Dependence, Discipline and the Morality of Consumption:
An intellectual history of the SASOL Project

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The ghosts of SASOL's past continue to haunt it. In the last month, South Africa's Competition Tribunal argued that SASOL's Chemical Industries leveraged its historic state support to secure dominance of the chemical market by anti-competitive means. The subsidiary protested in turn that it owed its position to "risk-taking, not state support".[1] In August this year, Jeremy Cronin, a senior figure in the South African Communist Party and Deputy Minister of Public Works pointed out that SASOL still enjoys an apartheid-era arrangement where, like other (multinational) oil retailers in the country, it sells its petrol at import parity price. When SASOL started in the 1950s, producing oil-from-coal via the synthetic Fischer-Tropsch technology was considerably less economic than importing and refining conventional crude oil acquired on the world market, which was precisely why SASOL needed financial subsidisation by the state. Cronin pointed to the fact that the global oil price is massively higher today (approximately \$100 per barrel), far exceeding the estimated cost of SASOL producing a barrel of petrol (approximately \$40, though SASOL treats the precise amount as proprietary).[2] Where previously tax payers subsidised SASOL via state coffers, for much of which period it was a state corporation, Cronin argued that because the company was still being allowed to sell at import parity price, consumers today are directly subsidising 'super profits' for a now privatised company listed on the New York Stock Exchange (though the state's Industrial Development Corporation still owns 8.2% of shares, and the Government Employees Pension Fund owns 14,1% of shares).

These concerns were shared within government, which investigated the possibility of imposing a 'windfall' tax on SASOL in 2007 for these same reasons, as well as because of the massive historic subsidisation it has received. The treasury appears to have been reluctant to upset its biggest corporate tax-payer, with government rejecting the report's recommendation of going ahead with a windfall tax. Government and SASOL ultimately made familiar sounds about the company being important to 'national fuel security'. SASOL agreed to move forward with planning for Project Mafutha, a major new coal-to-oil plant using the Waterberg's coal deposits but this was subsequently put on ice because of uncertainties about both global warming related carbon emission controls and state support for the project. The perennial calls by the SACP for its 're-nationalisation'; persistent complaints about locally produced petrol not being cheaper than imported product; outrage over its executive salaries (most recently the R53 million salary of its Canadian CEO) and concern (expressed even in the business press) that it is investing more substantially overseas than it is in South Africa illustrate the ways in which the company remains a lightning-rod in national debates.[3] Much more than moral complicity with apartheid, it is historic dependence

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[1] 'Sasol Chemical Industries 'owes position to risk-taking, not state support'' *Business Day*, 15 October, 2013, Available at http://www.bdlive.co.za/business/industrials/2013/10/15/sasol-chemical-industries-owes-position-to-risk-taking-not-state-support

[2] Jeremy Cronin 'How we misread the situation in the mid-1990s', address to the SACTWU 12th National Congress, August 22 2013. Available at http://politicsweb.co.za/politicsweb/view/politicsweb/en/page71654?oid=400225&sn=Detail&pid=71616

[3] Sasol raises CEO's pay to match global packages, *Business Day*, 11 Oct, 2013. Available at http://www.bdlive.co.za/business/energy/2013/10/10/sasol-raises-ceos-pay-to-match-global-packages; David

on state subsidisation – alleged crimes against putatively 'free market' capitalism – which most often has the company on the back foot. How did we get here? How did this former state corporation, intimately associated in the minds of many with the belligerence of apartheid, end up listed on the New York Stock Exchange and investing huge amounts of money in the American state of Louisiana and paying astronomical salary to its Canadian CEO?

The historiography reflects a long-standing interest in the emergence of 'national capitalism', the role of industrial protectionism and state corporations in South African history.[4] There is little work specifically focusing on the SASOL project. Clark touches briefly on SASOL in her study of the state corporations, while Verhoef charts SASOL's path from a 'national champion' leveraging various "country-specific advantages" including state support to a successful private global multinational.[5] Rustomjee and Roberts explored the contradictory consequences of the particular way in which SASOL has "grown up" as an "infant industries" incubated by the apartheid state.[6] My own doctoral research explored the relationships between apartheid and modernism, focusing on the SASOL project and the company town Sasolburg (and the township of Zamdela) as key sites for the elaboration of the 'apartheid modern'. Moving across a number of domains, the dissertation analysed the construction of techno-nationalist discourses celebrating SASOL's technological prowess; the role of a modernist Swiss émigré planner in the attempted transformation of allegedly unrespectable 'backvelder' Afrikaners into modern subjects in Sasolburg; the subversive presence of black domestic workers in the towns suburbs; and the making and unmaking of paternalistic practices (and cultures of migrant encapsulation and urban respectability) in the company town, through to the present.[7]

There have been a small number of studies of the privatisation of South Africa's state corporations.[8] It is more common for the privatisation of the state corporations to be

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Gleason, 'SASOL sites pretty, what about South Africa?' Business Day, 4 July, 2013 http://www.bdlive.co.za/opinion/columnists/2013/07/04/sasol-sits-pretty-what-about-south-africa

4 Bozzoli 'The Origins, Development and Ideology of Local Manufacturing in South Africa'; Rob Davies, D. Kaplan, M Morris and D O'Meara (1976) 'Class struggle and the periodisation of the South African state', *Review of African Political Economy*; Bozzoli 'Capital and State in South Africa', Kaplan, 'The Politics of Industrial Protection in South Africa, 1910-1939'; Renfew Christie, *Electricity, Industry and Class in South Africa*. Albany: State University of New York Press, 1984. Nancy L. Clark. *Manufacturing Apartheid: State Corporations in South Africa.* New Haven, Conn.: Yale University Press, 1994; O'Meara, *Volkskapitalisme* and *Forty Lost Years;* Ben Fine and Zavareh Rustomjee, *The Political Economy of South Africa: From Minerals Energy Complex to Industrialisation*, Boulder, CO: Westview Press, 1996. More recent work includes Bill Freund 'A ghost from the past: the South African developmental state of the 1940s' *Transformation: Critical Perspectives on Southern Africa*, Number 81/82, 2013, pp. 86-114 and Keith Hart and Vishnu Padayachee, 'A history of South African capitalism in national and global perspective' *Transformation: Critical Perspectives on Southern Africa*, Number 81/82, 2013

5 Grietjie Verhoef 'The Globalisation of South African Conglomerates, 1990–2009' *Economic History of Developing Regions*. Volume 26, Issue 2, 2011

6 Simon Roberts and Zavareh Rustomjee 'Industrial policy under democracy: apartheid's grown-up infant industries? Iscor and Sasol' *Transformation*: *Critical Perspectives on Southern Africa*, 71 (2009)

7 Stephen Sparks, 'Apartheid Modern: South Africa's Oil-from-Coal project and the Making of a Company Town', Unpublished DPhil dissertation, University of Michigan, Ann Arbor, 2012.

8 A selection include Andries Bezuidenhout and Jacklyn Cock 'Corporate power, society and the environment: A case study of ArcelorMittal South Africa' *Transformation: Critical Perspectives on Southern Africa*, 69,

addressed in passing in the much larger literature on 'neo-liberalism' in South Africa.[9] "The years from 1945 to 1980 were the halcyon days for public enterprise", historian Robert Millward noted.[10] Ben Fine describes the privatisation of South Africa's former state corporations in the 1980s as "a dramatic reversal" of the massive public sector investment led economic development in the 1970s.[11] This paper aims to be able to chart how this apparently "dramatic reversal" came to be.

The privatisations of state corporations in South Africa were the local instantiation of the global rolling back of public spending and state intervention which came to be regarded as one of the defining features of 'neoliberal' policies. After the formation of OPEC and the 1973 oil shock, the "Keynesian class compromise of national capitalism" hit serious snags, via a perfect storm of rising unemployment and inflation ('stagflation').[12] In this crisis 'neo-liberal' ideas about privileging the energies of the 'free market' over state intervention and cutting back public spending grew increasingly influential and appealing. The application and precise explanatory value of 'neoliberalism' as an analytical category for understanding South Africa's recent history has been called into question of late.[13] Breckenridge has noted that while the National Party dominated state stepped back from its "demiurge of the economy" under the influence of Thatcherism, "this was a Thatcherism that embraced the market…in theory but in practice spent lavishly on military equipment and policing, and ran up massive amounts of debt."[14] This apparent gap between theory and practice – and the self-same spending pattern – was also characteristic of 'neo-liberalism' under Thatcher and Regan. Similarly, as many commentators observed, advocates of 'neoliberal' ideology like Thatcher emphasised the importance of saving, frugality and discipline at the personal and state levels and railed against 'permissiveness', but their legacies included the elevation of cultures of personal enrichment and credit-fuelled consumption to hegemonic status. Any definition of 'neoliberalism' must surely grapple with this fundamentally paradoxical characteristic of *actually existing* 'neoliberalism'.[15]

(2009); James Jude Hentz 'The Two Faces of Privatisation: Political and Economic Logics in Transitional South Africa' *The Journal of Modern African Studies*, Vol. 38, No. 2 (Jul., 2000); Ben Fine, 'Privatization and the RDP: A critical assessment', *Transformation: Critical Perspectives on Southern Africa* 27 (1995)

[9] Bond et al, add cites with page numbers

[10] Robert Millward, 'Public enterprise in the Modern Western World: An Historical Analysis'. Importantly, however, the role of state-owned enterprises in China is an important qualification to the 'rise and fall of public enterprise' narrative. See John Osburg, 'Global Capitalisms in Asia: Beyond State and Market in China' *The Journal of Asian Studies.* Vol. 72, No. 4

[11] Fine, 'Privatization and the RDP: A critical assessment',

[12] Keith Hart and Vishnu Padayachee, 'A history of South African capitalism in national and global perspective' *Transformation: Critical Perspectives on Southern Africa*, Number 81/82, 2013, p 66

[13] James Ferguson, 'The uses of neoliberalism' *Antipode* Vol. 41, pp 166–184 and Keith Breckenridge, 'Some thoughts on Neoliberalism and Histories of Technology' Available at http://shot-talk.org/?page_id=143

[14] Breckenridge, 'Some thoughts on Neoliberalism and Histories of Technology'

[15] Writing about South African privatisations in 1995, Ben Fine worried that "Privatisation will create a company ethos of self-advancement and personal gain… in the UK… more than fifty directors of previously publicly-owned utilities have each made more than R5 million more in salaries, share options and pension rights than they would have before privatisation". Fine 'Privatisation and the RDP: A critical assessment'

In this spirit – drawing inspiration from the suggestive analyses of the shifting sands of identity at the intersection of class and consumption under apartheid by the likes of Hyslop and Grundlingh – this paper analyses correspondence drawn from SASOL's archive and the South African National Archives, as well as interviews, to construct an intellectual history of the SASOL project from its birth as a state corporation through to its privatisation, paying particular attention to the ways in which the discourses of company managers change over time.[16] It is a story which other scholars and SASOL's own managers have told in far too simplistic a fashion. Discussing the removal of certain SASOL specific state protections in 1994, Verhoef is too quick to claim that the company "had established itself as a private enterprise long before that."[17] This is the view which SASOL and its managers are keen on propagating, and it is too simplistic.

My paper looks at the initial steps taken by SASOL managers and the state to provide the project with extraordinary support to ensure its economic viability. The project was heavily dependent on the state from the beginning, and I show how after initially being fairly unapologetic about this dependence, SASOL managers became increasingly defensive about it. I argue this relates in some important sense to their subscription to an idea of self-sufficient masculinity, in which dependence is regarded as potentially compromising. I tentatively suggest that some of this specifically gendered defensiveness is related to these managers starting to think about themselves as business men who self-consciously insisted that in spite of state support and the fixing of the fuel market to SASOL's advantage, they too were subject to the allegedly disciplining effects of the market. During the 1960s the company expanded successfully (though not without some resistance from the national Treasury) into the wider chemical industry. The economy boomed; Anglo and Afrikaner capital became increasingly interpenetrated; Afrikaner nationalism began to lose much of its purchase, and, as Albert Grundlingh has shown, with an expanding Afrikaner middle class, sumptuary codes underwent considerable change.

If senior SASOL managers were newly eager to portray themselves and even see themselves as business men of discipline and independence, Etienne Rousseau, a manager who features prominently in this paper observed the culture of conspicuous consumption and other seeming 'permissiveness' in the 1960s and 1970s as signs of moral ill-discipline. This anxiety about the morality of consumption was rooted in Rousseau's neo-Calvinism, with its emphasis on saving, frugality and the virtue of hard work, but was also inflected with the American 'gospel of productivity' which he and other managers embraced in this period – and later still, by his turn to evangelical Christianity. If the trajectory of Rousseau's thinking on the relationship of SASOL to the state and his calls for "financial discipline at the public and at the private levels" reflected nascent 'neoliberal' prescriptions, their combination with critiques of moral ill-discipline and 'permissiveness' echoes the parallel phenomenon in Thatcher's Britain and Regan's America.[18] The paper concludes on an ironic note – showing

[16] Jonathan Hyslop, 'Shopping during a Revolution: Entrepreneurs, Retailers and "White" Identity in the Democratic Transition' *Historia*, 50, 1, May 2005, pp 173-190 and Albert Grundlingh, "Are We Afrikaners Getting too Rich?" Cornucopia and Change in Afrikanerdom in the 1960s' *Journal of Historical Sociology* Vol. 21 No. 2/3 June/September 2008

[17] Verhoef, 'The Globalisation of South African Conglomerates'

[18] Daniel Stedman Jones, *Masters of the Universe: Hayek, Friedman, and the Birth of Neoliberal Politics*. Princeton University Press, 2012. Matthew Grimley 'Thatcherism, morality and religion' in Ben Jackson and Robert Saunders (Ed) *Making Thatcher's Britain*, Cambridge University Press, 2012; See also Michael Mann,

how the oil purchase fund which Rousseau helped bring into being in the 1960s became synonymous, at the height of anti-apartheid sanctions busting efforts, with massive corruption and conspicuous corruption.

Background to the SASOL project

According to popular myth, SASOL is believed to have its origins in the apartheid state's grim determination to ensure its survival in the face of international anti-apartheid oil sanctions. This view is as much a product of anti-apartheid imagination as pro-apartheid techno-nationalism. In its common rendering, this necessity is the mother of (white South African) technological invention: 'n Boer maak 'n plan met olie. In fact, as I've shown in detail elsewhere, South African interest in synthetic fuel technology as an alternative to conventional crude oil refining predated apartheid, reflected emerging 'national capitalist' interests in South Africa, and was typical of nationalist preoccupations with fuel sovereignty and autarky elsewhere at the time, such as in Franco's Spain.[19] Germany, like South Africa, lacked large deposits of coal, but no crude oil was the site of important pioneering work in oil-from-coal in the pre-World War I and Weimar periods. From the 1930s importing fuel began to be regarded in official and expert circles in South Africa as a drain on foreign exchange, and an acute vulnerability to fuel shortages in times of crisis. Once Hitler came to power, tentative forays into synthetic fuel production in the Weimar period were energized (as anti-apartheid campaigners later delighted in pointing out) by Hitler's rise to power and Nazi fantasies of fuel sovereignty during World War II. However synthetic fuel supplies never rose to significant levels and conventional refining remained cheaper despite limited Nazi tariff protections. With conventional crude oil interests too powerful in America and the United Kingdom, it was in apartheid South Africa that oil-from-coal reached its largest scale realisation, technological improvement and, most importantly, its handsomest state support.

Counter-intuitively, the first serious interest in synthetic oil production in South Africa came from Anglovaal, a private mining company which began producing oil-from-shale through a subsidiary called the South African Torbanite Mining & Refining company (SATMAR) during the 1930s. Like its successor SASOL, SATMAR depended for its viability on tariff protection granted by the state, but this support was unceremoniously cut in 1936. Anglovaal purchased an operating licence for the Fischer-Tropsch process, and engaged in on-going negotiations with government throughout the late 1930s and 1940s. Anglovaal wouldn't proceed without heavy, *guaranteed* government subsidies which were not forthcoming. The opening up of the goldfields in the Orange Free State diverted Anglovaal's attentions elsewhere but the coming to power of the Herenigde Nasionale Party in 1948 represented an important political watershed, with momentum quickly building for the establishment of a state corporation to produce oil-from-coal along the lines of ISCOR and ESKOM, which had been established under the Pact government a few decades earlier.

In April 1950, Frans du Toit, veteran civil servant, industrial advisor to the state and Broederbonder told H.J. van Eck, head of the Industrial Development Corporation there was a "strong feeling in Afrikaans-speaking circles" that the project should be state-controlled and

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'Neoliberalism, rise and faltering, 1970–2000' in *The Sources of Social Power (Vol. 4) Globalizations, 1945–2011.* Cambridge University Press, 2012 and David Harvey, *A Short History of Neo-liberalism* (Oxford University Press, 2005)

[19] Sparks, 'Apartheid Modern'

funded through the IDC. [20] Though the anti-capitalist 'Hoggenheimer' rhetoric of Afrikaner nationalism would soon become less deeply felt in elite Afrikaner circles, the cultural politics of Afrikaner nationalism was still, at this point, important. In correspondence in the late 1950s with Nico Diederichs, then Minister of Economic Affairs, and a leading figure of the Afrikaner 'economic movement', SASOL's founding managing director, Etienne Rousseau, referred glibly to AngloVaal, as "the Jews."[21] Recognisably generic nationalist concerns with fuel sovereignty was thus interlaced with more politely coded Afrikaner nationalist inflections when, speaking in parliament shortly after SASOL's establishment, Diederichs rejoiced at bringing into being a strategically important enterprise "not controlled from abroad or by international monopolies and cartels but by the South African state." [22]

SASOL was registered in terms of the Company Act in late 1950. The brilliant Stellenbosch chemical engineering graduate Etienne Rousseau was appointed Managing Director, after working as research engineer at ISCOR and SATMAR, as well as serving as industrial advisor for Federale Volksbeleggings, the investment company established by SANLAM. Rousseau had previously worked at Federale's fish by-products manufacturer, Marine Oil Refiners. He was very much a product of the world of the Western Cape's aspirant Afrikaner bourgeoisie. As with other state corporations the board of directors was packed with key members of the Afrikaner nationalist elite, including Dr. M.S. Louw, founding figure of SANLAM; Frans du Toit, veteran civil servant and industrial advisor in the Department of Economic Affairs and Broederbond member; Dr. Hendrik van Eck, head of the Industrial Development Corporation; David de Villiers, Stellenbosch trained lawyer, SASOL's first company secretary and Rousseau's successor as managing director; and A. P. Faickney, the only non-Afrikaans speaking director, included as a gesture of good faith for the work he had done on oil-from-coal inside Anglo-Vaal. He was regarded by Rousseau as an "Afrikaner sympathizer", though his influence on the founding board was minimal and his tenure on the board was mostly given over to nursing his gravely ill wife. Rousseau and de Villiers had both previously worked closely together at Federale Volksbeleggings and their fathers – both former school-inspectors in the Cape – knew each other well. M.S. Louw's father-in-law was related to Rousseau. SASOL's inaugural upper level technical team was similarly interconnected. Rousseau, Johnny van der Merwe and Bill Neale-May (another English-speaker) were all at SATMAR together. SASOL's technical team were accustomed, then, to working on the left-field of the fuel industry, and in industries that required state support for their economic viability, such as SATMAR.

During 1951 plans were accelerated at government request because of nervousness about rising oil prices and difficulties securing oil deliveries in light of reverberations associated with the establishment of the state of Israel and rising Arab nationalism in the Middle East – the source of all the country's imported oil. Amidst this time sensitivity, however, the interim committee advising the government on the project (essentially SASOL's first board of directors) warned that "urgency should not be allowed to force South Africa into a project which would not be economical in normal times."[23] It was clear from the outset that producing a barrel of oil-from-coal would be more expensive than importing either finished fuel products or conventional crude oil for refining locally; this was an important source of

[20] Add cite
[21] Etienne Rousseau to Diederichs, 1959

[22] Hansard, South African Parliamentary Debates, 10th April 1951, Columns 4150-4151.

[23] Report of Interim Committee to establish a South African Synthetic Oil Industry, 2nd Sept 1950

the cynicism about the project both in South Africa and internationally. A big part of the problem was that when oil was widely available and inexpensive, oil-from-coal became particularly marginal, economically speaking. Thus, in the mid-1960s – when oil was plentiful and cheap – a good decade after SASOL's factory in Sasolburg started up and only four years after it turned its first profit, Etienne Rousseau returned from an overseas visit to report that "nobody really bothers about coal", and was told "for any country; the possession of coal is an embarrassment… like having colonies!"[24]

How, then, could SASOL be economically viable and avoid meeting the same fate as its predecessor SATMAR, which so many senior SASOL figures were personally familiar with? An important part of the answer was contained in coded references throughout preliminary discussions to the project being "tailor made for South African conditions", a reference to the comparatively cheap cost of labour (and thus coal) in the country.[25] As Gabrielle Hecht and Paul Edwards have noted, these kinds of formulations present intensely social-political facts in depoliticised terms, as if owed to the accidents of geology, rather than political design under racial capitalism.[26] The importance of labour costs to the economic viability of oil-from-coal was underlined by Etienne Rousseau's meeting with the World Bank in Washington in connection with securing an initial government guaranteed loan of £15 million for the project. Rousseau reported to his colleagues on the SASOL board that Bank officials kept querying SASOL's predicted labour costs. "They did not seem to appreciate that the whole South African economic set-up is vastly different from that of America," Rousseau explained. In 1956, when SASOL was experiencing severe technical problems with its Sasolburg plant – it did not balance the books until 1960, six years after it started operating – the Minister of Economic Affairs, Albert van Rhijn, reframed these "difficulties" as a challenge which South Africa had to meet if it wanted to claim membership of the international scientific community. "A country and a people who lack the courage to face those difficulties which crop up in the scientific world, are not worthy of taking part in scientific development." What gave South Africa an edge, or at least allowed it to punch above its weight by attempting oil-from-coal, was precisely the fact of 'South African conditions'. "We are a small nation', he conceded, "but we have the cheapest coal in the whole world."[27]

"artificial economics"

'Cheap coal' – cheap mine labour – only applied for the early apartheid period. From the early 1970s, SASOL's coal mine labour costs, together with those across the rest of the country's various mining sectors, rose significantly (by as much as 60%) as decolonization jeopardised regional southern African migrant labour supplies, forcing the 'South Africanisation' of mine workforces, coupled with increasing recognition of the need to lift wages to enhance labour productivity. The oil price shock of 1973 was especially timely from SASOL's perspective for two reasons: the massively increased oil price made oil-from-coal not just 'viable' but immensely *profitable* for a period of time, in a way it had not been

[24] Recounted in J.W. van der Merwe to H.N. Hepker, 17th July, 1964

[25] This resonates with Nancy Clark's argument about the ways in which South Africa's state corporations replicated mining industry dependence on exploited, unskilled black workers. See Nancy Clark, *Manufacturing Apartheid*

[26] Hecht and Edwards 'History and the Technopolitics of Identity: The Case of Apartheid South Africa'

[27] Hansard cite

before; it also cushioned the blow of increased labour costs in its mines and beyond. If labour costs were only contingently important to SASOL's economic prospects, the invariable constant which mattered most to the economics of the project was the financial support of the Apartheid state. Specifically citing SATMAR's collapse, Rousseau recalled: "we all wanted a fiscal structure which would protect this industry by law".[28] In March 1950, writing in his capacity as industrial advisor to the state, Frans du Toit wrote to the Minister for Economic Affairs, Eric Louw, explaining that oil-from-coal was "of such national importance" that it would be acceptable for the state to make "big concessions" to place the industry on a "healthy economic footing. I won't be in the slightest bit panic-stricken if it makes a little more or less profit occasionally."[29] This last sentence captured the generally forgiving arithmetic which defined the state's relationship to SASOL over the coming decades. Later that same year, du Toit was even more pointed: "the profit motive will have to be subordinated for several years."[30] Emphasising the national importance and strategic value of SASOL to the country, as well as the Western world in the context of the Cold War became a key strategy for making the case that SASOL needed, in Rousseau's words "all the help it can possibly get to make it a success." It could not be regarded as a "normal undertaking" and the notion of "fair treatment" – a reference to market competition – did not apply. "It is entitled to and must get preference."[31] An internal memorandum written by Rousseau stated this more baldly: "when we think of oil from coal we must think in terms of artificial economics and Government protection."[32]

Writing shortly before the Sasolburg factory began operating; Frans du Toit anticipated a "year or two" where the factory would "undergo a painful process of cutting teeth. Once we have cut our teeth, we will be the first to tell the state that that we no longer need any special treatment." Du Toit's teething metaphor positioned the state in a palliative and parental role. Painful teething certainly materialised. When the factory in Sasolburg started operating in 1954 there were immediate problems with the synthesis unit designed by American contractor, Kellogg, based in New York. The plant had to be repeatedly shut down and did not run smoothly "for even 48 hours at a stretch" for significant periods of time over the first few years of operation. It was calamitous. The National Party government had already weathered a storm of criticism in parliament and some sections of the press for the amount of money which it had committed to the project. Production was so seriously imperilled that SASOL decided that "until substantial production has been achieved, operations must be regarded as developmental both as regards plant and processes." In 1957's end of year report Frans du Toit explained that "the balance on operating account amounting to £4.7 million has been charged to a separate plant and processes development account." Via budgetary cosmetics the project was temporarily re-framed as a research experiment rather than an enterprise which the state was pouring money into that was running at a substantial loss despite the state artificially securing a market for its products. The state gave SASOL the

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28 Sasolburg Public Library, Africana Room, Johannes Meintjes Collection, Commentary by P.E Rousseau 20 April, 1974

29 SASOL 1 Archive, 8/18 Historical Documents, F.J. du Toit to Eric Louw, 9th March, 1950

30 SAB. HEN 7/5/50, P.A. 11/2, Vorm en Finasiering van olie-uit-steenkool Maatskappy, F.du Toit to Min of Econ Affairs, 17 Nov, 1950

31 Etienne Rousseau Memo, 21st Nov 1951

32 Etienne Rousseau Memo 'General Principles, Sasol projects', 29 March, 1962

breathing room it needed to make the technology work. "If we had not had a very patient Government behind us on the financial side, we would have by this time been in very, very great trouble", Rousseau admitted.[33] A National Party representative's comments in parliament captured the fundamental importance of SASOL's status as a state corporation: "the capitalists would not be prepared to bear the losses which the state much bear in order to tide this undertaking over its teething troubles."[34]

'Artificial economics' and 'government protection' came to pass, as any reader of the 2007 Treasury task team report which investigated imposing a windfall tax against SASOL will appreciate.[35] From its establishment SASOL received tariff protection (approximately 20% of the fuel price) and, more extraordinarily, an agreement required multinational oil companies to source their inland requirements from the output of SASOL ONE, to service their inland requirements. In addition the multinationals accommodated SASOL's distinctive blue pumps on their Highveld forecourts. In the late 1960s, with oil prices too low to warrant oil-from-coal expansion, SASOL entered a partnership with the French company TOTAL and the National Iranian Oil Company became partners in a conventional oil refinery, NATREF which was highly unconventional by virtue of being located inland (in Sasolburg) instead of being placed on the coast at Richard's Bay, where it could receive shipments of Iranian crude which it was designed to secure. Government ensured that crude oil would be shipped from the coast to NATREF free of charge in a pipeline built by the South African Railways & Harbours. A tariff structure was arranged that ensured that the refinery was no worse off than it would have been had it been sited at a logical coastal location. This arrangement came to be known as 'Natref at the sea'. An inland pipeline infrastructure was created that was used to meet SASOL's needs and its express advantage.[36] The fall of important South African ally, the Shah of Iran, in 1979, and the subsequent oil shock led to the speedy commissioning of SASOL 2 and 3 at Secunda. Both plants – duplicates of each other – enjoyed tariff protection and were funded by levies imposed on motorists. When SASOL 2 and 3 began operating in 1982, the multinational conventional refiners were obliged to mothball 30% of their production capacity because they were obliged by the state to 'uplift' the output from SASOL's new plants.[37]

During the 1950s and 1960s senior SASOL figures were largely unapologetic about this dependence, able to cite a general trend of "state involvement in oil industries", including in newly independent African states, as well as metropolitan precedent: "Britain was the first country to decide that petroleum was too important for the state to stay out of. Britain's government bought a large part of the Anglo-Persian Oil Company which became BP." SASOL, Rousseau observed, was "close enough to the state to be trusted to place the interests of South Africa first."[38] He and his ilk were examples of "the Afrikaans speaker who turns

[33] Etienne Rousseau to Warren Smith, 1st Sept, 1955
[34] *Hansard*, Column 2748-2749, 18 March 1959

[35] 'Possible reforms to the fiscal regime applicable to windfall profits in South Africa's liquid fuel energy sector, with particular reference to the synthetic fuel industry', Task Team Report, 9 February, 2007.

[36] 'Possible reforms to the fiscal regime applicable to windfall profits in South Africa's liquid fuel energy sector, with particular reference to the synthetic fuel industry', Task Team Report, 9 February, 2007.

[37] The multinationals were compensated for this, and they did not actively try to bring an end to this arrangement after the end of apartheid.

[38] Etienne Rousseau to Nico Diedrichs, 9 March, 1962

his back on a future in the wide business world to build up undertakings such as ISCOR, the Industrial Development Corporation and Sasol for the benefit of his country."[39] These nationalist statements of the importance of public sector service were clearly still important to the 'structure of feeling' of the state corporations.[40]

Frans du Toit once described the Minister of Economic Affairs as SASOL's 'patron' and SASOL undoubtedly depended critically on the state's largesse and intervention but it would be a mistake to characterise the relationship between the two as unchanging or an uncomplicated one. The fuel market may have been essentially fixed to support SASOL, but treasury officials in particular weren't always convinced that the project should be given an entirely blank cheque by the state. In 1954, as SASOL's plant in Sasolburg started up, with Etienne Rousseau pushing the treasury for additional financial cushioning in anticipation of early technical trouble, the Treasury manager wrote in an internal memo: "Mr Rousseau insufficiently comprehends the Treasuries responsibility towards the tax payer…there is no justification for nakedly throwing away revenue to set up SASOL to make large profits."[41] Part of the problem was that the experimental nature of oil-from-coal – and the expectation of technical difficulties – meant SASOL could not give the Treasury concrete estimates of likely capital requirements. With the benefit of hindsight Minister of Finance N.C Havenga observed that if he'd known the escalation of capital costs which getting SASOL off the ground would entail then he wouldn't have "approved of the scheme" in the first place.[42] In the early 1970s, SASOL planned on using its profits to expand its interests in the oil industry by purchasing Volskas' stake in TOTAL's South African subsidiary and the General Mining stakes in Trek. Invoking severe capital shortages prevalent at the time, Minister of Finance Nico Diedrichs warned "it is unhealthy for a state corporation to plan an expansion project with money which came from the state without consulting the treasury."[43]

It is significant that these tensions centred on SASOL's desire to dispose of profits as it pleased. Senior SASOL figures had long hoped to carve out a "greater amount of latitude" with regard to capital expenditure vis-à-vis its relationship to the state, its paymaster.[44] SASOL's funding model as a state corporation risked making it "a subsidiary of the I.D.C," Rousseau warned in 1951.[45] Whatever the shape of capital markets, in terms of legislation governing state corporations SASOL was obliged to consult with its political masters if it intended using profits for serious capital expenditure. If carving out autonomy in relation to the state was an on-going concern, the same certainly applied to parliamentary oversight. In 1958, whilst still grappling with serious technical trouble at its Sasolburg factory and intense scrutiny and criticism in parliament and the press, Rousseau warned SASOL's board about new proposals for "more effective parliamentary control" over state corporations:

[39] Etienne Rousseau to Nico Diedrichs, 30 Sept, 1959

[40] Raymond Williams, *The Country and the City* (New York: Oxford University Press, 1973), 1-8.

[41] Secretary of Finances to Sec of Commerce and industry, 8 June 1954

[42] Cited in Nancy Clark, *Manufacturing Apartheid,* p. 162

[43] Nico Diedrichs to S.L. Muller, 28 April, 1971

[44] David de Villiers to Chairman, Liquid Fuel and Oil Industry Advisory Board, 28th Sept, 1951

[45] Etienne Rousseau to Frans du Toit, 12 Jan, 1951

> I regard the above recommendations as very dangerous to the future management of State sponsored undertakings. Business has as a result of centuries of experience come to the conclusion that shareholders money is most effectively protected by a Board consisting of capable directors. An undertaking subject to parliamentary control can never be as efficient as an undertaking subject to the control by a Board of expert directors. The best way to make a state sponsored undertaking efficient is for the state to see that good men are appointed to its board and that matters are then left to these directors to deal with. South Africa's state industries have been a success because from a managerial side of things, they have been allowed to function like private undertakings.[46]

Rousseau presents SASOL as a 'business', invoking a history of private company directors being left to manage shareholder monies (the memorandum was appended with an editorial from *The Economist* making the same argument for state corporations in the UK). It was a disingenuous, though revealingly aspirational analogy for the head of a state corporation subsidised by public monies to make in the 1950s. From its establishment key movers behind the project (like Frans du Toit) had argued in private for maintaining "flexibility" to allow for the possibility that SASOL might "cease being under government control" over the longer term.[47] This probably reflected the influence of the sensibilities of the Cape Afrikaner bourgeoisie. Evaluating anti-monopoly legislation proposed by the government in 1952, Rousseau noted he was concerned that it might "close the door" on SASOL investing in or partnering with private enterprise."[48] When the state corporations encountered pushback under Prime Minister J.G. Strijdom on partnering with the private sector, Rousseau argued that proposed expansions should be evaluated by the state on a case by case basis.[49]

In the mid 1950s SASOL began discussions with the Anglo-American owned African Explosives Chemical Industries (AECI) about the company setting up a factory in Sasolburg using feedstocks from its factory. This marked the beginning of SASOL's expansion into the wider chemical industry in South Africa, beyond the confines of oil-from-coal which throughout the 1960s remained economically marginal in light of low global oil prices. AECI was regarded with a certain amount of suspicion in certain Afrikaner nationalist circles because of its history of occupying a monopolistic position in the South African chemical industry, but Rousseau argued that state corporations stood to benefit from working with 'monopolies', so long as they were "careful not to fall into their grasp."[50]

Against the background of the 1960s economic boom after the initial divestment crisis post-Sharpeville, Minister of Finance Nico Diedrichs claimed that there was a growing feeling at the highest levels of government that the state "shouldn't take special steps to stimulate the economy, and that the state shouldn't venture into areas where private initiative is prepared

[46] Etienne Rousseau to Chairman & Directors of SASOL, 2nd Dec, 1958, re Report of the Commission of Enquiry into Policy Relating to the Protection of Industries.

[47] Frans du Toit to Min of Econ Affairs, 17 Nov, 1950

[48] Etienne Rousseau Memo to Board 21st Jan, 1952, Re: Anti-monopoly legislation

[49] Etienne Rousseau to Prime Minister J.G. Strijdom, 12 March 1955

[50] Etienne Rousseau memo to Min of Econ Affairs, 19 March, 1955

and able to go."[51] In this context, managers of state corporations like SASOL, wanting a piece of the boom pie, became increasingly restless and expressed frustration about "restrictions and interference" by government.[52] There was a sense in which this tension was structural to the relationship of state corporations to the state. At the beginning of the 1970s Etienne Rousseau complained of negativity "towards the legitimate aspirations of the state corporations."[53]

For SASOL managers these aspirations included a desire to expand aggressively into the larger chemical industry field in South Africa. As the national treasury's resistance to giving SASOL free reign with regards to disposal of profits indicates, the legitimacy and specific character of these aspirations had long been the subject of contestation and debate within government and broader African nationalist circles. SASOL wanted to use the state support it received in its role as producer of the strategic commodity of oil as leverage for its expansion into the chemical industry.[54] SASOL encountered continued resistance from Treasury officials to it "using state resources" for this purpose.[55] The cheap price of oil in the 1960s may have taken the prospect of further expansion in oil-from-coal off the table for the time being, but Etienne Rousseau was especially intent on moving beyond the confines of oil-from-coal because of he'd observed the dangers of being a one-trick pony via 'artificial economics': "The SATMAR owners have had an artificial industry around their necks for 27 years" he observed in the early 1960s, "there are lots of opportunities open to us. Let us avoid having things around our necks."[56]

"the discipline of market forces"

SASOL's managers were certainly initially unapologetic about receiving special state support. They were also undoubtedly happy to exploit the perception that oil-from-coal could save white South Africa from sanctions to ensure continued prioritisation as a 'strategic' industry, even where this perception bore little relationship to the reality of its contribution to national fuel supplies. They became increasingly defensive about this dependence over time.

Some of this defensiveness first exhibited in the context of early public criticism in parliament and press about the fact that SASOL's petrol was not cheaper than imported petrol – a complaint which still persists. Responding to criticism by the Automobile Association of South Africa which emphasised the special assistance SASOL enjoyed, Rousseau insisted "SASOL is not a Government Department or a monopoly, but is a business which has to compete with some of the most astute companies of the world."[57] The interregnum when initial severe technical problems meant SASOL did not produce petrol for public consumption prompted introspection from Etienne Rousseau, writing in *SASOL Nuus*, the company newsletter which doubled as Sasolburg's newspaper:

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[51] Nico Diedrichs to Etienne Rousseau, 18 March, 1964.

[52] Etienne Rousseau to Nico Diedrichs, 11th March, 1964
[53] Etienne Rousseau to Minister of Econ Affairs, 12 April, 1971

[54] This is precisely what SASOL Chemical Industries was accused of doing by the recent Competition Tribunal

[55] Etienne Rousseau to Minister of Econ Affairs, 12 April, 1971

[56] Etienne Rousseau Memo 'General Principles, Sasol projects', 29 March, 1962

[57] Etienne Rousseau Memo, 'The price of SASOL Petrol and the AA', 11th Aug, 1954

> We all trust that it will not be long before SASOL petrol will be available to the public…we shall not be satisfied until we see the final crown on our labours and our petrol available to the general public. Until this happens we shall not have the satisfaction that we are living on our own income. We are living on borrowed money. Not only is this not pleasant for one's self-esteem but as practical men we realize that our bread and butter must come from the income which SASOL will derive from the sale of its petrol and other products.[58]

Rousseau's profoundly gendered comments invoke a vision of a self-sufficient masculinity threatened by the spectre of economic dependence upon the state and toil unrewarded. Rousseau wrote defensively on a number of occasions to the editors of prominent international publications in the chemical and oil fields which questioned the viability of the economic project and drew particular attention to the extent of state support. In one instance, an article in an international trade publication which portrayed SASOL as "uneconomic" and a beneficiary of "socialist economics" provoked an internal memorandum calling for the company's public relations "to see that [this view] does not gain ground."[59]

The 'socialist economics' critique of SASOL's relationship to the state was a common one among opposition parliamentarians and in the business pages since the 1950s and was also directed at other state corporations, reaching its apogee in the 1970s, when, in an important symbolic watershed, Andreas Wassenaar, the head of SANLAM, the pioneering Afrikaner insurance giant which saw state power as critical to Afrikaners economic advancement, published his *Assault on Private Enterprise,* lambasting economic intervention by the state.[60]

Wassenaar and Etienne Rousseau were, by the 1960s, much less encumbered by Afrikaner nationalist pieties than they felt themselves to be even a decade earlier. They had come to see themselves as business men.[61] In the mid 1960s Rousseau could wax lyrical in personal responses to American surveys of business opinion about the "advantages of competitive private enterprise."[62] By the beginning of the 1970s, Rousseau confidently described himself to Nico Diederichs as someone "who stands on both the state and private sides of the oil industry."[63] We know that Rousseau had been reading *The Economist* since the 1950s, at least, and one of his successor David de Villiers' abiding memories of their time together in

[58] Editorial, *SASOL Nuus*, February 1956

[59] Etienne Rousseau Memo, September ?, 1964

[60] Andreas Wassenaar, *Assault on Private Enterprise*. Cape Town: Tafelberg, 1977. The ubiquity of copies of Wassenaar's polemic in second hand book stores in South Africa today is perhaps indicative of the popularity of the book at the time.

[61] In *Forty Lost Years* O'Meara notes a shift in self-descriptions within the Broederbond membership over time. By the 1960s and 1970s 'businessmen' became a newly prominent self-descriptorm where previously it was never used, or considered acceptable (academic, lawyer, teacher, clergymen, farmer were more common). Add cite

[62] Etienne Rousseau to G. Clark Thompson, 7th Sept, 1966.

[63] Etienne Rousseau to Nico Diedrichs, 8 June, 1971

the company has them licking ice-creams in Times Square listening to American minister, motivational speaker and author of *The Power of Positive Thinking*, Norman Vincent Peale.[64] Peale's entrepreneurial Christianity advocated a 'gospel of success', alongside an emphasis on positive belief in oneself, which must have resonated with Rousseau and De Villiers, as it did or many Americans after his rise to prominence in the 1950s.[65]

Despite intermittent treasury resistance SASOL successfully used state support and windfalls to expand its operations in the oil and chemical industry throughout the 1960s (see diagram.) So successful was the company in its expansions during the 1960s, that it was awarded the *Rand Daily Mail* Business Achievement Award in 1975. The acceptance speech by David de Villiers, Etienne Rousseau's successor as Managing Director, spoke directly to prevailing criticisms of state intervention:

> [There] is so much talk in South Africa about the dangers of creeping socialism. It is usually said if an organization is state financed the discipline of competition is lacking and that leads to technological stagnation and general incompetence... this very business we are in has through the years subjected us to the discipline of market forces. In the same manner as any other company we had to develop a commercial approach of cost-consciousness, market competitiveness and a continuous striving for productivity. I think it can in truth be said after 25 years that we grew up the hard way. As we would say in Afrikaans, *ons het swaar groot geword*. During the first eight years of our existence we were always short of money and were compelled to do things on a shoestring. In this process of growing up we were taught to be self-disciplined and to live frugally. We were indeed fortunate to have had [Etienne Rousseau] as my predecessor as managing director; the most self-disciplined man I have ever known…the man who instilled a climate of cost-consciousness and financial responsibility into our organization.[66]

There is no doubt considerable truth to much of what de Villiers says about penny-pinching in the early years and about cost-consciousness and productivity pressures. But there is also a sense that de Villiers is protesting too much; of defensiveness in his insistence that SASOL was in fact subject to the 'discipline of competition' and the 'discipline of market forces', despite its special status as a state corporation which only deepened as it became symbolically over-determined as critical to apartheid South Africa surviving international oil sanctions. Again, the language is especially revealing. The importance of the notion of 'discipline', of being subject to discipline imposed by 'the market' is obviously key. Like the teething metaphor used by Frans du Toit, De Villiers' use of a childhood metaphor ('we grew up the hard way'), coupled with allusion to Etienne Rousseau setting an example through his 'self-discipline' and 'instilling' discipline as a kind of father figure, is particularly striking. Two years later, responding directly in a media interview to Wassenaar's critique, de Villiers

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[64] Interview by author with David de Villiers, Stellenbosch, 2009.

[65] Sarah Forbes Orwig 'Business Ethics and the Protestant Spirit: How Norman Vincent Peale Shaped the Religious Values of American Business Leaders' *Journal of Business Ethics*, Vol. 38, No. 1/2, (Jun., 2002), pp. 81-89

[66] *Rand Daily Mail* Business Achievement Award of 1975 accepted by D.P. de Villiers, 24 Nov, 1975

again insisted "SASOL is run like any company in the private sector. We try to play the game according to the normal rules of commercial life."[67]

In the 1960s, in addition to increasing interpenetration of Anglo and Afrikaner capital at elite levels, Dan O'Meara has observed the growing influence of "new corporate ideologies and business practices" and "American-styled managerialism" in both the public and private sector.[68] SASOL managers became infatuated with the American 'gospel of productivity' during the 1960s.[69]

This preoccupation with productivity intensified against the backdrop of increasing concern throughout the public and private sectors in the country about skills shortages accentuated by Apartheid policies preventing black workers from competing on the labour market for more skilled jobs. The encounter with the 'gospel of productivity' caused Etienne Rousseau's successor as Managing Director, David de Villiers, to reflect upon the subtle forms of signalling in everyday life under apartheid which worsened the productivity of African workers:

> There is a general tendency to think that the time of Bantus is not precious, so that the different places that serve Bantus, do not care about keeping them waiting a long time for service. How often we see groups of Bantus standing in front of offices where they have to be registered or pay taxes. Most of us can recall occasions when Bantu domestic servants have to leave work for three consecutive days because there are not enough personnel at these places to serve them. We are all aware of how often business undertakings make Bantus wait to be served, wait if whites arrive that must be served. Since it is bad manners to keep someone waiting for longer than is necessary, this lack of quick service must make the Bantu believe that his time is not important and that his work is also not important. The most productive worker is the one that believes that he is making an important contribution and that his contribution is valued. A person that really believes in separate development must, if he thinks over the case, agree that it is as important for white areas that the wait and the unproductivity of Bantus be decreased as it is for whites...thousands of man-hours of Bantus are being wasted.[70]

The ground shifted in SASOL's company towns, too. Significant increases in black wages and shifting labour recruitment patterns towards a more urban, 'South Africanized' workforce across the gold and coal mines in the early to mid-1970s came

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[67] 'Public sector not all that big, businessmen told', *Rand Daily Mail*, 2 Sept, 1977; 'State industries: SASOL chairman rebuffs Wassenaar' *The Star*, 10 August 1977

[68] O'Meara, *Forty Lost Years*, p 174

[69] Nick Tiratsoo and Jim Tomlinson, 'The 'Gospel of Productivity': United States Technical Assistance and British Industry, 1945-1960', *Business History Review*, 71:1 (Spring, 1997), 41-81. See also Mary Nolan, *Visions of Modernity: American business and the modernization of Germany* (Oxford: Oxford University Press, 1994); For South Africa, see Stuart Coupe, 'Testing for Aptitude and Motivation in South African Industry: The Work of the National Institute for Personnel Research, 1946-1973' *The Business History Review*, Vol. 70, No. 1 (Spring, 1996), 43-68.

[70] D.P de Villiers, 'Kongres Noord-Oos Vrystaatse Streekontwikkelingvereniging', Bethlehem, 22 Feb, 1971

together with broader socio-economic and cultural changes to undermine the purchase of the paternalism which defined the relationship of SASOL to its black employees since the early 1950s. By the mid-1980s, when the company ended its involvement in financial subsidization of any and all employee housing in order to release capital tied up in its housing instalment schemes, its managing director Pieter Cox could say: “It is generally accepted that an employer should not become directly involved in the personal affairs of its employees.” This from the head of a company which had built two company towns and spent much of the previous three and half decades directly involving itself in the personal affairs of its employees.

When the 1973 oil shock happened government ministers had been eager for SASOL to go ahead with another synthetic fuel plant given the more economically fortuitous conditions which it created for oil-from-coal production. Senior managers of the company had instead urged continued stockpiling of oil through the Strategic Fuel Fund, which, as I discuss in greater detail below, had been created in the 1960s to acquire crude oil supplies for the country in light of anti-apartheid oil sanctions. SASOL was keen to use the windfall resulting from higher oil prices to consolidate its footprint in the chemical industry, rather than immediately embarking on a major, extremely expensive construction project.

However the Iranian revolution in 1979 and the consequent loss of a key ally of the apartheid state and the South African oil industry fundamentally changed the strategic picture, closing off South Africa’s supply of its lifeblood, Iranian crude. Coupled with more serious anti-apartheid sanction threats after the Soweto uprising in 1976 meant a significant ramping up of strategic stakes, with oil-from-coal expansion by SASOL and intensified acquisition of crude by the Strategic Fuel Fund by illicit means became increasingly imperative.

Shortly before SASOL agreed to proceed with constructing two new massive synthetic fuel plants in Secunda a new company town constructed on coalfields in the Eastern Transvaal, key figures within government such as senior economic advisor P.J. Riekert had begun to push the idea of the sale of shares in state corporations like SASOL to the private sector.[71] SASOL was the first major state corporation to be allowed to go this route, beginning with the first phase of its privatisation through an initial offering of shares on the Johannesburg Stock Exchange in 1979. The company’s managers embraced it with enthusiasm, as the supposed culmination of the company’s longstanding aspirations. SASOL therefore embarked on a major oil-from-coal expansion in the name of securing the apartheid state’s strategic interests, while simultaneously beginning the process of privatisation.

The state worked hard to secure the success of SASOL’s privatisation, in part because in addition to special tariff protection and fuel levies, the influx of private money would be crucial to helping fund the giant Secunda plants. As the Treasury’s 2007 Windfall tax report noted, SASOL’s massively oversubscribed listing on the JSE occurred “on terms very favourable to investors” because of “undertakings that effectively locked Government into ongoing tariff protection” and continued “soft loans” through the Industrial Development Corporation.[72] SASOL’s special strategic status in relation to the state meant minimal risk and guaranteed profitability.

[71] ‘Riekert backs state handover to industry' unknown, 1978

[72] ‘Possible reforms to the fiscal regime applicable to windfall profits in South Africa’s liquid fuel energy sector, with particular reference to the synthetic fuel industry’, Task Team Report, 9 February, 2007, p 74

Despite public hype about SASOL shares being readily available to the ‘man on the street’, the share allocation heavily favoured a “narrow base of shareholders/stakeholders”, primarily major South African conglomerates.[73] This share allocation reinforced and reflected the increasing conglomeration of the South African economy more generally. News of SASOL’s privatisation prompted speculation by a senior private sector chemical industry figure about how it would “live with men like us moving closer to its inside marketing and pricing strategies”. In fact, SASOL did not have to worry about all that much changing with privatisation; this initial privatisation, and its next phases in the 1980s were featherbedded by continued state support which only ended belatedly in the post-apartheid era, and which arguably still continues via import parity pricing on its petrol.[74]

“examples of an undisciplined spirit”

SASOL’s entry into the supposedly brave new world of privatisation may have been cushioned by continuing state support, but broader social and cultural changes meant much else was in flux in the final decades of apartheid, including much which the company’s founding managing director, Etienne Rousseau, took for granted. As work by O’Meara and Hyslop has shown, accelerated class differentiation among Afrikaners and the ‘elite bonding’ of Anglo-Afrikaner capitalist and managerial elites, particularly during the 1960s, steadily eroded the power of Afrikaner nationalist cultural politics.[75] Grundlingh in particular has demonstrated the high levels of anxiety and debate which accompanied changing patterns of consumption occurring as part of the ‘embourgeoisement’ of Afrikaners.[76]

These were clearly dramatic transformations, and they were particularly visible in changing sumptuary mores in the three decades after World War II. Etienne Rousseau was a particularly attentive observer of these changes. Reflecting on the early years of the project, he recalled how in the early 1950s when SASOL faced fierce criticism in parliament because of the amount of money the state was pouring into a factory which wouldn’t work, he held meetings with opposition parliamentarians in an unostentatious out-of-the-way café in Cape Town. This was necessary because at this point, there was still considerable hostility in Afrikaner nationalist observers towards “goed” (*stuff*) – the display of conspicuous wealth or consumption.[77]

Rousseau sat as a director on a number of different parastatal and private company boards, but he insisted on not being paid his retainer if he wasn’t able to attend board meetings in any given financial year.[78] In the late 1950s, Rousseau considered South Arica fortunate to have “business men willing to give service for salaries much lower than in the private sector, this

[73] ‘Once bitten, twice shy’, *Financial Mail*, 2 Nov, 1979 and ‘Possible reforms to the fiscal regime applicable to windfall profits in South Africa’s liquid fuel energy sector, with particular reference to the synthetic fuel industry’, p 74.
[74] ‘Sasol funding in a fix’ *Sunday Times*, 8 April 1979

[75] O’Meara, *Forty Lost Years*, Hyslop ‘The white poor at the end of apartheid: the collapse of the myth of the Afrikaner community’

[76] Albert Grundlingh, ‘Are we Afrikaners getting too rich’

[77] Etienne Rousseau commentary, Johannes Meintjes collection, Sasolburg Public Library.

[78] Etienne Rousseau commentary

sort of man is scarce in South Africa and among Afrikaners."[79]By the mid-1960s, however, he was more pessimistic, confiding to Minister of Finance, Nico Diedrichs, veteran of the Afrikaner nationalist 'economic movement', that the sort of Afrikaners the state corporations had been able to recruit in the past – he meant people such as himself – were more attracted to the private sector: "As you know, the youth of today are less idealistic than was the case in our time."[80]

During the 1960s economic boom the state corporation he headed expanded energetically into the chemical industry, entering into partnerships with myriad private sector companies, but Rousseau characterised cultural changes during the decade in withering terms, beginning in the business world:

> Business has bred a new aristocracy. The expense account has become a way of life. The result is that many businessmen live and behave in a way that the ordinary man cannot afford...businessmen have bought slices of scenic country and even off the very limited beach areas in the world for their private occupation. Speculators have driven the cost of land to such high figures that the normal man cannot afford to own property....if they are allowed to go much further, I can see us business leaders with a justified revolution on our hands.[81]

It is significant that Rousseau wrote this to a senior official at the New York based National Industrial Conference Board, as part of their regular and lengthy correspondence during the 1960s and 70s about the relationship between business and society. The Conference Board was established in 1916 in an attempt at shoring up perceived flagging public confidence in business in light of escalating tensions between labour and capital.[82] Though Rousseau never explicitly referred directly in any of these comments to the politics of apartheid, he was clearly deeply anxious about the consequences of a conspicuously consuming business class to the legitimacy of capitalism in South Africa.

Norman Vincent Peale's emphasis on 'business ethics' may have been an important influence on Rousseau's thinking in this regard.[83] Rousseau had spent much of his spiritual life in the Dutch Reformed Church but took an evangelical 'Pealesque' turn after the death of his first wife, Dalene. He became heavily involved in the South African Christian Leadership Assembly (SACLA), an off-shoot of the Billy Graham trained Michael Cassidy's evangelical organisation, Africa Enterprise. Reformist in relation to apartheid, it was intensely anti-communist, non-confrontational, enjoyed corporate sponsorship, opposed economic sanctions, and "shied away from serious social analysis."[84] In 1978 Rousseau met specially with Harry Oppenheimer, who he had gotten to know through the world of interlocking

[79] Etienne Rousseau to Chairman & Directors of SASOL, 2nd Dec, 1958, re Report of the Commission of Enquiry into Policy Relating to the Protection of Industries.
[80] Etienne Rousseau to Nico Diedrichs, 11th March, 1964
[81] Etienne Rousseau to G. Clark Thompson, 4 November 1969

[82] Howard Gitelman, 'Management's Crisis of Confidence and the Origin of the National Industrial Conference Board, 1914-1916.' *The Business History Review* (1984): 153-177.

[83] Sarah Orwig, 'Business Ethics and the Protestant Spirit: How Norman Vincent Peale Shaped the Religious Values of American Business Leaders' *Journal of Business Ethics*, Vol. 38, No. 1/2, (Jun., 2002), pp. 81-89

[84] Peter Walshe 'South Africa: Prophetic Christianity and the Liberation Movement' *The Journal of Modern African Studies*, Vol. 29, No. 1 (Mar., 1991), p 40

directorships, and tried to persuade him to support the South African incarnation of 'Campus Crusade for Christ', a neo-conservative evangelical youth movement from America. Rousseau made it clear to Oppenheimer he believed Christianity was critical – "indeed the only hope" for a world "heading into chaos." Oppenheimer agreed, but politely declined to sign up.[85]

It was the corporate expense account was one of the key targets of Rousseau's criticism. He accused businessmen of abusing alcohol and becoming rowdy on late afternoon airplane flights. His neo-Calvinism inflected with the American 'gospel of productivity' brought together concerns with saving, frugality, and the virtue of hard work. "Millions of Rands a year" were being lost, he warned in a public speech, "through lack of productivity because officials and directors did not feel like working in the afternoons after business lunches."[86] "There is no substitute for intelligent hard work", he explained, in another of his responses to a survey by the Conference Board, arguing for the importance of "old-fashioned, duty-before-pleasure values.[87] Rousseau spoke repeatedly in public speeches and interviews in the late 1960s and early 1970s in increasingly apocalyptic terms about the country's future hinging on "the man in the street [realizing] money does not grow on trees; that it has to be worked for." The economic boom of the 1960s had been accompanied, he insisted, by a "change in personal economic outlook amongst many people in South Africa":

> The idea of saving for the future has faded and an 'I want it all now' attitude has developed. People want bigger houses, better cars, larger domestic appliances and more sophisticated electronic equipment… The concepts of austerity, frugal living and wise saving have become just about as unacceptable through the western world as the concept of duty. This outlook is not confined to the younger generation nor is it limited to the masses. Businessmen of many years experience want bigger and better offices, private dining rooms, more luxurious motor cars, trout and game farms and skiing holidays in Europe...even in Government at its various levels we find this urgency..to spend and the inability to wait.[88]

He feared the national economy was over-heating, complaining of a rate of growth outstripping "available manpower" and a prevailing ethos of "more money for less effort". "South Africa as a whole is living above its means", he warned, with "disproportional development in the service industries."

> There has been a proliferation of banking institutions...brokers, advisers, consultants, have started by the score. New travel agencies have sprung up and selling agents and salesmen swarm over the country...new entertainment facilities and high class restaurants are found in many centres. If there are plenty of people about and plenty of resources to pay for the services of these people, all this makes for a pleasant life and lots of fun but I am afraid that a lot of this has been paid for by paper money. The real resources were not there to back up this

[85] UFS Contemporary History Archive: Harry Oppenheimer to Etienne Rousseau, 5 Sept 1978

[86] 'Businessmen deny they misuse drink' *Cape Argus,* 14 March 1970

[87] Etienne Rousseau to G. Clark Thompson, 6 March, 1969

[88] Etienne Rousseau speech, 'Economic prospects for South Africa over the next five years'12 March, 1971; 'Good life must be worked for', *The Star*, 17 March 1971

> particular lot of paper…if anybody has any doubt about the disproportionate growth in the service sector of our economy, he needs only look at the intense building activity in our cities. Those buildings will house very little that produces basic wealth. They are occupied by specialists in the manipulation of that wealth and in pushing paper around. I sit in one of these offices myself and I am very well aware of the fact that sophisticated services are necessary to keep the wheels of mining and industry turning. I very often feel, however, that we could get along quite nicely with about two-thirds of this activity.[89]

Rousseau approached the explosion of the financial services sector in this period as an industrialist, critiquing the speculative, ephemeral qualities of finance capitalism, with its conspicuous absence of tangible products produced through the toil which he valorised. Many of these speeches (mostly to various business chambers) descended into wide-ranging attacks on the alleged symptoms of "permissiveness". Kidnappings, hostages held to ransom, hijackings and bombing were cited as "examples of an undisciplined spirit" which had even "penetrated economic life in the form of wildcat strikes, unjustified wage demands, fewer working hours and more leisure." Rousseau imagined that the culture of instant gratification he described resulted from "people who from childhood have always received what they wanted". Speaking two years before major trade union organising by black workers in Durban inaugurated a new wave of oppositional protest in the country, Rousseau was quoted in the *Natal Witness* thundering joylessly: "there is no such thing in our world as universal rights, but there are obligations. Experience has taught us that there is no joy in people's rights, only frustration. Man finds his happiness in his obligations."[90]

After the 1973 oil shock Rousseau argued that the "spree of affluence' which had just come to an end in "South Africa and in other countries" had depended on "a flood of oil which was too cheap and consumed at a suicidal rate. This has to change. The more is better philosophy has to give way to the enough is best approach."[91] The irony of the Chairman of a company specialising in using an expensive technology to convert coal into oil making this argument was apparently lost on Rousseau.

'Sex for Free'

A much bigger irony befell Rousseau's vision of "financial discipline at the public and at the private levels."[92] Shortly after the Sharpeville massacre in 1960 provoked international condemnation of apartheid brutality and the first talk of oil boycotts, Etienne Rousseau had rejected suggestions that SASOL expand its oil-from-coal capacity (oil prices were too low) in favour of advocating the setting up of a special state controlled fund, in partnership with SASOL and the local subsidiaries of multinational oil companies, for the acquisition of stock piles of strategically important fuels which could be stored in disused coal mines.[93] It was

[89] Etienne Rousseau speech, 'Economic prospects for South Africa over the next five years' 12 March, 1971; 'Good life must be worked for', *The Star*, 17 March 1971

[90] 'Permissiveness in industry attacked', *Natal Witness*, 10 May 1971

[91] 'End World Spree, Calls Sasol Boss', *Rand Daily Mail*, 29 August, 1974

[92] 'South Africa's Economic Situation', 9 August, 1976

[93] Etienne Rousseau Memorandum, 'Oil Supply in Times of Crisis', 18 July, 1960

Rousseau, therefore, who effectively inaugurated the apartheid security state, and the Strategic Fuel Fund (SFF).

The SFF was managed by SASOL on behalf of the state until 1983, when it fell under the Industrial Development Corporation. While much of the crude the SFF acquired was initially for stockpiling in zero-evaporation coal mines at Ogies, as sanctions loomed larger and the Iranian revolution closed off Iranian crude supplies to South Africa, it was responsible for procuring a significant amount of the crude which was refined in the four conventional refineries in the country. Stockpiling crude could be done through perfectly normal, legal channels by buying on the open market when oil sanctions weren't biting, but as crude became increasingly difficult to come by after the Iranian revolution amidst tightening sanctions, so the SFF as the state's procurement agency resorted to increasingly "unorthodox methods of acquisition."[94] It was at this point, then, that the Apartheid state threw a blank cheque book of seemingly endless amounts of public monies at the problem of securing oil supplies. There would be no carping from treasury officials about the cost of securing crude shipments. Many of the deals happened through intermediaries of dubious standing who received astronomical premiums (as high as 70% on the global oil price) for their role in facilitating the shipments. Bribes are assumed to have been given in turn by intermediaries to SFF/SASOL officials.[95] Newspaper reports at the time hinted that the intermediaries concerned had built massive mansions for themselves in Johannesburg neighbourhoods such as Hyde Park thanks to these redirected taxpayer monies.[96] The 1983 lifting of exchange controls greatly facilitated the off-shoring of much of this money. Reserve Bank permission for offshoring was relatively easily secured where such capital might help sanctions busting activities.[97]

If the Iranian revolution of 1978 was an important watershed for the full descent of apartheid oil procurement into murky hyper-secrecy, corruption and illegality, this coincided with the explosion into view of 'Muldergate', the Information scandal implicating the highest levels of the South African government and intelligence services in similarly illicit and secretive activities, including the funnelling of public monies into Swiss bank accounts.[98] We do not know what Etienne Rousseau, the man who first suggested the establishment of the SFF and who spent much of his career close to the centre of power under apartheid thought of what the fund became. So great was the association of the SFF with corruption, easy money and conspicuous consumption that even humble plant operators at the country's oil refineries knew the joke that its acronym actually stood for 'sex for free'.[99] For all Rousseau's investment in producing or securing the fuels crucial to the survival of Apartheid, it was a joke, like the story about SASOL's CEO's R53 million salary, which probably would have made him wince.

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[94] Quoted in *Embargo: Apartheid's Oil Secrets Revealed*, p 23
[95] *Embargo: Apartheid's Oil Secrets Revealed*
[96] Add newspaper cites re key SFF intermediaries and their mansions, lifestyles, philanthropy
[97] O'Meara, *Forty Lost Years*, 359
[98] O'Meara, *Forty Lost Years*, p 231
[99] Interview by author with NATREF operator, Sasolburg, 2010.