficiently to make greater provision for the needs of the Natives resident therein." Put differently: create conditions that would allow people in the rural areas to make a living there, and allow those in the urban areas to develop the skills needed in a modern economy. It would prevent destitute migrants from flocking to the cities and underbid those that live there permanently. This would "create a more economical distribution of the labour forces than obtains now."<sup>1</sup> Holloway lived to see his sober recommendations based on economic logic thwarted completely by political ideology.

Frankel, in his autobiography (*infra*) is ambivalent about Holloway. He says:

"Holloway was a brilliant economist. He was as inscrutable in regard to his own beliefs as he was meticulously correct in conducting his official duties - unsmiling and high-principled. He nearly always got his way with all concerned. I suspected - rightly or wrongly - that he was far on the right of the political spectrum" (p.110).

The report left Frankel unimpressed. The remedies suggested, he thought, were miniscule: land should be added to the reserves, and these should be developed. But it was quiet on where the capital was to come from - worse still, it thought it undesirable that "the European population (should) shoulder the burden" (p.111).

It is easy, seventy years after the event, to pass superficial judgement on the views of Holloway and Frankel. The spirit of

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<sup>1</sup> This is reminiscent of the Tomlinson recommendations (*infra*). Also, at that stage, these were not politically viable - as were the recommendations of the report of the J.H. Botha commission on trade unions in 1951 (*infra*). The Holloway report (UG 22/1932) is summarised in four articles in *Bantu Studies*, Vols. VII and VIII, 1933 and 1934. The commission held 62 meetings in all four provinces and heard evidence from a very large number of mostly black witnesses.

the times was such that the mere mention by an official that more land should be added to the reserves, and that these should be developed, could be seen as being as daring as the guarded recommendation by the Botha Commission of 1951 (*infra*) that Black trade unions should be officially recognised. A public servant can openly criticise government policy only at his peril. If he dares to do so officially, it is bound to be so discreet and noncommittal as to be unacceptable to the more liberal establishment, to which Frankel belonged.

Having finalised his report on the Native Economic Commission, Holloway - then still Director of Census - attended the Ottawa conference in 1932 which gave rise to imperial preference and, in June 1933, the important World Economic Conference.<sup>1</sup> In 1934 he became adviser to the Treasury and was appointed chairman of the Customs Tariff Commission - another task of extraordinary dimensions. The report is still worthy of close study on the theory, practice and many pitfalls of tariff protection.

The immediate background to it was the precipitate introduction in 1925 of protective duties by the newly elected Pact government, which allowed little opportunity to the Opposition to debate the many clauses of the Bill. Holloway characteristically did not pull his punches in the report (UG5-36). The commission found that the majority of the industrial goods produced at home were costing more than they would on the basis of free imports. Prices were kept high by protective measures, and wages by industrial legislation (par.373 *et seq.*). The commission recommended, "moderate protection" to allow

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<sup>1</sup> It took place in the depth of the world depression, and was a truly international event. Keynes, a British delegate, and Mr Walter Lippmann, an influential American journalist and author, took part in the first transatlantic radio discussion on the coming conference. The world had put its hopes on the outcome of this great occurrence. In honour of the delegates, two gala performances of *Coppelia* were held at Covent Garden with members of the Royal Family present, and Lydia Lopokova - Mrs Keynes - forming part of the troupe. Harrod, *op. cit.*, pp. 402, 445. The conference largely failed in its exalted objective of finding an answer to the Great Depression. It inspired Mr Lippmann to start work on his wide-ranging book *The Good Society* (1938).

industry to become competitive internationally and create an awareness of the need for greater productivity and efficiency. Tariffs should not protect the weaker industries. A moderate protection would be, say, an *ad valorem* tariff of 25 per cent, with more allowed only under "special circumstances" (par.397).

Jack Holloway was a great South African. His wide cultural interests are reflected in his membership of the Simon van der Stel Foundation, founder council member and executive trustee of the South Africa Foundation, trustee of the 1820 Settlers' Memorial Trust and the first honorary member of the Transvaal Numismatic Society. He received honorary doctorates from the Universities of Rhodes, Pretoria and Stellenbosch.

His biographer, Dr G.W.G. Browne, describes him as "strict and conservative in outlook and action and for him the integrity of the government administration was all-important. He did not seek popularity and was often forced to adopt an unpopular point of view, but still managed to retain the respect of his colleagues." <sup>1</sup>

Two years later, in 1974, at the age of 84, he published his last contribution to the Journal, an almost 6-page Review Note on Irving S. Friedman's, *Inflation a Worldwide Disaster*. The Holloway message was consistent and unabated: do not tamper with money; honour its integrity; finance production from savings, not from money created for the purpose; and beware of the welfare state and the urge towards full employment. Today, much of this sounds like a voice from the past, which, of course, it is. But the essence of Holloway's views remains important: monetary policy should further price stability.

When the present author discussed with him aspects of his old customs tariff report (1935) in early 1972, Holloway, austere but friendly, then aged 82, could not only recall details of the report but also the different views taken by some of the members of the commission on certain issues. He was then long retired but still connected with a large gold mining company. His life's work

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<sup>1</sup> G.W.G. Browne, *Dictionary of South African Biography*, Human Sciences Research Council, Pretoria, 1987, Vol. V, pp.356-58. The foregoing is based extensively on Dr Browne's contribution.

was done. His wife, "a pillar of strength in his career" (Browne) had died five years previously, and he had moved to Johannesburg where he died in his son's house seven years later, in 1979.

It was a strange experience to meet this great man under these circumstances, sitting in a little office in a huge skyscraper, indifferently dressed and writing away at one or other document. He was no longer writing for the Cabinet as in the old days. He was now operating on a much lower level, setting down views for the perusal of businessmen who were likely to be less interested in his analyses than the fact that they could say to the outside world that the Company was enjoying the services and wisdom of Jack Holloway as consultant and adviser.

**S. EVANS (1931-32).  
MINING INDUSTRIALIST.**

The fourth President appears in our 1993 list merely as S. Evans (*SAJE*, Vol. 61, No. 2). It would be safe to say that among economists today he is completely forgotten. Even the titles of his presidential addresses for 1931 and 1932 could not be traced when the Index was compiled in 1993. A little research since has shown that he was someone with exceptional energy and talents. He made his mark fully in his adopted country.

Samuel Evans (1859-1935) hailed from North Wales, from the town - if you must know - of Rhasllanerchrugog. He started his career as a journalist with a Welsh paper *Herald Cymraeg*, followed by four years on *The Sheffield Independent*. In 1883 he was appointed to the Egyptian Ministry of Finance and, because he could write English and French shorthand, he became the private secretary to Sir Edgar Vincent, later Lord D'Abernon, the financial adviser to the Khedive of Egypt. He followed his employer to Constantinople when Sir Edgar became governor of the Imperial Ottoman Bank. In this capacity he travelled widely in Asia Minor and Persia and became fluent in Arabic, Turkish and Persian, and a noted student of Oriental literature. He was daily brought in close contact with world business and finance, which allowed him to gain an intimate knowledge of banking and monetary systems.

Evans came to Johannesburg in 1896 shortly after the disastrous Jameson raid, and in 1898 joined the firm of H. Eckstein and Company. During the Anglo-Boer War he served on the staff of Lord Roberts, and was one of a delegation of three who demanded the surrender of Johannesburg in May, 1900, from the Commandant, Dr Krause. He was appointed civil commissioner of Johannesburg and was decorated with the South African medal.<sup>1</sup> After the war he became known in the gold mining industry as an advocate of mass production in large organizational units, and in 1909 was elected chairman and managing director of Crown Mines Ltd. He pioneered the application of scientific methods of hygiene in South African mining and in 1912 visited the US and the Panama Canal to study the latest developments in industrial hygiene. He was largely responsible for the establishment of the South African Institute for Medical Research and, soon after the end of the First World War, of a gold refinery and - despite strong opposition - a branch of the Royal Mint in South Africa. Like Holloway, he was a firm believer in the pivotal role of gold in the monetary system.

Evans took great interest in the establishment of the Economic Society and was a member of Council until his death in 1935. His presidential address in 1932 was on the broad subject of "The Wealth of Africa."<sup>2</sup>

He was, as befit a good Welshman, genuinely interested in education. The biographical note in the *SAJE* of 1936 put it as

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<sup>1</sup> Mention is made in two places in *The Times History of the War in South Africa, 1899-1902*, Vol. VI, pp. 5, 589, of Evans's appointment as civil commissioner. The question remains why this newcomer to the Transvaal was given the high appointment of a member of Roberts's staff. There was also another Evans in the town whom Roberts appointed as his financial adviser, Mr Emrys Evans, the British Vice-Consul in Johannesburg before the war. The two Evans's knew each other in the small mining town. On an occasion when an Arab dignitary visited the Vice-Consul, Samuel acted as interpreter. It is possible that Samuel's appointment was made on the advice of the Vice-Consul.

<sup>2</sup> Earlier, on 3 March 1932, he had read a paper "before the Conference in Cape Town" on Devaluation. It is not stated whether it was a presidential address. *Journal of the Economic Society of South Africa*, vol V, Part I, no 9, pp 1-8.

follows: "Dr Evans, in common with so many men who achieve the greatest distinction by their own efforts rather than by favour of fortune, was keenly interested in educational questions." <sup>1</sup> He served as a member of the Council of Education from 1902 to 1935 and was one of the early advocates of the establishment of a university in Johannesburg. He was on the Council of the old School of Mines - subsequently the University of the Witwatersrand - from 1911 to 1925, and the chairman of Council from 1914 to 1919. In 1926 he was awarded an honorary LLD by the University, as also the University of Wales.

With the possible exception of C.L. Read (*infra*), Evans was the only past President of the Society that had not received an academic education. He was, in the very best sense of the word, a self-made man. He reached the pinnacle of success in his career as an industrialist and educator, and was highly respected. Of this his doctorate *honoris causa* bears proof. Self-made men through the ages have elicited silent admiration from those privileged through education or good connections, or both, to help them on their way. Self-made men are on their own. Their success comes from an inner strength that makes them stand out. No one has said this better than the Bard in Henry VIII. The Duke of Norfolk on the Cardinal of York:

Surely, sir,  
There's in him stuff that puts him to these ends  
For, being not propp'd by ancestry, whose grace  
Chalks successors their way, nor call'd upon  
For high feats done to the crown; neither allied  
To eminent assistants; but, spider-like,  
Out of his self-drawing web, he gives us note,  
The force of his own merit makes his way;  
A gift that heaven gives for him, which buys  
A place next to the king.

Evans's many talents "chalked" him on his way; and his "self-drawn web" amply gave evidence of his singular merit and ability. His photograph in the Illustrations (*infra*) is of him in his doctoral robes, and as ex-chairman of Council of the University

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<sup>1</sup> Obituary Note by A.J. Limebeer, *S.AJ.E.*, Dec., 1935, p. 604.

of the Witwatersrand. The boy from Rhasllanerchrugog made good. He left indelible footprints among his generation. And found our Society worthy of his attention and sustained interest.

**C.L. READ (1932-33).**  
**MINING INDUSTRIALIST.**

About the next President, Mr C.L Read, little is known. His name is also not listed in the *Dictionary of South African Biography*. It appears from a brief mention by C.S. Richards that Read, of the Central Mining and Investment Corporation Ltd., soon succeeded Lehfeldt as honorary secretary and treasurer of the Society. Through his "energy and enthusiasm" the Society was put on a firm footing, while his presidency "resulted in a great step forward: the commencement of this quarterly."<sup>1</sup> Perhaps he had raised the issue in Council for, as we have seen, it was a sub-committee - which did not include him - that had made the recommendation on which Council acted in late 1932, and that led to the foundation of the Journal.

**C.W. PEARSALL (1934-35).**  
**BENEFACTOR. ROYAL SILVER MEDALLIST.**

We also do not know much about Read's successor, C.W. Pearsall, although short obituary notices appeared in the *SAJE* for September, 1939, by Holloway, Limebeer and Richards. Old hands will remember that for many years there appeared in the annual books of the Society an account under the heading "Pearsall Memorial Fund", without anybody apparently knowing - or caring - what it represented. It has since disappeared from the accounts. (A brief history of the Fund is given above). He has long ago joined the ranks of those whose names signify nothing to the present generation. Yet Holloway had high praise for him: "I am not aware of any single member who has done more for the success of the Society than Charles Pearsall" (p.359).

Charles William Pearsall (1880-1939) was born in Dublin and educated at Bath and Trinity College, Cambridge, where he

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<sup>1</sup> C.S. Richards, *The Society and the Journal (supra)*, p. 10.

completed the mathematical Tripos in 1902 and an MA in 1906. He entered the Cape civil service in 1902. In 1920 he joined the office of Census and Statistics in 1920, where he came into his own. He did valuable work in connection with price indices, family budgets, life tables, and improvements in many other statistical tables published by the government at the time. In 1925 Pearsall and Holloway - then recently appointed Director - reworked Lehfeldt's national income calculations and showed that a more accurate estimate could not be made on the basis of the available statistics. They could not pursue the matter, and it was left - much later - to Dr D.G. Franzsen to turn his attention fully to it after his move from Stellenbosch to Pretoria in 1950, where he put many a doctoral candidate to work on one or other aspect of national income calculation. Dr Franzsen stands in a short row of respected early pioneers who attempted the vast task of calculating the national income of South Africa: Lehfeldt, Frankel, Neumark and Herzfeldt, with Holloway and Pearsall at one remove. <sup>1</sup>

Holloway, in his 1939 Note, does not go into detail about Pearsall's work for the Society, except to say that he was honorary secretary-treasurer from 1930 until his death in 1939, excluding the two years when he was President. And then: "He took the initiative in the creation of the Reserve Fund, and the rules governing the Fund differ only slightly from his original draft" (p.359). As we saw, the Fund was named in honour of Pearsall, in recognition of his many services to the Society.

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<sup>1</sup> Frankel in his autobiography mentions that he had been working on national income questions for some years, work that arose out of his annual reviews of the government budget for Sir Ernest Oppenheimer: "It was a subject that always interested me." At the outbreak of the war the minister of Finance, J.H. Hofmeyr, asked Frankel to "prepare official estimates of South Africa's national income in relation to consumption, investment and war expenditure." This was done with the assistance of S.D. Neumark and later H. Herzfeldt. The work had to be "private and not under the aegis of the public service." It remained private until Frankel left for Oxford in 1946, when the work was taken over by Mr A.P. Ravenscroft of the Bureau of Census and Statistics, and later Professor Franzsen. Cf. S.H. Frankel, *An Economist's Testimony, The Autobiography of S. Herbert Frankel*, Oxford Centre for Postgraduate Hebrew Studies, Oxford, 1992, p.155.

Dr Arndt shed more light on this matter in his spirited reply to a toast at the banquet celebrating the jubilee of the Society in 1975. A condensed version of his 45-minute address was published in the *SAJE* of December, 1975. The Charles Pearsall Memorial Fund was established after his death, in honour of Pearsall's long service to the Society as secretary-treasurer. Pearsall was concerned that the Society should become less dependent on the generous financial support from the mining houses, which caused him to establish a Capital Endowment Fund, to which branches were "urged at all times to contribute surplus funds" (p.552). It was this fund that was named after Pearsall at the Council meeting of 29 September, 1941, for "the furtherance of economic study or research" (*supra*).<sup>1</sup>

It is regrettable that not more is known about the work of Pearsall besides the accolades of his contemporaries. He was held in high esteem, for in the June, 1935, issue of the Journal, the managing editor, C.S. Richards, could proudly make the following announcement in his rubric Current Topics:

"His Most Gracious Majesty the King, in recognition of the public work done by the Economic Society of South Africa, has been pleased to confer His Silver Jubilee Medal on Mr. C.W. Pearsall as President."

Pearsall was a confirmed club-man. He made clubs his residence and never married.

### **R. LESLIE (1936-37). THE JAGGER CHAIR. EDITOR.**

Information in the annals of the Society about the next President, Professor R. Leslie, University of Cape Town, is surprisingly scant. An Obituary appeared in the *SAJE* of March 1951 from Professor W.H. Hutt, to which was appended a list of Leslie's publications. We shall rely on Hutt's note as our only source.

Robert Leslie (1885-1951) was of Aberdeenshire stock and educated at Edinburgh where he received the MA degree in

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<sup>1</sup> Dr Arndt added: "He had a weakness for falling asleep at lectures but whenever the final clapping began he would turn right and left and unaffectedly declare that it had been a good lecture!"

economics and moral philosophy with first class honours in 1907. After a short spell in the civil service he joined the University of Edinburgh as a lecturer in economics and economic history. In 1913 he was appointed to the chair of Economics in Calcutta. A year later he was invited to become the first incumbent to the newly created Jagger chair at the old South African College in Cape Town.

Hutt describes him as "retiring and modest by nature, and reluctant to push his own point of view, either verbally or in print. It was pure public spirit which led him to publish at all. But he never shirked what he thought to be necessary controversy" (p.93). This explains the meagre output of someone who was generally held in high esteem by his colleagues.

He served as editor of the Journal for 18 years, from 1927 to 1945, and was the only one who carried over from the old Journal to the *SAJE* in 1933. The subject of his address in 1936 was *Economics in South Africa*, and, in 1937, *Gold, 1936-37*.

**E.H.D. ARNDT (1938-39).**  
**PROFESSOR. CENTRAL BANKER.**

With Dr E.H.D. Arndt (1899-1983) we come to the names of persons with whom some of us had personal contact in one way or another. Ernst Heinrich Daniël Arndt was born in Bloemfontein, one of the three distinguished sons of a Berlin missionary. His one brother was an internationally noted mathematician with a doctorate from Göttingen.

Arndt was a product of his town, attending first the Grey College (school) followed by the Grey University College, where he obtained a BA in Economics and Mathematics in 1920, with Holloway one of his lecturers. Two years later followed an MA in Economics at Columbia University, New York, on a thesis *Inconvertible Paper Money in South Africa*. In 1923 he was elected President of the Graduate Political Economy Club at Columbia in recognition of his academic achievements. A year later he was awarded a PhD on a thesis *Currency Development in South Africa*.

Arndt was an extraordinarily diligent researcher who went to great lengths to find his material. His interest in currency history took him to England, whence he travelled as a cattle guard in a

freighter carrying beef cattle to Europe. In this way he managed to earn his keep for his stay in London where he did research in the British Museum, the Colonial Office, the Public Records Office and the Royal Colonial Institute. He later extended his thesis into a book that became the landmark in the history of currency development in South Africa in a 540-page volume, *Banking and Currency Development in South Africa, 1652-1927*, published in 1928. It was for Arndt clearly a labour of love. He writes in his Foreword that our past in this sphere "is most fascinating and instructive," showing the "typical development from the barter economy to the credit economy through all the transition stages". It also showed the "dangers of Government banking and Government interference in the sphere of currency; the ease with which paper money is issued but the difficulty of stopping the issue of notes" (*ibid.*).

He adds that in the course of his research "a mass of information has been accumulated regarding the individual banks of the past and present as well as on general economic conditions." He had to leave much out for reasons of space. "But it is to be hoped that some means will be found for preserving this most interesting information for future reference". Arndt's book today is still one of the most impressive pieces of research undertaken by any one individual in the field of economics in this country. It is an instructive example of clear-headedness, perseverance and German thoroughness at its best.

After his doctorate Arndt was offered a position as Professor of Banking at the University of Arkansas, but could not take it up because of the conditions attached to his government bursary. He was allowed to stay for another year as lecturer in banking at Columbia under the then eminent Professor H. Parker Willis - a name that still appears in works on US banking history. The year was 1925, a year after a new government had taken office in South Africa. Jack Holloway, aged 35 years, was moving from Pretoria University (then still the TUC) to the Census Office (*supra*), and made way for Arndt, aged 26, as acting Professor of Economics. A year later he was appointed to the chair and Dean of Commerce. In the same year he married

Ruth Elizabeth Spence, a Canadian student whom he had met during his student days. In 1936 he became Professor of Banking at the University of Pretoria, a post which he held until 1942, and on a part-time basis until 1946.

In 1931, after the award of a Carnegie bursary, he did research on agricultural credit in the United States, a subject about which at that time there was great need to succour the struggling agricultural sector in the country. During the early 1940s he served on the technical committee on banking legislation, and in 1942 was appointed the first Registrar of Banks and Building Societies. In July, 1951, he was appointed Deputy Governor of the Reserve Bank, serving two five-year terms until June, 1961. After his retirement he joined the board of the Land and Agricultural Bank from 1962 to 1973.

Perhaps Arndt will be best remembered for the work he did in connection with the decimalisation of the South African currency. In 1951 he was a member of the Bureau of Standards sub-committee on the technical aspects of decimalisation; from 1956 to 1958 he served on the Decimal Coinage Commission, and from July 1959 to December 1963 he was the chairman. That brought him in the public eye as never before. The success of the process was such that Arndt's advice was subsequently sought by other countries, especially in the Commonwealth.

He also served in many other capacities. Earlier on, in 1926 when he assumed duty as an academic in Pretoria, he was on a two-man commission to investigate the statistical services of the country. In 1933 he was an adviser in the Union's delegation to the World Economic Conference in London. In 1934-5 he served on the commission on industrial legislation and in 1941-2 on the technical committee on banking legislation. Besides these official connections he gave oral and written evidence to many investigating bodies: the Select Committee on the Gold Standard (Report S.C. 9-32), the commission on co-operatives and agricultural credit (1933), the Select Committee on the Insurance Act (1941), and the commission on the Income Tax Act (1950).

Arndt participated - with Dr A.J. Norval and Mr J.D. Louw - in the compilation of the first English-Afrikaans *Economic and Legal Dictionary* in 1933. He received the Havenga prize for

Economics of the *SA Akademie vir Wetenskap en Kuns* in 1953, an honorary doctorate from Pretoria University in 1958 and from the Witwatersrand University in 1962. The following year his old *alma mater* in Bloemfontein awarded this highly deserving ex-student an honorary diploma !

Members of the generation of the present author who came into contact with Arndt in a formal capacity were unanimous on one point: if Arndt was on a committee, the proceedings were unlikely to be boring. In argument with his peers he could be devastating, and unwilling to give way. This made meetings of committees on which he served not occasions to look forward to.

Opposite to Arndt (b.1899) in those early days, when few economists were in the civil service, stood Jack Holloway (1890) and M.H. De Kock (1899). Arndt was the currency and banking specialist, Holloway a great all-rounder, and de Kock the straight Harvard economist. Having been - with Holloway and others - on the delegation to the World Economic Congress in 1933, the gentle, soft-spoken Havenga - the greatly respected *oom Klasie* - Minister of Finance, must have rated Arndt as someone whose technical knowledge could be put to good use. One cannot imagine Havenga appointing Arndt as his special adviser, as he had done with Holloway or, as we shall see below, M.H. de Kock.

There are those of the later generation, like the present author, who summed Arndt up as someone of an irascible disposition. He could not help himself; it was a question of temperament. Overseeing his career and those of his peers, one realises that there might have been more to it. Arndt was the monetary expert, highly acclaimed at Columbia, author of a pioneering work in his field, and yet passed by when the Pact government was looking for a worthy local successor to the Englishman Clegg and his deputy, the Hollander Postmus.<sup>1</sup> The one chosen for the role was M.H. de Kock, not Arndt. It was de Kock whom the Minister sent round to the great overseas central

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<sup>1</sup> Political correctness, affirmative action! Merit is usually the victim. This was the order of the day after 1924, after 1948 and again after 1994.

banks to study central banking, a subject that Arndt had already had in his bones. Banking was his discipline, his profession, the field in which he was Professor at the local University. And yet Havenga passed him by. "Nature hath framed strange fellows in her time" - but when this perception is accompanied by a generally recognised expertise, the result is tantamount to a tragedy.<sup>1</sup>

And yet Arndt took no umbrage. In 1975 he wrote: "I have known Mike de Kock intimately since 1922 and since that time we have frequently conferred about our writings and publications. He is one of those great minds who is not afraid of other opinions but welcomes comment and suggestions, always reserving the ultimate decision to himself. The ten happiest years of my life I spent as his Deputy where, in characteristic fashion, he looked upon himself merely as *primus inter pares* - the first among equals."

This was a fine testimonial from one great South African to another.

Today we honour Arndt's legacy to his profession, his *magnum opus* on the history of the currency of his country. Advanced students of monetary economics still benefit from his hard work under difficult circumstances, especially during his University days. His book remains a valuable source of information on a subject which its author, by his own admission, found fascinating. It is also reflected in his style of writing. Holloway left something more ephemeral behind - one of the greatest public figures in his time. De Kock is discussed below.

We must now take leave of these two outstanding public servants and move on to three academics. They never occupied

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<sup>1</sup> Few people could have known Arndt well - one would certainly have been M.H. de Kock, who later appointed him his Deputy. There was a humane side to Arndt of which few of us were aware, as an anecdote may illustrate. At a conference, when a young Professor - since deceased - took to the podium to read his paper, he lost his nerve, started to stutter badly and became quite flabbergasted. Then the audience started to laugh. Arndt, sitting in the front row, was most upset over the behaviour of the audience, and made it known in no uncertain terms. He in fact rescued the young man from feeling inadequate in the presence of so many Uriah Heeps.

high public office, and succeeded one another as President: Hutt, Frankel and Richards.

**W.H. HUTT (1940-41).  
PROFESSOR. LIBERAL ECONOMIST.**

The incumbent of the next presidency of the Society (1940-41) was a Professor from the University of Cape Town, a prolific writer and an indefatigable defender of his economic faith. We shall not say much about it except in so far as it helps to portray the man, W.H. Hutt. His many writings brought him international recognition - and fame - because of the universality of his interests and the persistence - vehemence even - with which he advocated his views. Hutt was an inveterate economic libertarian who found State interference in economic affairs repugnant as being bound to undermine individual freedom. Trade unions made him saw red, not to mention strike action. So did any reference to Keynes, except in critical vein. He taught the dangers of Keynesian economics for many years in the Department of Commerce at the University of Cape Town, in direct opposition to what was being taught in the Department of Economics, to the chagrin of the young lecturers. The students loved it. The end result was a body of students - those who took these subjects - who had got into the habit of thinking for themselves. <sup>1</sup>

William Harold Hutt (1899-1988) was born in London, and entered the LSE in 1919 where he obtained a BCom After leaving the School he served a business apprenticeship under Sir

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<sup>1</sup> In the Department of Economics your task was clear-cut : teach Keynes, as laid down in the syllabus. Hutt had no such limitations. From his perspective of the ideology of free enterprise he could pounce on Keynes, apparently not caring much whether the students possessed the necessary background. One got the impression he was lying in wait for the Department of Economics to spread his own message - and that he enjoyed himself doing so. The present writer once foolishly attacked him in this Journal on the - for Hutt - absolutely fundamental question of Say's law. It was hoped to needle the old fox for a change. He reacted magnificently. He grandly ignored the article until many years later when he replied - from on high, and rather tangentially - confirming his position with well-seasoned arguments.

Ernest Benn, owner of the well-known publishing firm. In 1928 he was appointed senior lecturer at the University of Cape Town in the Department of Commerce, founded four years earlier by professor (later Sir) Arnold Plant. When Plant returned to London in 1930 Hutt became professor and departmental head. He retired in 1966 after serving his University for 38 years. He played an important part in the establishment of the Graduate School of Business in his University on the pattern of Plant's MBA course at the LSE.

Among Hutt's many works are *The Theory of Collective Bargaining* (1930), *Economists and the Public* (1936), *The Theory of Idle Resources* (1939) and *Keynesianism - Retrospect and Prospect* (1963) as also many articles in various professional journals. He also published a number of articles on monetary theory, and included a chapter on it in his 1963 book. These did not draw much attention from monetary theorists, perhaps because of Hutt's custom of re-defining well-known concepts to describe more precisely what he had in mind. He is today remembered for his introduction into the literature of the concept *consumer sovereignty*, the power of the individual to demand, or refrain from demanding - a power of which no authority can deprive him.

In his *Economists and the Public* Hutt put forward a suggestion which well shows his deep abhorrence of political influences on the economic process. He distinguished between *custom* thought and *power* thought, both of which, he held, constituted a "monstrous obstacle" to rational progress.<sup>1</sup> Custom thought, conditioned by culture and tradition, is usually associated with the community. The community is conservative and "intellectually inert," its thought harmless, static and unenterprising. Power thought is not harmless. It is the "conscious or unconscious falsification of thought as a means to the attainment or maintenance of power" (p.52). Politics, says Hutt, has been "contaminating our science" (p.229). No authority can be attached to the views of teachers with political

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<sup>1</sup> W.H. Hutt, *Economists and the Public*, London, Jonathan Cape, 1936, p. 44. The terms were borrowed from R. Biffault's essay *The Making of Humanity*. Cf. Hutt, p. 38.

or business interests, or those with an eye on an eventual career in politics or business (pp.234, 235). To "re-establish the authority of the social sciences, some means must be found of differentiating competent and disinterested scientists...from other writers and students in the same field" (p. 237). Hutt envisaged the establishment of a "disinterested and expert circle" of economists (p.241), whose membership would mostly be drawn from the Universities.

It was an ambitious idea propagated by the young Hutt (37 years), but clearly one that would raise as many questions as it would be supposed to solve. Hutt's commendable "search for conditions favourable to neutrality of interest" (p.235) was bound to attract little attention despite its strong motivation. Even academic economists are not without a social bias one way or another, the extremes being a liberal, free-market approach - which Hutt would have welcomed - on the one hand and, on the other, a controlled socialist economy. Underlying the study of economics is the inevitable ultimate complex question of whom the policy focus is to be on in any society with a skew distribution of income: the employer or the employee? It is difficult to conceive economics as being completely free of interest.

Yet Hutt laid his finger on a serious matter. He intimated that the pronouncements of economists in government service and the private sector were bound to be coloured by their respective vested interests. This is still true today. Further, if a government insidiously scales down the rates of remuneration of University personnel - as had happened in this country over many years - it quietly ensures that those who remain in the academic world are not of the calibre that would have the courage and drive to oppose government policies. If, as a final blow, the security of tenure is abolished, the intelligentsia are effectively held captive.

Listening to Hutt advocating his economic credo to students and the public, and reading some of his more important writings, one instinctively gained the impression that he often came very near to overstating his case. In line with the practice of liberal economists he passively connived at the many *disadvantages* of a full *laissez-faire* system - the exact opposite to left-wing socialists

who saw economic salvation in a system of central planning, ignoring the effect on productivity and individual freedom. One looks in vain in the extensive liberal economics literature for an objective analysis of the disadvantages of a system of totally free markets, and weighing them up against the many more, and greater, disadvantages of a centrally planned system. This, ironically, was what Hutt had been adumbrating in his *Economists and the Public* of 1936. Had he followed his own advice, he could not have championed free markets as persistently and uncritically as he had done. The question of an ideal economic system is so complex that any generalisation about it is bound to be open-ended, unsatisfactory and incomplete.

This can be illustrated with an anecdote. During a staff seminar in the Department of Economics at the University of Cape Town in the early 1960s Hutt's topic was, characteristically, the evils of state intervention. Protective tariffs were singled out as an example. Reaching a crescendo, he declared with emphasis: "For every chimney I see in an underdeveloped country I see *two chimneys* which could have been there, had there been no tariffs." "And what do you see," asked Jan Graaff, "when there is no chimney?" It hit the nail on the head. Hutt's answer was fumbled and incoherent, for everybody knew that it was the essence of the problem of protection, realising what role it had played early on in the United States, the German Zollverein and in many other instances later on.

Criticism seldom dismayed him. He had a mission in life to which he clung throughout his long career with a keen, almost youthful obduracy. During a week-long conference of the Mont Pelerin Society (of which he was an enthusiastic member) in Hong Kong in the 1970s, three speakers held the floor most of the time: Friedman, Hayek and Hutt - the latter two in their seventies (both born 1899).

Bill Hutt was a courageous man. His views - controversial to many - he held sincerely and with conviction, backed by a remarkable knowledge of the classical economic literature. He was liked by both staff and students, he was affable, always approachable and at all times prepared to argue a point. It is a matter for regret that he had not pursued his studies at the LSE

to the doctorate level. Although this is not a *sine qua non* for a successful academic career - what really matters is what you publish - students intending to enrol for further study can be easily inhibited by the Professor's lower degree, something which, I believe, may often have happened in Hutt's case. It is not known whether in his 38 years at the University of Cape Town, he ever delivered a PhD candidate. If Hutt had held a doctorate he could have attracted many advanced students, who in their turn could have spread his views to other centres of learning. His wide knowledge of the classics, one senses, he had gained more through voracious reading than from a systematic and prolonged study under a master.

These things apparently never worried him overly. This is understandable. The culture in the English medium Universities in South Africa for many years tacitly implied that promising students would pursue their post-graduate studies in the United Kingdom. A Professor with a lower degree has never been a rarity in English-medium Universities<sup>1</sup> - especially in the Faculties of Commerce - unlike the Afrikaans Universities where a doctorate has long been the standard requirement for a senior appointment.

Hutt had no Oxbridge credentials. He was a Londoner. He was known for his bonhomie, his likeable camaraderie and absence of aloofness, let alone arrogance - the primary attributes for building an *esprit de corps* in a department, and more widely among friends and colleagues. Whether it plays a similar role on the competitive international stage of professional economists is questionable. Although Hutt and Hayek agreed on fundamentals, Hayek went on to become one of the leading economists of the twentieth century, and a Nobel laureate.

Some have rated Hutt equally highly: in a memorial article

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<sup>1</sup> In not all the English-medium Universities. At the University of the Witwatersrand, Deputy Vice-Chancellor Ellison Kahn for years laid down as minimum requirements for a senior lectureship "a doctorate and a cluster of publications in a recognised journal." But that is no more. We now find undereducated people in high academic posts - Professors with Honours degrees, Deans with Masters degrees, *etc.*

M.O. Reynolds, Texas A&M University, for example, put it as follows: "Bill Hutt was one of the great economists of the twentieth century but his influence has proven surprisingly small thus far."<sup>1</sup> Reynolds ascribes it to Hutt's admiration for classical economics in a Keynesian era, his style of argumentation ("reliance on English prose") and his penchant for obscure terminology. This is no doubt true (cf. *infra*). To some of us who often listened to Hutt - and who liked him as a person - there was yet something else. He lacked that element of "greatness" that one feels and associates with truly great thinkers - a sixth sense, a perception that defies description. Hutt was too argumentative, too critical, too querulous, and his frame of reference - his knowledge of the classics in economics notwithstanding - too specific. Perhaps his bonhomie did not stand him in good stead. Was he too kind? Perhaps he should have been more selective with whom he discussed his ideas. Greatness has - still has - something to do with "awe and majesty," the antithesis of familiarity.

However, his economics was the kind of economics that mattered, not the ethereal spheres of pure theory. His lasting legacy is the influence that he exercised on receptive students, at least one of whom merits a mention here: Mr Raymond Ackerman who, in building his country-wide chain of super markets on many occasions selflessly gave Hutt credit for opening his eyes to the realities of the market place.

We referred above to Hutt's lifelong vendetta against Keynesian economics and his absolute faith in Say's Law of Markets. In 1963 he delivered what he had no doubt hoped would be his *coup de grâce* against Keynes in a voluminous work of some 450 pages, *Keynesianism - Retrospect and Prospect*.<sup>2</sup> It is a wide-ranging book that covers much more than strictly Keynesian economics. In none other of his many writings had Hutt cast his net so widely. At times he veers away from his old adversary and

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<sup>1</sup> M.O. Reynolds, W.H. Hutt's Analysis of Labour Unions and their Consequences, *S&JE*, Sept. 1990, p.298.

<sup>2</sup> W.H. Hutt, *Keynesianism - Retrospect and Prospect, A Critical Restatement of Basic Economic Principles*, Henry Regnery Co., Chicago, 1963.

touches on other subjects. For example, the acceleration principle, first raised by the French economist Albert Aftalion in a well-known article in 1909, had little to do with Keynes. It is squarely based on the technological structure of the economy, depreciation policies followed in industry and changes in demand - demand in the wider sense of the word, not the more limited consumption demand, as Hutt seems to assume in his chapter on "The Acceleration Fallacy."

Then there is the inevitable chapter on Say's Law. If Say's reasoning were accepted, said Hutt, the whole Keynesian edifice would fall to the ground. He devoted only 16 pages to it, but 11 years later returned with a determined attack in a 150 page book, *A Rehabilitation of Say's Law* (Ohio University Press). After all that has been written on Say's law, pro and con, very little remains to be added. The arguments have gone stale and, over the years, become barnacled with the additions, qualifications and suggested proper interpretations by numerous scholars. Hutt himself is one of the more serious offenders in this respect, as a few quotations will prove.

He starts in the Preface by promising that he would show "what Say really meant," or "what Say ought to have meant"! For: "certainly Say did not *fully* understand the 'law of markets'..."(p.3, italics in original). Leave it to Hutt; he fully understands it. Be that as it may, Say's law survives as "the most fundamental 'economic law' in all economic theory": "demands in general" and "supplies in general" are "different aspects of the same thing" (p.3). But this does not mean that "supply creates its own demand" as Keynes had formulated it in the *General Theory* (naturally, Keynes would be wrong ...). The supply of plums does not create the demand for plums; it merely constitutes the demand for "whatever the supplier is destined to acquire in exchange" The supplier may "hold on to the money," *i.e.* demand money instead of other things.

Marshall's view in the *Principles* was much more sober and to the point. Hutt does not mention him. Marshall simply said *though men have the power to purchase, they may not choose to use it*. If they should choose not to use it - on a substantial scale - that excess of production over consumption could arise which the

supporters of Say said would not be possible. Marshall's is the shortest possible refutation of Say's law. Some years later Hans Neisser in *Der Tauschwert des Geldes* (1928) contrasted a money economy with barter, and argued that money not spent (which is possible only in a money economy) would reduce demand, as Marshall had also said.

Hutt's formulation is very strange. It simply defines the problem away. If no distinction is drawn between the demand for money and the demand for goods, the holding of money balances no longer reduces the demand. Demand is still maintained, albeit in a different form. Say is, in fact, painted into a corner; his law becomes an identity, like Walras's law: it holds under all circumstances but cannot tell us anything about causality. Lachmann (*infra*), in his last book, *The Market as an Economic Process*, says the same in a different way: "In a money economy goods and services are not exchanged for goods and services but for money. Say's law does not operate unless money is metallic and and we regard the metal as a good."

The next chapter contains - in true Huttian fashion - no fewer than 27 special definitions of some very basic, everyday economic concepts. They prepare the reader for what is to come: further chapters replete with analytical subtleties that test the reader's patience to the utmost.

After his retirement Hutt was awarded an honorary doctorate from the University of Cape Town. The Department of Economics at UCT has since instituted a biennial Hutt Memorial lecture series, while this Journal (Vol. 58, no. 3, Sept. 1990) published three papers in his honour by two of his ex-students, the late Professor O.P.F. Horwood (then minister of Finance), Dr Gerald Browne, who retired as Secretary to the Treasury, and Professor M.O. Reynolds whom Hutt had known in the United States after his retirement. The editorial to the 1990 issue lists Hutt's 32 publications in the Journal between 1933 and 1966.

He retired to a Visiting Professorship at the University of Virginia and Texas A&M University, and Distinguished Visiting professor at California State College, Hayward. For a number of years, until his death, he was Distinguished Visiting professor of economics at the University of Dallas. In 1989, a year after his

death, the University, in association with the American Enterprise Forum, inaugurated the W.H. Hutt Memorial Lecture. The first was delivered by his friend James M. Buchanan, Nobel laureate for 1986.

These were highly appropriate tributes to someone who devoted his life to advocating the kind of society which he believed would maximise per capita wealth, and individual freedom. His economic philosophy is well reflected in two of the sayings of which he was fond: *controls breed controls* - that is, when the loopholes caused by controls require plugging. And: *the banking system is based not only on confidence - it is based on confidence in confidence*. We are reminded of the truth of these sayings every day - and of Hutt, to those of us who had the privilege of knowing him.

**S.H. FRANKEL (1942-43).  
DEVELOPMENT ECONOMIST. OXFORD DON**

The next President of the Society (1942-3) was elected from the Johannesburg branch. Sally Herbert Frankel (1903-1996) was a remarkable person in his own, very different way. We know more about him than about any of the other past presidents up to the present time. His autobiography, which he published at the age of 89 years (*supra*), contains many lessons for an aspiring economist. It gives a vivid and entertaining picture of the activities of a South African academic who moved easily in international circles from the 'thirties to the end of the 'sixties of the previous century, of the personalities that crossed his path, and of his work as Professor at the University of the Witwatersrand.<sup>1</sup>

Frankel's career was unique among those of the past Presidents of the Society. It contained elements of both unusual success and great disappointment, exacerbated by an unrequited loyalty to friends in whom he had put his total faith and trust. It left an indelible scar on his psyche. This was transparent in conversations that he had in old age with younger colleagues in

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<sup>1</sup> Frankel's *An Economist's Testimony* was reviewed in the *SAJE*, Vol. 60, No. 4, Dec. 1992, pp. 409-424.

whom he felt he could confide. Yet, remarkably, he was without remorse, and often mentioned that he bore no grudge against those who had so irrevocably affected his career. He mentioned especially the name of the classical scholar and later Minister of Finance, J.H. Hofmeyr. One gains the impression Hofmeyr made full use of Frankel's knowledge without giving him the credit which he deserved.

The Frankels arrived in South Africa from Frankfurt am Main, Germany, in 1896. Herbert was born in 1903, and attended the *Deutsche Schule*<sup>1</sup> and St John's College in Johannesburg. He enrolled at the University of the Witwatersrand in 1919, and received his degree at the historic first graduation ceremony of the University in 1922 - "a landmark for Johannesburg and a very grand occasion" (p.42).

His enrolment at the University was little short of dramatic. Straitened family circumstances during the First World War - his father was interned, and firms with German names subjected to abuse - resulted in him scraping through matric with a third class pass. After much earnest pleading to the Registrar the 16-year old student was allowed to see the Principal to appeal for a bursary or a loan. The Principal was the 26 year old J.H. Hofmeyr, the Cape-Oxford educated classical scholar, a man with a photographic memory and of extraordinary intellectual brilliance. Hofmeyr dismissed Frankel out of hand. Completely shattered, he got up, and as he reached for the door, Hofmeyr called him back:<sup>2</sup> "Frankel, tell me, what makes you want to go to university anyway?" Frankel replied: "Because I want to study the native problem." This puzzled Hofmeyr: "I have never heard anyone give that as a reason for going to a university."

Hofmeyr then promised that if Frankel passed all his subjects at the end of the year in the first class he would recommend him for a bursary thereafter. Frankel did so in all his years, and when

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<sup>1</sup> Kaiser Wilhelm II, some years before the Anglo-Boer War, presented a German school, then located in Twist street, to President Paul Kruger for the education of children of the rapidly growing German community in Johannesburg. Frankel, *op. cit.*, p.7.

<sup>2</sup> Frankel, *op. cit.*, p. 25.

he took honours he won one of the two postgraduate scholarships awarded by the University to the two best students of 1923.<sup>1</sup>

He enrolled at the LSE where he studied under Laski, Cannan, Gregory and others. Laski's socialist ideas he could not accept. Frankel's reasoning betrays the mind of the independent thinker, one who could, even at that tender age, distance himself from the views of someone whom he greatly admired - Laski had advised him on the courses he was to take at the School:

"His socialist ideas did not impress me: not because of lack of sympathy for the poor or downtrodden, but because I simply did not believe socialism could in logic *or would in practice fulfil the high expectations Laski and so many others had of it*. I had already discovered the dead hand of bureaucracy for myself" (p.48, italics added).

Could one place Laski and Hutt – and Frankel - at opposite ends of the spectrum? They all believed absolutely in the systems which they argued would produce the ideal economic order. Both sides had in mind the economic salvation of the individual - the one *via* regulation and control, the other *via* freedom of action. Hutt coined his telling expression during his introduction of Hayek's seminar on Exchange Control at the University of Cape Town in the early 1960s, when he said: *Controls breed controls*. It goes to the heart of the matter. But can one totally dispense with controls in an economy? If the answer is no (which is obvious), how *extensive* should they be, and if there have to be controls, how *strict* should they be, and at what *stage* should they be abolished? It is a series of important questions to which there

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<sup>1</sup> Already in his first year Frankel was chairman of the debating society. They ventured to invite a certain Mrs Livingston, an American campaigner for prohibition, to address them. The students thought otherwise. On the night of the lecture Frankel was kidnapped to prevent him from taking the chair. The platform, liberally sprinkled with whisky, carried a large advertisement of a liquor company. A student mounted on a beer barrel then introduced the speaker amidst jeers and interjections from a "small organised gang" according to *The Star* newspaper. The Principal, Hofmeyr, sitting on the platform "never once raised his voice in protest, and it was left to a member of the public to offer an apology" to the speaker. Cf. Bruce K. Murray, *Wits, The Early Years*, Johannesburg, Witwatersrand University Press, 1982, p.354.

is no definitive answer.<sup>1</sup>

Be that as it may, it was unusually observant of the young Frankel of barely twenty years to have been aware of someone overstating his case in a matter as complex as the economic order. Excessive claims for any system borders on the ideological, a sin from which many suffer, whether from the Left or the Right. There was, however - one senses - a less obsessive ideology in Frankel's support of the free market system than in that of Hutt.

During his study at the LSE Frankel witnessed the gradual schism of theory and empirical analysis. Theory slowly gained the upper hand as the more prestigious, its further development leading to the introduction of mathematics.<sup>2</sup> He believed it engendered a mechanistic mode of reasoning which left little room for volition within the confines of an assumed hypothetical reality.

Frankel, then still in London, was appointed acting lecturer in 1926 at the University of the Witwatersrand. It was at the request of Professor Lehfeldt, who was to give evidence to the Gold Delegation of the League of Nations. In the same year his book based on his MA thesis appeared in London, on *Co-operation and Competition in the Marketing of Maize in South Africa*. Arriving back in Johannesburg at about the same time as his book, he was asked to give "various public lectures on the subject" (p.57). Early in 1927 he read a paper to the Economic Society on "Some Aspects of the Native Problem" in which he argued that there was no *native* problem, only a *South African* problem: "how to increase the national income of the whole country" (p.65). He returned to the LSE in March, 1927, to complete his PhD thesis on "The Railway Policy of South Africa." When Lehfeldt died in September, 1927, Frankel applied for the chair - on the advice

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<sup>1</sup> The "dead hand of bureaucracy" has been the nail in the coffin of socialist states. This has been well stated by Alec Nove in his noteworthy contribution to P. Arestis and M. Sawyer (eds.), *A Biographical Dictionary of Dissenting Economists* (2nd. ed.) Cheltenham, Edward Elgar, 2000, pp.450-462. Reviewed in *The South African Journal of Economic History*, Vol 16, 2001.

<sup>2</sup> Frankel was obviously referring to an excessive use of mathematics; also the excessive reliance on theory at the expense of empirical analysis.

also of Hofmeyr. The chair was not filled, but Frankel was offered the senior lectureship. When the chair was later re-advertised Frankel was appointed in 1930, aged 27 years.

On his first appointment as acting lecturer Frankel renewed his acquaintance with Hofmeyr, who remembered the details of his conversation seven years earlier with the aspirant first year student - the conversation that started him on his career. They became close friends until Frankel left the country in 1946. Even in the late 'eighties in conversation he referred to Hofmeyr almost reverently as *Hoffie*.

The first project that involved both men was when they and six other authors decided to publish a volume on the state of South African society in all its major facets: political, economic and administrative. The result was a book, *Coming of Age, Studies in South African Citizenship and Politics*, published in Cape Town in 1930. It is still worth reading today. It took stock of how the country had developed during the first 21 years after union of the four provinces in 1910. The authors were from among the cream of South African intellectuals at the time. The other six authors were Edgar Brookes, R.F. Currey, T.J. Haarhoff, J.D. Rheinalt Jones, W.H. Ramsbottom and O.D. Schreiner. The book appeared at mid-term of the Pact government of General Hertzog and Mr Cresswell. With an Afrikaans-oriented government in power, and Afrikaners feeling that they were coming into their own again after the devastating Anglo-Boer War - the first total war in modern times, with the innocent suffering more than the combatants. The English-speaking section began to fear - ironically - for the future of their children and the English language. It was a trend of which Hofmeyr was aware in his Introduction to the book. He lamented it because the emphasis on the separateness of the two white sections of the community overshadowed the "task of broadening and deepening the foundations, upon which Dutch and British may the more easily be made to cohere in strength and beauty" (p.7).

Jan Hofmeyr - regarded as the greatest liberal in South African history - was impatient with the "slowness of the growth of true national unity. There is fear that perhaps after all Anthony Trollope may have been right when he wrote, 'South Africa is a

country of black men, and not of white men - it has been so, it is so, and it will be so" (pp.1-2).

Frankel contributed a great chapter on A National Economic Policy (pp.183-231). He pointed out that the paucity of the relevant statistics made it impossible to calculate the national income, for the Bureau of Census had discontinued the valuation of agricultural production in 1923. It was urgently necessary to increase national income, improve working conditions and reduce economic inequality. To this end it was necessary to implement better planning, better executive management in the public and private sectors and increase the "productivity of all occupied persons in the community" (p.191).

The major theme in Frankel's chapter is a strong criticism of the policy of tariff protection which the newly elected government had embarked upon precipitately in 1925 and rushed through Parliament without due consideration of the wishes of the opposition.<sup>1</sup> The random, unco-ordinated manner in which economic policy was formulated had caused Frankel to lose faith in the "sanctity of ministerial administration" (p.215). He suggested the formation of an expert body, a *Council of Economic Affairs*, consisting of three full-time members "with wide economic training and experience" (p.193). They were to be assisted by some eight high-level assessor members, all being the heads of government departments. The Chairman of the Council "must be given a position of such power and importance" that he would be assured of the serious attention of the Cabinet.

But was Holloway not already performing this function as right-hand man of Havenga, formally after his appointment in 1934 as adviser to the Treasury, and informally earlier on? True, Holloway did not chair a high-level Council; but a council would necessarily encumber the process of counselling on a day-to-day basis. The advice of someone you trusted would be direct, and as Minister of State you could act upon it as coming from the

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<sup>1</sup> "The second reading took place on the same day on which the Bill was first published, and several leading members complained that they had not been allowed an opportunity to study the momentous provisions in the Bill of 103 pages." *Cf. On Tariff Policy: The Formative Years, SAJE, Dec. 1973, p.337.*

government - from the politicians - not from an expert or, worse still, from a time-consuming advisory body.<sup>1</sup>

Frankel's suggestion stood little chance of acceptance, the more so because it came from within the opposition party. Even so, Ministers are not, as a rule, enamoured of expert criticism, even from within their own party. Frankel's ideas presaged those of Hutt six years later (*supra*). Both had in mind objective, or "neutral" analyses of economic affairs, and both were academics. Frankel, then a young 27-year old in 1930, could in no way exercise an influence on national economic affairs that was faintly comparable to that of the 40-year old Holloway, also an LSE graduate, and politically more acceptable to the powers that be at the time than Frankel.

Yet he had touched on the raw nerve of government administration. The problems that he outlined in 1930 have been with us ever since. Unsynchronised policy decisions have been endemic in the public service, and high level economic advice has never had the direct effect upon policy that Frankel had advocated. Brave attempts in this direction had been made by both the Smuts and later Nationalist governments through the Social and Economic Planning Council (*infra*) and the Prime Minister's (later State President's) Economic Advisory Council, respectively. But this was not what Frankel and, more indirectly, Hutt had had in mind.

Frankel had a deep interest in the economic position of the Black peoples of South Africa. The remark to Hofmeyr that changed his life was not spurious. In *Coming of Age* he contributed a long chapter with E.H. Brookes on *The Problems of Economic Inequality*, with a sub-title *The Poor White and the Native* (pp.129-182). Suffice it to refer to one statement in their conclusion (p.182): "The choice for South Africa is not between White prosperity and Black poverty, or Black prosperity and White poverty, but simply between poverty and prosperity in

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<sup>1</sup>Perhaps the best analysis of this question was given by G.W.G. Browne in a paper read to the Cape Town branch of the Society in March, 1946. It was published as "Economists and the Government" in the *SAJE* of September, 1946.

which White and Black must, willy nilly, share and share alike."

Four years after he had published his views the government in September 1934 appointed the Customs Tariff Commission with Dr Holloway as chairman. Frankel was not a member. Besides Holloway the only other economist on the commission was C.S. Richards, also of the University of the Witwatersrand and an academic rival of Frankel's (*infra*).

Perhaps he had been too explicit and severe in his criticism of tariff protection. The reason could also have been merely political, for before the Fusion government of 1933 he had been moving in the opposition liberal circles of Hofmeyr. But then Richards was unlikely to have been enamoured of the economic policies of the Pact government either, although it was only some years later when restrictive agricultural legislation was passed that he truly began to show his hand.

The reaction to the Holloway report was twofold. First, there were some who supported it guardedly, like the Commission, or Professor Schumann, who saw merit in a mild protection of industry, although the view of the Commission that the upper limit to protection had perhaps already been reached, he argued, was not substantiated statistically.

Second, it elicited Frankel's view that tariffs should not be levied on an *ad hoc* basis, as had been the case at the time. Tariffs should form part of a wider national economic policy that would consider the role in the economy of all the other forms of protection, *e.g.* railway rating, over which the Railways administration had the final say. This view was echoed eighteen years later in report no. 7 of the Social and Economic Planning Council on *Taxation and Fiscal Policy* (p.47).

Frankel's more specific reference to *ad hoc* tariffs is by and large as true today as it was in the 'thirties. In the early 1990s the World Bank found our tariff structure in a shambles and one of the worst in the world. The "Council of Economic Affairs" which Frankel had envisaged, laying down broad national economic policy, would no doubt have had as a major task creating a more simplified and streamlined tariff schedule.

Around this time (1930) the eyes of the world turned from the New York stock exchange to the plight of the British economy.

Britain's decision to return to gold in 1925 at the pre-1914 parity had in fact overvalued the pound sterling - as Keynes had predicted - resulting in an unsustainable loss of gold. On 21 September, 1931 Britain left the gold standard. It was a most shocking monetary event. It brought a long era of relative monetary stability to an end - at least until 1914. Some saw it as the beginning of the end of Western civilization.

Frankel became involved in the rounds of public debates that ensued. At the end of 1929, at the request of Sir Ernest Oppenheimer, he and Ilse had visited Britain and the US to assess the confusing economic scene. He had met a large number of very distinguished people, among them Professor Wesley C. Mitchell of the National Bureau of Economic Research, and B.M. Anderson the great banker. In the UK he met Dennis Robertson, the monetary expert in Cambridge and, in London, officials of the Bank of England and Ralph Hawtrey, with whom he had "a long talk." He describes Hawtrey as "one of the most knowledgeable men I have met whose important books on monetary economics I knew well. His reputation was later overshadowed by Keynes. In my opinion he had a more realistic understanding of the relations between money and credit." <sup>1</sup>

Frankel's involvement in the gold standard crisis was less auspicious. The same was true for six other leading South African economists at the time. Opinion was deeply divided over whether we should follow Britain or not. On 29 September, eight days after Britain had left gold, Frankel, C.S. Richards, A.J. Limebeer of the Transvaal Chamber of Mines and an accountant, Mr Hewitt, addressed the Johannesburg branch of

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<sup>1</sup> Cf. pp.93-94. Frankel understandably had a high regard for Ralph Hawtrey (1879-1975), the world-renowned monetary economist and author of many well-known works on the subject. He had read mathematics and philosophy at Trinity College, Cambridge, and in 1908 corresponded with Bertrand Russell about the proofs of various theorems during the writing of the *Principia Mathematica*. He was a life-long friend of Keynes. He kept on writing books on monetary economics until late in his long life. One of his earliest and still most impressive works is *Currency and Credit*, which he wrote during the First World War. Cf. D.P. O'Brien and John R. Presley, *Pioneers of Modern Economics in Britain*, London, Macmillan, 1981, pp.202-233.

the Society in the Great Hall of the University on the subject. Frankel argued that to stay on gold was the best possible way of ensuring stability of the economy.

On 13 October, 1931, seven economists handed a statement to the press in support of government policy. They included some of the finest economics brains in the country at the time - Frankel, Arndt, Holloway, Richards, Norval and Pearsall. The press referred to them as the Seven Foolish Virgins: academics venturing into virgin territory (the seventh was presumably Limebeer or Hewitt). The press and the stock exchange supported Britain's move, partly for good economic reasons - the gold mining industry and exporters stood to gain from a devaluation, but not importers - and partly to show loyalty to the mother country.

Today one wonders why these eminently qualified people could not have foreseen the effect on the balance of payments of not following Britain off gold. If a country overvalues its currency with respect to that of its major trading partner, the effect is inevitable, as Britain had experienced after 1925. Perhaps there was an element of pride: staying on gold would prove our independence from Britain, as the largest producer of gold in the world. If, instead of leaving gold, we had merely linked our currency to a smaller quantity of gold, and so devalue the currency, we might have maintained parity with sterling. But that could not be durable because sterling was floating, the excess swings being partly neutralised by the Exchange Equalization Account. This was a first-ever experience for economists. In 1931 we could hold our own for only 15 months. Following a massive outflow of funds, the government on 28 December 1932 left the gold standard.<sup>1</sup> Only in the years - or decades - after the Second World War did analysts become used to the immediate and inevitable effects of a devaluation. South

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<sup>1</sup> Hofmeyr and Smuts disagreed on the gold question. Hofmeyr, in the opposition party, supported the government view. He opposed a devaluation on moral grounds - rather like Oresmius, the 14<sup>th</sup> century French bishop whose classic condemnation of medieval devaluations largely rested on moral grounds.

Africans had learnt their lesson. When Britain depreciated the pound in 1949 from 4,08 to 2,80 dollars South Africa (with M.H. de Kock Governor at the Reserve Bank) followed her immediately, together with some 30 other countries.

The next landmark in the career of Herbert Frankel was the publication in 1938 of his masterpiece, a volume of nearly 500 pages on *Capital Investment in Africa, Its Course and Effects*, by Oxford University Press. It is one of the outstanding pieces of empirical research undertaken in South Africa, and ranks with Arndt's for its attention to meticulous detail and breadth of coverage. Together with Lord Hailey's *An African Survey*, which appeared subsequently, with frequent references to Frankel's work, these two volumes constitute the starting point for any systematic course or study of the economics of development in Africa.

The Fusion government came to an end on 4 September, 1939, when General Hertzog lost the motion in parliament on the neutrality of South Africa in the war against Germany. Smuts took over the government with Hofmeyr as the new Minister of Finance. In the years following, Frankel's activities, his wide interest in the affairs of Southern Africa, his many memoranda of advice to the government, his membership of commissions and, especially, his role as a close confidant of J.H. Hofmeyr and his many contacts with Smuts - all these are too numerous to mention here. Frankel was at the pinnacle of his career. His advice was frequently sought in the business world. He regularly advised Sir Ernest Oppenheimer. Ilse had designed their beautiful house in Parktown, they entertained, and were entertained, by the friends from the select circles in which they moved.

In February, 1945, Frankel and Ilse visited London for discussions with Keynes about debt financing, and also to attend as a delegate the Commonwealth conference of the Royal Institute of International Affairs at Chatham House. On their way to London they visited Palestine to "look into the diamond-cutting industry for Sir Ernest Oppenheimer" (p.178), where Dr Wernher Senator, the first President of the fledgling Hebrew University "urged me to accept a Chair in Economics" (p.181).

However, much concerning the new University was still on an unsure footing at the time, and Frankel turned the offer down - a decision which he had "agonised over" frequently, even in retrospect (*ibid.*).

He had built up a flourishing Department in Johannesburg, with an increasing number of students taking his courses, also at the post-graduate level. The department was respected internationally, he had "forged links with other universities including those who taught in Afrikaans and with government departments and the commercial and mining communities. As joint editor of the *South African Journal of Economics* I had greatly increased the contacts with the academic world abroad" (p.202).

In terms of his influence on leading businessmen and political leaders, as also his many international contacts, Frankel was perhaps the most successful professor of Economics the country has ever had. His record is still unbroken. His standards were high, and his abiding interest in empirical research made his publications readily intelligible and appreciated by the business world around him in the economic heartland of the country. He spoke with authority, was approachable and in general demand. There was little left that he could still wish for. Life had treated him well.

It all came to a sudden end. In April, 1945, Frankel was made the prestigious offer of a newly created chair in Colonial Economics with special reference to Africa, at Nuffield College, Oxford. It made special provision for frequent travel, which he felt would allow him to serve South Africa "in the wider sphere of African and Commonwealth relationships" (p.184).

He had apprised his old friend Hofmeyr in a letter, hoping that Hoffie would make a counter-offer of a high government position, one that would justify a refusal of the Oxford chair. But Hofmeyr was reticent. This puzzled Frankel. And there was something else: Smuts had recently set up a Social and Economic Planning Council, a body rather reminiscent of what Frankel had suggested in *Coming of Age* in 1930. Taking charge of it would have suited him eminently. But Smuts had other priorities. He offered this high post - amazingly - to a chemical engineer, H.J. Van Eck - a highly gifted *plaasseun* (farm boy) from the district of

Kimberley, and holding a doctorate from Berlin. Nothing would come of the idea of constituting a body of high-level economists geared to advising the Cabinet.

Frankel, in desperation, felt he had to speak to Hofmeyr. He motored over to Pretoria to tell him personally of the Oxford offer, which he was in honour bound to accept if nothing comparable was available. In pensive mood Hofmeyr merely replied: "I don't blame you."

Blame? Why blame? Had Hofmeyr assumed Frankel was resentful because of the Planning Council appointment?<sup>1</sup> Could that perhaps imply that Hofmeyr had put Frankel's name forward unsuccessfully? That was not impossible, for Smuts had the last word. And the relationship between the older Smuts and the much younger Hofmeyr was such that Hofmeyr was ever cautious to press a point with the *Oubaas*.

Why was Frankel passed by? Perhaps his ideas had become transparent prematurely. Some time before the Oxford offer he had again discussed with Hofmeyr the old idea of an independent body of economic experts to review the functions of government - a National Economic Planning Council. "I had in mind not more government interference in the economy but less. The power of the state monopolies should be reduced and free enterprise given an opportunity to operate" (p.184).

This was surely not to Smuts's liking. His choice of the physicist-engineer Van der Bijl in 1922 had proved such a resounding success in electricity and steel.<sup>2</sup> And here was Van Eck, a "son of the veld," also - like Van der Bijl - a brilliant

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<sup>1</sup> "It was a great disappointment to me that I was not, after years of loyal service, called upon in any capacity to assist this new body. It showed me that there was likely to be little opportunity in the years to come in South Africa for independent economists. I was proved correct" (p.185).

<sup>2</sup> H.J. Van der Bijl was the son of one of Smuts's old friends from the Transvaal Republic days. "Smuts's own weakness," wrote Lord Harlech from Pretoria to Churchill during the war, "is extreme tenderness for old friends and colleagues in past struggles and a reluctance to try out new men." O. Geyser, *Jan Smuts and his International Contemporaries*, Johannesburg, Davos Day, 2001, p.108. Van der Bijl was, however, appointed when he had already been an internationally acclaimed pioneer in radio telephony.

engineer, chairman of the Industrial Development Corporation created by Smuts in 1940, holding out promise of becoming a second Van der Bijl. Van Eck's daily work had brought him in close contact with the problems of industry during the preceding six years. More importantly, in 1941, as chairman of the Smuts-appointed Industrial and Agricultural Requirements Commission, he brought out his important Third Interim Report on *Fundamentals of Economic Policy in the Union*. In it Van Eck and his fellow members suggested the establishment of an Economic Advisory and Planning Council under the chairmanship of a judge of the Supreme Court. As it turned out, the engineer Van Eck, not a judge, was made chairman of this council - the Social and Economic Planning Council. <sup>1</sup>

Against this background, Frankel's adumbration of a policy of free enterprise and no State economic activity seemed singularly out of tune with prevailing official thinking. But private enterprise, far from being frowned upon by the government, was encouraged and materially assisted by Van Eck's Industrial Development Corporation. Under a growing fledgling economy the government felt it had a decisive and constructive role to play in the interests of private enterprise. It was resolute government policy. It would be carried through, come what may.

The die was cast. Frankel stood no chance against Van Eck. For the second time in his life Hofmeyr left him shattered: "I don't blame you." This time there was no one to call him back. Ilse (and Busschau - *infra*) had been correct all along: he had all those years been trusting Hofmeyr too much. It left him dumbfounded and deeply disappointed in his old friend. But there was no way out; he had to accept Oxford.

Then started the process of uprooting them from their congenial existence in Johannesburg: the selling of their lovely

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<sup>1</sup> For a discussion of this report, see D. Hobart Houghton and Jenifer Dagut, *Source Material on the South African Economy: 1860-1970, Vol. III*, Oxford University Press, 1973, pp. 144-161. The Social and Economic Planning Council, under the able direction of Dr G.W.G Browne, and the publication of a series of incisive reports on various aspects of the South African economy, was dissolved a few years after the Nationalist Party won the general election in 1948.

house, the crating of the many books from his "large and valuable library" (p.201), the rounds of farewell parties and lectures. On the 27<sup>th</sup> May, 1946, he delivered his valedictory address in a packed Great Hall of the University, Principal Raikes presiding. He pleaded for an open democratic society in South Africa that could "ensure prosperity for all its inhabitants and enable them to live in freedom. The address was "widely applauded and reported extensively in the press" (*ibid.*).

He also gave a farewell address at a combined meeting of the Institute of International Affairs - with Hofmeyr as chairman - and the Johannesburg branch of the Economic Society. Hofmeyr had made it known that he would not attend. W. J. Busschau, enraged at the affront, sent him a long telegram urging him to send at least a farewell message. This, in the end, Hofmeyr did.

The whole University, everyone who was anyone in society and the business world in Johannesburg, all must by then have learned of the singular honour that had been bestowed on the 43-year old Professor of Economics at Wits who was going up to Oxford to occupy a chair specially created for him.

They left in July on a cargo ship, arriving in Hull on a dull day. They found themselves on the pavement outside the customs shed in pouring rain with no transport in sight. They managed to flag a lorry driver down who brought them to the station, the two children sitting on the back with the luggage. The conversation with the driver was not reassuring. On learning that they were on their way to Oxford, he said "Well, Governor, it may turn out all right for you but I am sorry for your missus. I'm blowed why you came here anyway" (p.204). Frankel continues: later on they "echoed his feelings on many occasions." He relates their early experiences in Britain in a chapter headed Culture Shock.

In Oxford they stayed temporarily in the flat of John and Ursula Hicks. John, the later Nobel laureate, had been at Wits for some months after Leffeldt's death. Frankel paid his respects to the Vice-Chancellor, who was "extremely absent-minded" (p.205), and could not immediately place him. When at last he recognised him, he said, "Oh my dear chap, I remember I must however tell you that you should really lie low here for some time as there

was considerable opposition to your getting the post."

The Registrar was even less civil. He had not reserved a room for Frankel and did not know where to put him. "He asked me to return in a week or so. When I did so he told me the only place he could get was a large room in one of the St Hugh's huts" - prefabricated army huts in the garden of the College. They were completely bare with no heating. He and Ilse sat down on the floor "and considered the position."

About ten days later a post card arrived from Tilbury docks informing them that one of their four containers had accidentally been dropped on the other, breaking their tops and letting the rain in. They were not covered by tarpaulins because they had received no instructions to do so. In the process Frankel lost about a third of his library and much of their furniture.<sup>1</sup>

It is time to bring our story of Frankel to an end. As was said above, he is the past President of the Society about whom we know most because of his autobiography. The foregoing covers the essence of the first half of the book. The rest can be told here only very briefly. It more properly forms the subject of a wider study of the early days of the Economics of Development.

It was most unfortunate that Frankel was offered a chair in colonial economics in Oxford shortly after the Labour victory. Although Britain was then still in possession of her colonies, the "winds of change" had been abundantly apparent. Anything connected with colonialism was looked upon askance. In the mid 'fifties the title to the chair was changed to "Commonwealth Economic Affairs" and in 1963 to "Economics of Underdeveloped Countries" (p.275). In 1953 Frankel published a volume of essays *The Economic Impact on Under-Developed Societies, Essays on International Investment and Social Change*. It was well received by only the liberal economics fraternity. The socialists, then riding the crest of the wave, scorned it.<sup>2</sup>

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<sup>1</sup> In 1981 Frankel presented this author with a water-stained copy of the *Coming of Age* book which he had managed to salvage. He was then still visibly proud of having been one of the contributors.

<sup>2</sup> In the mid-fifties this author attended an inter-university seminar at Leeds when Frankel's book came under discussion. The speaker, an ardent socialist,

In the course of time Frankel established lasting connections with a number of universities in the US. During 1952 he spent four weeks at the Institute for Advanced Studies at Princeton, then under the directorship of J. Robert Oppenheimer, with Albert Einstein one of the members. Frankel delivered a lecture to the international finance section of the department of economics. It caused him being offered a chair at Princeton and, some weeks later, a chair at Baltimore. Then followed a typical Frankel decision: he turned both offers down - *out of loyalty to Oxford!* In 1967 he became Distinguished Visiting Professor at the University of Virginia, to which the Frankels paid regular annual visits for many years.

Herbert Frankel would have been in his element had he been born two decades later. His critical views on British colonial administration - how serious development schemes by well-meaning and knowledgeable District Commissioners were often thwarted by low-level clerks in London - his empathy with the disadvantaged peoples and his sound economic judgment would have made him a leading authority on what later became known as the Economics of Development. He in fact was a pioneer in the field. His *Weltanschauung* and ideals for his discipline were far wider than what was implied and expected of him in his Oxford chair. This had been shown some years before in his two presidential addresses to the Society in 1942 and 1943. The first was on "World Economic Solidarity," the second on "World Economic Welfare." It would have been interesting to hear his views of modern international organisations forcing developing countries to follow standard economic policies that had proved workable in more mature economies.

Frankel's departure in 1946 was a great loss to South Africa. He was later honoured by honorary doctorates from the Universities of the Witwatersrand and Rhodes. Over the years the Frankels continued to maintain their contacts with South Africa, and especially Johannesburg, where the family had extensive business interests.

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dismissed it out of hand with the words "I don't even know what the title is supposed to mean."

**C.S. RICHARDS (1944-45).**  
**PROFESSOR. MANAGING EDITOR.**

The next President of the Society, Cecil Sydney Richards (1896-1974) obtained his MCom from the University of Durham. He later also studied at the LSE without taking a degree. He came to Durban in 1923 as a lecturer at the Natal Technical College. In 1929 he was appointed head of the Department of Economics and Economic History at the University of Natal. Two years later, at the age of 35 years, he successfully applied for the chair in the newly created Department of Commerce and Applied Economics at the University of the Witwatersrand. The 27 year old Frankel had then been holding the chair in Economics at Wits for a year.

In some respects Richards lived in Frankel's shadow from the start. In his autobiography Frankel explains that the Commerce chair at Wits had been created in the expectation that the incumbent would "co-operate with me in developing economic studies" (p.111). And then: "Richards proved to be a most difficult, suspicious colleague. At times we co-operated successfully but usually my efforts to this end were as unavailing as they were nerve-wracking. Richards was his own worst enemy and this led to misunderstandings" (p.112). He did not enjoy the wide contacts outside the University that Frankel had. This harboured the potential for friction, perhaps also because Frankel held a doctorate, was more in demand as a speaker and his advice more generally sought, moving, as he did, in elite business circles.

Frankel should, of course, have known better. The head of a Department reigns supreme in the area of his teaching, and any semblance of a required co-operation with a well-established and closely related Department could easily be interpreted as implying submission to the research designs of that Department. There is every likelihood that Richards saw it this way - Richards, the loner from the bleak North of England, who no doubt cherished his chair as the crowning glory of his career. Must he now submit or, as expected by the University, co-operate - or whatever - with the equally newly appointed Professor of

Economics, a man seven years his junior? The stage was surely set for academic rivalry. Murray, author of the official history of the University of the Witwatersrand, put it as follows:

"According to the University folklore, relations between the two men deteriorated to such an extent that they communicated only by way of notes."<sup>1</sup>

Murray's portrayal of Richards is rather unsympathetic if not condescending - for example, his supercilious reference to Richards's "working-class origins" (p.260). But he admits that Richards was a hard worker, "very able as a teacher," with lectures well prepared and "regularly revised," and that he participated in many government commissions of enquiry. But, says Murray the historian, Richards was "never particularly highly regarded" as an economist. His judgement was "brought seriously into question" on two occasions. The first was the press statement in October, 1931, by him and *six other leading economists* on the importance of South Africa's staying on gold (*supra*). The second was his criticism of Iscor as a government monopoly.

Neither argument is convincing. In fact, they are both fallacious. The poor judgement of the *other* six signatories (including Frankel) to the press statement has not, so far as is known, been held against them. Why should Richards's? After all, there is nothing strange in economists being wrong sometimes. An almost exact replica of the 1931 statement of the seven South African economists had occurred in Scandinavia during the 1920s. Knut Wicksell, in analysing the movements on the exchanges during and after the War, pointed out that although the Swedish economists were in agreement - a rare event in itself - on the reasons for the price movements, the businessmen, despite their inexpert reasoning, seemed to have grasped the meaning of what had happened more clearly than the economists.<sup>2</sup> In South Africa the business world had sensed

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<sup>1</sup> Bruce K. Murray, *Wits, The Early Years, A History of the University of the Witwatersrand, Johannesburg, and its Precursors, 1896-1939*, Witwatersrand University Press, 1982, p.261.

<sup>2</sup> K. Wicksell, *Das Valutaproblem in den skandinavischen Ländern*, in F.A. Hayek (ed.), *Beiträge zur Geldtheorie*, Springer, Vienna, 1933, pp.489-507.

straight away that we should follow sterling.

The complexity of the economic process - a continuous process - is such that something approaching a definitive conclusion can often be attempted only after the lapse of a considerable period of time. Even then a difference of opinion may still exist.

Richards's criticism of Iscor as a virtual State monopoly had in no way been affected by the magnificent role that Iscor came to play in the war effort. All liberal-minded economists everywhere had been favouring private enterprise above State control, a view which eventually triumphed in the 'nineties.<sup>1</sup>

Many of Richards's colleagues in Senate must have taken umbrage at the forthright manner in which he stated his views. He "fought hard for his department" (p.262) and was explicitly critical - as well he might - of the economising measures applied to the Faculty of Commerce, "while the Medical Faculty as an instance seems to spend freely."

This is talk of which no Vice-Chancellor of any University in South Africa could be enamoured. The State subsidy was made a function of student numbers, with Faculties of Commerce usually yielding the largest subsidy, yet they had to fight as hard for staff as the smaller faculties. The system of cross-subsidisation was seen as a form of exploitation (*sic*) which came down hard on the staff concerned in terms of huge classes, many lecture hours and little time for serious research - research of the kind, no doubt, that both Richards and Frankel had had in mind. Richards's persistence in his views eventually became tedious, not only to his colleagues but also, as Murray points out, to the Vice-Chancellor. This appears to be the other side to the allegation that Richards was unpopular. In part this was because he fought persistently for what he thought was right.

He really had the interests of his Faculty at heart. In 1931, the year in which he was appointed, he managed to raise the B.Com to a three year full-time course, and as the student numbers rose,

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<sup>1</sup> The full story behind the steel industry in South Africa is too long and complex to be discussed here. Iscor has indeed since been privatized, a fact which would have delighted Richards.

he argued that the Faculty was in need of more full-time staff. He also, in the same year, took part in the negotiations leading to the intake of students preparing for their professional examinations with the Transvaal Society of Accounting. Then he went further and roused the ire of the profession for urging these students also to enrol for the B.Com degree. There was a determined opposition to the idea from a proud profession for many years. It has since become generally accepted as giving students of accountancy a more rounded education.

Richards was a good economist in his field, whatever historians may say. His unpopularity had a negative and a positive side. His temperament seems to have been his undoing, as Frankel has pointed out. It no doubt also affected the nature of his opposition in Senate to the policies of his University. His arguments were convincing, but surely not to the liking of the Deans whose Faculties received a disproportionate share of the subsidy - medicine, engineering and science. Richards attacked holy cows, and paid the price for it. He became easy prey to biographers, especially if they also disliked his advocacy of private enterprise. Iconoclasm becomes heroic only if successful.

Richards's contribution to the Economic Society was huge. He was for many years editor of the *SAJE*, also during the difficult war years, when he managed to publish it without interruption. This was an unusual feat that was perhaps not always sufficiently recognised at the time by the South African economics fraternity.

His connection with the Journal goes back to 1932, a year after he had taken the chair at Wits. At the annual general meeting of the Society he was, as we saw (*supra*), elected chairman of the Journal Committee (later the Board of Management) with Professors Leslie and Frankel as joint editors. This arrangement came to an end in 1946 when Frankel resigned in May before going up to Oxford, followed by Leslie in October. Council then elected Richards as Managing Editor and Professor H.M. Robertson and Dr W.J. Busschau as joint editors. When Richards resigned in 1972 he had been connected with the Journal for no less than forty years. During this period - especially in the pre-war years - the Journal published many papers from internationally respected authors. Many of these

contributions are still worth reading today.

He was a staunch supporter of free market principles and one of the foremost critics of the Marketing Act of 1937. Under this Act a system of control boards was introduced in South African agriculture, which remained a bone of contention for more than half a century before it was repealed by the present government.

He was a prolific writer and the author of some eighty papers in various journals, including seven in Britain, among which is an invited article for the *Economic Journal* of 1934, edited by Keynes.

He gave evidence in 1924 to the Kemmerer-Vissering Commission on monetary affairs during the difficult years leading up to the reintroduction of the gold standard in South Africa in 1925. He was a member of the important and wide-ranging Customs Tariff Commission of 1934-5, chaired by Holloway. He was chairman of the central advisory committee to the Import and Export Control Board of 1941-43, and a member of the Distribution Costs Commission of 1943-46. In 1947 he was a delegate to the Commonwealth and International Trade and Employment conference in London and Geneva. In 1951 he conducted an official investigation into graduate training for business management and administration in Europe, the UK and the US. This resulted in the Business School of the University of the Witwatersrand whose requirements were so strenuous initially that they had to be lowered subsequently to be more competitive with other Schools in the country.

Richards retired in 1964 and became economic adviser to the City Merchant Bank from 1965 to 1969. It was as nothing compared to what Frankel and Hutt had been offered - both overseas, however, not in South Africa - after their retirement. Richards had become unpopular for his high consultancy fees, while his outspokenness also did not stand him in good stead, his free enterprise principles notwithstanding. In fact, during the post-war years of controls firms had to express their *laissez faire* principles circumspectly and *sotto voce*. For government contracts could be most lucrative, which one would not like to see jeopardised by a too close association with a liberally minded economist. Richards carried that stamp, of which the business world had become aware especially through the publication of

his masterpiece on the steel industry in South Africa.<sup>1</sup>

He had been approached by the Transvaal Chamber of Mines in 1936 to investigate the steel industry, with special reference to Iscor. In a "moment of enthusiasm," he said in the Preface, he accepted. That launched him on a research project of unusual dimensions, both as regards extent and complexity. The economics of steelmaking is highly technical, and requires a knowledge of the manufacturing process, elementary metallurgy and the wide spectrum of the many varieties of output. This is essential background to any economic analysis of the industry within the framework of the intense competition in the international steel market. It is a kind of research that is typically done by a team of experts. Richards delved into it single-handedly with assistance from others only in the form of advice and data, to produce a work of uncommon perspective and thoroughness. The first six chapters contain a comprehensive survey of the early efforts to make steel in South Africa, and the following seven extensive details of costs and prices in the industry. Frankel, in his autobiography, describes Richards's work as "containing an important analysis of the benefits of a free market" (p.112).

It is surely one of the most difficult and taxing pieces of empirical research ever undertaken by a South African economist. The works of Arndt and Frankel were equally wide-ranging; but their subject matter was less technical - and technological - and they were both writing as experts in their respective fields. Richards was - at least he had *started* - as an amateur. He gained expertise as he went, performing at the same time the ordinary duties of an academic, including the humdrum duties of Dean of his Faculty.

The University in 1941 awarded him the senior research doctorate D.Sc (Econ.) degree on the basis of this meticulous

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<sup>1</sup> C.S. Richards, *The Iron and Steel Industry in South Africa*, Witwatersrand University Press, Johannesburg, 1940. It is a book (typewritten) of close on 500 pages text, plus 8 extensive Appendices containing a mass of statistical detail about the many aspects of steel making, including data for the UK, the US and Germany.

study. It was the final crowning glory of his career. Academically he had at last drawn level with Frankel.

But it was a Pyrrhic victory. His work did not draw the attention that he had hoped it would. It was also not reviewed in the Journal. Being the editor himself, he may not have wanted it reviewed. Or perhaps he may have thought there was no one sufficiently knowledgeable to review it objectively. Also, it was published at the time when the national focus had shifted to the war effort, with the same Iscor that he had been criticising as a government monopoly then making a substantial contribution to the war effort through the production of essential military *matériel*. Iscor, with the famous Van der Bijl at the head, magnificently overcame the many problems with which it was suddenly confronted: the making of a variety of high quality steels it had never intended producing; the manufacture of armour plating, mortars, machine guns, etc.; and the provision of heavy engineering facilities in the harbours for the repair of ships damaged by enemy submarines. In the light of all these spectacular developments Richards's critique became tragically *passé*.

It rather reminds one of the fate that had befallen Schumpeter at Harvard a year earlier when he had published a similarly extensive work of empirical research: his impressive two-volume, thousand page *Business Cycles, A Theoretical, Historical and Statistical Analysis of the Capitalist Process*. Like Richards, he had written it more or less single-handedly with the assistance of a few individuals and a secretary. And, like Richards, he paid tribute to no great name for assistance or critique. He had - also - ploughed a lone furrow to produce a major work. Unfortunately for Schumpeter, a student of his, P.A. Samuelson, was writing at about the same time on theory in an exciting, different parlance - the language of mathematics. His doctoral thesis drew world-wide attention when it was published in 1945 as *Foundations of Economic Analysis*. It took the economics profession by storm. It was a new - at least modern - approach to the discipline, stated rigorously. This was science! It all looked so learned. In the

process the work of the great, self-effacing<sup>1</sup> Schumpeter more or less fell prey to that of his ex-student Samuelson. It stands as a good example of the schism in the methodology of economics as an intellectual discipline.

It was the second time in a decade that Schumpeter's work had been eclipsed by that of another writer. When he read Keynes's *A Treatise on Money* in Bonn in 1930, Schumpeter decided to withdraw the manuscript of a book on money which he had been working on for some years. It eventually appeared in print only forty years later, posthumously.<sup>2</sup>

The subject of Richards's presidential address to the Society in 1945, at the end of the war, was a topical one, "The task before us: with special reference to Industry" and, in 1946, "Economic incentives in the post-war world."

He retired to a large, newly-built house in Southbroom, Natal, where he died in 1974, presumably from a fall on a slippery floor. He was married, but had no children.

**H.M. ROBERTSON (1951-52).  
ECONOMIC HISTORIAN. EDITOR.**

After two Presidents in succession from Johannesburg, the next was from Cape Town. Hector Mentieth Robertson (1905-1984) was born in Leeds from Scottish parents. His father was a medical doctor. As behove good Scots, he was sent to a country school in Scotland, followed by Scarborough College, Leeds

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<sup>1</sup> It has been said by students who had attended Schumpeter's lectures that he never referred to his own many published works in class.

<sup>2</sup> In the late 'sixties professor Erich Schneider, University of Kiel, and sometime assistant to Schumpeter in Bonn, told this author there was still an unpublished manuscript of Schumpeter's which few people knew about. When Keynes's *Treatise* came to hand, he said, Schumpeter immediately realised that it was impossible to improve on it. Keynes had said all that he wanted to say himself - and Keynes had done it better. The manuscript was indeed later published, as *Das Wesen des Geldes*. Göttingen, 1970, 341pp. In a Foreword, professor Fritz Karl Mann corroborates Schneider's story. The approach in the book is typically Schumpeterian, much wider in compass than the *Treatise*, in fact, in many ways complementary to it. It would be a rewarding - but difficult - task to compare the works of the two great authors in depth.

University in 1925 (where he won the Gladstone Memorial Prize and took his MA), and then to Emmanuel College, Cambridge as a research student.

The Cambridge of the late 'twenties must have been a veritable El Dorado for a young economist. The spectre of the great Alfred Marshall, who had died two years previously, was no doubt still strongly in evidence. His economics was then being taught by his successor, A.C. Pigou. Keynes, very much in the ascendant, was at King's, but was also spending much time in the City. His international fame - or notoriety (to the French) - rested solidly on his *The Economic Consequences of the Peace* (1919), followed by the much more scholarly *A Treatise on Probability* (1921) and *A Tract on Monetary Reform* (1923). He had more recently published his critique *The Economic Consequences of Mr Churchill* (1925), on the folly of returning to gold, besides other scintillating essays on affairs of the day - *Am I a Liberal?* (1925), and *The End of Laissez-Faire* during the following year. Other great names were those of Joan Robinson, who graduated in 1925, R.F. Kahn and Piero Sraffa. Keynes was running his famous weekly Political Economy Club, to which the young Robertson was also invited. It was a gruelling experience for any 20-year old, as he was later to relate, but one that had an enormous formative influence on him.

Robertson spent his time at Cambridge well. He wrote a thesis that drew wide international attention, and earned him the Ellen McArthur prize in 1932. It was published by the Cambridge University Press in 1933 and reprinted in 1935.<sup>1</sup> The subject of his research was an unusual one: the relationship between protestantism and capitalism. In 1926 the economic historian R.H. Tawney had published his *Religion and the Rise of Capitalism* in which he supported the views expressed in 1904-5 by Max Weber in two essays on the question of protestantism and entrepreneurship. It was Weber's view that the Calvinist work ethic undermined certain aspects of social morality, which he alleged paved the way for the profit maximising behaviour of

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<sup>1</sup> H.M. Robertson, *The Rise of Economic Individualism, A Criticism of Max Weber and his School*.

capitalist enterprises. Robertson's study involved delving into a literature covering aspects of economics, sociology, history and religion - a literature that was as wide and diffuse as it was labyrinthine. Two questions raised by him are worth noting.

First, the Weber thesis implies that "the whole of the Middle Ages should be considered pre-capitalistic"(p.35). That coincided with the views of Werner Sombart, author of the multi-volume *Der Moderne Kapitalismus*, who believed that the mysterious "capitalistic spirit" had been unknown in medieval times. Sombart saw economic activity in the Middle Ages as limited to the provision for one's needs, in contrast to that of capitalism, which focuses on the pursuit of gain.

Robertson rightly questioned this view. Economic activity for gain had been known for "some thousands of years," in fact, Aristotle had "brought it into light, and traced the ways in which it was satisfied, whether by speculation, labour or usury" (*ibid.*).

Second, referring to the writings of the religio-sociological school, he pointed out that Weber had in essence lodged as heavy an attack on capitalism as the "materialist writings of Karl Marx" (p. 207). Weber wrote from within a school that was "infected with a deep hatred of capitalism." The moment one gives a school of thought a political label, one's critics come ready made. So it appears to have been also with Robertson.

It is interesting that no mention is made of his work in the articles on Tawney and Weber in the new Palgrave Dictionary, nor in the bibliographies thereto.

In the 1937 edition of *Religion and the Rise of Capitalism*, Tawney tangentially refers to the criticism "at some length" by Mr Robertson. He does it from his Olympian heights. Nowhere is the reader referred to the work of this Mr Robertson. And he dismisses him briefly in his Preface: it was not a question "of general economic history, but of religious thought on social issues."<sup>1</sup> It is, however, clear which of the two approaches is the wider and less eclectic.

More than two decades later Robertson returned briefly to the argument in an article which well shows his remarkable

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<sup>1</sup> R.H. Tawney, *Religion and the Rise of Capitalism*, Penguin Books, 1938, p. xi.

erudition. It was a paper read to the Senior Seminar at the University of Cape Town in 1950, dealing with the economics of the 16<sup>th</sup> century in particular, but reaching out much wider to illustrate the interaction of events over the centuries. This paper established Robertson as perhaps the most thorough and meticulous economic historian this country has ever had. Towards the end of the paper he returned to the Weber-Tawney issue, which he dismissed in one telling sentence: "It was the development of industry and commerce that promoted habits of diligence; not Calvinistically inspired habits of diligence that promoted industry and commerce."<sup>1</sup>

It was a very closely-argued paper. Unfortunately, Robertson did not later extend it to show the role of religion in the centuries-old strife between the Popes of Rome and the Patriarchs of Constantinople, which led to the economic estrangement especially after AD 800 between the Near-Eastern countries and the West, and the rise of the Italian city-states to prominence - and wealth - as centres of supply in the spice trade with Western Europe.

After Cambridge, Robertson was briefly assistant lecturer at Leeds, which he left in the summer of 1929, and "went to the *Soziale Arbeitsgemeinschaft* in Berlin, having applied for posts in Cape Town and Sydney."<sup>2</sup> The South African offer was made first, and Robertson arrived in Cape Town in February, 1930, as senior lecturer in Leslie's Department of Economics.

Three years later he married Joan Van der Horst, afterwards an anatomist in the famous Cape Town Medical School. She was the daughter of J.G.P Van der Horst, a leading Cape businessman, economist, cultural leader, foundation Council member of the University of Stellenbosch and author of the Van der Horst plan for the alleviation of rural poverty during the

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<sup>1</sup> H.M. Robertson, *European Economic Developments in the 16<sup>th</sup> Century*, *SAJE*, March, 1950, p. 49. He criticised Weber's methodology: he had not written an historical study "though he made appeals to history;" and he confused an "ideal type" with reality. For the reaction among scholars to Robertson's Cambridge thesis, see the Obituary by Dr J. de V. Graaff, *SAJE*, Sept. 1984, p. 311.

<sup>2</sup> Graaff, *op. cit.*, p. 310.

Great Depression. Joan's sister, Sheila, was the first female academic economist in South Africa, and a member of staff in Robertson's department after receiving her doctorate from the LSE on a pioneering thesis on South African labour economics. The Robertsons had three children: Rosemary, a medical doctor - in the family tradition - Anne, a well-known economist and Gerald, a physicist.

Robertson rooted himself more deeply in the land of his adoption than any other economist of his generation that took up an academic appointment in South Africa. Although his knowledge of German could have been of assistance, he mastered the complex Dutch of the seventeenth century, as well as Afrikaans, its eighteenth century derivative. This allowed him to delve, to an astonishing degree, into the records of the old Dutch East India Company. He read Van Riebeeck's diary in the original. That was a feat in itself. Even most Afrikaners today lack the necessary linguistic background and knowledge of Dutch - and perseverance - to struggle through the strange words, difficult spelling and convoluted syntax and idiomatic expressions of the time to enable them to understand Van Riebeeck. Robertson read much more, including the official incoming and outgoing letters between the Cape and Batavia (to which the Cape was subordinate) and Amsterdam, the seat of the headquarters of the mighty Company, and many other contemporary sources.<sup>1</sup> Add to this the nightmare of deciphering the hieroglyphic handwriting of those days, and one begins to understand what original historical research implies.

His first major publication on South Africa<sup>2</sup> was a two-part article in the *Journal* (1934 and 1935) under the title *150 Years of*

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<sup>1</sup> In his presidential address to the Society in 1952 (*infra*) Robertson referred to the Company as "from the start an immense financial undertaking." Its subscribed capital of "just under 6½ million guilders in 1602 ... far overtopped the total revenues which could be scraped into the Royal Exchequer of Queen Elizabeth of England even in the year when the threat of the Spanish Armada had to be faced" (p.209).

<sup>2</sup> His first publication in the *SJAE* appeared in the very first issue, March, 1933, on Robinson Crusoe Economics, in which he distilled the basic economics underlying this well-known work.

*Economic Contact between Black and White in South Africa.* These articles deal extensively with the economic aspects of the labour problems in the nineteenth century and the first three decades of the twentieth. The increase in intensity of labour questions is well reflected in the number of Statutes and government commissions of enquiry on labour issues, especially from the 1920s onwards.<sup>1</sup>

Robertson interested himself in a variety of detailed questions around the early settlement at the Cape, *e.g.* its economic development under Van Riebeeck, two articles on early land tenure (in which he pointed out the mis-translation of *leeningsplaatsen* by the British authorities as loan farms), and the wider question of whether the Company had intended to colonize the Cape systematically. The Company saw it as a business venture, as against Van Riebeeck's continual urge for more funds to improve the lot of the small number of settlers and their ability to supply the passing fleets with fresh produce. This eventually led to the importation of slaves and, with it, new problems of a different kind. Robertson well shows how the tenacity and determination of Van Riebeeck against all odds - the trying climate, initial unwillingness of the indigenous tribes to barter, and the sometimes contrary instructions from Batavia and Amsterdam - was the bastion that saved the little settlement from early disaster.

There are a few lesser known facts behind the settlement which Robertson mentions in his presidential address in 1952, three centuries after the event. In 1619 the English East India Company had approached the Dutch about the possibility of jointly building a fort at the Cape. Had they intended to build a separate one, or would they agree to "building a common fort for the two companies?"<sup>2</sup> The Dutch did not favour co-operating

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<sup>1</sup> There is surely no better way of recording the evolution of economic policy in this country than through a study of the findings of the many interesting and important government commissions of enquiry into just about every important aspect of the South African economy.

<sup>2</sup> H.M. Robertson, *The Politico-Economic Background of Jan Van Riebeeck's Settlement*, *SAJE*, September, 1952, p. 213.

with their competitors in the spice islands, and the idea came to nothing. The following year two English captains ran the English flag up on Signal Hill and annexed "all Africa for King James" while on their way to the Gulf "for sterner business" (*ibid.*). But the English Company had fallen on hard times and could not afford to annex "all Africa" just yet. The act remained an "empty gesture" (*ibid.*).

Twenty-seven years later, in 1647, the *Noord Haerlem* was wrecked in Table Bay. Two English ships soon afterwards put into the Bay, whose crews "willingly assisted" in the work of salvage. Later the two captains not only took the bad news to Amsterdam but also provided passages to 40 of the wrecked sailors. Relations between Holland and England deteriorated, however, which persuaded the Dutch to take up the idea of a fort in earnest.

In 1946 in an article *Economic Historians and their Colleagues* published in this Journal, Robertson argued that economic history was equally important to economics and history. That was more than half a century ago. Today it appears that the future of economic history depends on whether historians will continue to recognise its importance to their discipline. In economics its future is clearly bleak. After the world-wide invasion of advanced statistics, economists are being educated with a minimum of historical perspective, if at all.

It is unfortunate that Robertson did not leave a *magnum opus* behind, like Arndt, Schumann and de Kock (*infra*). Perhaps his scholarly instinct rebelled against the idea of writing something that purports to be definitive. He had difficulty in deciding when to call it a day. Some of his writing tended to peter out in a mass of detail, all of it relevant but out of focus - *unübersehbar*. There are three such instances.

The first is the series of three lectures on the economics and politics of South Africa delivered in 1957 as a guest at Duke University.<sup>1</sup> The first two informative chapters are followed by the third, on the constitutional struggles, which descended into a

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<sup>1</sup> H.M. Robertson, *South Africa, Economic and Political Aspects*, Duke University Press, 1957.

bewildering amount of detail that must have been lost on his American audience. The second was his long paper on *Fifty Years of the South African Journal of Economics* published in the Jubilee issue of the Journal. Robertson was already in poor health at the time, yet he managed to produce a magnificent paper. The end paragraphs had to be edited rather heavily because of the amount of detail they contained. Third, after his retirement from the University of Cape Town in 1970 he was persuaded to write the history of the University over the past fifty years. At the best of times this kind of work can only be of narrow interest, a chronology of events of a largely administrative nature and committee decisions by old academics long forgotten. Robertson's history became so unmanageably large - some 3000 typed pages - that any reasonable prospect of publishing it was ruled out.

This was done at very high opportunity cost to himself. He had to put aside his labour of love - a definitive work on the old Company documents on which he had been working for many years.<sup>1</sup> It meant a great loss to South Africa. There is little possibility that Robertson's work in this difficult area would ever be continued and completed - at least by economic historians, whose emphasis is more specific and less general than that of political or social historians. Today we can only honour him for his amazing knowledge of his subject, his precision in research, and his objectivity, especially in areas that have lately become clouded by ideology and the practice of judging the past on the basis of present more enlightened criteria.<sup>2</sup>

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<sup>1</sup> Information supplied by Professor Gerald Robertson, Department of Physics, University of Cape Town.

<sup>2</sup> For example, in his *150 Years of Economic Contact Part I*, he points out that the Voortrekkers' system of apprenticing native children, so persistently criticised by "both missionaries and British officials" was "not an invention of the Boers for maintaining child slavery." In England, children "often of very tender years, had long been farmed out to employers by the overseers of the poor in the English parishes from the foundlings, orphans and pauper children in their charge ... and similar practices were known throughout the continent of Europe" (p. 408). He goes on to point out that the Cape Colony as late as 1878 introduced a system of "apprenticeship of six-year old Native

Robertson was an extremely shy man. A fast give-and-take conversation with him was somewhat rare. He would seldom react immediately to an observation or request. He would first turn it over in his mind, during which he was likely to be looking out of the window and, after a while, respond slowly and briefly in a few measured, well-chosen words. He made one feel that everything one told him he took extremely seriously - which he no doubt usually did. Before a discussion with him one would therefore make doubly sure of one's facts and how one puts one's case. He was not to be trifled with; one sensed that here was a genuine, completely honest and considerate man, whose advice one appreciated and cherished.

He ran his Department with a gentle hand, and was conscious of the interests of individual members. Having allocated work for the year or semester, the Staff were further left alone. He was totally self-effacing. Yet we all sensed he was the senior among us in every important respect. We all looked up to him for guidance, which he would seldom offer unless asked. It was easy to underestimate this mild-mannered man, except those who knew him well. The more senior members of staff invariably addressed him affectionately as Robbie, as did his other senior colleagues in the University.

His professional respect for history and accuracy extended also to *Dogmengeschichte*. He was averse to generalising and compartmentalising writers into schools for, as he often said, it was perhaps more important to know where they differed, rather than agreed, in their views. Mercantilists, physiocrats, classical economists, Keynesians - all these are generalisations that camouflage a variety of points of view that, taken together, reflect the intricacies of reality.

This is no better shown than in his paper "The Ricardo Problem" published in this Journal, September, 1957. His inspiration was Keynes's chapter on Malthus in his *Essays in Biography* ("which I first enjoyed from his own lips, in an earlier version, as a paper read to his Political Economy Club at Cambridge" *ibid.*, p.171). Robertson does not, unlike Keynes in

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children" What is abhorrend today was general practice 150 years ago.

the *General Theory*, chastise Ricardo for his neglect of the aggregate demand function, but takes a broader view of *e.g.* his theory of rent, theory of value and related topics as discussed by later authors. Here he shows a deep acquaintance with the work of not only Ricardo but also those of Smith, Say, McCulloch, Mill, Marshall, Von Thünen and, surprisingly, the great Dutch economist of the second half of the nineteenth century, N.G. Pierson (*infra*), in the original - both his two-volume *Leerboek der Staatshuishoudkunde* and his later *Verspreide Geschriften*. It is an article that one instinctively feels could hardly have been written by any other South African economist at the time, Hutt included. Robertson shows that he had not only read, but also understood the works in German and Dutch.<sup>1</sup> His scholarship was not applied to proselytise - as Hutt's was in many respects - but to analyse and weigh up in his search for the truth.

Some felt he even *acted* the historian: *e.g.* during a conference in Australia it was said that his presence was like a "whiff of the seventeenth century." He no doubt liked that description. In lectures he always donned an old tattered academic gown - with pride, it seemed - a visible sign of his respect for tradition.

No other academic import into this country from Britain had, over time, gained a better understanding of the ideals of the two Western cultures in South Africa than H.M. Robertson. As a true Scot he was sensible of the presence in his University of the many Afrikaans professors - some of world renown - lecturers, students and administrative personnel, an awareness which is well reflected in one paragraph - delivered in Afrikaans - of his inaugural address in 1950 on *The Adam Smith Tradition*, on the subject of inter-cultural co-operation.

Two years later, in his presidential address to the Society on the politico-economic background to Van Riebeeck's settlement (this Journal, 1952), he returned to the subject much more succinctly (p.214): "It seems almost to have been the historic fate of the Dutch and the English to be one another's dearest

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<sup>1</sup> In the latter respect only some Afrikaans economists could compete with him. But few showed the interest or held the incisive views on the history of theory.

enemies, perpetually in need of one another yet almost as constantly estranged - the macrocosm, the projection into a larger sphere, of family life with its inner stresses and its interdependencies."

During the stormy years of the 1960s Robertson played a leading role - for a time as chairman - in the Academic Freedom Committee of the University. It shows the esteem in which he was held by his fellow academics. But it was quite unsuited to his temperament. He totally lacked the oratorical talents necessary to change people's minds and incite them to action, something which was done almost daily - often raucously - by other academics, students and politicians in the large New Science Lecture Theatre.<sup>1</sup>

H.M. Robertson was the ideal editor. He gave his full attention to manuscripts, as evidenced by his many marginal comments and short notes on suggested improvements. His verdict very seldom was simply "Recommend publication" - often the tell-tale sign of editorial lack of interest, ignorance of the topic, or sheer laziness. His knowledge of theory was remarkable, and he managed to demolish many an embellished argument with devastating logic or by one or other historical fact to the contrary.

Robertson's retirement as co-editor of the *SAJE* in the early 'seventies caused a vacancy that was difficult to fill. One name was put forward as a suitable candidate, an expert in a narrow field. It so happened that at that time the editors had been adjudicating a paper on this very subject, for whom the prospective editor was acting as outside adviser. He returned the paper with only the words "Recommend publication" on it. Robertson, far outside his field, had sat down and worked through the paper sentence by sentence, leaving the manuscript

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<sup>1</sup> This is well illustrated by an anecdote. Some time during 1963 or 1964 Robertson was persuaded to participate in an important evening symposium with two or three other academics. You could sense his heart was not in it. The first half of the talk went reasonably well, when he suddenly stopped, looked the audience over, and asked "How is it going?" It brought the house down, and did much to give him the courage to finish.

with alterations on practically every page. His advice was subsequently sought in difficult cases, although he slowly withdrew from editorial work as other interests began to absorb his attention.

Two years after his retirement he was honoured with a *Festschrift* to which ten economists from a number of countries contributed.<sup>1</sup>

**W.J. BUSSCHAU (1955-56).**  
**ECONOMIST. MINING INDUSTRIALIST. EDITOR.**

Down the years the Presidents of the Society were predominantly academics, with here and there someone from the private sector. The first was Samuel Evans (*supra*), a public-spirited, accomplished and widely-experienced man, but no intellectual, who was rightly greatly admired in the business community. Another was W.J. Busschau, who held the centre stage in South Africa of the endless discussions around questions of monetary stability over a period of almost three decades, starting in the late 1940s. But even earlier on, during the war, economic policy could be said to have been determined largely by Hofmeyr, Holloway, Frankel and Busschau.

Of these four leading personalities, Busschau was unquestionably the best grounded in economic theory. Roy Harrod had tutored him at Christ Church, Oxford, as Natal Rhodes scholar in 1933. Through Harrod, Busschau came under the spell of Keynes, who was then working on the *General Theory*. In a talk given to the Society in the early 1950s he mentioned the *General Theory* as "a book which I had the privilege of reading in typescript."

He remained an economist for the rest of his life, despite the high offices that he afterwards held in the private sector. Sitting in the audience of a Society lecture given by a professor in the early 1950s, at question time Busschau rose his full six feet with

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<sup>1</sup> Marcelle Kooy, *Studies in Economics and Economic History, Essays in Honour of Professor H.M. Robertson*, Duke University Press, 1972. More details of Robertson's many other activities are given in the Obituary by Dr Graaff, *op. cit.*

"Being an economist, I beg to differ.." He was ever ready to argue his case, which was invariably justified with reference to received theory - Keynesian at the time.

Busschau always took a lively interest in the affairs of the Society. In his day it often happened that members of the Johannesburg branch travelled to Pretoria to attend meetings, and *vice versa*. This was possible because the neighbouring branch was kept informed of local events by the secretaries or by word of mouth. There was a community of spirit among economists and businessmen in the two centres which had been sadly affected by subsequent events. An estrangement gradually developed when economists in Pretoria had to start defending and applying policies which could not stand the test of economic logic. The true economist in government service must have felt in his heart of hearts that he was defending the indefensible, often *om den brodes wil* - for bread and butter reasons. That brought about an unease which, with some, still lingers on - an offshoot of the memories of only yesterday.

But that was after Busschau had disappeared from the centre stage. During the 'forties and early 'fifties when great names were at the helm of Society affairs, there was a conviviality among members - evening dress at Society dinners, also perhaps even at the odd meeting - and a camaraderie which is no more. Busschau's contribution, although mostly *sotto voce*, was significant. Oxford - Christ Church - had left a permanent stamp on him which he, unknowingly, imparted to receptive aspiring economists in his audiences. He was gentle, suave and soft-spoken, with a respect for the correct use of language. In both manners and speech he was unaffected, even at the apex of his career. He put his views across in a quiet manner that demanded respect, a humane man who never lost the common touch.

It would have been surprising if he had. That would have rebelled against his background and upbringing. William John Busschau (1908-1976) was born in the Free State village of Senekal, where he came second overall in the country in the matriculation examination. At the Natal University College, Durban, he received his M.Com, followed by a lectureship in economics at the Pietermaritzburg Technical College. He drew

early attention to himself through his many articles in the local press on the economic problems of the time, and his efforts to organise a branch of the Society in the town. In 1933 he became the Natal Rhodes scholar. In 1936 his doctoral thesis, *The Theory of Gold Supply*, was published, a remarkable work in a complex field in which he had had no previous experience.

He returned to South Africa in 1937 and became intimately connected with the gold mining industry for the rest of his career. He served on the boards of three mining companies, the Reserve Bank, a commercial bank and a large insurance company. In 1954 he was made a member of the executive committee of the Chamber of Mines, and President in 1959-60.

His published work and pronouncements were mostly concerned with international monetary relations and the role of gold in international payments. At one time he served as vice-chairman of the Commission on international monetary relations of the International Chamber of Commerce. He published two well-known works on the subject, *The Measure of Gold* (1949) and *Gold and International Liquidity* (1961). In these he displayed an impressive knowledge of monetary history, and found himself in the intellectual company of men such as Röpke, Charles Rist, Dupriez, Harrod and others. An honorary membership was conferred on him of the *Société Royale d'Economie Politique de Belgique*.

Busschau was a joint editor of the Journal for a period of twenty-six years. He was a conscientious editor and often made time to discuss a manuscript with a youthful author before publication. In 1966 he received an honorary doctorate from Rhodes University on the occasion of his installation as Chancellor.

Today we can honour Bill Busschau as an intellectual who was conspicuously successful in bridging the gap between Town and Gown. Much of this was due to his ability to get along with people from all walks of life.<sup>1</sup> Many other Doctors of Economics have also been successful in business; but few ever proved their continued interest in their discipline in published form as

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<sup>1</sup> An Obituary of Busschau appeared in the *SAJE*, March, 1977.

Busschau had done.

**M.H. DE KOCK (1957).**  
**ECONOMIST. CENTRAL BANKER. AUTHOR.**

The next President, following W.J. Busschau, was in a variety of ways even more outstanding. Dr M.H. de Kock managed in his lifetime to bring about changes in the South African monetary scene that made him one of the most outstanding public figures among economists that the country has ever produced. Circumstances were such that his achievements in this respect shall probably never be equalled.

Michiel Hendrik de Kock (1898-1976) was born in the district of Malmesbury in the Cape. He received his early education from a farm school before leaving for Stellenbosch where he matriculated at the famous Boys' High School. In 1917 he graduated in classics *cum laude* from the Victoria College (now the University of Stellenbosch), and in 1919-22 studied economics at Harvard University where he gained an MA, followed by a PhD. His thesis - in partial fulfilment of the doctorate - was on the public finances of the Union during the first decade of 1910-20.

On his return to South Africa de Kock immediately set to work on an extension of his thesis which was published in 1922 as *An Analysis of the Finances of the Union of South Africa*, with the Preface written from the farm Leeuwendans, Klipheuveel, district Malmesbury, near Cape Town. In it he thanked those who had assisted him financially and otherwise in his studies: his father, GPC de Kock, Mr J. Carinus, the Cape Helpmekeer Society, the manager of the Standard Bank branch at Malmesbury, Professor Bullock of Harvard, and various institutions and government departments for providing assistance with statistics.

The book is a scholarly work. We may accept that it is the first scientific work on economics published in South Africa. Serious students of South African public finance can fruitfully still consult it. An Appendix was added on national budget statistics which show that over the twelve years 1910-11 to 1921-22 there were surpluses for 8 years totalling £6,4 million and deficits of £4,2 million. Similar statistics were drawn up for the railways and the provinces, both of which recorded a net deficit for the

period - railways £1,2 million and the provinces £0,1 million. After allowing for certain accounting adjustments he showed that over the period as a whole there was an overall net deficit of £2,25 million.<sup>1</sup> These figures tell an interesting - or questionable - story, especially in a country that one would have expected would be spending much on reconstruction after a devastating war not many years before, and still more so on financing the first World War. In classical terms, however, the deficit would be seen as the work of a spendthrift government.

In the same year (1922) de Kock published a second volume, *The Results of Government Ownership in South Africa*, which was also based on his doctoral thesis at Harvard. In his Preface - also written from the farm Leeuwendans - he explains that the book deals not only, as in the thesis, with the financial results of government enterprise, but also gives a "detailed exposition of the underlying principles of organisation and management." The book contains seven chapters on the railways, two on harbours, two on the post office, telegraphs and telephones, one on the Land Bank and five on government domains. In his concluding chapter he mentions that government ownership was "the result of the lack of private initiative and capital in the past, and to a certain extent also at present." Therefore, government ownership was a "necessary evil, and *it is my intention in the future to try and devise means whereby this evil can be minimised...*"<sup>2</sup>

These were brave words from a young man of twenty-four years writing from his father's farm in the Swartland, fresh from Harvard, and waiting for "something to turn up." He must have already set his sights on higher things. That would have been entirely understandable. In one year he published two remarkable books on the South African economy which, it is safe to assume, must have made a favourable impression in Pretoria on members of the Cabinet - with the highly intellectual Smuts as Prime Minister - and on the top echelons in the civil service. The

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<sup>1</sup> M.H. De Kock, *An Analysis of the Finances of the Union of South Africa*, Juta & Co., Cape Town, 1922, p.236.

<sup>2</sup> M.H. De Kock, *The Results of Government Ownership in South Africa*, Juta & Co., Cape Town, 1922, p. 187. Italics added.

extensive knowledge of the economy that he displayed in the two books, plus his thorough theoretical education at Harvard, made him unquestionably the best qualified economist in South Africa at the time. He had no equals. At Cape Town was Leslie, who essentially remained an outsider. At Wits was Lehfeldt, who had changed horses in mid-stream, turning to economics from natural philosophy and physics. At Pretoria was Holloway, his nearest competitor with a doctorate from the LSE, a highly competent man, a fellow *plaasseun*, and one who was also deeply interested in the economy of his country. But their careers were to turn out differently. The success of Holloway, as we have seen, although more auspicious in many ways, was less intellectual. De Kock was the *savant*, the scholar, less outgoing in nature than Holloway, and, like Arndt, one whose legacy includes timeless published works. But Arndt's great opus then still lay six years in the future.

With the two books to his credit, de Kock launched his career magnificently. In January, 1923, he was appointed senior lecturer in economics at the University of Cape Town, in Leslie's department. He stayed there for approximately two years. During that time he published another book, *Selected Subjects in the Economic History of South Africa* (Juta, Cape Town, 1924).

The book is dated August, 1924. It means that this work of 475 pages had been written over the previous eighteen months. De Kock states in the Preface that it was intended as a textbook for use in the relevant courses at the University of Cape Town, but that many other parties were likely also to find it of use - including, with youthful optimism, other countries of the Commonwealth. This kind of publication is something that one would have expected Leslie, the head of the Department - a wise but strangely lethargic figure - would set about organising soon after his arrival at the University a decade before. To say that Leslie's interest in South Africa did not stretch that far, might be doing him an injustice.

Returning to the "necessary evil" aspect of government ownership discussed in his 1922 book, he reiterates the need for industrial development which, in turn, would call for tariff protection. And then:

"For this purpose the organisation of the Board of Trade and Industries is to be improved and extended, so as to enable it to perform that difficult but necessary task as efficiently and economically as possible ..." <sup>1</sup>

This indeed occurred soon after the book was published, when the Hertzog government reorganised the Board of Trade (*infra*) and appointed a number of young economists to its staff, including de Kock. It is impossible at this stage to assess the role that his book had played in causing the change in the structure of the Board.

De Kock's *History* is one of his lasting legacies to scholarship in South Africa. Its coverage, despite the word *Selected* in the title, is comprehensive and gives evidence of remarkable knowledge and depth of analysis. The first five chapters of Part I cover the period of the Dutch rule at the Cape, while the eighteen chapters of Part II give condensed summaries of economic development in the various industries. Here one finds *e.g.* surveys on currency and banking,<sup>2</sup> tariff legislation, mining, manufacturing, public finance, taxation, labour legislation, *etc.* When H.M. Robertson assumed duty at the University of Cape Town six years later, he could make full use of this text - which no doubt allowed him time to delve into the early Cape documents.

Perhaps *textbook* is a misnomer. The *History* gives ample evidence of thoroughgoing research, and focuses on what was important in economic development up to the 1920s. The book still has no rival. Its approach is on a different scientific level from that of de Kiewiet's<sup>3</sup> as also Hobart Houghton's well-

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<sup>1</sup> *Economic History*, p. 299.

<sup>2</sup> It is strange that Arndt does not mention this book in his large study on banking and currency. It would appear that when de Kock published his text, Arndt was away doing research in the US and Britain. But his Preface is dated January, 1928. Of course, the two books are not comparable, although de Kock's two chapters on currency and banking still serve as a good general and quick introduction to the immense field covered by Arndt.

<sup>3</sup> C.W. De Kiewiet, *A History of South Africa, Social and Economic*, Oxford University Press, 1941, reprinted 10 times. De Kiewiet sees his subject as "historic drama," hence no doubt its popularity. It gives an excellent qualitative analysis of the economy, unlike de Kock's, which supplies the necessary statistical background. The factual content of de Kock's book makes for no easy reading.

known text (*infra*), which concentrates on more recent economic history.

In October, 1924, de Kock left for Pretoria. The Hertzog government had come to power in May, and soon set about appointing a number of economists to important positions. It would appear that Hertzog took the initiative, as apparently the only member of the cabinet who had studied economics seriously,<sup>1</sup> his right-hand man and Minister of Finance, Havenga, being an attorney from Fauresmith and Koffiefontein in the Free State. De Kock joined the newly organized Board of Trade and Industries, with Dr A.J. Bruwer as chairman. His books had no doubt come to the notice of Hertzog, who remained a scholar all his life (*e.g.* he quoted from Stanley Jevons in Parliament during the heated debates on the gold standard in 1932). Hertzog no doubt had been struck by the quality of de Kock's work and his overall knowledge of the South African economy.

He stayed at the Board until the end of 1929. During that period he came into contact with Havenga in the course of his official duties. Havenga made de Kock his confidential adviser, and in 1927 offered him a choice between the posts of Controller and Auditor-General, or Deputy Governor of the Reserve Bank. Clegg was due to retire at the end of 1930, and was to be succeeded by Postmus, then Deputy Governor. De Kock expressed his preference for the Bank. Havenga thereupon sent him as a delegate to the International Economic Conference in Geneva, after which he was to visit the Bank of England, the Federal Reserve Banks of New York and Chicago, the Federal

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<sup>1</sup> This is implied in a cryptic sentence in E.H.D. Arndt's Obituary of de Kock: "(Hertzog) was proud to claim that he had studied the well-known voluminous Dutch economic treatise by Pierson." *S.A.J.E.*, vol. 45, 1977, p. 211. Pierson was the Dutch equivalent of Alfred Marshall in the second half of the nineteenth century, the author of a two-volume treatise, translated into the major European languages, and numerous articles on economics. When Hertzog took his doctorate in law at the University of Amsterdam in the early 1890s, N.G. Pierson was Professor of Economics in the Faculty of Law, the lectures of whom Hertzog had presumably attended. Among Pierson's wide correspondence was a letter to Marshall in which he expressed his concern over British policy towards South Africa, and the war of 1899-1902.

Reserve System, the Netherlands Bank and the Reichsbank to study their functions and statutory powers, especially in the light of a request from governor Clegg for more statutory powers for the Reserve Bank. It was also to prepare de Kock for the important post he was to move to in 1930.

In the same year (1927) de Kock published a revised and enlarged edition of his 1922 book under the title *An Analysis of the Finances of the Union of South Africa*. In 1929 he wrote for Havenga a *Report on Business Cycles with special reference to the present period of prosperity in the Union*, which was published as a White Paper in August, 1929. In December, 1929, followed *The Functions and Operations of Central Banks, with special reference to the South African Reserve Bank*, which was an enlarged edition of a report that he had written for Havenga the year before.

After his return from the bank tour he served for a short while on the Diamond Control Advisory Committee before returning to London and New York for a more intensive study at the Bank of England and the Federal Reserve Bank. In New York he received the news from Havenga that the Board of the Reserve Bank had decided that he would have to serve a one-year apprenticeship during 1931 in the Bank before assuming duty as Deputy Governor, and Postmus as Governor.

Clegg, a non-academic, was generally regarded as having been behind the move. There appears to be at least three explanations for Clegg's postponement of his retirement. The first is that he had probably taken umbrage at the appointment of the Minister's favourite to this high position. Here was an academic interloper entering the august ranks of professional bankers. What de Kock knew about central banking at the time was what he had picked up from discussions at - admittedly - a few world-renowned institutions. But he had not served his apprenticeship. He was a novice, favoured by the Minister, who himself was a mere attorney. It was desirable that he should first serve a year as apprentice in the proud profession of banking. It is not for nothing that the appointment of de Kock had been referred to in Parliament as a "kindergarten appointment."<sup>1</sup> This is how many

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<sup>1</sup> Arndt used this expression in his Obituary of de Kock in the *SAJE*

on the Opposition benches would no doubt have argued.

The second is that Clegg had wanted to stay on for another year to see the completion of the new headquarters of the Bank on Church Square. The third is that he had to stay on for another year because his successor was away on holiday.

The truth no doubt lies somewhere in the middle, with all three explanations possibly playing a role. Havenga left the decision to de Kock, who accepted the ruling of the Board and spent a year with the Bank in a nondescript capacity under the Deputy Governor. He duly assumed duty in January, 1932. He was to serve as Deputy for thirteen years under Postmus, who, like his predecessor, held no academic degree. <sup>1</sup>

De Kock joined the Bank in the midst of the gold standard crisis in South Africa. The Bank did not - could not - oppose government policy, which is understandable. Apart from its close ties with the government, the underlying political motives <sup>2</sup> made it impossible for anyone at the Bank to take sides openly with the business community, which had realised the consequences of the policy from the outset - perhaps, with some, partly also for political reasons, *viz.* a showing of solidarity with England, the Mother country. Even if de Kock himself had felt the

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without giving the source. This author was unable to locate it in the Hansard reports, not knowing in which year the discussion had taken place - 1929, 1930 or 1931. But it shows that de Kock's appointment was not welcomed by the Opposition, who had been in power when Clegg was appointed.

<sup>1</sup> Johannes Postmus (1877-1947), was born in The Netherlands and joined the Reserve Bank from the Netherlands Bank in Pretoria in 1921. He was made a member of the newly constituted Board. He had long advocated the establishment of a central bank, and during his tenure as Governor after 1932 a number of branch offices of the Bank were opened. During the war the Bank administered the exchange control regulations. In 1944 its powers were extended under a new constitution.

<sup>2</sup> The interminably long parliamentary debates on the gold standard give a realistic picture of the arguments on both sides. The government was adamant that it would remain on gold, while Smuts in one of the sessions (28 January, 1932) declared that the gold standard should not be a party-political affair. It was simply a business matter. But the ruling party had dug its heels in so deeply that a sudden change of stance on its part might have brought the government down.

government was at fault, it would have been impossible to admit it openly, on pain of sacrificing a promising career. And if the Bank had officially done so - on the basis of an objective economic analysis - it would have caused a major political crisis at a time when the ruling party had become dangerously fragile. In fact, it was a provocative political move by judge Tielman Roos in December of that year that forced the government to leave the gold standard, and which soon afterwards led to the Hertzog-Smuts Fusion government of 1933 - 1939.

In 1936 de Kock published *The Economic Development of South Africa*, a slim companion volume (130 pp.) to his *Economic History* of 1924. It updated the economic argument to 1935, but is strangely silent on the great gold standard controversy. An objective analysis by an outstanding economist in the public service would have been embarrassing to the government, for it would have to credit Smuts and the business community for having taken the correct stand all along.

In the late 1930s he regularly visited the leading central banks of the world, which allowed him to continue the study which he had begun a decade earlier. This led to the publication of his widely acclaimed book, *Central Banking*, in 1939. It turned out to be his *magnum opus*. It was reprinted thirteen times, translated in many languages and appeared in a fourth edition, after de Kock's retirement, in 1974.<sup>1</sup> It is internationally the most successful and extensively used book on economics ever published by a South African, addressed to a wide audience.

This appears to be due to its two outstanding features. The first is the full and systematic treatment of the functions and operations of central banks, which one senses was clearly written by an authority on the subject. Second, more remarkable, is the attention given to the policies and operations of central banks in many of the smaller and lesser known countries. This was the first treatise on central banking that paid attention – remarkably detailed attention - to the monetary policies of the smaller, developing countries. De Kock was in the position to do so

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<sup>1</sup> The fourth edition was discussed in a review article in the *SAJE*, March, 1975.

because of his wide contacts with other central banks and his penchant for detail and thoroughness, a trait that was already apparent in his first two books written on the farm.

In 1944 he published a broad - but now more or less forgotten - introductory textbook of 370 pages on money and banking, *Algemene Oorsig van die Geld- en Bankwese*, on poor quality war-time paper. He was then also lecturing part-time at the University of Pretoria. In his Preface he mentions that because of war-time restrictions on publishing and a shortage of time, he was not able to write a comprehensive treatise, something which he was planning for the future. If he had managed to do that, it surely would have been another landmark among his many publications.

It was not to be, however. After 1944 de Kock got drawn into the maelstrom of international monetary conferences, apart from the increased and extensive responsibilities at the Bank. He served as the Reserve Bank representative at the conference in Bretton Woods in 1944 that led to the establishment of the IMF and the World Bank. This was the start of a long connection that de Kock had *ex officio* with these two influential bodies, including attendance at their annual meetings, mostly in Washington.<sup>1</sup>

On 1 July, 1945, he reached the apex of his career. He was appointed Governor at the age of 47 years. He had worked long and hard as Deputy under Postmus. About the relationship between these two high officials over the thirteen years 1932-45 we know nothing, which is not surprising. It is possible to imagine that there were times when the practical banker did not see eye to eye with the young economist-banker twenty-one years his junior, enjoying the confidence of the Cabinet and acting as the confidential adviser of the Minister of Finance.

It raises many questions of procedure. One gains the impression today - in the absence of more biographical details on Havenga and Postmus - that the Minister took a rather cavalier view of procedure. It would appear that Postmus was respected as Governor, but when questions of hard economics arose,

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<sup>1</sup> For more details, see Arndt's Obituary, *op. cit.*, p. 213.

Havenga, the small-town attorney reading books on economics,<sup>1</sup> turned to his fellow *plaasseuns*, the two hand-picked intellectuals de Kock and Holloway. This held the potential of embarrassment, if not humiliation, for the Governor. It was a strange, unenviable situation, one that must have tested the patience of Postmus at times to the utmost. If this view has any credence, the high profile welfare work of the Postmuses in Pretoria could have served as a welcome lightning conductor.

If it did not lead to friction, that would have been due solely to the broadmindedness and equanimity of both Postmus and de Kock.<sup>2</sup> One cannot, for example, associate the sophisticated and suave de Kock with a soured relationship with his close colleagues. The Postmuses were highly respected and distinguished citizens of Pretoria and they left behind a permanent legacy in their deep concern for the aged.<sup>3</sup> Looking back on that bygone era, one sees de Kock as a level-headed, calm ministerial adviser playing his role as Deputy with dignity, never stopping to do research, study and publish.

With his appointment to the top post the Bank entered a new era. He soon made his presence felt. It was to be expected from this dynamic man. He lifted the Reserve Bank to a level above that of the conventional commercial bank - or being merely a banker's bank. He appointed an economist and started a statistical department under a qualified statistician. The activities of these officials made possible the publication of a *Quarterly*

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<sup>1</sup> In the gold standard debates in Parliament Havenga gave evidence of reading *The Economist*, and even *The Economic Journal*. He also read books on economics, e.g. he possessed a copy of Hutt's *Economists and the Public*, a rather abstruse work for a politician. In Smuts's huge private library, books on economics are scarce. There is a copy of D.H. Robertson's well-known *Money*, but the marginal notes show that Smuts soon gave it up. Perhaps to outsiders Robertson's peculiar conversational style belied the significance of what he was saying. To Smuts it must have appeared superficial and facetious.

<sup>2</sup> Perhaps this underlies the remark in Parliament - in a debate on the gold standard, 6 April, 1932 - by a member of the opposition, Mr W. Rockey, O.B.E., that the Reserve Bank was nothing but a political institution.

<sup>3</sup> The Machteld Postmus home for the aged in Pretoria today still bears testimony to the time, energy and money spent by the Postmus family on this worthy cause.

*Bulletin of Statistics* with economic comments on the past quarter, starting January, 1946 - typical of de Kock, only a short six months after his appointment.

One senses that he had seen this as a long-felt need. One can imagine that he had raised the matter on occasion with the Governor, to no effect. Over time the slim 15 to 20 page little Bulletin in its soft, blue-grey cover grew into the voluminous publication that we know today. The *Quarterly Bulletin* has come to occupy some 200 odd pages at a time, most of it statistical tables, the foremost data source for economic researchers on the South African economy. In due course it has become the most authoritative regular economics publication in the country.

A professional economics library was established at the same time (1945), for the personnel of the Bank. The groundwork for it had been laid well by the temporary appointment of an experienced central bank librarian from overseas. Over the years the library has grown to the best of its kind in South Africa.

This was de Kock's first move. The second was even more spectacular. He laid the groundwork for what is today regarded as one of the most sophisticated financial systems among countries of the developing world. He was largely responsible for the establishment of a money market in South Africa. It came about in two stages.<sup>1</sup>

The first was the establishment by Act of Parliament in 1949 - four years after de Kock's appointment - of the National Finance Corporation (NFC), which was his brainchild. Its purpose was to attract short term funds in multiples of one hundred thousand rands from the market at interest, for investment in short term government paper, short term bonds and prime commercial paper. It was a hybrid institution. Of its capital of R2 million, the Reserve Bank held 10 per cent, and the important private financial institutions the rest. Of the 12 directors, 1 represented the government, 1 the Reserve Bank and 10 the financial institutions. The NFC was administered by the Reserve Bank, which in effect also acted as its lender of last resort.

The NFC was an immediate success. It started operations on

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<sup>1</sup> This is not the place to discuss the money market in detail.

20 September, 1949. At the end of the month deposits stood at R34 million, at the end of the year, R92 million. It proved the need for an outlet of short term money which before had been lying idle with the financial institutions.

But this was not a money market proper. The NFC had come about through an Act of Parliament, and although the private sector held the majority vote on the board, it was administered by an official institution. It catered for the big depositors, and its structure, fixed in the Act, lacked that fluidity that characterised the private money markets in developed countries.

Perhaps this underlay de Kock's second move. With the co-operation of that other great South African, Sir Ernest Oppenheimer, he initiated the foundation of a money market in the private sector, on the pattern of the London market. This led to the establishment of a discount house and a merchant bank in the Johannesburg financial sector, which provided the basic functions of a money market proper: to provide the means whereby short term idle cash - not only from large depositors - could be invested on a very short term basis. This happened from 1955 onwards and, like the NFC, proved to fulfil a growing need in the market.

De Kock retired from the Reserve Bank in mid-1962. He remained chairman of the Board for another year, and a Director until the end of 1970, a connection with the Bank for a period of 40 years. His successor was Mr G. Rissik, who held a BCom degree but did not pretend to be a scholar. There was no equal replacement for de Kock, but he did not stand in the way of his successor in the way Clegg, we may presume, had done with de Kock's appointment in 1931. His connection with the Bank for a few years after his retirement one may interpret as a subtle move to keep an eye on the Bank and the many worthy internal developments over the previous 17 years.

Because of his long governorship de Kock eventually became the doyen of central bankers of the world. His academic credentials were impeccable, with his background in the classics, his Harvard PhD, and his *Central Banking*, known and admired by his colleagues internationally. Add to this his suave and stately bearing, and you have the natural leader. During the

investigations of the Radcliffe Committee in London at the end of the 1950s de Kock was honoured by being asked to give oral evidence to the Committee, besides the written official submission of the Reserve Bank.

M.H. de Kock amply complied with the conditions for a successful central banker, as mentioned merely in passing by two visiting speakers recently. Mr George of the Bank of England, addressing an audience in Pretoria, related how, during a visit to the US, he asked Paul Volcker what the secret was of central banking. Volcker replied, half in confidence: "Mystique, my boy, mystique." M.H. de Kock knew that well. He was not given to making pronouncements on monetary issues lightly. He did this once a year in his annual address. It had the effect of keeping the market guessing, and so ensuring that it does not discount - and so blunt - a move by the Bank in advance.

The market, of course, prefers transparency, a cry which has gained considerable credence within the framework of the philosophy of free markets.<sup>1</sup> It is a cry that is usually taken up - and often magnified - by the financial press, with the Governor of the Bank inevitably the major accused if things go wrong. This is a treatment that was meted out lavishly against Dr T.W. de Jongh in the 1970s. It calls for a strong man to withstand negative reporting of this kind from leading journals month after month. Worse still, there is little that can be done about it. Explanations by the Bank could easily be interpreted as a sign of weakness, only to be further exploited by the press. The press always has the last say. This is perhaps the greatest test that can confront the head of a central bank. The danger is that one or other party - or parties - very likely stands to gain from a change in the policy of the central Bank. If the Bank should capitulate, the Governor runs the risk of losing credibility.

The second speaker, Herr Karl Otto Pöhl of the Bundesbank, on an earlier occasion, interrupting himself, emphasized: "Beware of the popular central banker." M.H. de Kock never sought popularity. Had he sought it, he would have thrown the full weight of his authority behind the government during the

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<sup>1</sup> This does not pass judgement on free markets as such.

gold standard crisis. It would have been the typical reaction of someone who turned his sails to the wind, against better knowledge, for private gain. During the turbulent years of Sharpeville and later upheavals de Kock kept his cool, having had a knowledge and experience of the Smuts, Pact, Fusion, war-time and Nationalist governments. Through all those changes he saw his task as transcending current politics, as ensuring the maintenance of an orderly monetary system for the good of the country as a whole.

He served as President of the Society for only one year, and delivered his presidential address on "The Present Status of Monetary Policy" (*SAJE*, Sept., 1957). It is in fact a compendium of monetary policy by someone who clearly knew the nooks and crannies of his subject. He shows that monetary policy cannot function in isolation,<sup>1</sup> that it is closely linked to events in the real sphere, and that the central bank has to be aware of the effects of its actions - especially open market policies - on the management of the national debt. He discusses quantitative and qualitative credit controls and displays an open mind - more so than many modern central bankers - on the need at times of quantitative measures for quicker and more direct results: "the fact remains that the availability of credit not only has an important and direct effect on interest rates but can also be applied independently and be carried much further than the latter" (p.161).

De Kock married Christina de Jongh in 1925 - when he was settled in Pretoria at the Board of Trade and Industries - and had two children, G.P.C de Kock, a later central banker, and a daughter. He was awarded four honorary doctorates, from the Universities of Natal, Cape Town, Stellenbosch and, finally a D.Econ.Sc. from the University of the Witwatersrand in 1975. After retirement he lived in Sea Point, and served on the Boards

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<sup>1</sup> South Africa has since the beginning of the 1980s put its total faith in high interest rates as the major - apparently the only - monetary weapon against inflation. For years it never worked, and now the prestige of the Reserve Bank is at stake in its lone battle to achieve a monetary target without reference to the strong and long-established inflationary practices in the real sphere.

of a number of large companies.

**C.G.W. SCHUMANN (1958-59).  
PROFESSOR. EDUCATOR.**

After the two giants from the market place, the next President was from the University of Stellenbosch. For reasons unknown it took long before Schumann was elected President of the Society, thirty years after his colleague J.F.W. Grosskopf. As we saw, Grosskopf (*supra*) left the University and channelled his many talents into the more restrictive field of agricultural economics. Why did a man with such intellectual gifts and wide erudition narrow his interests and daily activities down to agricultural economics? We do not know. It is one of those inexplicable quirks of the human psyche that we must accept as given. Or perhaps it was for health reasons; as we saw, this was why he held the presidency for one year only.

Stellenbosch is the oldest University for the Afrikaans section of the community. Some great names - of whom there are more than at any other University in South Africa - have been proudly honoured on the campus buildings. There is also a Verwoerd building, named after a professor, and later Prime Minister. At the height of his political career he was lionised by the University. Today he is seen as the originator of policies that caused widespread harm and misery in the country. The University of Cape Town, in this respect, is no better. Its large Jameson Memorial Hall is named after a man with no academic credentials whose notorious military escapade in 1896 was one of the greatest causes of the Anglo-Boer War of 1899-1902, a war that bedevilled the socio-political scene in South Africa throughout the 20<sup>th</sup> century, to the detriment of all the racial groups in the country.

Schumann's name was never associated with politics of any kind. He remained an academic all his life, where his influence on young minds was legendary. In his young days Stellenbosch was still a village where a Professor could be seen riding to lectures on a bicycle. This was nothing out of the ordinary. It happened until the early 1950s. Many professors received advanced students in their homes. The professor was looked up

to as wise, understanding and avuncular. The small-town atmosphere allowed for an academic life that was unknown - if not impossible - in the large urban centres of Cape Town, Johannesburg, Pretoria and Durban. The close relationship between student and mentor is perhaps the major ingredient that cemented that lasting relationship between the student and his *alma mater* for which Stellenbosch is famous. It is an ideal, idyllic, relationship that one associates with great Universities such as *e.g.* Oxford, Cambridge, Harvard, or Heidelberg.

Schumann was no exception. Some of his advanced classes were taken in his home, where he also discreetly familiarised students with the famous red wines of the Stellenbosch district. He introduced them to something that is not taught formally, a *sine qua non* for a successful businessman: the art of conversation in polite society. Schumann once described it to this author as follows: your Karoo boy comes to the University as a son of the soil; he leaves after three or more years as a sophisticated young man. He said it with pride, as if to suggest it was part of his contribution as economist to South African society. Indirectly, of course, it was - at least if judged by the large number of Stellenbosch-educated economists in top positions in the private sector today.

He was a very humble man. He was not above replying to letters from young students. His advice to this author once was to read the great classics of economics. Do not stop at the modern glossy textbook. The most that a textbook can offer you is a generalization of complex processes, a generalization that smooths out the peaks and troughs of the curves, and hides the real difficulties. The modern textbook writer quickly tells you what the effect of an increase in the money supply will be on the economy; Cantillon, in 1732, warned that you could not do so unless you knew along which routes it had entered the system. Schumann's advice was in agreement with that of Robertson (*supra*), who warned against grouping the ideas of diverse writers under catch-all headings.

Christian Gustav Waldemar Schumann (1898-1980) was born at Klein Drakenstein near Paarl, the son of Adolf Wilhelm Schumann and Wilhelmine Sterrenberg. He matriculated at the

Paarl Gymnasium, and in 1919 obtained a BSc *cum laude* from the University of Stellenbosch in mathematics, physics and applied mathematics. In 1923 he completed his *doctorandus* degree at the *Economische Hoogeschool* in Rotterdam, followed by his *doctoraat* with a very comprehensive thesis on the credit institutions in South Africa. It was published in Rotterdam as *Die Kredietmark in Suidafrika*, a book of 347 pages.

It is a remarkable work in many ways. The field of reference is extremely wide, incorporating standard works in English, German, Dutch and Afrikaans in the theoretical section, followed by a descriptive and empirical section on the South African financial markets. From a data point of view this must have confronted him with many difficulties, although he acknowledges the work of Arndt, which was published in the same year. It was possible that these two German speaking men had been in correspondence and that Schumann was allowed to consult Arndt's work before publication. The result is an impressive, comprehensive work of which the historical sections are still worth reading today.

Schumann must have drawn attention to himself early on. His first article appeared in the August, 1927, issue of the first Journal, on agricultural credit (the first paper in Afrikaans in the old Journal), *viz.* on agricultural credit, "n Paar Gedagtes oor die Vraagstuk van Landboukrediet in Suid-Afrika." A year later his doctoral thesis was published in Rotterdam, followed in 1931 by "Some Aspects of Commercial Banking in South Africa" in the old Journal.

The following year, 1932, was taken up by the controversy over the gold standard. Together with Frankel (*supra*) and a few others, Schumann got involved in the tedious discussions around the then elusive subject of gold *vs.* paper, especially in his book *The World Depression, South Africa and the Gold Standard* (Juta, 1932). It is surprising that so many academic economists were in favour of staying on gold, compared to the business world, which grasped the essence of the problem straightaway. A possible explanation may be that the economists were overwhelmed by the fundamental questions with which they were suddenly confronted: of gold as a medium of payment, of

the dangers of a floating rate, of the fact that South Africa was the largest gold producer in the world, and that going off gold might jeopardise the lucrative gold mining industry if - what was then feared not impossible - gold were demonetised entirely, which would be catastrophic.

In 1933 Schumann had a paper published in the *South African Journal of Economics* on "Die Vraagstuk van Prysstabilisasie," and the following year on "Business Cycles in South Africa, 1910-33." In 1936 there was "Die Abwertung des Südafrikanischen Pfundes," in the *Weltwirtschaftliches Archiv* and, in the same year, an article in the business publication *Commercial Opinion* on "Economic Nationalism and Internationalism."

Two years later he published his great *Structural Changes and Business Cycles in South Africa, 1806-1936* (Staples, London, 1938) - dedicated to his students.<sup>1</sup> It is his *magnum opus*. It stands in the category of the timeless works of Arndt and de Kock. Much of it also covers areas that are unlikely to be traversed again soon by other researchers. This book, more than any other of his published work, shows the breadth of Schumann's learning. He was exceptionally well read in the extensive German literature on business cycles, as also British, American and Dutch monographs on the subject. These books cover more than 4 pages in the Bibliography, plus a list of articles and official reports.<sup>2</sup>

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<sup>1</sup> Of all Schumann's many thousands of students none followed in his academic footsteps closer than D.G. Franzsen, a straight *cum laude* man who in 1942, four years after the publication of *Structural Changes*, obtained his doctorate under Schumann on a thesis *Die Probleem van Ekonomiese Stabilisasie*. It is a work of some 500 pages on the problem of economic stabilisation and shows an impressive knowledge of the wide literature, remarkable for a young man of 24 years. Franzsen gained a reputation as an excellent teacher to advanced classes, and when he left academia in 1961 to join the Reserve Bank, the University of Pretoria - where he had moved in 1950 - lost a fine theoretician.

<sup>2</sup> It is strange that Schumann, in his introductory chapter on the background to business cycle analysis, following Mitchell (*Business Cycles*, pp.4-7) regards Sismondi (1773-1842) as the "father of business cycle theory" (p.3), without mentioning the later really pioneering work of Clément Juglar (1819-1905), *Des crises commerciales et de leur retour périodique en France, en Angleterre et aux Etats-*

This book, with its 54 Tables and 19 graphical illustrations, must have involved Schumann in a mountain of work. It was clearly done by one man, for he acknowledges the assistance of only individuals connected with institutions who supplied him with data. Not for him the practice of the modern - usually young - professor who adds his name as author to work done by a student under his supervision. Schumann concludes the book by stressing the importance of business cycle research along the lines - but on a much more modest scale - of e.g. the National Bureau of Economic Research in the US, and similar institutions on the Continent.

It is when one considers a book of this kind - and others, such as those of de Kock and Arndt - that one senses the gross inadequacy of the modern degree curriculum offered at many of our Universities to the aspiring economist. These works open the past to the student, they show trends and problems that had occurred before, what measures were taken, to what effect, what ought to be done to prevent a recurrence of untoward events, and so on. These three are priceless works of which at least some ought to be compulsory reading in advanced courses.

Schumann's *Structural Changes* showed him to be the foremost authority in South Africa on business cycles. A year later the war broke out, which put paid to any intention that he may possibly have entertained of establishing in the near future a research unit of this kind in his University. But that did not leave him idle. With his brilliant ex-student and then Professor of Economics, D.G. Franzsen, he brought out the first economics textbook in Afrikaans, *Inleiding tot die Ekonomie* (Pro Ecclesia, Stellenbosch, 1944). In their Preface the authors explain that one of the major objectives with the book was to offer a text on economics with examples taken from the South African economy. It was surely a

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*Univ.*(1860). Juglar collated statistics of a few strategic commodities for these countries as far back as the late 1600s and suggested the idea of *recurring wavelike motions* of the economic process; and how statistics and economic history may hold the key to a rational study of industrial fluctuations. Sismondi was the "father of period analysis" and theorised on the conditions for an aggregate economic equilibrium - a word that he actually used. Cf. Schumpeter, *History of Economic Analysis*, p.496.

legitimate objective. It is seldom realised that at most Afrikaans Universities - especially in those days - many a first-year student would not have the slightest interest in examples taken from an overseas country with institutions whose names are unfamiliar to him or her, to illustrate one or other point from a subject that is abstruse enough as it is.

The book was a major contribution to the study of economics in South Africa. Its high academic level is immediately apparent, as also its strong South African flavour, and the references to the economic history of the country. The works of Arndt, de Kock and Schumann are all clearly recognisable in the text. In 1957 it was revised, extended and a third author, Dr G.P.C. De Kock, added. The 586 page book then expanded into an 805 page tome, a work that stood comparison with any of the then internationally used texts.

After the war Schumann returned to the question of business cycle research. He succeeded in finding sponsors - from the private sector and his University - willing to help finance his *Buro vir Ekonomiese Ondersoek*. With his stature, the respect that he commanded in society and the business world, funds would not have been hard to come by. The first research report was a study of prices on the Johannesburg Stock Exchange from 1910 to 1946, of which Schumann was a co-author. Six years later followed a book, also by himself as co-author, on business forecasting, a subject that had interested him greatly, and which had brought him in close contact with researchers at the Ifo Institute in Munich.<sup>1</sup> The Bureau - now appropriately accommodated in the Schumann building - today stands as one of the monuments to this remarkable man, a generally recognised and respected economic research institute in South Africa, known especially for the quality of its quarterly bulletins and reports on opinion surveys. No other professor of economics in this country managed to leave behind him a flourishing research institute engaged in continuous research on this scale.

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<sup>1</sup> Respectively, *Industriële en Kommersiële Aandeelprysindekse in Suid-Afrika* ; and *Economic Diagnosis and Business Forecasting, with special reference to South Africa*.

Schumann put much effort into welfare activities. The dire poverty among the Afrikaans section of the community during the 1930s caused him to get involved as expert adviser to Afrikaans national congresses aimed at improving the lot of those on the platteland. He actively also promoted Afrikaans business, where many of his ex-students came to occupy leading positions, and at his retirement he served on the boards of a number of large companies.

It is not necessary to detail Schumann's activities as an adviser,<sup>1</sup> except to mention his authorship, together with professor S.P.Viljoen, University of Pretoria, of the influential Report No. 282 of the Board of Trade and Industries, *Investigation into manufacturing industries in the Union*, of 1945. Here is another publication that should be rescued from oblivion, one that should feature in any course on the South African economy, if such is still offered anywhere today. The report had a far-reaching effect on government policy in the post-war years, and drew the attention of policymakers in countries faced with similar problems, viz. Australia, New Zealand and Canada.

Although Professor Schumann is today remembered as a great economist, he occupied the chair of *Bedryfseconomie*, business economics.<sup>2</sup> It could be called "applied micro-theory," with the emphasis on practical issues in the business world. Schumann's interest lay mainly in the field of business cycles, and although his schooling in Rotterdam may be assumed to have been along the Continental approach to business economics - more or less following the syllabus of the *Betriebswirtschaftslehre* of German Universities - it is not known whether he had adopted it in his syllabuses. It did not appear to be so, at least not in the manner in which professor W.F.J. Steenkamp - also a graduate of Rotterdam - had done it over a decade at the University of

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<sup>1</sup> In 1962 Schumann chaired a commission of enquiry into railway rates and industrial location, and in 1971 on the financial relations between the central government and the provinces. See the Obituary by J.C. Du Plessis, *SAJE*, June, 1981.

<sup>2</sup> He was appointed senior lecturer in 1924, and in 1932 the first Professor of Business Economics, as also Dean of the Faculty, which he was until his retirement in 1960.

Pretoria until 1948.<sup>1</sup> Steenkamp's name today is associated with the integrated course in *Bedryfseconomie* which he had offered at Pretoria - and the bright students who had later stepped into his shoes, e.g. Hennie Reynders, Sebastian Klue and others - while the name of Schumann is associated with his great work on business cycles.

Schumann's intellectual horizon, his *Weltanschauung*, was no doubt too wide for only business economics - as agricultural economics was, one feels, too narrow for the erudite Grosskopf. Perhaps his comprehensive work on business cycles in a way acted as a compensation. He amply possessed the German talent for abstract reasoning, and he would have excelled in the broader fields of economics *per se* - methodology, *Dogmengeschichte* (history of theory), or economic systems. His personal copy of Schumpeter's *Capitalism, Socialism and Democracy* bears proof of an intensive study, judged by the close marginal comments throughout this absorbing book.

In his *laudatio* on the occasion of his retirement, Rector H.B. Thom remarked how Schumann had developed and expanded the Faculty over the 36 years of his connection with the University. To the outside observer, Schumann appeared to have followed a conservative policy with regard to staffing. Not many decades ago that great University had only one Professor of Business Economics and one of Economics, plus junior staff. Frequent use was apparently made of post-graduate students as temporary lecturers, young people in the process of completing their own studies before starting out on their careers.

Schumann achieved what most academics can only aspire to as an almost unattainable ideal: academic respectability among colleagues, generally acclaimed research, respect from the business world and service to his country in the form of expert advice on national commissions of enquiry. He was successful in all. Despite lucrative offers from the private sector he remained

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<sup>1</sup> In this approach the various more or less independent - or even scattered - topics in "applied economics" were moulded into a body of interdependent knowledge, a unified corpus focusing on the many dimensions of the economic activities of the firm.

an academic - a very approachable academic with a fine sense of humour, an aspect to which attention is also drawn in du Plessis's Obituary.<sup>1</sup> He mentions that Schumann in retirement often said his proudest legacy was his ex-students and his grandchildren - the old inveterate academic, and a doting grandfather. When visited towards the end of his life Schumann became wistful, confiding in the visitor that he was finding solace in philosophy, which he was then reading. He looked tired, resigned to his fate, his life's work done.

It is less well-known that Schumann was an outstanding athlete in his young days. In 1923 he rowed for Rotterdam, in 1924 he broke two University records for shot-put and high-jump, in 1925 he won the South African championship for shot-put, and from 1930 to 1936 played first league tennis for Stellenbosch.

In 1928 he married Winifred Perks who in later years distinguished herself as a leader in international women's organizations. The couple had 4 children and 16 grandchildren. In 1960 Schumann was offered a *Festschrift* by thirteen of his ex-students - of whom three were professors while the others held senior positions in the private and public sectors.<sup>2</sup> He was awarded an honorary doctorate from his *alma mater* in 1965, and one from the University of Cape Town in 1967. Anyone conversant with the complex socio-political scene in South Africa can imagine how highly he must have valued this award. It was appropriate that he, who was above petty political affiliations, should have received this recognition from the neighbouring English medium University, from colleagues whom he greatly respected.

**R.D. HOBART HOUGHTON (1960-61).**  
**PROFESSOR. EDUCATOR.**

The next President, Desmond Hobart Houghton, was the first

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<sup>1</sup> "Die lewenslus, opgeruimdheid en hartlikheid van professor Schumann se lewensuitkyk is ... 'n integrale deel van die beeld wat elke oudstudent in herinnering roep." Du Plessis, *op. cit.*, p.183.

<sup>2</sup> *Ekonomiese Opstelle*, Van Schaik, Pretoria, 1960.

incumbent from the Eastern Cape, 35 years after the foundation of the Society. The University of Rhodes at Grahamstown is situated in a small town - like Stellenbosch - and Hobart Houghton, like his colleague Schumann, also set his heart on an academic career. "Motivated by a deep commitment to his native land" wrote Mike Truu in his memorial volume, he on one occasion "decided to forgo the principalship of an eminent university overseas, as he felt that it was in South Africa that his real duty lay."<sup>1</sup>

Grahamstown is a great educational centre, known – like Stellenbosch - not only for the University but also for its famous boarding schools. Not being situated near an urban centre, Rhodes is less often in the public eye. This could easily lead to a feeling of physical and cultural isolation on the part of members of staff with experience of a large urban University. But Rhodes has proved over the years that good academic work can be done wherever a sufficient number of knowledgeable people congregate as an organised unit.

Hobart Houghton quietly pursued his interests and in time produced research material of an historical nature that opens up much of the vast documentation of South African history and economic development for future researchers. Many students no doubt remember him as an outstanding and sympathetic teacher. Rhodes University attracted good students, and it was a pleasure for an external examiner to read their examination scripts and Honours essays. The average Rhodes student wrote well, and on one occasion Hobart Houghton submitted an essay from an Honours student which was subsequently published in the *Journal* almost unaltered, which was unprecedented.

Robert Desmond Hobart Houghton (1906-1976) was born in the town of Alice, where his father was one of the founders of the later University of Fort Hare - Kenneth Hobart Houghton who had come to South Africa with his wife from Ireland in

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<sup>1</sup> M.L. Truu, *Public Policy and the South African Economy, Essays in Memory of D.Hobart Houghton*, Oxford University Press, Cape Town, 1976, p.ix. See also the *Dictionary of South African Biography*, Vol. V, pp. 363-4, and the obituary by Dr C.B. Strauss, *SAJE*, Dec. 1976, pp.487-90.

1902. He matriculated from St. Andrews College, Grahamstown, in 1924, and graduated with a BA from Rhodes University in 1927. This was followed in 1931 by an MA in Economics at Magdalen College, Oxford. He returned to Rhodes in 1932 as a senior lecturer in charge of Economics, with a seat on Senate.

During the war he joined the South African army, saw action in the Middle East, where he was mentioned in despatches and promoted from the rank of gunner to that of Captain. After the fall of Tobruk in 1942 he was a prisoner in Italy and Germany. While still in captivity in 1945 he was appointed to the chair at Rhodes as the first professor of Economics and Economic History.

The culture of Grahamstown - the town, the University, the schools, the environment - has always been predominantly English, against the backdrop of a history of an unending strife with the South-moving Bantu in the 19<sup>th</sup> century. The 1820 settlers, brought from England to act as a defence barrier, were dumped on small, uneconomic plots of land in wild, unoccupied country, to "take root or die," as the poet Guy Butler put it. It was extremely poorly planned and administered. The settlers were refined people who had been accustomed to better conditions and were quite unsuited to the rough life that awaited them in the veld. Eventually they did take root, after a heroic struggle. This bound them to their new country. It is against this history that we can begin to understand Hobart Houghton's feeling of "a deep commitment to his native land."

It had also influenced his academic outlook. Being surrounded by history - fairly recent history of then barely a century ago - and living in an old stone double-storied house built by the trekker Piet Retief - a fact of which he was proud - it was only natural that he should take a genuine and professional interest in what had gone on before in that part of the country. But he was also researching and writing on the many other economic problems of the day, in the process gaining the respect of those who had the power to invite him to serve on some of the highest councils in the country.

It is not surprising that his first important publication was a book which he edited on *The Economy of a Native Reserve* (1952) as

volume II of the Keiskammahoek Rural Survey. During the following year he visited the United States on a Carnegie fellowship; in 1955-59 he served on the Council of the College at Fort Hare; in 1959-60 he was President of the Society; and in 1960 he became a foundation member of the Prime Minister's Advisory Council on which he served until his death in 1976. In the same year (1960) he edited a volume *Economic Development in a Plural Society*, which bears evidence of his awareness of the true realities of the complex South African economy. In 1963 he returned to the United States under the US-SA Leader Exchange programme where he spent most of his time with the African Studies Department of the University of Boston. In 1964 he published the very successful handbook *The South African Economy*, which has gone through four editions and has been translated into Japanese. In 1965 he spent time at the University of Cambridge on a British Council travel grant, and after his return, in 1966, he retired from the Chair of Economics and as Dean of Arts during 1963-66. He was then elected a member of the University Council and appointed Director of the Institute of Social and Economic Research, which he had helped to establish. The following year he became a member of the *Commission of Enquiry into Fiscal and Monetary Policy in South Africa* under the chairmanship of Dr D.G. Franzsen. During 1968-72 he served on the Human Sciences Research Council, and in 1970 he visited the *Afrika Studiecentrum* at the University of Leiden under the cultural exchange programme between South Africa and the Netherlands.

In 1971 there appeared a contribution from him in the *Oxford History of South Africa*, vol. II (eds. Monica Wilson and Leonard Thompson) on "Economic Development, 1865-1965," which he was very well equipped to write. In it he managed to give a condensed survey in 50 pages of the development of the two British colonies and the two Boer republics up to the end of the century, and the Union of South Africa between 1910 and 1965.<sup>1</sup>

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<sup>1</sup> Hobart Houghton devoted only one short paragraph to the economic consequences of the Anglo-Boer war, and referred the reader for details to a chapter by Thompson. But Thompson takes the imperial story up to only

The latter section contains an interesting overview of the many official commissions of enquiry and Acts of Parliament dealing with various aspects of the economy.

A year later - in 1972 - appeared his lasting contribution to South African economics, his three-volume work, *Source Material on the South African Economy*, (Oxford University Press, Cape Town, 1972), with co-author Jenifer Dagut. This is of inestimable value to any researcher on the South African economy, not only economic historians but also economists who discover - as they often do - that what they are analysing had started long ago, and that a full picture requires an acquaintance with the older material.

The first volume starts at 1860 to the end of the century, a most hectic period in the history of the country, one that was dominated by the discovery of diamonds and gold on an unprecedented scale. Research involved the numerous official publications (and others) of the two colonies and the two republics. Many of the documents were in Dutch.

The three volumes not merely list the large number of official and other sources; their value is much enhanced by the introductory remarks of the authors and the many extracts from official and other publications that serve as an important guide to the researcher.

The second volume deals with an equally hectic - but much more traumatic - period between 1899 and 1919. It includes the Anglo-Boer War and the First World War. The unimaginable devastation wrought during the Boer war is very well described by various extracts from contemporary documents - and much more impressive than in the average history book (pp.21-42). On page after page we read how the army executed Kitchener's order to "clear the country systematically of all horses, cattle, and supplies" (p.22), how numerous small towns were levelled with the ground, farms and equipment destroyed, etc. In September, 1902, Milner - the man behind it all - could write to Lady

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1899. When half a country is systematically razed to the ground by an invader, the economic problems of reconstruction call for a more scientific treatment than what has been done so far.

Edward Cecil "The country is quiet . . . only it is a complete wreck" (p.27).

On the human side, the Commissioner for Native Affairs in the Transvaal reported in 1902 that "the war had disturbed a great number of natives who were formerly living quietly on private land as tenants or servants ... " (p.28). And later: "It does not appear that the natives suffered so much from the ravages of war as the white people" (p.31).

Nowhere, however, does Hobart Houghton quote contemporary sources on the indescribable suffering and trauma of the Boer women and children. They had also been "living quietly" on their farms before being brutally ordered out of their homes at a moment's notice by military columns, before being carted off in open railway trucks to ill-equipped concentration camps against the background of their burning homesteads and outbuildings, after all livestock had been systematically bayoneted or shot. The subsequent high death rate among young children in the camps caused Campbell-Bannerman, later British Prime Minister, to refer to it as "methods of barbarism." It left a scar on the psyche of the Afrikaner that can hardly be imagined by the English. Today we can only - sadly - compare it with the armed raids executed by the *Einsatzgruppe* of the SS and Gestapo on defenceless individuals in Eastern Europe during the Second World War.

The economic effect on the country had been cataclysmic. It has never been properly analysed. After the war the Boers had to make do themselves as best they could. There was no Marshall Plan. A whole generation of the population had been totally impoverished with economic - and political - effects that made themselves felt far into the century.<sup>1</sup>

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<sup>1</sup> Funds set aside in London for reconstruction in South Africa were totally inadequate and indifferently administered. The English woman, Emily Hobhouse, with much self-sacrifice did so much to alleviate the distress that a Free State town was later named in her honour. Less well-known is the fact that what appears to be the most magnificent individual financial contribution was made by the Cape Town businessman - and later Minister in the post 1910 Botha cabinet - Sir David Graaff. He donated two-hundred thousand pounds - a staggering sum for those days.

The later chapters of the book deal very adequately with the economic situation in South Africa during World War I, a period which has become overshadowed by the events of the Second World War, but presenting problems of a similar nature - reconstruction, inflation and unemployment.

The third volume is a small encyclopaedia on the South African economy in the stormy period between the years 1920 and 1970. It follows the pattern of the two previous volumes with extracts from government commission reports and comments by the authors. It is a virtual textbook on the economy from the raw data, without the inevitable generalisations of the conventional textbook, in which sources are relegated to footnotes. The period covered is when South Africa became industrialised, a process that derived a substantial economic momentum from three State-sponsored organizations: Escom in electricity (1922), Iscor in steel (1928) and the Industrial Development Corporation (1940) in financial and managerial assistance to fledgling firms.

The two State entrepreneurs mainly responsible for the remarkable economic advancement from the late 1930s onwards were the two engineers Van der Bijl and Van Eck (*supra*) who both combined a talent for organization with their successful careers in engineering. Between the two of them they were mainly responsible for turning South Africa into the "workshop of Africa." Today they are largely forgotten. Their pictures have since been removed by the new powers that be from the headquarters of the giant organizations that they had brought into being.<sup>1</sup>

The story covered in this book is both exciting and traumatic - exciting for the achievements of the economy, but traumatic for the gyrations of the politicians to prevent a full use of the human

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<sup>1</sup> Van der Bijl's research in electronics at the University of Leipzig earned him world fame before World War I when he played a major role in developing radio telephony. That made speech possible on the radio. The French army is said to have used three million of his thermionic valves for communication at the front. He later lectured at the Technical University of Dresden before doing advanced research at New York. General Smuts persuaded him to return and start Escom in 1922.

resources, the acquisition of skills and the provision of proper overall education. The days of the "civilised labour policy," work reservation, influx control, border industries and the like are now far behind us. But that does not imply that we must erase their memory. They provide us with the perspective of economic history and, with it, a realization of where we stand today. Hobart Houghton's volume III should be followed by a volume IV to cover the years when grand illusions collapsed and reality set in.<sup>1</sup> The chances that that would happen are slim, for economic history - as taught by economists - has become a dying subject at the Universities, in place of advanced statistics, which allow us to build models which frequently assume that the economy functions "like clockwork" as Lachmann (*infra*) put it.

Hobart Houghton retired as Director of the Institute for Social and Economic Research in 1973. When this author last saw him he was talking enthusiastically of his next project, a survey of the activities of the Economic Advisory Council since its inception in 1960. It would have been an enormous task, more than what he could possibly have done in the three short years left to him. This is very unfortunate, for a survey of the kind that he had in mind would have made interesting reading, especially from his personal perspective.

His intimate knowledge of the economics of backward areas, of the Bantustans, of the migratory labour system, of border industries, job reservation, *etc.*, caused him to remain sceptic throughout of the socio-economic policies of the various Nationalist governments. The fact that he stayed on the Council all those years bears witness to the circumspect and wise manner in which he communicated his views. He was above offending and antagonising others, a trait which hot-heads - of whom there were many in those days - had no doubt misinterpreted as a weakness, rather than the grand strategy which underlay it. One

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<sup>1</sup> The treatment in volume III of the two burning economic issues in the 1920s - tariffs and steel - is remarkably brief. Both, in the final analysis, were concerned with the question of the economic order. The extensive Hansard reports preceding the founding of Iscor read like a veritable textbook on the differences between socialism and private enterprise.

could not envisage a Hutt or a Richards joining this high-level government advisory body. It is possible that some of his colleagues at other English medium Universities took a jaundiced view of his close association with the government. But this is just what put Desmond Hobart Houghton apart from others. His roots lay deep in this country. He saw himself as offering that voice of moderation which was wanting at the time, albeit mostly a voice in the wilderness.

His thorough understanding of the economic problems of the Black peoples is not surprising. He had grown up among them. His intellectual focal points were the Black peoples and the growth of the South African economy through the years. These are reflected in both his presidential addresses in 1960 and 1961: the first was on "men of two worlds", the second on land reform.

An honorary doctorate was conferred on him by the University of the Witwatersrand in 1974. It is a matter for regret that Mike Truu's volume could not be offered to him as a *Festschrift* during his lifetime. It would have put the crown on the work of this wise, widely respected and self-effacing man.

At retirement Hobart Houghton and his wife - Betty Grover, a graduate in mathematics of the University of London, who taught mathematics in Grahamstown for many years - moved to "their large and beautiful property 'Little Timbers' at the Hogsback" where he died on a Sunday morning "shortly after receiving communion in the small Hogsback chapel which his family had built and given to the Church of the Province." <sup>1</sup> They had no children.

**L.M. LACHMANN (1962-63).  
PROFESSOR. ECONOMIC THEORIST.**

When Ludwig Lachmann one evening in 1950 entered the German Club in Pretoria with a firm tread, to deliver an address at the annual banquet of the local branch - with everyone in black tie - Dr A.W.O. Bock, then Director of the Wheat Board

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<sup>1</sup> Cf. Jenifer Dagut's biographical sketch in the *Dictionary of South African Biography*, Vol.V, p.364.

and ex-student at the University of Vienna, remarked that Lachmann looked every inch the true Continental. It was an apt description of the man who had been brought up in Berlin. He had been recently appointed head of the Department of Economics and Economic History at the University of the Witwatersrand, and the Pretoria economist fraternity wanted to meet him and hear him in person.

They were not disappointed. Lachmann spoke slowly and with emphasis, his topic for the evening being a theoretical one that displayed the width of his erudition. His pronunciation of his excellent English betrayed him as an outsider. All the overseas economists who took up positions in South African Universities had come from the United Kingdom and, in a way, shared a common background. Lachmann was different - both in culture and temperament. You could never mistake him for an Englishman. He remained an old Berliner to the end.

Ludwig Moritz Lachmann (1906-1990) was born in Berlin into a well-to-do middle-class family. His formative years were those of the glittering Imperial Germany, with the Kaiser - referred to by the populace as the All-Highest - at the pinnacle of society, in a country that was held in high esteem internationally. Then came the disastrous War when "the lights went out all over Europe" and millions of young men went down in the muddy trenches of France and Flanders. That was followed by the political circus of Versailles, the monetary avalanche with the hyper-inflation of the early 'twenties, and the government of the Weimar Republic, ending with the take-over by Hitler in 1933.

When Lachmann entered the University of Berlin in 1924 he had experienced more political and economic convulsions than are normal for a young man of 18 years. He studied under Sombart and took his doctorate. Later he spent some time at the University of Zurich. He read the works of Schumpeter, Pareto and the authors of the Viennese School - Von Mises, Von Hayek, Von Wieser, and others. When Hitler succeeded the old *Reichspräsident* Von Hindenburg as *Reichskanzler* of Germany in January, 1933, Lachmann saw the writing on the wall and left for England together with his *fiancée*, Margot Wulff. They fell on hard times, in the middle of the depression. Ludwig could not

get an academic appointment, and decided to enrol at the LSE as a student, his doctorate from Berlin notwithstanding.

His time at the LSE turned out to be very fruitful - rather like H.M. Robertson's at Cambridge some five years before. Hayek had recently been brought over from Vienna by Lionel Robbins, as a kind of counterweight to the mercurial Keynes at Cambridge. The results were not long in coming. Hayek wrote an incisive, critical review of Keynes's two-volume *A Treatise on Money* for the LSE journal *Economica*, while Keynes responded in the same journal with a vitriolic attack on Hayek's *Prices and Production*, the series of exciting lectures he had delivered at the LSE.<sup>1</sup> The School was a hive of activity, with Hayek, Hicks, Robbins and Kaldor all doing work on theory. Hayek dominated the School for most of the 1930s. When Keynes's *General Theory* appeared in 1936, everyone took notice, and opinions gradually swayed away from Hayek. He went down flag flying with his classic attack on planning in *The Road to Serfdom* in 1937. He had the satisfaction of seeing his ideas triumph in the end - after some sixty years - with the fall of the Berlin wall and the acceptance of the idea of free markets in many parts of the world. Asked whether the turn of events had delighted him, Hayek - according to Lachmann in conversation - is reported to have replied: "Not really, you know. I had expected it all along" - or words to that effect.

Lachmann, as a German national, was interned in England for five months during the war. In 1941 he was appointed lecturer at the University of London, evacuated to Aberystwyth in Wales, and in 1943 became head of the Department of Economics, University College, Hull, until 1948, when he accepted the appointment at the University of the Witwatersrand.

What Schumpeter said of Marx was in a way true also of

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<sup>1</sup> With lesser men, this could have caused a life-long rift between the two. Keynes and Hayek remained friends. Keynes even expressed his admiration for aspects of *The Road to Serfdom*, which he had read on board ship to New York in 1944. Hayek once remarked in private on the difficulty of making one's point in debate with Keynes: he easily brushed you aside with a quick, clever reply or a witticism, and unless you persisted, he would simply carry on.

Lachmann: he remained somewhat of an outsider - a respected outsider - in his adopted country.<sup>1</sup> He was never part of the inner circle of South African economists - those who participated in national commissions of enquiry, who held high office in the government service, or whose academic work centred around the South African economy. Economists at English medium Universities, even if they were doing work on the local economy, were at one remove from the inner group, partly also because criticisms of economic policy came overwhelmingly from these institutions.

Lachmann was a great individualist. He once made a surprising remark about the Mont Pelerin Society: "I only attended one of their meetings, and that was enough." This tells us more about Lachmann the man, than about the Mont Pelerin Society, whose principles he fully endorsed. All his writings were strongly supportive of the Hayek group, and there is no question that this remark implied that he distanced himself from their viewpoint in any way. Lachmann ploughed his own lonely furrow in South Africa, succoured by the intellectual stimulus received from regular correspondence with his esteemed like-minded friends in other countries.

His reading was extensive and international to the end. It was in fundamental methodological questions in economics, that he found his niche and, over the years, built up his circle of friends especially in retirement when he regularly spent half a year in the United States as a Visiting Professor. Through his correspondence also he was more of an international figure than any other contemporary South African economist.

Lachmann ran his Department with a small staff. With student numbers relatively small in those days, he appointed a minimum number of lecturers. Some were assigned to first-year, and others to second-year work, with himself doing the third year course. A number of years later he decided to offer an Honours course, in response to requests from graduates. He then took responsibility for all four Honours papers himself. It is doubtful whether he

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<sup>1</sup> Schumpeter used the stronger word "exile" in his *Capitalism, Socialism and Democracy*.

ever offered a course on the South African economy to advanced students.<sup>1</sup> One got the impression many of the great economic events in the country passed him by, if only because he seldom commented on them publicly. He was careful in his criticism of national policies, which was perhaps understandable in someone who had a personal knowledge of the power and potential nastiness of governments.

His lecturing ability was remarkable. When he took to the lectern he immediately commanded attention, not only through his low tone of voice but also because he dealt with essentials straight away, and if you lost the thread of the argument you were soon at sea. His style belied the modern implied belief that fast speaking reflects high intelligence. Lachmann spoke slowly, but every word counted - carefully selected to convey what he had in mind. He took his economics very seriously. He was unusually well read in a wide range of great authors which, with his prodigious memory, gave him an extensive intellectual frame of reference. He never referred to his own work in class.<sup>2</sup>

To be his external examiner was quite an experience. You had to be *au fait* with his teaching, and every year the letter accompanying the scripts - typed and written on both sides of small-sized University note paper - would instruct you in detail what to do. He used an old typewriter, with important words in red for emphasis, plus later alterations in a ball-point pen. The letter would come in a used envelope, the original address scratched out, and yours written above or below in his large, careful Continental handwriting. He dropped broad, subtle hints as to the marks that he expected you to award to senior candidates. When once the external awarded 60 per cent for a straightforward Honours essay on the concept of Income, he was upset. He suggested a distinction, which was clearly too liberal. But he insisted, and the external eventually had to yield.

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<sup>1</sup> Hobart Houghton, the undisputed master of the subject, often said a course on the South African economy should properly be offered only to advanced students. At lower levels they would merely be indoctrinated.

<sup>2</sup> Information supplied by Mr Leon Louw, Director, Free Market Foundation, Johannesburg.

This would normally cause an external examiner to resign. With Lachmann you felt his wishes should prevail.

His published works are the products of a disciplined mind.<sup>1</sup> His books and papers are a delight to read. In his shorter papers especially, it is instructive to study the systematic build-up of the argument, from the elementary to the complicated, towards structures that are self-contained. They are models of scientific precision and expression, born of a respect for language and fascination with the intellectual punch of an economy of words.

Within the present context it is possible to give a mere a glimpse of Lachmann's economic *Weltanschauung*. His entire scientific career could be described as a continuous questioning of fundamentals. His basic references were the works of members of the Lausanne School, the Austrian School, important writers in the Anglo-Saxon world - Shackle, Hicks and others - and scholars in the United States who had come under the spell of Lachmann and Ludwig Von Mises's teaching of Austrian economics for a number of years at New York University towards the end of his life.

Lachmann wrestled with the most difficult issues of economic methodology. Attempts to analyse the dynamic economic process have led to the application of many abstract concepts in the literature from the 19<sup>th</sup> century onwards: equilibrium,<sup>2</sup> statics, stationary state, dynamics, comparative statics, etc. Lachmann was critical of many of these concepts. He saw in them the neglect by many modern writers of the real driving force of the economic process: subjective human tastes, expectations and decisions. These cannot be encapsulated and kept frozen in assumptions, as in so many hypothetical economic models. The effects of the multitude of decisions by countless individuals on

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<sup>1</sup> Much of what Lachmann achieved intellectually has been admirably described by Dr Karl Mittermaier in the *Lachmann Memorial Issue* of the *SAJE*, March, 1992, pp. 7-23. The same issue also contains a bibliography of Lachmann's publications, pp.137-142.

<sup>2</sup> In his last book *The Market as an Economic Process (infra)* he distinguishes between partial (Marshallian) equilibrium and general economic equilibrium. The former is more acceptable and more limited, but equally dependent on subjective individual tastes and expectations.

the market are unquantifiable, with individuals' expectations naturally differing and continuously changing. Equilibrium turns out to be an unattainable ideal within the framework of Walras's static analysis.

Walras spent his whole professional life building and refining his model of the economic process, and analysing the conditions for a general economic equilibrium. It is an achievement (in 1874) which Schumpeter in his *History of Economic Analysis* regarded as without equal in all economic literature. But Walras was faced by limitations of an analytical nature of which he was aware but could do little about. He acknowledged the role played by the entrepreneur, and he realised how important expectations were in determining the economic process.<sup>1</sup> It is ever-changing and cannot be adequately represented in symbols. It can only be simplified by limiting assumptions, hence the recourse to a static method of approach. Even the process of a *tâtonnement* which was intended to eliminate the time-jump between two successive static situations raised problems and severely limited the applicability of the truly monumental Walrasian edifice to problems of the real world. In his last book (*infra*) Lachmann refers to the *tâtonnement* as "a purely formal device" (p.142) and "a figure of grotesque pretensions" (pp.153-4).

Static analysis was an attempt to reduce the complex economic process to more manageable proportions with the aid of simplifying assumptions, *e.g.* a *unit period* such as a week, pioneered by Sismondi in the early 19<sup>th</sup> century, the Swedes Myrdal and Lindahl in the 1920s, and later extensively used in the analyses of Hicks (*Value and Capital*) and Patinkin (*Money, Interest and Prices*). Certain assumptions are made as to the *time-structure* of events within that period. The dependent and independent variables in the process are then related to the time

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<sup>1</sup> Walras was conscious of the realities of the market place and the role of the entrepreneur. His definition of the entrepreneur is adequate for his purpose (borrower of capital combining productive resources to produce an output in agriculture, industry or trade). And: "especially with regard to future changes, expectations differ from individual to individual." L. Walras, *Elements of Pure Economics* (trans. W. Jaffé), Allen and Unwin, London, 1954, pp. 222 and 311, respectively.

framework, which makes a quantitative analysis possible. These are subterfuges for the real economic process, to allow for the effects of the passage of time. The explanation of how equilibrium is attained is, however, less than satisfactory when it rests on limiting assumptions. The economic process is continuous. It does not occur in well-demarcated periods.

The ever-changing expectations of individuals on the market and the effect of time are two of the concepts which, if their due role in the process is denied, render the analysis hypothetical and unrealistic. Lachmann epitomized it in his saying that the market is a process, not a datum; it is continuous, not continual. It takes place over time, activated by the individual expectations of all the parties to the market, expectations which differ from one individual to the other - divergent expectations and convergent expectations. These are bound to differ among individuals between two points in time, which could be very close together. Under these conditions *equilibrium* becomes a misnomer. If there appears to be an equality between supply and demand, this would be merely *ex post*, which could camouflage and withhold important market information: frustrated expectations - in fact, a disguised disequilibrium.

This is not mainstream economics. It is a criticism of mainstream economics. Most modern economists regard this kind of criticism as an aberration, as a view that is so ultra-realistic that it negates quantitative analysis. In reply, Lachmann and others claim that their approach - *methodological individualism* - focuses on the real forces underlying the market process; that to do so by *assuming* macro variables for individual magnitudes such as expectations, tastes and behaviour is to turn economic analysis into a mere mechanical calculus. As Lachmann put it, economic analysis has been virtually turned into a branch of applied mathematics.

In 1956 he published an incisive study *Capital and its Structure* (with a chapter on Expectations) under the stamp of the LSE. That was followed in 1977 by *Capital, Expectations and the Market Process, Essays on the Theory of the Market Economy* - with a valuable Introduction by Walter E. Grinder - a volume of 18 of Lachmann's papers that had been published in various journals

before. It gives a good account of his views and those of the relatively small School of outstanding, liberal-minded economists. They are standing their ground against the massive global onslaught of quantitative economics.

Mathematical symbols appear to hold a fascination for young economists, as an imagined proof of an ability to do advanced scientific work. It is an idea that is shared by many academics today.<sup>1</sup> Only later in life - with an established *curriculum vitae* - can one afford to question with impunity a methodology that portrays a simplified picture of the real world. One may then turn to the work of the School to which Lachmann belonged - following Von Mises and Von Hayek - and discover the truths behind their message: subjectivism qualified by the ever changing expectations of individuals are the driving forces behind the economic process.

Lachmann published his last book - his *Ausklang* - at the ripe age of eighty years. It carries the title *The Market as an Economic Process* (Blackwell, 1986). In many ways it could be described as "the essential Lachmann," containing in its seven chapters the quintessence of his writing over some six decades. There is also an Appendix, "The Market is not a Clockwork," a translation of his article published in 1984 in the *Frankfurter Allgemeine Zeitung* under the equally telling title *Der Markt ist kein Uhrwerk*. It is a concise description of Lachmann's economic philosophy: there is nothing mechanical in the economic process; it is activated by human decisions based on individual subjective assessments of the future - a future that is "unknowable," as he often put it.

Lachmann was, of course preaching in vain. All the world acts as though the market functions like clockwork. Monetary policy

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<sup>1</sup> A mathematical economist with an impressive publication list in respectable journals once said in a seminar, in reply to an uncomfortable question: "I am not interested in what happens in reality." Had he been, he might have pondered on the applicability of the marginal calculus to macro variables. As Hicks remarked on Pigou's well-known concepts of the marginal *private* and *social* net products: these are, in fact, not *marginal* but *total* concepts. The mathematical conditions for a first derivative - let alone others - are far too restrictive to apply to a variable as nebulous and extensive as a macro magnitude. Exercises of *l'art pour l'art* do little to advance our knowledge.

especially has been narrowed down to a fine-tuning process, where changes in a fraction of a per cent in the rate of interest are expected to turn the economy around. The rate of interest has been accepted as a major tool in the fight against inflation, ignoring the many real factors causing it, and also ignoring the fact that in South Africa over the past two decades inflation has gone its own way despite the sometimes wild manipulations of the rate of interest by the Reserve Bank. When the real factors are as important as they have been for a long time in this country, monetary policy by itself cannot combat the inflation.

Lachmann was correct. Expectations and subjective evaluations of the future can have a far stronger effect on the economy than marginal monetary trimmings to the rate of interest. It is a complex issue. In the United States a marginal change usually has a visible effect on expectations - and, therefore, market sentiment. In Japan a zero rate has had no effect whatsoever in recent times. The difference in the role of the rate of interest in different countries is spectacular. It cannot be explained by a simple quantitative analysis. It calls for a qualitative evaluation that necessarily involves a sixth sense about market forces - a *Fingerspitzengefühl* - which is something that cannot be learned from the generalizations of economics textbooks.

In 1962 Lachmann's presidential address was on "Cost Inflation and Economic Institutions," a subject that had held his attention for many years. At his University he would often take in the view of the centre city with its rising numbers of new skyscrapers, which he called "monuments to inflation." His second address was on "Cultivated Growth and the Market Economy," which dealt with the fashion in South Africa at the time, *viz.* non-coercive growth, or officially sponsored growth which he saw as interfering - albeit gently - in the market process. His criticism was diplomatically couched in terms of fundamentals without going into some of the embarrassing details of the economic policy at the time.

In 1986 a *Festschrift* was offered him on the occasion of his

eightieth birthday, edited by his friend and colleague Professor Israel Kirzner of New York University.<sup>1</sup> Twenty-three scholars from a number of countries made contributions, including Sir John Hicks, the Nobel laureate, Professor George Shackle, the great post-war pioneer in expectation theory, contributors from other countries, and a number of younger writers from South Africa who for years had had a close personal contact with Lachmann through his seminar. This must have given him great satisfaction, especially the contributions of the two eminent colleagues from his early LSE days. Also the paper by Karl Mittermaier, his very close associate for many years at Johannesburg, which is outstanding in two respects: its philosophical underpinnings and its succinct condemnation of the modern mechanistic methodology in economics worldwide - again, as Lachmann had remarked, *der Markt ist kein Uhrwerk*. Mittermaier's condemnation of mechanistic reasoning in economics is convincing and cogently argued.

Ludwig married Margot Wulff - who had accompanied him, as we saw, when he fled Germany in 1933 - after he had found his feet in England. In the meantime she had taught at a private school in Dolgelly near Aberystwyth in Wales. An intellectual in her own right, she provided him with inspiration and wise counsel. She still lives in their modest home in Johannesburg, and at the age of almost 100 years with her remarkable memory she supplied this author with information on her and Ludwig's experiences over the decades that they had shared.

After his retirement in 1972 Ludwig was appointed Senior Research Fellow at the University of the Witwatersrand for two years, and in 1975 Visiting Professor at the University of New York where he spent a large part of the academic year during his tenure as Visitor. In the late 1980s his old Department named its research room the *Lachmann Room* in his honour, and in 1992 Professor Duncan Reekie took the initiative to organise a biennial Ludwig Lachmann Memorial series of lectures at the

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<sup>1</sup> Israel M. Kirzner, *Subjectivism, Intelligibility and Economic Understanding, Essays in Honor of Ludwig M. Lachmann on his Eightieth Birthday*, Macmillan, London, 1986.

University in co-operation with the Free Market Foundation. At the most recent Lachmann lecture Margot attended in a wheelchair and insisted that it be brought close to the lectern: it was difficult to follow the speaker from within the audience, and she was interested to know what he was saying.

Ludwig Lachmann was a very kind person. He was also a very formal person. He could easily be taken for an aristocrat, which in fact he was. He was an aristocrat of the mind. He lived for his discipline. This did not make him a society figure, unlike his predecessor Herbert Frankel, who was much in demand in the City and one who moved comfortably in the highest government circles and among the top Johannesburg business elite.

That was not Lachmann's scene. He remained the intellectual throughout. His interests lay elsewhere, succoured by his wide reading - in later years one day a week in the University library - of the more well-known international professional journals, his continued correspondence with colleagues overseas, and discussions with advanced students. Some of them regularly attended his private seminar. A number of these students came to play an increasingly important role in the later lives of the Lachmanns. Karl Mittermaier and Vasiliki Prosalendis (*née* Stathoulis) frequently provided transport to and from work - Lachmann never owned a car - and when old age began to take its toll, Kiki and Karl (and Isabella) rendered the advice, aid and comfort which the childless and frail couple were no longer able to provide for themselves.

## RETROSPECT

Most of the outstanding economists in South Africa during the period covered above became Presidents of the Economic Society - most, but by no means all. There were many others who played an important role in the economic life of the country. One cannot mention them all, and to single out a few would be invidious. However, as this is a subjective discourse, we take the liberty of mentioning seven more names: Dr F.J. Van Biljon, Professors Stephan Viljoen and W.F.J Steenkamp, Dr G.W.G. Browne, Dr J.H. Botha, Professor F.R. Tomlinson and Professor Sheila Van der Horst.

Each made a contribution in his/her own particular way: Van Biljon for his sheer brilliance as an economist;<sup>1</sup> Viljoen and Steenkamp as educators; Browne - a Rhodes scholar from Cape Town - as an outstanding Secretary of the Social and Economic Planning Council, author of many official publications of the Planning Council and later Secretary of the Treasury; Botha, Secretary for Labour, for his 1951 report - very much in advance of the time - and his moral courage to suggest circumspectly the recognition of Black trade unions; and Tomlinson, in his massive report, for his enlightened recommendations in regard to the development of the backward areas in the country. Tomlinson found no favour with Verwoerd, who virtually wrecked his subsequent career. If the recommendations of Botha and Tomlinson had been accepted and implemented at the time, South Africa would have been a vastly different country today.<sup>2</sup> And Sheila Van der Horst, uniquely among the economists of this country, throughout her career - starting with her doctoral thesis at the LSE in the early 1940s - criticised the native policy (as it was then called) of the various governments over a period of almost sixty years, up to the 1990s. Her writings covered the wide field of racial discrimination and conditions of labour, and she was for many years connected with the South African Institute of Race Relations, of which she was a past President.

The only common factor among the seventeen Presidents referred to above is the fact that they were all economists. Their views covered more or less the whole spectrum of the various types of economic order. Those who had studied in England were generally in favour of unfettered free enterprise – teaching at the Universities of Cape Town, Johannesburg, Durban - while Pretoria economists, some of whom had studied on the Continent, more readily saw one or other kind of role for the

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<sup>1</sup> Van Biljon's extraordinary academic career in Economics has, as far as is known, never been equalled in South Africa.

<sup>2</sup> The Botha report was U.G.62-1951, *Report of the Industrial Legislation Commission of Inquiry*. Tomlinson's multi-volume report is more accessible in the form of the *Summary of the Report of the Commission for the Socio-Economic Development of the Bantu Areas within the Union of South Africa*, U.G. 61-1955.

State in a young and growing economy. Pretoria could point to the success of Escom and Iscor and, after 1940, the Industrial Development Corporation, as instances of State initiated moves. When the Depression and drought ruined agriculture in the 1930s, with prices determined by supply and demand, thought turned to the need to fix agricultural prices. The result was the Marketing Act of 1937. It elicited a vehement response from the liberal economists of Cape Town and Johannesburg, also through the pages of the Journal, to no effect.

They based their arguments on economic principles: the invisible hand, the signalling function of the price system, the crucible of the market, etc. The other group were less concerned with principles - to which most, however, subscribed in theory - than with the need to stem the untoward welfare effects of a system in which pessimistic expectations all round were unlikely to initiate the kind of textbook recovery through the free working of the market mechanism.

This division of opinion, although subliminal earlier on, became especially manifest during the 1930s. It received an added impetus - of a political kind - during World War II, and became worse when the second Nationalist government took office in 1948. It reached its lowest ebb in the era of Verwoerd when the government embarked on policies that made no economic sense: dividing the country into self-governing territories (not recognised internationally), prohibiting their development by private capital, and providing a matrix of incentives as inducements to industry to move to isolated border areas.

After 1948 there was increased discrimination along language and political lines. For forty years no English speaking economist was appointed to a top public position with executive power - nor, for that matter, Afrikaners who had been critical of government policies. The latter especially were pilloried as traitors to the cause, and in many circles ostracised. If you were not in the fold, you were out in the cold. There was also no attempt from the government at a rapprochement with English speaking intelligentsia. Hutt, Frankel, Richards, Robertson, Busschau, Hobart Houghton, Lachmann - none of these men

ever enjoyed executive power in high public office, nor did anyone chair a national commission of enquiry. All the same, it would be difficult to imagine, say, Lachmann chairing a commission on one or other, for him, pedestrian issue of economic policy, while Hutt might have seized the opportunity to proselytize. But there were others capable of serving the country well in empirical investigations at national level. The English speaking economists were kept at arm's length for political reasons. However, many of them would not have been interested in government contracts or appointments anyway. They had to keep their political hands clean. It was a regrettable situation, for in this way a large body of expertise was marginalised over many years.

Looking back over the decades we see, on the negative side, this division of opinion lasting over some seventy years. On the positive side, viewing it objectively, the men discussed above were outstanding economists. Each carved his own niche; and each deserves to be remembered. We salute them, one and all, for their contribution to education and the economic welfare of the country.

There were, first, the eight "imports" from overseas - Clegg, Evans, Read, Pearsall, Leslie, Hutt, Richards, Robertson, all from England, and Lachmann from Germany. Next are those of fairly recent German origin, all of them highly respected - Grosskopf, Arndt and Schumann. That leaves five other South African born - Frankel (although first-generation German-Jewish), and four "sons of the soil," *viz.* two outside the inner circle (Busschau and Hobart Houghton) and two inside - the two *plaasseuns* Holloway and de Kock. It was the *plaasseuns* who had the most spectacular careers. <sup>1</sup>

Admittedly, they had been exceptionally fortunate. They had outstanding qualifications - scarce in those days - the

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<sup>1</sup> It was Haberler who wrote somewhere "agriculture is the main spring from which the human race is mentally and physically regenerated." And de Kiewiet: "The land was the home of the Boer, of his language, and the source of his excellence. It was upon the land that were bred the men who had made the [two old] Republics." *Op. cit.*, p. 261.

perseverance, the temperament and the idealism necessary for high office. At the start of their careers a new government came into power desperately looking for the expertise they could offer a government bent on transforming the political scene in South Africa. Holloway and de Kock were, in a broad sense, politically acceptable: their language, their culture and sentiments were in line with the direction of the projected changes at the time. They remained in demand for the rest of their working lives. They were acceptable to the Hertzog Pact government of 1924-33, the Hertzog-Smuts Fusion government of 1933-39, the Smuts wartime government of 1939-48, and the Nationalist government from 1948 onwards. They survived the Smuts years, especially for two reasons: their proven and nationally recognised expertise, and the fact that Smuts was above discriminating against either Afrikaans or English in top appointments. Smuts was interested in merit. He tolerated open supporters of the Opposition in the Departments that he headed, even in wartime. He only banned the secret Broederbond during the war, with what success is not known.

Holloway and de Kock were, however, only two peaks among high mountains. It is with pride that we can today look back to the achievements of the seventeen past Presidents of the Economic Society of South Africa discussed above, men who through their enthusiasm and diligence kept the Society alive and, with it, high-level economic discussion in South Africa. They were *savants* in the best sense of the word: humble by nature, and made more so by their erudition.

Greatness could be measured by how a man sees himself. The Duke of Wellington - victor of many battles in India, the Iberian Peninsula and of course Waterloo, the towering Englishman of the 19<sup>th</sup> century - put it well when he confided to a friend:

"Perhaps there is no man now existing who would like to meet me on a field of battle; in that line I am superior. But when the war is over and the troops disbanded, what is your great general more than anybody else? ... I am necessarily inferior to every man in his own line ... each of these, on his own ground, meets me on terms of superiority. I feel I am but a man."<sup>1</sup>

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<sup>1</sup> James Harding, *The Duke of Wellington*, Morgan-Grampion Books Ltd.,

The past Presidents could be measured against the views of the Duke. They were men with different talents and interests, some more successful than others, but all working towards the common good. Among them were many who would have stood out anywhere, but whose influence - and possible fame - was circumscribed by the limitations of the national stage on which they operated.

## PROSPECT

At the anniversary banquet of the Society mentioned at the beginning of this discourse, an event occurred the true meaning of which no doubt escaped the attention of many of the guests and delegates present. On that occasion the Society entered a new phase in its history, a phase dictated by what had occurred in the national life of the country in 1994.

The racially complex South African society experienced six distinct stages - political stages - in the twentieth century. Every stage put its own particular stamp on the economy. The present stage brings to fulfilment the aspirations of the whole South African nation.

The Botha-Smuts stage of 1910-24 was one in which the two cultures tried to co-operate, although an Afrikaner faction broke away a short two years after 1910. Then followed the first Pact government of 1924-33, which immediately swung economic policy round to stimulating industry and employment through tariff protection and the expansion of the then very infant steel industry. The Afrikaner was now in charge, so much so that English parents began to fear for the future of their children in South Africa.

The gold standard crisis of 1932 forced Hertzog to form the Fusion government with Smuts. This brought a co-operation between the White races led by two Boer War generals. On the side was a small party under Dr D.F. Malan - the Purified National Party - which now fought Hertzog, their old leader, tooth and nail in Parliament. There was also the Dominion Party,

the exact opposite to Malan's, with a deep cultural, emotional and economic attachment to everything British.

The Hertzog-Smuts Fusion government came to a sudden and dramatic end in September, 1939, when Smuts won a motion in Parliament for joining Britain in the war against Germany. This, the second Smuts government, lasted until 1948 when it unexpectedly and dramatically lost the election. The Nationalist party of Dr Malan won with an extremely small majority. The small Party of 1933 had become a major power in the land. By 1948 many voters had grown weary of Smuts, the many war-time restrictions and the visible increase in the influence of the Black peoples - the *Swart gevaar*. Smuts, at the height of his world fame - like his friend Winston Churchill - suffered a devastating defeat at the polls.<sup>1</sup>

It brought a spectacular career to an abrupt end. In Opposition the great Smuts was powerless and effete. He was ageing fast, and died two years later. He had been a dominant figure for half a century, much of it on the world stage, especially during the two World Wars.

The country had now entered a new phase. It was to last for 46 years. It was 1924 all over again, with problems vastly more complex. Smuts's fame and international vision made way for the narrower nationalism of a few hotheads. It was a most dramatic turn of events. The election victory was seen as a heaven-sent opportunity to establish the authority of the Afrikaner, and to settle the Black peoples in their respective territories.

This momentous national challenge was faced by rulers who were unable to read the signs of the times - the dynamics of social change, the inexorable march of economic forces, the stifling effects of over-regulation, and ignorance of the true depth of Black discontent. The letter which Chief Luthuli had

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<sup>1</sup> Devastating indeed it was. Smuts, still basking in the glory of victory in World War II and the Royal visit of 1947, was defeated in his constituency by an unknown young man. He had meantime accepted the Chancellorship of Cambridge University, and had to fly to England in an Avro-York plane kindly lent him by his political opponent, Dr Malan. But then, many years before, he had been Malan's Sunday school teacher in the old Cape Colony. Such are the vicissitudes of political life.

sent to the Prime Minister to ask for talks remained unanswered. Much later, when Chief Leaboa Jonathan of Lesotho visited Dr Verwoerd a few days before his assassination, newspapers speculated whether Verwoerd would shake hands with him. He did, but the Secretary for External Affairs, had to take him to lunch.<sup>1</sup>

This era came to a sudden end on 2 February, 1992, with the speech of President F.W. de Klerk in Parliament. In a few minutes the political compass in South Africa was turned around irrevocably. With shocking suddenness political power was handed to the unsuspecting Black peoples. After the democratic election of 1994 a process of political transformation set in similar to that of post-1948.<sup>2</sup> The old animosity between Afrikaner and English politicians took on a new meaning. The rules of the game had changed. It was - still is - a spectacular socio-economic and political revolution, one that has permeated the country at all levels.

It has also affected our Society. It happened at the conference banquet when the key speaker of the evening was Mr Tito Mboweni, Governor of the South African Reserve Bank. It was a singular occasion for the fraternity of economists in this country. The circle had been completed. All South Africans now participate in all public events on an equal basis. Mr Mboweni himself has already brought transparency in the affairs of the Bank by appointing a Monetary Policy Committee. He has gone further by inviting comments from the public. And in his

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<sup>1</sup> In the Department of External Affairs, then headed by the Prime Minister, General Hertzog, the Black departmental "tea boy" casually said to a young cadet in the diplomatic service: "You know, our General is a remarkable man. He greets you by the hand." That was in 1928. But then, Verwoerd was not an Afrikaner.

<sup>2</sup> One of the first to be replaced after 1948 was Mr W. Marshall Clark, efficient General Manager of the Railways. He was given a gratuity of fifty thousand pounds. Next followed top public posts, while municipalities one after the other transferred their accounts to politically correct commercial banks. Political correctness became the primary criterion at important appointments, which explains the many mediocre people in high posts during this era. The process is currently being repeated.

keynote address he encouraged young researchers to make use of the facilities of the Bank, an offer that opens vistas of great significance to those able and willing to profit by it.

The Society has now accepted persons of colour in its highest ranks as members of Council. The Constitution of the Society was silent on race from the beginning, and it always stood ready to accept as a member anyone interested in the economic affairs of the country. Few Blacks had joined in the past. Perhaps they had laboured under the misapprehension that the Society was a closed club for Whites only.

The views expressed by that genius Olive Schreiner, have now been fulfilled, more than a hundred years after she had penned them down at Matjesfontein. The peoples of South Africa, she commented, "resemble the constituents of a plum pudding." This did not make for easy government: "... it may truly be said that no European nation has had during the last eight hundred years to face anything approaching it in complexity and difficulty." And yet:

"Wherever a Dutchman, an Englishman, a Jew, and a native are superimposed, there is that common South African condition through which no dividing line can be drawn. Great and seemingly insuperable as are for the moment the difficulties which lie in our path on the way to a great, common, national unity, no man can study South Africa without feeling that, in this form, and this alone, is national life and organization attainable by South Africa."<sup>1</sup>

Already in 1891 she saw unity as depending on the co-operation of all the peoples in the country. After a century of wrangling between Afrikaner and Englishman, when the country was poorly served by her politicians, we have arrived at the situation envisaged by Olive Schreiner - a condition "through which no dividing line can be drawn." This situation, as far as the Society is concerned, was reached during the September, 2001 conference.

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<sup>1</sup> Olive Schreiner, *Thoughts on South Africa*, Ad Donker, Johannesburg, 1992, first published by T. Fisher Unwin Ltd., London, 1923. The quotations are from pp. 55 and 56 of Chapter 1, which first appeared in the *Cape Times* on 18 August, 1891.

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A NOTE ON SOURCES

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Short biographical sketches of most of the past Presidents of the Society have been published in the 5-volume *Dictionary of South African Biography*, of which frequent use was made. This is evident from some of the footnotes above.

I wish to thank Karl Mittermaier of Johannesburg, Johann G. Meiring, ex-archivist of the S.A. Reserve Bank, and Jon Inngs, Department of Economics and Economic History, University of South Africa, Pretoria, for kindly lending me scarce publications covering important aspects in the narrative above, and Cherie Wille of the Communications Division of the Rhodes University Library for verifying information about the late Professor D. Hobart Houghton.

*Pretoria*

*March, 2002.*

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## APPENDIX I

### THE HOLLOWAY MEMORANDUM

In an editorial comment in the December, 1995, issue of the Journal a handwritten copy was appended of a memorandum which Dr J.E. Holloway had addressed to Mr W.H. Clegg, Governor of the S.A.

Reserve Bank, on the question of forming a discussion group among, apparently, Pretoria economists only. He had in mind a circle of people occupying top positions, and whose views could affect policy. The document was kindly made available by Mr J. Meiring, Archivist of the Reserve Bank, who had discovered it among the papers of the late Dr E.H.D. Arndt. In the editorial of the Journal the memorandum was described as "the background to the formation of the Society" (p.604). It is clear from the biographical sketches above that this is questionable. Other publications referred to Professor Fremantle as the acknowledged founder of the Society. We have also seen above that in 1924 Fremantle was a member of the Board of Trade in Pretoria when he issued his circular on the proposed Society. It appears, therefore, that if Holloway had anything to do with the early activities of the Society, one may readily assume that he had had contact with Fremantle and that he had enthusiastically endorsed his proposal. It amounted to a country-wide extension of Holloway's ideas of 1922, albeit with open membership instead of Holloway's select circle of knowledgeable people.

The memorandum was accompanied by a covering letter dated November 28<sup>th</sup>, 1922, written from 54, Vlok Street, Pretoria.

Dear Mr Clegg,

I enclose a short memo on the proposed circle for economic study and discussion. I have not worked out any details, but I think we ought first of all to collect the people we want, and then agree on details.

If there is any support from the people whose names were mentioned in our conversation the other day, I would suggest that a meeting might be arranged at which details could be discussed. Members might come prepared with suggestions as to the subjects to be discussed.

Yours faithfully,  
J.E. Holloway.

#### MEMORANDUM

It is a peculiarity, not only of world problems of the present day, involved as they are by a multiplicity of conflicting interests, but also of local South African problems, that the economic aspect is becoming

increasingly important. Society wants guidance, now more than ever before, in its economic problems. It is noticeable, however, that the greater becomes the need for a definite, clear lead, the more diffident become the voices of those who, by close contact with the theory or practice of our economic organisation, should be in a position to shed light on our problems.

There is a good reason why this should be so. The man of science must ever be modest. But it is none the less a misfortune, if his clear realisation of the difficulties and perplexities of the problem, should make him yield to the rule of thumb methods so commonly applied. Anything which would conduce to a clearer perception among economists of the right line for the community to pursue in our maze of economic problems will be, to that extent, a clear gain.

In a new country like South Africa, it is exceedingly difficult to obtain the intellectual-technical *milieu* which is necessary for the creation of this clearer view. The man of science has often to plough his lone furrow. In a town like Pretoria, however, it would seem that a small circle could be formed, consisting of men who, by virtue of their knowledge of the theory or practice of the body-economic, could provide one another with the essential atmosphere of stimulation and constructive criticism, which is necessary to clear up individual doubts and perplexities. Such circle, to be successful, need not be large, but must consist of individuals, each of whom is capable of contributing something to the discussion of difficult economic problems. If points should crop up, which require fuller handling, one of the members should be asked to read a paper on the new question at a future meeting. In view of the fact that the circle will necessarily be small, and that papers will require careful preparation, meetings should not be held more frequently than, say, once in two months, unless a meeting is adjourned to continue the discussion at a later date.

The question of giving publicity to the proceedings is one which will require careful handling. The main object of the discussions will be to cast light on difficult problems. But some members may conceivably be in official positions, which render it highly undesirable that they should express their convictions on important public questions. As far as possible it should be the striving of the circle to discuss questions from a purely scientific point of view, and to dissociate opinions expressed in the circle from any official position the speaker may hold. For this reason it is perhaps desirable not to invite any publicity for the discussions whatever. Should it be thought necessary to publish a paper read, that could be specially decided.

If sufficient support is forthcoming a meeting will be held in the near future to discuss details.

## **APPENDIX II**

### **PAST PRESIDENTS AND ADDRESSES, 1925 - 2002**

#### **1925-27 W.H. CLEGG**

A general paper on economic events at the time, delivered February, 1927,

**1928 J.F.W. GROSSKOPF**

**1929-30 J.E. HOLLOWAY**

[Both addresses dealt with the Great Depression. The first was delivered in July, 1930, the second in 1931, under the title "Presidential Address, 1930-31," and published in the *Journal of the Economic Society of South Africa*, 1930, Vol. III, Part 2, and 1931, Vol. IV, Part 2]

**1931 S. EVANS**

The Wealth of Africa

**1932-33 C.L. READ**

The Union Native and the Witwatersrand Gold Mines *SAJE*, 1933

**1934-35 C.W. PEARSALL**

The Upward Turn

Another Year

**1936-37 R. LESLIE**

Economics in South Africa

Gold, 1936-37

**1938-39 E.H.D. ARNDT**

Safeguarding the Investor

The Pretoria Mints

**1940-41 W.H. HUTT**

Economic Lessons of the Allied War Effort

Distributive Justice

**1942-43 S.H. FRANKEL**

World Economic Solidarity

World Economic Welfare

**1944-45 C.S. RICHARDS**

The Task Before Us: With Special Reference to Industry

Economic Incentives of the Post-War World

**1946 G.S.H. ROSSOUW**

The Problem of Imperial Preference

**1947-49 H.R. BURROWS**

An Approach to the Indian Problem in South Africa

Wool in the South African Economy, F.J.C. Cronje, in lieu of Prof. Burrows (1949)

**1950 A.J. LIMEBEER**

Economic Revolution

**1951-52 H.M. ROBERTSON**

Economic Co-operation between Western Europe and the Commonwealth  
The Politico-Economic Background of Jan Van Riebeeck's Settlement

**1953-54 T.H. KELLY**

Economics as a Tool of Business Management  
The Transition to Customs Union in South Africa

**1955-56 W.J. BUSSCHAU**

Capital and Economic Policy in the Union of South Africa  
The Need for Currency Stabilization

**1957 M.H. DE KOCK**

The Present State of Monetary Policy

**1958-59 C.G.W. SCHUMANN**

Die Huidige Taak van die Ekoonom met Spesiale Verwysing na Suid-Afrika.  
Aspects of Economic Growth with Special Reference to South Africa

**1960-61 D. HOBART HOUGHTON**

Men of Two Worlds: Some Aspects of Migratory Labour  
Land Reform in Bantu Areas and its Effect Upon Urban Labour

**1962-63 L.M. LACHMANN**

Cost Inflation and Economic Institutions  
Cultivated Growth and the Market Economy

**1964-65 O.P.F. HORWOOD**

The Financing of Higher Education in South Africa, with Particular  
Reference to the Universities  
Economic Balance, Dualism and Growth

**1966-67 D.G. FRANZSEN**

Improvements in the Adjustment Process and the Restoration  
of International Monetary Stability  
Inflasie en die Finansiële Meganisme

**1968-69 J. de V. GRAAFF**

The Future of Taxation  
The National Debt

**1970-1971 J.L. SADIE**

Die Toegevoegde Waarde Belasting  
Population and Economic Development in South Africa

**1972-1973 D.J.J. BOTHA**

Some Thoughts on Devaluation  
On Tariff Policy: The Formative Years

**1974-1975 H.J.J. REYNDERS**

Die Mikro- en Makro-Studie van Ekonomiese Verskynsels: Die Gevaar van  
Isolasie

Aspects of the Goal of the Firm in the World of Today

**1976-77 G.J. TROTTER**

The Economic Rationale for Educational Planning  
Education and Income Distribution

**1978-79 F.J. DU PLESSIS**

Monetary Policy in South Africa (1979)

**1980-81 G.P.C. DE KOCK**

The New South African Business Cycle and Its Implications for South Africa  
New Developments in Monetary Policy in South Africa

**1982-83 A.B. DICKMAN**

Corporate Finance and Monetary Policy  
Market-Oriented Policies and Financial Markets

**1984-85 J.A. LOMBARD**

Monetêre Stabiliteit as Voorvereiste in die Ekonomiese Politiek  
The Evolution of the Theory of Economic Policy

**1986-87 M.L. TRUU**

Economics and Politics in South Africa Today  
Confused Thinking, Intellectual Fashion and Received Knowledge in  
Economics Today

**1988-89 S.S. BRAND**

Privatization: An Economist's View  
Demografie, Skuld en Ekonomiese Ontwikkeling

**1990-1991 P.D.F. STRYDOM**

Markets, Information and Liberty  
After Apartheid: Correcting Economic Failure

**1992-93 MERLE HOLDEN**

Trade Reform: Finding the Right Road  
Lessons for South Africa from the New Growth and Trade Theories

**1994-95 G.L. DE WET**

The RDP and a Structural Problem in the South African Economy  
Prognosis for Growth and Development in South Africa

**1996-97 W. DUNCAN REEKIE**

The University as Firm: Oxymoron or a *Pour Parler se Tirer d'Affaire?*  
The Economics of Health and the Health of Economics

**1998-1999 C.L. McCARTHY**

Problems and Prospects of African Economic Development  
Polarised Development in a SADC Free Trade Area

**2000-01 E. CALITZ**

Fiscal Implications of the Economic Globalisation of South Africa  
Structural Economic Reform in South Africa: Some International  
Comparisons

**2002-03 P.A. BLACK**