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“Hang your conscience on a peg”: The African National Congress and the NAACP’s Efforts to Stop the World Bank’s Loans to Apartheid South Africa, 1948-1953

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South Africa, W.E.B. Du Bois made clear, was not part of the “civilized world.”¹ It was “notoriously one of the most vicious governments on earth,” “where 2,000,000 white folk . . . openly in their established government, hold 8,000,000 black natives in a subordination unequalled elsewhere in the world.”² The National Association for the Advancement of Colored People (NAACP) was convinced, as Adolf Hitler had more than proven, that it was unthinkable to appease a regime predicated on overt white supremacy. Yet when the International Bank for Reconstruction and Development, the World Bank, began to contemplate loaning millions of dollars to the penultimate in racially oppressive regimes, the Association

¹W.E.B. Du Bois to Editor of P.M., July 8, 1947, Reel 60, *Papers of W.E.B. Du Bois* (Sanford, NC: Microfilming Corporation of America, 1980). Microfilm.

²Attachment to W.A. Hunton to Rayford Logan, October 10, 1944, Box 4, File “Diaries: Personal, 1943-44,” *Papers of Rayford W. Logan*, Library of Congress, Washington, DC; W.E.B. Du Bois, *Color and Democracy: Colonies and Peace*, with an introduction by Herbert Aptheker (New York: Harcourt Brace, 1945; reprint Millwood, NY: Kraus-Thomson Organization, 1990), 10.

worked with other organizations, including the African National Congress (ANC), to shut off the flow of capital into South Africa. Of course, we are familiar with the power of the divestment movement of the 1980s, but this was in the late 1940s and early 1950s when key elements for toppling apartheid were first developed.³

South Africa brought a considerable package to the post-war world that was very attractive, if not downright seductive, to the West. The nation's gold reserves kept the virtually bankrupt British afloat.⁴ The rich uranium mines fueled America's growing nuclear arsenal.⁵ The visceral anti-Soviet stance made Pretoria a nearly indispensable ally in the emerging Cold War.⁶ Against these attributes, as historian James Meriwether noted, "The NAACP did not possess enough clout . . . to overcome the strategic minerals and staunch anticommunism that the South Africans had to offer."⁷

Many scholars have, therefore, pointed to the seeming futility of this battle, the dangers of the Cold War, and the heightened civil rights rewards the Truman administration dangled before the NAACP as key moments in the decline of international activism for black liberals. Historians have deduced that as the Association turned inward, the African American response to apartheid could have only "emerged in [the]

³Patrick Bond, *Against Global Apartheid: South Africa Meets the World Bank, IMF and International Finance* (Landsdowne: University of Capetown Press, 2001); Francis Njubi Nesbitt, *Race for Sanctions: African Americans against Apartheid, 1946-1994* (Bloomington: Indiana University, 2004); *Have you Heard from Johannesburg*, producer/director Connie Fields, Clarity Films, 2010. DVD.

⁴Peter J. Henshaw, "Britain, South Africa and the Sterling Area: Gold Production, Capital Investment and Agricultural Markets, 1931-1961," *The Historical Journal*, 39, no. 1 (March 1996), 197-223; Ritchie Owendale, "The South African Policy of the British Labour Government, 1947-51," *International Affairs*, 59, no. 1 (Winter, 1982-1983), 41-58.

⁵W. A. B. Illiff to S. R. Cope, November 21, 1952, File "1290930: Secret File - Union of South Africa," *Papers of the World Bank*, World Bank Archives, Washington, DC; J. H. Collier to M. M. Rosen, July 17, 1953, "File 1290930: Secret File - Union of South Africa," *Papers of the World Bank*. Thomas Borstelmann, *Apartheid's Reluctant Uncle: The United States and Southern Africa in the Early Cold War* (New York: Oxford University Press, 1993), 164.

⁶Borstelmann, *Apartheid's Reluctant Uncle*, 56; Owendale, "The South African Policy of the British Labour Government, 1947-51," pp. 45.

⁷James H. Meriwether, *Proudly We Can Be Africans: Black Americans and Africa, 1935-1961* (Chapel Hill: University of North Carolina Press, 2002), 95.

radical black politics of the 1940s.”⁸ That, however, was not the case. Not only did the NAACP begin to undermine South Africa’s colonial aspirations in South West Africa, but American black liberals understood that while the apartheid regime was a Leviathan, backed by enormous resources, and powerful allies it still could be taken down.⁹ The Association had defined itself as “a David operating against a great many strongly supported, loud-talking Goliaths. We never forget, however, that the original David won.”¹⁰ The NAACP’s strategy, therefore, rested on an important premise. That one organization, alone, could not destroy apartheid. One organization, alone, could not transform a valued ally of the West into a national security liability. One organization, alone, could not push the World Bank to recognize the vast chasm between its rhetoric of promoting democracy and grim reality of supporting a racially oppressive regime. Yet, the combined strengths of a number of organizations, with the ANC at the head, could produce one of the most significant transformations in the 20th century.¹¹

In 1949, a year after the onset of apartheid, Rayford Logan, the Association’s foreign policy consultant, relayed that South Africa had withdrawn its application for a \$100 million loan from the World Bank.¹² Although Logan could not get any details, apparently there were seismic tremors in the investment world as the Nationalist Party, which had openly praised Adolf Hitler, came to power in 1948. Unsure

⁸Nesbitt, *Race for Sanctions*, viii, 10; Borstlemann, *Apartheid’s Reluctant Uncle*, 56; Penny Von Eschen, *Race Against Empire: Black Americans and Anticolonialism, 1937-1957* (Ithaca: Cornell University Press, 1997), 107-18.

⁹ Carol Anderson, *Bourgeois Radicals: The NAACP and the Struggle for Colonial Liberation, 1941-1960* (New York: Cambridge University Press, 2015), 69-132.

¹⁰ Annual Report of the Washington Bureau, December 21, 1950, Box H163, File “Annual Reports, 1950-57,” *Papers of the National Association for the Advancement of Colored People*, Library of Congress, Washington, D.C. (hereafter *Papers of the NAACP*).

¹¹Ryan M. Irwin, *Gordian Knot: Apartheid and the Unmaking of the Liberal World Order* (New York: Oxford University Press, 2012), 177-180.

¹²Rayford Logan to Henry Lee Moon, telegram, October 19, 1949, Box A634, File “United Nations, 1948-49,” *Papers of the NAACP*; Rayford Logan to Henry Lee Moon, October 19, 1949, Box A634, File “United Nations: General, 1948-49,” *Papers of the NAACP*.

what to make of the advent of Prime Minister Daniel Malan and the policy of apartheid, capital poured *out* of South Africa.¹³ Yet, by 1950, those fears had quelled and the World Bank began eyeing Pretoria as a sound, wise investment. This is despite the fact that Malan's regime's passed a number of laws designed to reinforce white supremacy, strip Africans, Indians, and Coloureds of the very limited rights that they barely possessed, and launched a pre-emptive strike to virtually annex the international territory of South West Africa.

Nonetheless, in March 1950, the World Bank's vice president, at the invitation of the Nationalist regime, "visited the Union of South Africa. . . to gain first-hand information about conditions in that area."¹⁴ That initial assessment of the nation's economic viability required that the Bank's review team ignore the brutality of apartheid and, as the State Department advised its own emissaries, "hang your conscience on a peg when you enter South Africa, [so] you can really enjoy it."¹⁵ That suspension of reality meant that the evaluation of conditions had nothing to do with the deplorable state of human rights or the denigration of African laborers. Instead, the bank was drawn to the gold in the Orange Free State, in addition to plans to further develop "power, coal, steel and chemicals." The World Bank's visit, it made clear, was to ensure that "the Union's economy [was] to be built upon a solid basis."¹⁶

In their own way, the ANC and the NAACP also wanted that assurance. It is just that their definition of what constituted a "solid basis" for a strong economy and the World Bank's were fundamentally different. The ANC's Nelson Mandela did not equivocate. Under the guise of development

¹³"International Bank for Reconstruction and Development: Sixth Annual Report to the Board of Governors, 1950-1951," 20.

¹⁴ "International Bank for Reconstruction and Development: Fifth Annual Report, 1949-1950," 31.

¹⁵ Vernon McKay to Mason Sears, April 14, 1955, Box 2, File "PMS Africa 1955 (Notes/Misc.)," *Papers of Mason Sears*, Massachusetts Historical Society, Boston, MA; Michael Lejeune to Eric Louw, November 2, 1955, File "South Africa – Transportation Project – Negotiations 01," *Papers of the World Bank*.

¹⁶"International Bank for Reconstruction and Development: Fifth Annual Report, 1949-1950," 31.

and modernization, whites in South Africa had “consolidated their power” and “saddled [Africans] with the load of oppression.” “Low wages, bad housing, inadequate health facilities, ‘Native education’, mass exploitation, unfixed security on land and halfhearted measures to improve the African’s living conditions [were] all instruments and tools with which the path to African extermination [was] being paved.”¹⁷

In 1950, the ANC, working with a number of groups in South Africa, therefore, launched a day of protest scheduled for May Day. Malan’s security forces answered that peaceful demand for human rights with a hail of bullets that killed at least eighteen demonstrators.¹⁸ The response of the World Bank and U.S. financiers to the bloodbath was to loan South Africa a total of \$80 million to develop “the gold mines in the Union’s Orange Free State” and, as one Washington report noted to “spur mining of a metal even more precious than gold at the moment – uranium.”¹⁹

Disgusted, Walter White, executive secretary of the NAACP, urged the head of the World Bank, Eugene Black, to “reconsider.” Not one penny, White intoned, should flow into that troubled nation “until South Africa . . . abandons its dangerous and vicious racist policies.” Black, however, countered that it was “not possible to reconsider such loans,” and, moreover, there were no legitimate grounds to even contemplate such a move. The World Bank, he informed White, made its loan decisions “without regard to political or non-economic influences or considerations.” Black then tried to assure White that “it was our considered view that the projects which the Bank has agreed to finance will benefit all of the South African people regardless of color.” The loan will “rais[e] the standard of living of their peoples as a whole.”²⁰

¹⁷Nelson Mandela, *The Struggle is My Life* (London: Pathfinder Press, 1986), 12-14.

¹⁸Mandela, *The Struggle is My Life*, 2.

¹⁹“Precious Metals,” *New York Times*, January 28, 1951; Paul Rich, “United States Containment Policy, South Africa and the Apartheid Dilemma,” *Review of International Studies* 14, no. 3 (July 1988), 180. The World Bank provided \$50 million and U.S. financial organizations an additional \$30 million. Eighty million dollars in 1951 is the equivalent, in 2014, to four billion dollars. <http://www.measuringworth.com/uscompare/>

²⁰Walter White to Eugene Black, telegram, February 1, 1951, Box A7, File “Africa: South Africa, Press Releases, 1950-55,” *Papers of the NAACP*; “NAACP Urges Ban on South Africa Loan,” press release, February 1,

White could only scoff at the assertion. Certainly the president of the World Bank could not be that “uninformed.” The “grim and bloody truth of history in the Union of South Africa,” White countered, “is that the native population enjoys virtually none of the benefits of government.” Moreover, “the dangerous apartheid doctrine of the Malan Government,” will snatch away the “few crumbs which have been grudgingly given to the native population.” Even the World Bank had to recognize, White continued, that “economic aid to bolster . . . the unashamed Nazi philosophy of the present government can only strengthen it to the disadvantage of the majority population which is native.”²¹

The Bank’s assessment of that initial loan, in fact, was not as trouble-free and apolitical as Eugene Black tried to convey. Michael Lejeune, assistant to the loan director and secretary of the Loan Committee, acknowledged years later that from the very beginning, the Bank recognized that apartheid and the “racial tensions” that came in its wake made South Africa a less than ideal place to invest. He outlined the reasons: Malan’s regime would have to shoulder an enormous financial burden to pay for police and military forces large enough and ruthless enough to oppress more than eighty percent of the population. And, the government’s unrelenting stripping of rights from the African labor force could easily ricochet and spark crippling strikes. In addition, the regime’s overt white supremacy could trigger a series of trade boycotts from other nations and major corporations that would, in the end, strangle and destabilize the economy. Moreover, because the South African government could not indefinitely refuse to invest in its indigenous population, the cost to finally develop “the African sector of the economy” would require “heavy expenditure.” In short, some officers at the Bank were worried that South Africa could not internally

1951, Box A7, File “Africa: South Africa, Press Releases, 1950-55,” *Papers of the NAACP*; Eugene R. Black to Walter White, February 6, 1951, Box A7, File “Africa: South Africa, Loan from International Bank for Reconstruction and Development, 1951-53,” *Papers of the NAACP*.

²¹Walter White to Eugene Black, February 8, 1951, Box A7, File “Africa: South Africa, Loan from International Bank for Reconstruction and Development, 1951-53,” *Papers of the NAACP*.

generate enough savings or revenue to bear the full cost of apartheid.²² Instead of letting that structure of oppression collapse under its own weight, however, the Bank hedged its bets and reduced the loans' term to ten years confident that it was "not likely" that "inter-racial conflict might become so acute as to" jeopardize repayment of the \$80 million "during the [relatively short] life of the proposed Bank loans."²³ Eugene Black then publically insisted that the racially-polarized nation was not only "creditworthy" but "that in making these loans" the Bank was "acting prudently in the interests of both the Union of South Africa and the members of the Bank as a whole."²⁴

To reach that conclusion, Bank officers had convinced themselves that Africans would never be able to organize effectively to fight the regime's repression.²⁵ They comforted themselves that although Africans "were barred from skilled work," and thus denied even an opportunity to make a living wage, there would be few if any repercussions because "relations between the two racial groups do not appear to be marked by

²² Michael L. Lejeune to Robert S. McNamara, memo, May 20, 1969, File "South Africa – General – United Nations/Bank Policy – Correspondence 69/71-01," *Papers of the World Bank*; "A Conversation with Michael Lejeune," July 17, 1985, *Conversations about George Woods and the World Bank*, California Institute of Technology, http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2013/07/08/000333037_20130708124316/Rendered/PDF/790720v10TRN0L0sion010July017001985.pdf, accessed April 9, 2016; J. Burks Knapp to Leonard S. Rist, memo, October 23, 1950, File "South Africa – Transportation Project Negotiations 02," *Papers of the World Bank*; Supplemental Statement of the International Bank on the Economic Position of the Union of South Africa, press release #233, January 23, 1951, File "South Africa – Transportation Project Negotiations 03," *Papers of the World Bank*.

²³ Report and Recommendations of the President to the Executive Directors Concerning Two Proposal Loans to the Union of South Africa, December 14, 1950, File "South Africa – Transportation Project Negotiations 03," *Papers of the World Bank*.

²⁴ Report and Recommendations of the President to the Executive Directors Concerning Two Proposal Loans to the Union of South Africa, December 14, 1950, File "South Africa – Transportation Project Negotiations 03," *Papers of the World Bank*.

²⁵ Staff Loan Committee, A.M. Kamarck and O.H. Calika: Preliminary Report on the Economy and Prospect of the Union of South Africa, n.d., File "South Africa – Transportation Project – Negotiations 01," *Papers of the World Bank*.

serious friction.”²⁶ By consistently minimizing the systematic denigration of black people as “cheap . . . and unskilled labour,” the financiers for democracy deliberately and blatantly downplayed a crucial economic factor in even their own assessment of the viability, stability, and credit worthiness of the Union of South Africa.²⁷

At that very moment, however, the UN had just completed a “Review of Economic Conditions in Africa,” led by William Dean, the son-in-law of NAACP Board Chairman Channing Tobias. As the Chief of the Africa Unit for the United Nations, Dean immediately sent White a draft of the report. It dismantled all of Eugene Black’s ruminations about rising tides raising all boats. Dean’s analysis laid out that while South Africa had the highest per capita annual income on the continent, most of that went to the white minority population. Africans in the Union, in fact, made 75 percent less per year and miners, despite the growing demand for labor, earned only \$4.02 per week.²⁸

The report re-affirmed White’s position as he took to the media to make the case for cutting off all funds, especially that of the World Bank, to South Africa. Eugene Black, White noted, had exhibited a “kind of naivete” to construe “Malan’s Nazi-model [of] racial policies” as “benefit[ing] all the population of South Africa.” This was “dangerous and shallow thinking.” The World Bank’s loan did not help. Instead, it had “bolster[ed] a racist dictatorship.”²⁹ It undercut “more moderate forces, . . . saved Malan’s political hide,” and “convince[d] English-speaking South Africans, . . . that the racial policies of South Africa were not

²⁶ A.D. Spottswood to General R.A. Wheeler, memo, December 19, 1950, File “South Africa – Transportation Project -- Negotiations 03,” *Papers of the World Bank*.

²⁷ Mandela, *The Struggle is My Life*, 14; IBRD Articles of Agreement, <http://siteresources.worldbank.org/EXTABOUTUS/Resources/ibrd-articlesofagreement.pdf>, accessed April 10, 2016.

²⁸ William Dean to Walter White, March 2, 1951, with attachment, “U.N. Study Asks Investments to Develop Africa,” Box A4, File “Africa: General, 1950-51,” *Papers of the NAACP*.

²⁹ Walter White, untitled article, for release to subscribing newspapers, March 15, 1951, Box A81, File “Articles Walter White: Syndicated Column, 1951,” *Papers of the NAACP*.

disapproved.”³⁰ Just as Walter White predicted, Eric Louw, the regime’s minister of finance, waved the World Bank loans in front of the nation’s critics as “proof” that not only was the government strong and viable, but that it was also respected, valued, and supported internationally. Apartheid was untouchable, Louw declared, and here to stay.³¹

Indeed, Malan’s regime began to institute even more draconian laws that removed the last hint of the right to vote from Coloureds in Cape Town. The government instituted the Suppression of Communism Act that labeled those fighting against the racially repressive system as enemies of the state. It transferred the last semblance of basic education from Africans to the domain of future South African Prime Minister Henrik Verwoerd, the architect of the Bantustan policy that ensured that Africans would be an exploitable, rights-deprived labor supply crammed into only 13 percent of the land.

As the noose of apartheid tightened, the ANC, in coalition with Indians, Coloureds, and the handful of whites who were appalled at the overt racism of the regime, launched the Defiance Campaign. They defied the laws. They defied the regime. They defied. Pretoria countered with brutality – mass arrests, beatings, and show trials.³²

In response, the NAACP decided to finance and organize the picketing of the South African delegation at the UN to “demonstrat[e] by action rather than resolution to the people of South Africa that they are not alone and friendless.”³³ The *Atlanta Daily World*, a conservative black newspaper, reported that

³⁰Walter White to Jonas Reiner, May 19, 1952, Box A7, File “Africa: South Africa, Loan from International Bank for Reconstruction and Development, 1951-53,” *Papers of the NAACP*.

³¹ Eric Louw, press release, November 21, 1955, File, “South Africa – Transportation Project – Negotiations 01,” *Papers of the World Bank*.

³²“South African Government to Seek New Powers: Drastic Measures to Deal with Disorder,” *London Times*, November 29, 1952.

³³Minutes of the Board of Directors Meeting, “Picketing South African Delegation to the UN,” October 13, 1952, Box A7, File “South Africa Petition to the United Nations, 1953,” *Papers of the NAACP*.

“race relations in South Africa are worse than they have been in the 42 years of the Union’s existence,” is it any “wonder why South Africa talks of civil war.”³⁴

In the midst of this turmoil, the World Bank offered a very different, decidedly more positive portrayal when it depicted Malan’s government as an excellent steward of the \$80 million loan. The only problem the government had encountered so far, the Bank complained, was that “difficulties have . . . been caused by a shortage of skilled labor.”³⁵ Of course, the Bank would not admit that the regime’s determination to keep Africans, who were 83 percent of the population, uneducated and unskilled caused the very shortage that threatened the multi-million dollar investment. Instead, Eugene Black boasted to Walter White that the Bank’s loans “have helped the whole economy to grow.” “On balance,” Black concluded, “it is likely that Africans have benefited economically rather more from this growth than other sections of the community.”³⁶

In exasperation, Walter White turned to Z.K. Matthews, the head of the ANC in Cape Town. As he explained to Matthews, “many of us have vigorously opposed any further loans. . .to the Union of South Africa until that government observes orderly and democratic government.” Yet, Eugene Black had now painted a portrait that assumed the loans benefitted Africans more than anyone else. Incredulous, White could only ask, “How true is this?”³⁷

Matthews, although he suspected that the government would open his mail, fearlessly replied that, “I have no hesitation in saying that it is unwise to assume anything that ‘helps the whole economy to grow’

³⁴George Daniels, “Battle Against Segregation Spreads: Jails Being Filled,” *Atlanta Daily World*, July 29, 1952.

³⁵“International Bank for Reconstruction and Development, Seventh Annual Report to the Board of Governors, 1951-1952,” 16.

³⁶Eugene R. Black to Walter White, July 30, 1953, Box A7, File “Africa: South Africa, Loan from International Bank for Reconstruction and Development, 1951-53,” *Papers of the NAACP*.

³⁷Walter White to Z.K. Matthews, August 3, 1953, Box A7, File “Africa: South Africa, Loan from International Bank for Reconstruction and Development, 1951-53,” *Papers of the NAACP*.

[actually] creates ‘more job opportunities at higher pay for everyone.’” South Africa was not your traditional capitalist economy, he explained. In fact, with the strangling control of labor flows into the cities, with the refusal to educate the majority of the population to be prepared to take full advantage of industrialization, with all of the “roadblocks” against Africans, “these loans bolster . . . racialist policies . . . which violate economic principles or sacrifice them on the altar of a political ideology which is diametrically opposed to the main trend of events in the civilized world.”³⁸

Of course, it would take decades of long, hard work to bring South Africa into the civilized latter half of the 20th century.³⁹ But this strategy to choke off the funds that propped up a virulently racist regime, to publicly embarrass institutions that continued to do business with apartheid, to picket the official South African outposts in the United States, and to stretch across the ocean to apply pressure from all sides, began to take shape in the late 1940s and early 1950s. Not surprisingly, then, forty years later, with the demise of apartheid becoming a reality, Nelson Mandela, recently freed from Robben Island, gave a rousing keynote at the NAACP’s Annual Convention. The president of the ANC turned to the Association faithful and proudly said to thunderous applause, “We are here today not as guests but as comrades-in-arms . . . that have fought for the emancipation of black people everywhere.”⁴⁰

³⁸Z.K. Matthews to Walter White, August 18, 1953, Box 3497, File “White, Walter, 1953-56,” *Papers of Eleanor Roosevelt*, Franklin D. Roosevelt Presidential Library, Hyde Park, NY.

³⁹Håkan Thörn, *Anti-Apartheid and the Emergence of a Global Civil Society* (New York: Palgrave Macmillan, 2009); Richard J. Payne, “Black Americans and the Demise of Constructive Engagement,” *Africa Today*, 33, no. 2/3, South Africa, Namibia and Human Rights: The Case for Strengthened Sanctions (2nd Qtr. - 3rd Qtr., 1986), 71-89; Martin Holland, “Disinvestment, Sanctions and the European Community’s Code of Conduct in South Africa,” *African Affairs*, 88, No. 353 (October 1989), 529-547.

⁴⁰“Mandela: We Stand Here Not as Guests, But as Comrades in Arms,” *The Crisis* (August/September 1993), 28-29.