



Ideology, Discourse, and the Geography of Hegemony: From Socialist to Neoliberal Development in Postapartheid South Africa

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The African National Congress (ANC) has long stood for a development policy committed to improving living conditions for black people in South Africa. Assuming power in 1994, the ANC adopted a leftist, basic-needs-oriented Reconstruction and Development Programme as the popular foundation for its economic policy. Within two years, the ANC had switched to a rightist, neoliberal Growth, Employment and Redistribution policy stressing privatization, deregulation, and trade liberalization. This article critically examines the displacement of economic policy from socialism to neoliberalism. My thesis is that ANC policy was disciplined by a neoliberal economic discourse formulated by an academic-institutional-media complex with linked centers of persuasion inside and outside the country. The article combines ideas about hegemony from Gramsci with notions of discourse derived from Foucault in constructing a geographic theory of globally hegemonic discursive formations colonizing alternative, counterhegemonic discourses.

After a century of struggle marked by the ultimate sacrifice of thousands of brave lives, South Africa's black majority was liberated from apartheid in 1994. Two elections have subsequently shown overwhelming support for the African National Congress (ANC), an alliance of black nationalists with socialist unions and radical social movements that stands for fundamental social, economic, and political change. Time after time, the leadership of the ANC has responded to the demands of its militant supporters by promising that South Africa's abundant wealth will finally be devoted to the welfare of the black majority. Yet, despite evident political gains in the postapartheid period, the economic resolve of a newly liberated people has been frustrated by severe limitations on policy in a neoliberal global era. At root, the dilemma facing South Africa's people is lack of social control

over the direction taken by the national economy. More specifically, the problem here, as elsewhere in the Third World, is the lack of a viable developmental program that achieves economic growth through redistributing incomes and satisfying needs. The tensions between a people persuaded that their time has finally come and an economic structure that, even following liberation, can satisfy but a fragment of long pent-up demands leads to a crisis of national conscience, only partly resolved by the well publicized Truth and Reconciliation Commission. Conscience has to have material consequences for reconciliation to be concluded.

This article positions the ANC's quest for an economic policy within a theory of hegemony and discursive power relations. I construct a geographical theory of domination and discipline, drawing on Gramscian ideas about hegemony and Foucauldian notions of discourse. Power is produced and disseminated, I theorize, in linked academic-institutional-media complexes. Recently, these have propagated rightist political ideologies in the neoliberal guise of economic policies promising growth. By contrast, I see the ANC development discourse traditionally founded on principles of socialist democracy cultivated during the epic political struggle against apartheid. I explain the ANC's drastic reorientation, from growth through redistribution to redistribution through growth, as a process of colonization: internal discursive processes articulated with and were disciplined by external discursive, political, and financial pressures. The paper concludes that South Africa needs a democratic development policy directed at satisfying the basic needs of its most vulnerable peoples.

Culture, Discourse, and the Geography of Hegemony

Economic discourses are symbolic formations arranged around persuasive political ideals. Symbolic formations result from collective interpretations of historical experiences; interpretations are cultural "schemas" led by master thinkers. Modern discursive power rests on the universalization of a particular, interpreted, theorized, and valorized regional experience. In previous work, I outlined concepts, especially notions of interpretation, social imaginary, and rationality, linking regional cultures with trajectories of economic development (Peet 1996, 1997, 2000; Peet with Hartwick 1999). What I term "cultural economy" sees economic rationalities, including the motives, methods, and ethics of production, deriving from interpretations of regional experiences, through the media of social imaginaries, formed within relations of power. Collectively rationalized actions create the developmental logics of economic systems. In return, these confirm as true the original interpretive schemas.

Hegemonic Discourse Theory

This formulation relies on Gramsci's notion of hegemony—a prevailing common sense formed in culture, diffused by civic institutions, that informs values, customs, and spiritual ideals and induces “spontaneous” consent to the status quo. Gramsci includes, in hegemony, types of economic behavior: economic rationality, he says, responds to material necessity by constituting a complex of convictions and beliefs from which concrete social goals are proposed to collective consciousness (Gramsci 1971:412–413). This “proposition to collective consciousness” might be linked with Foucault's (1972, 1973, 1980) discourse theory. Discourses would be carriers of conviction in the form of careful, rationalized, organized statements backed by recognized validation procedures, bound into discursive formations, and made within communities of experts (Dreyfus and Rabinow 1983; Escobar 1995). Discourses assume, as one propositional form, the shape of policies suggested to governing bodies.

These ideas intersect with applications of Gramscian ideas in international relations theory.¹ In Robert Cox's (1981, 1983, 1993) reformulation, Gramsci saw structures of physical means of production and social relations shaped by, and shaping, superstructures of ideology and political organization to form what he termed historic blocks. Intellectuals develop and sustain the mental images, technologies, and organizations that bind strands of the common identity of a hegemonic class. Following Gramsci (1971:180–195), three levels of consciousness are distinguished: the economico-corporative, aware of the specific interests of a particular group; the solidarity or class-conscious, remaining at the economic level yet extending to a whole social class; and the hegemonic, harmonizing the interests of the leading and subordinate classes into an ideology expressed universalistically. Gramsci saw economic life in subordinate regions penetrated by hegemonic notions formed in regions that had already undergone social and economic revolution. Change in the periphery reflected international developments transmitted through ideological currents reformulated by a peripheral intellectual stratum. Cox applied these Gramscian notions to international organizations governing world monetary and trade relations, as mechanisms through which the universal norms of global hegemony are expressed. Such international organizations ideologically legitimate the norms of the world order, embody the rules that facilitate its expansion, co-opt elites, and absorb counterhegemonic ideas from peripheral countries. Extending this, Stephen Gill and Dennis Law (1988, 1989) see the post-1945 regime of accumulation cemented by a new international historic bloc rooted in the material and normative structures of American liberalism. In this structure, a hegemonic ideology serves the class interests of capital by stressing that private

property and capital accumulation are essential to economic growth (Gill 1993).

My contribution adds a Foucauldian-Gramscian notion of “globally hegemonic discourse”. This term refers to a system of political ideas, derived from leading class interpretations of regional experiences, elaborated in coherent, sequential theoretical statements, as with policy formulations, within internationally recognized bodies of experts. The *hegemonic depth* of a discourse—its intensive regulatory power—resides in its ability to restrict serious, “responsible” consideration to a limited range of topics and approaches or, more generally, an ability to specify the parameters of the practical, realistic, and sensible among linked groups of theoreticians, policy-makers, and practitioners. The regulatory space of a discourse—its *hegemonic extent*—comes from its ability to persuade or coerce others across broad swathes of territory, where practices would otherwise be conditioned by narratives, discourses, and theories deriving from greatly different interpretive traditions applied to diverse regional experiences. Discourses with hegemonic depth originate in political and economic command centers and achieve hegemonic extent by extending persuasion, coercion, and power over spatial fields of influence. Mutually reinforcing combinations of depth with extent create what I would reterm *geographic blocs* of states and institutions exercising power through globally hegemonic discourses. Hierarchies of centers of persuasion organize spatial systems of discursive flows that result in a series of articulations between universal and regional discursive formations. Articulations take the form of two-way interactions during which disciplinary or regulatory effects are exchanged more frequently from the universal to the regional. Several discursive dimensions structure this disciplinary effect: the imposition of theoretical legitimacy, in terms of linking formalized systems of ideas with a recognized interpretation of a dominant, regional experience, set down in a hegemonic textual tradition, and widely accepted as proven and universally applicable; the establishment of a more directly realistic legitimacy, in terms of a prevailing sense of technical viability as adjudicated by expert opinion; several kinds of institutional legitimacy, in terms of the labeling of ideas as “mature and responsible” in a social accounting process controlled by conventions derived from dominant “proven” practices of wealth accumulation; and popular processes of the carrying of conviction from experts to people through cultural practices developed by established media that marshal broad patterns of consent.

AIM Complexes

Of particular importance for growth and development discourses are the clusters of economic institutions that command significant financial resources and approved accounting practices. How might

these institutional clusters be more exactly specified? The organized, systematized ideas behind an economic discourse often originate in theories elaborated by academics in elite institutions, usually leading universities, with large endowments stemming from long-established capital accumulations. The ideas behind a discourse are also thrown up more directly by productive practices interpreted by groups of economic agents, as with business and financial elites: depending on the degree of ideological sophistication, these are rephrased into universalistic value formats, often by business federations, chambers of commerce, and similar elite economic organizations. Increasingly, as market relations penetrate cultural production, economic discourses are thought up on contract by researchers working in think tanks financed by grants from (often conservative) corporations. Ideas and personnel continually move among business, academic, and quasiacademic institutions and the higher reaches of governmental bureaucracies, especially the departments of finance, where real state economic power resides. Some of the ideas, propagated by academic and institutional agents and processed into policies, are picked up by the information media—especially, in the economic case, the business sections of respectable national and international newspapers, economic dailies or weeklies, popular magazines, and news and commentary shows on television and radio. Here we find the clearest links with commodification and advertising revenues that underwrite the apparent neutrality of “all the news that’s fit to print”, although my claim is that the entire discursive process, from ideological conceptualization to policy implementation, is structured by class, gender, and ethnic interests.

These intimately related, expert- and public-personality-filled organizations form academic-institutional-media (AIM) complexes producing policy prescriptions, position papers, press releases, popular columns, commentaries and programs, news bites, expert interviews, and a vast panoply of well-written, illustrated books, reports, and articles. Taken as a whole, the representations produced by an AIM complex constitute a coherent discourse dealing with a definite range of topics derived from a definite politico-theoretical (interpretive) perspective. In general, discourses are lent hegemonic depth by the cultural-institutional-geographical contexts of their production, revealed in the reputations of key formative institutions such as Harvard, Oxford, and Cambridge Universities. The boundaries of geographic blocs are extended and reinforced through formal, institutional mechanisms: political/military interventions enforce adherence at times of crisis, when competing interpretive schemas collide in geopolitical space; blocs are more usually policed by policy means, as when structural adjustment by the World Bank forces borrowing countries to adopt hegemonic models of development. But capitalism

operates mainly through markets. So discipline takes, as its most powerful construct, the “free market” form of speculation on stock exchanges, currency, and futures markets. That is, discipline is exercised by “the market” on the basis of an economy’s expected degree of adherence to the policies deemed rational and pragmatic by a leading discourse (Soros 1998:chapter 3). More generally, the powers of leading centers of persuasion derive from the interlocking of several AIM complexes—economic, cultural, and political—that produce, project, and protect a linked series of discourses that constitute the entire hegemonic ideological formation of a geographic bloc.

The designation “complex” for an AIM complex is intended to describe a composite rather a unity. Competing tendencies within an AIM complex, each serving fractional class interests and responding to varying politics of interpretation, produce different versions of a given discourse. For example, business federations stressing profit motivation, valorized as job creation, in discourses of economic growth are opposed by liberal academics posing universal enlightenment values of human betterment in discourses of development. Struggles for discursive power within and between institutions lend internal instability to even the most established AIM complex. Yet, at any given time one institution establishes a leading style, a persuasive vocabulary using approved terms, even an archetypal aesthetic appearance for ideas and personnel, that permeates an entire AIM complex. The World Bank, as one commentator wittily puts it, “is to economic development theology what the papacy is to Catholicism, complete with yearly encyclicals” (Holland 1998:5). Squabbles within a hegemonic formation take textual shape as variations in policy prescription, as, for example, differences over International Monetary Fund (IMF) intervention in the economies of East Asian countries during the financial crises of 1997 and 1998. Individual and institutional reputations rise and fall as positions are taken in these intradiscursive thematic squabbles.

More generally, all leading players in hegemonic AIM complexes participate in what Huntington (1996), from an insider’s position, calls the “Davos culture”:

[T]hey know how to deal with computers, cellular phones, airline schedules, currency exchange, and the like. But they also dress alike, exhibit the same amicable informality, relieve tensions by similar attempts at humor, and of course most of them interact in English. Since most of these cultural traits are of Western (and mostly American) provenance, individuals coming from different backgrounds must go through a process of socialization that will allow them to engage in this behavior with seemingly effortless spontaneity. (Quoted in Berger 2000:421)²

The new policy missionaries, Harvard and Cambridge graduates all, have their way paved by academic-intellectual dependencies, in which local intellectuals, trained in Western knowledge, already speak the colonial language and think through theories developed in the center (Alatas 1993). Reputations are made locally by how quickly the latest discursive trend emanating from a recognized center of influence can be mentioned, rethought, and projected into policy. Occasionally, new discursive styles originate in subcenters of power, although their initiators usually end up living at the center. Even so articulation between the universal hegemonic and the regional subhegemonic may dominantly be described as “translation”, in which the universal is converted into the local as discourses are made appropriate to still-differing contexts. Regional centers of persuasion, with their own interpretive instructors, have locally constituted AIM complexes projecting modified hegemonic discourses into practice via regional consciousnesses. All together, these interlinked formative and translating centers of persuasion and influence, linked by flows of discourse, make up the institutional space of a globally hegemonic geographic bloc.

Counterhegemony

Hegemonic discursive formations—originating in power centers, based on well-established theories, backed by mighty institutions, with billions of dollars behind them—colonize subhegemonic discourses originating in regional experience yet interpreted through conventions that often correspond to universal norms. In turn, both are confronted by alternatives deriving more directly from different interpretations of the varying experiences of oppressed peoples. As Raymond Williams insisted, “the hegemonic” is neither total nor exclusive. Rather, alternative or oppositional cultures continue. For Williams (1977:125), these alternatives may be “residual”—based on experiences lived in the cultures of previous social formations—or “emergent”—based in new meanings and values, new significances and experiences, not fully incorporated into the dominant.

Even with intensive globalization, different spaces exist in discontinuous time sequences. In these spaces of difference, oppositional groups contend with the residues of dominations discarded elsewhere or, more realistically, long integrated into synthetic new kinds of domination—contentions with feudal social formations, for instance, or explicitly racial segregation, in the case of apartheid. Continuing exclusion from material benefits forms the experiential base projecting residual resentments into emergent alternatives. These counterhegemonic alternatives have their own bases in power complexes, often situated in social movements or unions, different in that they employ more informal media of thought, discussion, and dissemination. Sometimes counterhegemonic formations receive limited financial

backing from liberal funding sources in the center—the Canadian International Development Research Centre, in the case of development, for instance. They have their own media outlets, as with Zed Books in London, South End Press in Boston, or Raven Press in South Africa. Intellectuals marked by class, ethnic, or gender difference often serve as spokespersons for what otherwise can amount to sullen resistance phrased in narrative forms using languages or dialects restricted to local ethnic groups. Translation within the counterhegemonic takes the form of radical academics or liberal professionals converting popular emotion, anger, poems, songs, testimonies, and assertions, often based in residual resentment, into the rationalized policy prescriptions, press releases, books, and scholarly articles of an emergent alternative.

In making counterhegemonic discourses, some degree of disciplining is inevitable. Indeed, the very process of translation from popular narrative into formal discourse might be a variant of colonization. Most importantly, translation “reimagines” local grievances and ideas for solutions, based in local interpretive schemas, in terms of outcomes already intellectualized in the liberal, social democratic, and socialist traditions of the West. Important, too, is the intellectual capturing of the radical academic mind by grants, institutional recognition, “policy relevance”, and invitations to visit Harvard for a corrupting while. In other words, subhegemonic and counterhegemonic translation processes correspond through contradictory positions and dubious alliances marked by frequent crossovers in political adherence.

However, despite such disciplinary processes, contestations between the hegemonic, the subhegemonic, and the counterhegemonic in regional centers of persuasion are frequently punctuated by episodes of violence, including physical confrontations that leave bodies dead on the streets. This is because counterhegemonic discourses more fundamentally derive from the collective wills of desperate peoples, from the experiences of the poor and downtrodden, from pangs of hunger and the anguished cries of children, from the loss of respect during the death of a culture.

In the present instance, therefore, “colonization” refers to the imposition of the ideas and discourses of a hegemonic geographic bloc over the counterhegemonic narratives of the peoples of the peripheries through the disciplinary media of policy discourses. Colonization occurs through a series of “articulations” among: central, hegemonic discourses; translated regional subhegemonic versions; and emergent alternatives, based in residual cultures and translated into counterhegemonic discourses by dissident intellectuals. In this complex geography of hegemony, the crucial moment lies not in the sequencing of competing hegemonic and counterhegemonic discourses, nor even in

the spatial ordering of linked centers of persuasion, as much as it does in the disciplinary pressures exchanged between interpretive traditions during discursive articulations.

Neoliberalism

In the last quarter of the twentieth century, in a widening sphere of societies, economic growth and development policies came to be formed by the same neoliberal principles. Neoliberalism is a broad structure of beliefs founded on right-wing, yet not conservative, ideas about political democracy, individual freedom, and the creative potential of unfettered entrepreneurship. In neoliberalism, the main restriction on an inherent tendency for free capitalist economies to grow is market failure resulting from perverse governmental policies. In neoliberal thought, governments may play a productive role in providing public goods, such as infrastructure, while macroeconomic (especially monetary) policy may provide stability, but most governments in welfare state societies and developing countries alike have gone too far in interfering with the free play of markets (Wade 1992:270–272; Wade 1996; Wade and Veneroso 1998).

Interpretive Schemas

The economic analysis lying at the theoretical core of this system of beliefs derives from readings of the founding texts of classical and neoclassical liberal economics. These in turn stem from leading interpretations of the Western European experience in early modernity. The masters of Western interpretation, mainly philosophers and political economists writing in 17th- and 18th-century Britain (Hobbes, Locke, Hume, Smith, and so on), thought on behalf of the new class of merchants and manufacturing entrepreneurs. Their primary interpretive task lay in reconciling individual striving, marker of the emerging capitalist order, with communalism, residue of medieval religious morality. Increasingly, this reconciliation relied on a modern belief in the freedom of the self-seeking yet morally responsible enlightened individual, disciplined by equally modern institutions, principally the market (Smith 1976). Adam Smith's *The Wealth of Nations* (1937) elaborated what he termed the laws of moral philosophy into a liberal theory of competition, specialization, and trade: self-regulating markets were the silent rationality ("invisible hand") transforming private interests into public virtue.

Neoliberalism interprets these early liberal doctrines in ways more appropriate to late modernity. The basic liberal (Smithian) notions of free trade and the liberating potential of markets are regarded as proven by the subsequent economic success of the West. Theories based in schemas of interpretation founded in Western religious

rationalism are validated through demonstration effects, being causally linked with growth, material abundance, consumption, and opulence in the case of classical and neoclassical economic theories. In this sense, economy is overdetermined by culture, as secular schemas validate consumption over family or tradition. Yet the past is remembered, not merely as received wisdom, but also through a series of creative re-enactments. Hence, an obsession exists in contemporary neoliberalism with deregulation and the privatization of previously state-run enterprises, this time in critical reaction to Keynesianism and social democracy as opposed to liberalism's earlier negative reaction to mercantilism. The classical economic liberalism of the 18th and 19th centuries is recalled, too, within a new domain of geopolitical power relations. It retains an ideological zeal stemming from Western anticommunism, and it enjoys a market triumphalism arising from the collapse of the Soviet Union, in what Fukuyama (1989) trumpeted as "the end of history"—the apparent ending of all political alternatives to liberal democracy.

Interpretive Scheming

The conversion of rightist political ideology into "economic science" occurred at a number of coordinated centers of influence and persuasion: the Austrian School of Economics in Vienna, the London School of Economics, the Institute of Economic Affairs, Centre for Policy Studies and Adam Smith Institute, also in London, and the ordoeconomics school of Walter Euchan and Franz Bohm at Freiburg. The intellectual capital of this rightist AIM complex is the Chicago School of Political Economy, initiated by Frank H. Knight, a liberal in the 19th-century sense and a critic of New Deal (20th-century) liberalism, who believed in the "ideal of active individual freedom" (Tilman 1992:51). Knight was followed by a second generation of "liberal revivalists," including Milton Friedman, George Stigler, and James Buchanan, who likewise subscribed to self-interested, competitive behavior in economy and polity (Bosanquet 1983; Sally 1998; Samuels 1993). Friedman translated the rightist politics of the school into the apparently scientific, neutral, mathematical codes of monetarist economics (ie the idea that macroeconomic problems like inflation and indebtedness derive from excessive government spending driving up the quantity of money circulating in a society). The "sociophilosopher of economics" and early critic of Keynes, Friedrich von Hayek (1984:363–381), elaborated the basic beliefs of this school of thought as an advocacy of the spontaneous order of the market and an aversion to the coercive powers of government, especially when these operated under the "illusion of social, distributive justice."³ Neoliberal ideas were disseminated by the American Heritage Foundation, parts of the Hoover Institution, the American Enterprise Institute, and

other United States organizations well-financed by conservative corporations. Milton Friedman regularly wrote from a laissez-faire position as a columnist for *Newsweek*.⁴ The long-gestating liberal revival in economics was reinforced by anarchocapitalist notions developed in political science (eg the idea that the free market can coordinate all functions of a society currently carried out by the state; Brown 1997), published in works written mainly by Austria- or Chicago-connected political theorists, especially Murray Rothbard (1970, 1973) and David Friedman (1989).

What came to be called *neoliberalism* moved from right-wing quackery to recognized convention in 1974 with the awarding of the Nobel prize in economics to von Hayek (along with Gunnar Myrdal!) at a time of supposed crisis in postwar Keynesianism. Big business moved from supporting state regulation of the economy to neoliberalism in the 1970s: large corporations and banks that had previously supported foundations, such as the Brookings Institution, advocating government regulation of the economy, switched their donations to right-wing institutions, like the Heritage Foundation, which became increasingly wealthy and influential (Kotz 2000). Neoliberal economic policies were imposed by the IMF and a right-wing U.S. Treasury on a left-leaning Labour government in Britain in the middle 1970s (Panitch 2000:12–13) and were eagerly adopted by “supply-siders” in the Reagan and Thatcher governments in the early 1980s—indeed, the Reagan cabinet wore ties embroidered with Adam Smith’s profile to demonstrate allegiance to their classical master (Rayack 1987:13). Some of these policies had already been tested in Chile, where General Pinochet was heavily advised by Chicago School economists (Overbeek 1990, 1993). Harry G. Johnson, a critic of Keynesianism who taught at Chicago, was a main player in the counterrevolution in development economics. Following Milton Friedman’s (1958:508–509) lead that what is required in the underdeveloped countries is the “release of the energies of millions of able, active, and vigorous people ... who exist in every underdeveloped country” and “require only a favorable environment to transform the face of their countries”, neoliberal development policy aims at creating “more competitive markets with brave, more innovative entrepreneurs” (Straussman 1993:287; Toye 1987).⁵

The established media picked up on these ideas in the early 1980s, when neoliberalism was causally linked with an intensification of globalization. Neoliberal policies were regarded as effective means for underdeveloped countries to join the global economy, despite the contradictory evidence of the East Asian route, led by interventionist, developmental states (Wade 1992). The World Bank began a shift towards neoliberal positions with the Berg report on development in sub-Saharan Africa (World Bank 1981). Subsequent *World Development*

Reports (World Bank 1983, 1984, 1987) generalized and retheorized these ideas. By the late 1980s, a system of policy recommendations, dubbed the “Washington consensus,” dominated a previously social democratic and Keynesian development discourse. Favoring renewed faith in classical economics while advocating “prudent macroeconomic policies, outward orientation, and free market capitalism” (Williamson 1990, 1997), this consensus is underdetermined by logic or empirical verification (MacEwan 1999:35), and overdetermined by institutional reputation and financial backing. In this sense, the World Bank’s neoliberal “structural adjustment” should be seen as an economic technique of political power. Casual application of structural adjustment to societies with vastly different traditions and conditions, as with most African countries, has had disastrous results, particularly for poor people (Gibbon 1992; Watkins 1994).

In response to increasing criticism, the World Bank shifted around 1990 to a revised neoliberal model stressing market-friendly state intervention and good governance (political pluralism, accountability, and the rule of law), conditions suddenly found typical of the East Asian “miracle economies” (Kiely 1998; World Bank 1991:1–2). In the 1990s various World Bank reports outlined an “holistic approach” to development combining social safety nets, poverty, health, education, environment, and rural and gender considerations with conventionally neoliberal principles like increased property rights, trade liberalization, and privatization. The culmination of this trend towards a Third-Way “neoliberalism with a human face” was announced in the 1999/2000 *World Development Report*. This report proposed a synthetic “Comprehensive Development Framework” (CDF) with two complementary parts: a stable macroeconomy, shaped by prudent fiscal and monetary policies; and the CDF itself, stressing honest governments and strong property and personal rights supported by an efficient legal and judicial system, human development, as in the cases of education and health, physical infrastructure, and sectoral elements like integrated rural development strategies and urban management (World Bank 1999).

The turn of the century found neoliberalism moving to a reflexive developmentalism that incorporates its own critique into ever more refined but basically unchanged versions. My claim is that conventional developmentalism is a hegemonic global discourse spread and enforced by an AIM complex captured by neoliberal ideas of privatization, deregulation, and liberalization, all encapsulated within political beliefs about democracy, entrepreneurship, and individual freedom. This capturing resulted from an organized attempt instituted by a coherent political group aimed at decisively shaping the political-economic imagination by propagating hegemonic discourses through networks of centers of persuasion. I will further claim that neoliberal

development discourse is utterly unsuited to the conditions prevailing in postapartheid South Africa.

South Africa: A Discursive History

The history of modern South Africa has been ably recounted in terms of three economic-discursive transitions:

- 1) The Dutch mercantilist system based in bonded labor and slavery was conservatively transformed in the early 19th century by British liberal notions of universal humanity that insisted on respect for markets and private property.
- 2) In the late-19th-century transition to industrial capitalism, discourses of innate racial differences were employed to limit the political enfranchisement of the black petty bourgeoisie and regulate the supply of African labor to the rapidly growing mining industry.
- 3) After World War II, a revitalized, American-based discourse of universal humanity, which nevertheless maintained white dominance increasingly expressed as class rather than race, was forced on the governing National Party by continuing protests against apartheid. In the postapartheid period, the pretensions of the new (ANC-led) South African state have been held in check by the “prescriptions of a newly assertive post-Cold War West” (Lester, Nel and Binns 2000:144).

Discursive adaptations, Lester and colleagues say, set the agenda for counterdiscourses by limiting the practical opportunities available to oppositional movements. They see the abandonment of apartheid and the normalization of South Africa’s position in the global system as implying acquiescence to free-market doctrines that impede large-scale redistributions of resources to the black population. Thus “it is difficult to imagine that the [postapartheid] South African state could have pursued an alternate course of action [other than moving to a neoliberal policy position], given the demise of state socialism internationally and the neoliberal discursive prescriptions of the global economic powers” (Lester, Nel and Binns 2000:145). Yet, until a few years ago, it was difficult to imagine the ANC following anything but a socialist development policy! To appreciate this transformation in economic imaginary, we need to retell the legend of South African liberation.

Discourse of Resistance

Conventional analysts claim that the ANC produced “no substantial economic policies until 1990” (Natrass 1994:344). Yet a grassroots network of organizations and individuals centered on the ANC

produced a series of statements on social and economic transformation as the political basis of a coherent, alternative policy discourse. The crucial founding event, the Congress of the People of 1955, adopted a Freedom Charter that subsequently became strategically important as a statement of radical opposition to the apartheid government. The actual words of the Charter were written by a committee of the Congress of Democrats, a white, liberal-left alliance associated with the ANC (van der Westhuizen 1994), but the document was based on lists of grievances submitted by hundreds of meetings convened under difficult circumstances. It is an elegantly and beautifully phrased counterhegemonic document written by intellectuals working on behalf of oppressed peoples. A preamble states the principles on which the Charter rests:

We, the People of South Africa, declare for all our country and the world to know:

That South Africa belongs to all who live in it, black and white, and that no government can justly claim authority unless it is based on the will of the people;

That our people have been robbed of their birthright to land, liberty, and peace by a government founded on injustice and inequality;

That our country will never be prosperous or free until all our people live in brotherhood, enjoying equal rights and opportunities;

That only a democratic state, based on the will of the people, can secure to all their birthright without distinction of colour, race, sex, or belief;

And therefore, we the people of South Africa, black and white, together—equals, countrymen, and brothers—adopt this **FREEDOM CHARTER**. And we pledge ourselves to strive together, sparing nothing of our strength and courage, until the democratic changes here set out have been won. (Freedom Charter, quoted in Esterhuysen and Nel 1990:157)

Sections 4 and 5, dealing with economic rights and land reform, are particularly important for social transformation. Here the main passages read:

The national wealth of our country, the heritage of all South Africans, shall be restored to the people;

The mineral wealth beneath the soil, the banks and monopoly industry shall be transferred to the ownership of the people as a whole;

All other industries and trade shall be controlled to assist the well-being of the people;

Restriction of land ownership on a racial basis shall be ended, and all the land redivided amongst those who work it, to banish famine and land hunger;

The state shall help the peasants with implements, seed, tractors, and dams to save the soil and assist the tillers. (Freedom Charter, quoted in Esterhuysen and Nel 1990:158)

The Freedom Charter combined nationalist principles with Western democratic ideals and European socialist policies in a radical economic statement about development, social control over resources, and human liberation (cf Crush 1995:xi). As signatory to the Charter, the ANC was accurately seen as a black nationalist organization with a radical, socialist politics.

During the following years of turmoil, the ANC used the Freedom Charter to claim social and political justice. A considerable documentary history records debates within the ANC on its political-economic principles (ANC 1985). In their "Constitutional Guidelines", ANC officials interpreted the Freedom Charter as a guide for making a just and democratic society that would sweep away the legacy of colonial conquest and white domination. The Guidelines argued that 90% of the land and instruments of production were held by the white ruling class. Ending poverty would mean "a rapid and irreversible redistribution of wealth and opening up of facilities to all". The Guidelines said that "[t]he state shall ensure that the entire country serves the interests and well-being of the entire population", and "the private sector of the economy shall be obliged to cooperate with the state in realizing the objectives of the Freedom Charter in promoting social well-being", so that "the economy shall be a mixed one, with a public sector, a private sector and a small-scale family sector" (ANC [1987] 1990:165). As the Guidelines indicate, the ANC remained a radical, modernist organization based in socialistic principles.

After several years of informal meetings between liberal South African business people and the ANC, the ban on the organization was lifted in February 1990 and the organization's leaders released from their long, punishing confinements on Robbena Island. A negotiated settlement was finally reached at the World Trade Centre in Kempton Park in 1994. Elections held with black participation resulted in overwhelming victories for the ANC in 1994 and 1999 (Friedman 1993; Magubane 1979; Murray 1982; Thompson 1990).

Discourse of Development

South Africa's decade of liberation between the mid-1980s and the mid-1990s saw intense discussion about the future course of economy and society (eg Bond 1991; Patel 1993; Schrire 1992; Sunter 1987). Much more formalized discourses began to emerge, written by "experts" on development, economic policy groups composed of radical and liberal academics advising the Congress of South African Trade Unions (COSATU) and the ANC bureaucracy; and increasingly people

from business, conventional academia, the World Bank, and the IMF produced counterproposals. A series of conferences on the future of the South African economy, held outside the country in the late 1980s, was attended by members of the ANC, the South African Communist Party (SACP), and unions and many prominent, exiled, leftist academics.

Inside South Africa, in the late 1980s and early 1990s, a number of research networks formed to debate macroeconomic policy issues. Two of the leading organizations were:

- 1) *The Economic Trends Group (ET)*, formed in 1986 at the suggestion of COSATU and composed of leftist, union-oriented academics in Johannesburg and at the University of Natal and Cape Town University. An important meeting was held in Harare, Zimbabwe in 1991 between COSATU, ET, and the ANC's newly formed Department of Economic Planning, which drew up a "Draft Resolution on Economic Policy" for circulation and discussion within the ANC organization. The ANC committed itself to promoting economic growth through redistribution, including satisfying basic needs, and empowering the disadvantaged (Kentrige 1993). This was to be achieved by a mixed economy led by a developmental state (ANC 1991). The ANC national conference, held in May 1992, reaffirmed support for the "basic needs" approach inherent in this document (ANC 1992). The proposal was heavily criticized as inflationary by conventional economists, business organizations, and the South African media (Marais 1998:149–151). Later, a reconstituted ET research group, with help from the Institute for Development Studies at Sussex University and with Canadian financing, conducted a detailed study of the South African economy under the auspices of the Industrial Strategy Project (ISP). This study culminated in *Improving Manufacturing Performance in South Africa* (Joffe et al 1995). In the words of one (critical) observer "The ISP's policy recommendations represent a distinct shift away from a national, demand-side, developmental approach to a more global, supply-side strategy for economic reconstruction" (Padayachee 1998:437).
- 2) *The Macro-Economic Research Group (MERG)*, founded in 1991 on the recommendation of a mission from the Canadian International Development Research Centre (IDRC), centered on leftist academics in the University of the Witwatersrand economics department, with a wide network of contacts in the South African educational system, and initially well-connected with ANC members within the country, such as Trevor Manuel,

orientation” (Government of the Republic of South Africa 1994:21). These can now be read as signs that a reorientation of official policy had already begun. Even so, in the first free elections held in a liberated South Africa, the ANC publicly committed itself to reconstruction and sustainable development that increased the poor’s ability “to mobilize sufficient development resources including from the democratic government where necessary” (ANC 1994:15). Where vigorously applied, the RDP has worked well for poor people. In the five years following adoption of the RDP, 3 million people were provided with safe drinking water from taps within 200 m of their houses as part of a plan by the Ministry of Water Affairs and Forestry to supply 21 million people with basic water services.⁶

The portent for the future seemed clear. There was going to be a democratic, redistributive, even socialistic, new society in South Africa.

Disciplining the ANC

However, it now appears that the leadership of the ANC was secretly moving towards neoliberal policies well before the 1994 elections. In the period between 1990 and 1994, during which the ANC moved from illegal to legal opposition and partial incorporation into the South African state, statements made by ANC leaders came under intense, critical attention by business spokespersons, academics, and official commentators in the established media. The result was a disciplining of the ANC’s radical positions, as a consequence of which “a more nuanced view won the day ... When Mandela’s support of nationalization earned a cool response inside South Africa and in the Western media, a number of more qualified statements on nationalization followed” (van der Burg 1990:117). On release from prison in 1990, Mandela said that “nationalization of the mines, banks and monopolies is the policy of the ANC and a change or modification of our views in this regard is inconceivable”; within hours, Johannesburg Stock Exchange traders were “unceremoniously falling out of bed” to launch a selling spree (Marais 1998:146). A few months later, Mandela (1990) said that the banks, mines, and monopolies would be nationalized but other industries would not; soon after, he stated that this would occur only if it boosted the economy. Mandela finally rejected nationalization while attending the world economic forum in Davos, Switzerland in February 1992. Other ANC leaders (Joe Slovo, Walter Sisulu, Thabo Mbeki) found nationalization not necessarily fundamental to ANC policy: indeed, former communist Mbeki added that nationalization had never been part of it. The ANC began to speak of policy alternatives, such as antitrust legislation and government-appointed directors on the boards of major companies (Ceruti 1996). Asked in 1995 why the ANC had changed its position

on nationalization, Minister of Finance Trevor Manuel said that the collapse of the Soviet Union broke the romantic illusions of many leftists in the ANC (Habib and Padayachee forthcoming).

However, nationalization was only the most obvious of a series of changes in ANC policies (Rantete 1994). Disciplinary pressure on the ANC came from two main sources: business organizations and the media within the country; and the World Bank and IMF from outside. Progressive business organizations, centered on the South African Chambers of Industries and Commerce and the Afrikaans Trade Institute, had long sought moderate policies from the apartheid state. Operating through the Urban Foundation liberal business people lobbied for changes in housing policy, the recognition of informal housing and reform of the Pass Laws. Together with progressive clerics from some Afrikaaner churches, members of the Urban Institute later formed the Consultative Business Movement (CBM—now called the National Business Initiative, or NBI) to support negotiated change and pragmatic rather than “ideological” economic policies. The CBM played a facilitative role in bringing about compromise between the ANC and the apartheid state.

When unbanning the ANC in 1990, Nationalist president F W de Klerk asked business leaders to articulate what the new South Africa might look like. In response, business people, academics, and development consultants produced a plethora of research documents on the future of the South African economy. Sanlam, an insurance conglomerate, laid out a “Platform for Investment” scenario castigating “macroeconomic populism” and calling instead for macroeconomic stringency, limited social restructuring, an outward-oriented economy, and a facilitating state. The South African Chamber of Business produced “Economic Options for South Africa”, a document recognizing the need for economic reforms but insisting that promoting optimal conditions for free enterprise to flourish was the best way of reducing poverty. A *Mont Fleur* scenario drew ANC and union executives into a “social democratic” exercise that still managed to dissuade redistributive state spending (Marais 1998:150–151).

For slick, neoliberal sophistication, however, the report entitled *South Africa: Prospects for Successful Transition* is particularly notable (Tucker and Scott 1992). The report advocated redistribution through growth brought about by change from an inward-looking resource orientation to an outward-looking manufacturing focus for the economy. It emphasized stability, resisting populist pressures, a shared vision of the future, and achieving consensus. Billed as a short-term “scenario exercise” in the guise of “articulating what the new South Africa might look like”, the report became a discursive device for implanting long-term and conventional yet neoliberal, business-oriented ideas about growth and development into elite and popular

consciousness (Tucker and Scott 1992:126). As a result of these reports, neoliberal notions of redistribution through growth in concert with an outward focus for the economy began to appear with increasing frequency in discussions of development policy. In the late 1980s, the Afrikaaner National Party shifted from its previous import substitution strategy to a more export-oriented program, codified in the Normative Economic Model (NEM) of 1993, essentially following IMF prescriptions. The ANC soon began moving towards a position compatible with NEM and the IMF.

In the early 1990s, South Africa had come under increased scrutiny from the World Bank and the IMF. The World Bank assiduously courted ANC leftists as part of a “trust-building” process. The Bank’s position was that poverty could be alleviated and jobs created through private sector expansion in labor-intensive industries (Fallon and de Silva 1994; Jonsson and Subramanian 2000; World Bank 1994, 1996). As prelude to a 1993 \$850 million loan, the IMF published a report stressing an outward-looking macroeconomic strategy, with growth trickling down to the poor through private sector employment growth and increased government revenue (IMF 1992). A secret “letter of intent”, signed with the IMF in 1993 and agreed to by the ANC, committed the South African government to “responsible management” of the economy, interpreted as cutting state deficits, controlling inflation, imposing wage restraint, adopting outward orientation, and, most importantly, recognizing the superiority of market forces over state regulatory interventions (Padayachee 1994). According to one left critic, Patrick Bond (1997), the ANC government not only followed IMF policies, but liberalized the economy faster and further than expected. Massive international pressures lay behind this shift: “ANC leaders, including Trevor Manuel and Tito Mboweni, visited the International Monetary Fund in Washington; tycoons from the Brentthurst Group—first set up by Mandela and business friends—met with the ANC to discuss economic problems, while the British and American Ambassadors kept inquiring about MERG’s plans” (Sampson 1999:466).

With these preparations, things changed rapidly when the ANC assumed leadership of the Government of National Unity after the 1994 elections. An independent governmental department supervising implementation of the RDP was soon closed, with its duties assumed by the office of Deputy President Thabo Mbeki. In 1995 and 1996, the battle of scenarios intensified. The South Africa Federation coordinated a report on behalf of the business community advocating a neoliberal economic policy. By comparison, the 1.8 million-member COSATU’s “Keynesian” alternative, set out in *Social Equity and Job Creation* (COSATU 1996:3), advocated “an expansion of the social wage through mass state housing financed through public borrowing, a national health program, all-embracing social security, and public

job creation, as well as an enlarged public sector". The SACP called for worker empowerment and public sector spending. But the question had already been settled (Saul 2001).

Getting in GEAR

The ANC's response was dramatically revealed by the next development report, entitled *Growth, Employment, and Redistribution (GEAR)*, prepared by the Department of Finance, with Manuel as Minister, and a team of academics, representatives of the Development Bank of Southern Africa, the South African Reserve Bank, and the World Bank (Government of the Republic of South Africa 1996). GEAR reiterated the RDP's link between economic growth and the redistribution of incomes, as a concession to the left, but it argued that much higher economic growth rates were necessary to achieve social objectives. Sustained growth on this higher plane (6% and 400,000 new jobs a year) required transformation towards an outward-oriented economy centered on a "competitive platform for a powerful expansion by the tradable goods sector" within a "stable environment for confidence", with a "profitable surge in private investment" and "flexibility within the collective bargaining system" (Government of the Republic of South Africa 1996:2). GEAR recommended a series of policies to promote an outward-oriented industrial economy integrated into the global environment and responsive to market pressures. The state's budget deficit was to be cut from 5.4% to 3.0% of GDP by 2000, while trade was to be liberalized. The GEAR report called for a national social agreement to create a competitive environment for investment and economic growth, for example, through wage moderation. All this was to "break current constraints and catapult the economy to the higher levels of growth, development and employment needed to provide a better life for all South Africans" (Government of the Republic of South Africa 1996:2). In March 1997, Manuel delivered the first budget prepared by an ANC minister that consolidated the ANC's support for such neoliberal policies. With this, ANC economic policy was made compatible with liberal-business opinion within the country (redistribution *through* growth), and with the neoliberal structural adjustment policies outlined by the World Bank and the IMF. Indeed, all three positions became virtually synonymous, except that the ANC has been particularly vigorous in pursuing privatization, deregulation, and an "internationally competitive" business climate.

South Africa's unions objected that the GEAR report had been adopted to please big business rather than the working class. Critical discussion focused on three areas: (1) the proposal for cutting government expenditures as a proportion of GDP in the context of massive needs that could only be met by state intervention; (2) the government's commitment to "flexible labor markets", widely interpreted

as a euphemism for the suppression of unions; and (3) the idea of privatization of parastatals to reduce state debt, again interpreted as an attack on the government's power to control the economy in the interests of poor people. The unions called the GEAR report a self-imposed structural adjustment policy. They argued that GEAR policies reimposed social and economic conditions like those experienced under apartheid. Andrew Donaldson (1997), chief director of financial planning in the South African Department of Finance, replied that GEAR policies of macroeconomic constraint, especially reductions in public spending, remained compatible with the RDP goals of targeting the remaining public expenditures towards the poor. Greeting such replies with skepticism, the unions threatened mass actions against GEAR, withdrawal of support from the ANC, and the start of a more leftist party in company with the SACP. In the interests of political harmony, COSATU and the SACP ended up working for the ANC in the 1999 electoral campaign, agreeing to mute their objections to the GEAR macroeconomic policy. As president since Mandela's retirement in June 1999, Thabo Mbeki has reaffirmed the ANC government's commitment, albeit within ambiguous language ("GEAR in the broad framework of the RDP") and with vague references to an "African Renaissance" (for background, see Smith 1999). The Ministry of Trade and Industry, under Alec Erwin (a former COSATU official), signaled its commitment to GEAR by designating ten Spatial Development Initiatives (SDIs) as unregulated platforms for export-led growth. Under an Igoli 2002 plan, city services in Johannesburg are being privatized, a measure that has aroused intense opposition led by the South African Municipal Workers Union (SAMWU), the militant union of municipal workers. Even the University of the Witwatersrand is being privatized, to the disgust of faculty, students, and staff. Nevertheless, the ANC remains committed to the GEAR strategy. Although it is fiercely opposed by the unions represented by COSATU, GEAR has the backing of the elite fraction of the ANC in control of state macroeconomic policy (Bond 2000).

South Africa has now passed into its period of greatest socioeconomic trial. The extreme, persisting racial inequalities result in a high level of social violence, including widespread battering of women, frequent assassinations of political and union leaders, and a staggeringly high crime rate—the murder rate in Johannesburg is twice that of New York City at its worst (in 1990) and six or seven times the present New York murder rate. An AIDS pandemic—with 20% of the population HIV-positive in a country where reproductive information faces severe problems in terms of availability and customary sexual resistance, government expenditures and health facilities are limited, and the President doubts that the HIV virus is the causal

agent—threatens social cohesion. Half the people of South Africa live in rural areas, 70% under conditions of dire poverty. Social transformation must entail massive redistribution of people from semideserts, into which millions were dumped when their lands were taken during apartheid, into habitable areas in which the vague possibility of a job exists. This process cannot begin until land is either restored to its previous occupants or redistributed to people in need; rebuilding the society without land restoration etches the inequalities of the past into the landscape of the future. The Lands Claims Commission, established by the new state in 1995, was flooded by 63,000 claims, mainly for land restitution. Five years later, only 3% of the disputed land had been redistributed.

The Present Conjuncture

If GEAR-type policies were “working”, all this might be of mere doctrinal interest, significant only to leftist academics who, like priests, are permitted to take positions purely on the basis of faith because our incomes are secure. However, there is scant evidence that GEAR is actually producing the growth that might eventually, somehow, allow income redistribution: South Africa’s economic growth rate dropped from 3% in 1996 to 1.7% in 1997, 0.6% in 1998, 1.2% in 1999, and a similar rate in 2000; the unemployment rate stands at 37.6% (South African Reserve Bank 1999; *Statistics South Africa* 2000).

The basic premise behind GEAR is that South Africa lacks the capital for investment in rapid growth achieved by any means, via the satisfaction of internal needs, or through export orientation. Attracting foreign capital means creating the right “business climate” for private investment. This in turn means adopting neoliberal policies, including “wage moderation”. Thus, we find formerly militant, communist union officials now ensconced in Pretoria demanding “internationally competitive” wages. In the strike-prone years since 1994, South Africa’s unions, with their long history of leftist militancy, have turned to demanding higher wages. COSATU and SACP form the left wing of a tripartite alliance with the ANC. Thus, “creating the right business climate” entails the state, led by the ANC, to turn against organized labor, its militant base of support.

Indeed, the history of state–labor relations in postapartheid South Africa can be read exactly in these terms, as the black nationalist side of the ANC comes to the fore and what used to be an alliance of social movements becomes an established political party, dominated by the rising black bourgeoisie, the new state bureaucrats, the party functionaries, and the conspicuously cell-phoned elite. The romantic ideology of an “African Renaissance” has arisen to cover the transition.⁷ There is no necessary connection, ideologically or practically, between black

nationalism and socialism—hence, the tendency for the left wing of the ANC-led alliance to reluctantly (and ineffectively) call for a leftist labor party. In brief, for neoliberal GEAR-type policies to “succeed” in their own terms, the state must repress labor. This, in the South African class context, means a generation of internecine struggle.

Alternatives to GEAR that express the social transformation perspective exist. The RDP remains officially in place, with support from significant leftist fractions of the ANC. The trade unions and social movements have their own (Keynesian) development alternatives. Indeed, South Africa presents an opportunity for what Arthur MacEwan (1999) calls a democratic strategy of development, the core of which consists of state investment in social programs. When the ANC took power in 1994, internal conditions existed for supporting this kind of democratic strategy. The liberation of South Africa brought a wave of optimistic commitment to social transformation, a network of highly organized antiapartheid social movements was in place, and a deep sense of guilt prevailed among the white minority. In short, all the conditions necessary for initiating a democratic strategy in the only possible way—tax the rich, invest in the poor—were present. Thus the question underlying this entire discussion must at last be addressed. Why did the ANC shift from its long commitment to structural transformation through democratic developmental means, towards structural adjustment using neoliberal economic means?

Conclusion: The Articulation of Hegemonies in South Africa

The decade of South Africa’s liberation, 1985–1995, was marked by an articulation between three discursive positions: (1) counterhegemony articulated by the ANC and later by the left; (2) subhegemony articulated by South African capital through liberal business organizations strategically integrated into the ANC; and (3) hegemony, articulated on behalf of global capital primarily by development institutions.

Counterhegemony

The ANC had a fifty-year history of translating popular and widespread resentment against the seizure of land and the imprisonment of people into counterhegemonic proposals for justice, equality, socialism, and development. As the end of apartheid drew near, dissident intellectuals armed with Marxian analyses, along with SACP members and COSATU officials, formed a series of socialist research groups (ET and MERG most prominently) to produce leftist development documents aimed at guiding ANC economic policy. Under the

still-dangerous circumstances of the time, it is doubtful whether institutional or theoretical consistency emerged in a fully organized AIM complex or a coherent counterhegemonic development discourse. Institutionally, the left severed into fractions (as when the ANC Department of Economic Planning split with MERG), riven by suspicion and jealousy. Theoretically, two main versions of development discourse emerged: a workerist nationalization and state planning discourse; and a left-Keynesian, democratic policy of growth through redistribution that formed the main left content of the RDP. Momentous changes were occurring just as the possibility of the ANC assuming state power intensified. SACP members, in particular, were disillusioned by the fall of the Soviet Union in 1989. In this context, the leftist discourse on democratic development failed to translate a morally superior stance into a coherent counterhegemonic policy. Leftist development became associated with outmoded ideologies, even by activists who previously had dedicated their lives to its cause. I am speaking here, not necessarily (or always) about loss of political principle by previously committed radical activists, but rather about a capturing of the sense of political practicality and economic realism among politicians and bureaucrats who retained their commitment to South Africa's oppressed majority.

Subhegemony

South African capital had long been preparing for the end of apartheid. Liberal business organizations strategically ensured that liberation was finally achieved through negotiation rather than violent upheaval. Encouraged by an increasingly realistic Nationalist government, business organizations invested in scenario exercises exploring redistribution through growth led by private enterprise initiative. In these partly home-grown visions, the role of the state would be limited to providing the right business climate for investment and, at most, overseeing limited social redistribution through welfare, education, and housing programs financed by taxation rather than deficit spending. These ideas were effectively disseminated as a relatively coherent development discourse, by consultants, economic experts, and media personalities through sophisticated presentations to the elite of South African society, including the upper echelons of the ANC. Most importantly, the models proposed by local business organizations were lent legitimacy through correspondence with "accepted" international economic opinion. I speak here of a geopolitical context in which left alternatives to free market capitalism, whether communist or social-democratic, have all but disappeared as viable possibilities. As one economist put it: "Capital is all-powerful; national policy must pay obeisance or pay the cost" (Natrass 1996:25).

Hegemony

Global capital's interests in this country with strategic economic and political significance were directly represented by the IMF, which made several loans to South Africa under well-defined stabilization conditionalities, and the World Bank, which used antipoverty and job-creation programs to leverage structural adjustment. By the middle 1980s, both institutions had fastened onto a standard set of neoliberal means of achieving rapid economic growth in countries like South Africa. I argue that these policies derived from the capturing of the leading developmental AIM complex by ideas stemming from right-wing, liberal-revivalist, monetarist scheming at the Chicago School of Political Economics. This discourse proposed joining the global capitalist system through trading connections freed of restrictions, with a domestic environment made internationally competitive through deregulation, privatization, wage restraint, and prudence in government spending. As the end of apartheid drew near, the ANC came under heavy diplomatic and institutional pressure to adopt policies in accorded with these positions. More significantly, neoliberalism became the picture of economic progress that flooded the speculative imaginary on stock exchanges and currency markets, locally and around the world. Even the whisper that deviation might taint this idealized vision brought instant retribution—most obviously in the form of runs on the rand—from the bears of the world's financial markets.

By comparison with the disarray and disillusionment on the counterhegemonic left, the interests of global institutions and local business federations were synthesized in a hegemonic neoliberal discourse that has learned to turn a compassionate face on social problems moralized as poverty, illness, and ignorance. Acting not in unison but in parallel, global hegemonic and regional subhegemonic forces joined in projecting a discourse seemingly invested with the authority of moral respectability and the scientific aura of truth, one that captured the developmental imaginary to such a degree that even the model's massive failure to deliver has barely shaken the confidence that unfettered private enterprise will eventually come through.

What terror on Robbens Island could not do to Mandela, the Davos culture could.

Endnotes

¹ While vaguely aware of this work in international relations, I read it in depth only while finishing the final version of this article.

² Significantly for this article's subsequent argument, Berger (2000:421) specifically includes members of the ANC in exile as willing subscribers to the Davos culture.

³ Von Hayek was trained in the Austrian School and served as a professor at the London School of Economics and the University of Chicago before taking up the chair of his friend Walter Eucken at Freiburg. He was the intellectual mentor of the Mont Pelerin Society, begun in 1947 at an hotel in Switzerland, attended by the leading lights

of early neoliberalism, and dedicated to the “exchange of ideas about the nature of a free society and ... the ways and means of strengthening its intellectual support” (Leube 1984:xxiii).

⁴ Neoclassical economics has a Smithian basis, so we are speaking here not of conversion but of biased revival.

⁵ For more on the background to neoliberalism, see Cox (1993). Note that Cox differentiates a postwar “neoliberalism” that included Keynesian regulation from the “hyperliberalism” of the Thatcher-Reagan years, while I use the term “neoliberalism” to refer only to the latter ideology.

⁶ The record on housing construction, by comparison, has been far less promising.

⁷ In 1978, Thabo Mbeki, architect of the African Renaissance, wrote on false remedies for historical injustices: “[B]lack capitalism, instead of being the antithesis, is rather confirmation of parasitism, with no redeeming features whatsoever, without any extenuating circumstances to excuse its existence” (Mbeki 1985:48).

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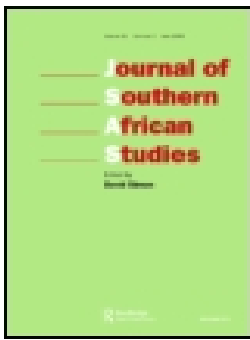
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*Between Globalisation and (Post) Apartheid: the Political Economy of Restructuring in South Africa**

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Whereas most countries in Southern Africa have experienced globalisation as externally imposed, in South Africa it has been largely internally generated by the state and the major business groups that dominate the economy. This paper examines the political economy of restructuring in South Africa, focusing particularly on the statist and capitalist logics of globalisation, and how they intersect. It explains how the South African state is trying to negotiate globalisation, and why major South African conglomerates have moved their headquarters to Britain. The impacts on employment and economic diversification of increasing globalisation from the 'outside in' are explored. As a result of the restructuring of globalisation, the South African state is increasingly characterised by 'negative autonomy' from domestic social forces and embeddedness with transnational capital, which undermine the potential for a national developmental project. South Africa's experience has important implications for globalisation theory, which can inform praxis. The article concludes by suggesting ways the political economy might be progressively restructured.

Introduction

When South Africa achieved its transition to non-racial government in 1994, a debate took place about the future direction of economic restructuring.¹ Two years later the Government of South Africa changed its development strategy by adopting an orthodox economic reform programme.² The South African economy is now rapidly globalising, but the nature of that

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1 For example, Macroeconomic Research Group, *Making Democracy Work: A Framework for Macroeconomic Policy in South Africa* (Belville, Centre for Development Studies, 1993); N. Natrass, 'Economic Restructuring in South Africa: The Debate Continues', *Journal of Southern African Studies*, 20, 4 (1994), pp. 517–543; R. Kaplinsky, '“Economic Restructuring in South Africa: The Debate Continues:” A Response', *Journal of Southern African Studies*, 20, 4 (1994), pp. 533–537; J. Sender, 'Economic Restructuring in South Africa: Reactionary Rhetoric Prevails', *Journal of Southern African Studies*, 20, 4 (1994), pp. 539–543; X. Carim, 'Engaging the Bretton Woods Institutions: Policy Implications for South Africa', *Development Southern Africa*, 12, 3 (1995), pp. 333–346.

2 Republic of South Africa, *Growth, Employment and Redistribution* (1996) (available at www.southafrica.net/economy/finance/macro1.html).

globalisation differs significantly from that experienced by the rest of the region. While most of Southern Africa has experienced globalisation as something externally imposed and mediated through World Bank/International Monetary Fund (IMF) structural adjustment programmes (SAPs),³ in South Africa globalisation has been largely internally generated. The two sets of actors that have most promoted globalisation from within are the state and the country's major conglomerates. How this politico-economic project evolves has important implications for globalisation theory, the popular classes of South and Southern Africa, and their resistance to it.

The Globalisation Context in Southern Africa

The Southern African region accounts for only 0.5 per cent of global economic output.⁴ However, elements of the South African economy are highly developed – it contains the highest number of internet servers of any non-Organisation for Economic Cooperation and Development (OECD) country for example – and its economy dominates the region.⁵ As such, with the end of apartheid, it was meant to be well placed to act as an 'engine of growth' for surrounding countries. However, despite the elimination of international sanctions, since 1996 when neo-liberal economic reforms were introduced more than a half a million jobs have been lost, in contrast to the 600,000 that were meant to be created.⁶ Total private non-agricultural employment fell almost 6 per cent from 1997–1998 alone, and employment declines have continued unabated since then.⁷ In the first nine months of 2000, as the gold price declined, over 9 per cent of goldminers lost their jobs, with each worker supporting approximately ten people financially.

This deepening jobs crisis could be read as a working through of the previous economic crisis,⁸ and an adjustment to globalisation, which will bring renewed growth and job creation in its wake: the position espoused by ministers in the South African government.⁹ Alternatively, the interaction between internal economic conditions, external competition and capital flows may presage deepening economic dualism and marginalisation. Which of these outcomes results depends importantly on the actions and strategies of the major companies that dominate the South African economy, and on state policies that frame the context in which these strategies are adopted.

The South African economy is dominated by a group of conglomerates, the four largest of which controlled 83 per cent of the companies listed on the Johannesburg Stock

3 These have now been renamed Poverty Reduction Strategies.

4 R. Davies, 'New Sources for Growth and Hope: Prospects for Southern Africa', *Development*, 2 (1996), pp. 24–28, cited in J. Mittelman, *The Globalisation Syndrome: Transformation and Resistance* (New Haven, Princeton University Press, 2000).

5 Network Wizards, Internet Survey (available at www.nw.com) cited in M. Castells, *The End of Millennium* (London, Blackwell, 1996). The South African economy is seventeen times the next largest in the region, Zimbabwe. See World Bank, *Entering the 21st Century, World Development Report 1999/2000* (Oxford, Oxford University Press, 2000). In 1981, Anglo-American Corporation controlled assets bigger than the economies of the nine countries closest to South Africa. See M. Murray, *South Africa: Time of Agony, Time of Destiny* (London, Verso, 1987) cited in A. Marx, *Lessons of Struggle: South African Internal Opposition, 1960–1990* (New York and Oxford, Oxford University Press, 1992).

6 South Africa, *Growth, Employment and Redistribution*; Economist Intelligence Unit, *Country Report: South Africa*, 1st quarter (London, EIU, 2000).

7 South African Reserve Bank, *Quarterly Bulletin* (Pretoria, SARB, June 1999 and March 2001) (available at www.resbank.co.za). In agriculture, part of the reason for job losses relates to the government's redirection of subsidies away from heavily subsidised commercial farming to social expenditures. See T. Lodge, *South African Politics Since 1994* (Cape Town and Johannesburg, David Philip, 1999).

8 See S. Gelb (ed), *South Africa's Economic Crisis* (Cape Town, London and New Jersey, David Philip and Zed Books, 1991).

9 J. Zuma cited L. Mnyanda, 'Spiralling job crisis besets economy', *Pretoria News Business Report*, 12 July 1999, p. 11.

Exchange (JSE) prior to the end of apartheid.¹⁰ The investment strategies of these conglomerates are important not only in their own right, but also because the success of small businesses, and hence the potential for substantial job creation, is intimately bound up with them through their control of financing, linkage and demand effects, and technological spillovers.¹¹ The context for conglomerate strategies is framed largely by state policies, and the context in which they, in turn, are embedded. Whilst much of the recent literature has focused on the role of the country's major conglomerates in promoting globalisation from within, in South Africa the state has also been a critically important promoter of globalisation.

The State and Globalisation in South Africa

Under globalisation, capital is deregulated through the international regulation of states. While the policy formulation of most developing countries is highly circumscribed, the new post-apartheid South African state seemed to have more freedom to pursue a heterodox development strategy given its relatively low level of external debt.¹² Nonetheless, the South African government adopted an orthodox economic reform programme, Growth, Employment and Redistribution (GEAR) in 1996.

There has been a sustained debate about the reasons behind the rightward shift in economic policy, and the effective abandonment of the social democratic Reconstruction and Development Programme (RDP) in favour of GEAR.¹³ For some, the government's conservatism was related to the externalised nature of the liberation struggle, and the 'petit bourgeois' nature of the African National Congress (ANC) leadership.¹⁴ For others it was an outgrowth of domestically embedded structures of economic power, 'élite pacting', the influence of the neo-liberal discourse of the 'transnational managerial class', and the 'governmentalising' of the RDP.¹⁵

Apartheid was a heavily statist system, and in the minds of many members of the new

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- 10 S. Jones (ed), *Financial Enterprise in South Africa since 1950* (Basingstoke, 1992) cited in J. Illiffe, 'The South African Economy, 1652–1997', *Economic History Review*, LII, 1 (1999), pp. 87–103. The JSE is the tenth largest stock exchange in the world. Fine and Rustomjee argue that the economy has been dominated by six conglomerates or 'axes of capital': SA Mutual, Sanlam, Anglo-American Corporation, Liberty/Standard, Rembrandt/Volkskas and Anglovaal. See B. Fine and Z. Rustomjee, *The Political Economy of South Africa: From Minerals–Energy Complex to Industrialisation* (London, Hurst and Company, 1996).
 - 11 B. Fine, *Industrial Policy and South Africa: A Strategic View*, National Institute for Economic Policy (NIEP) Occasional Paper Series, No. 5 (April 1997); R. Kaplinsky and C. Manning, 'Concentration, Competition Policy and the Role of Small and Medium Sized Enterprises in South Africa's Industrial Development', *Journal of Development Studies*, 35, 1 (1998), pp. 139–161.
 - 12 H. Marais, *South Africa: Limits to Change: the Political Economy of Transition* (London and New York, Cape Town, Zed Books and University of Cape Town Press, 1998).
 - 13 See for example A. Adelzadeh, *From the RDP to GEAR: The Gradual Embracing of Neo-Liberalism in South Africa*, NIEP Occasional Paper Series, No. 3 August, 1996; V. Padayachee and J. Michie, 'Three Years After Apartheid: Growth Employment and Redistribution?', *Cambridge Journal of Economics*, 22 (1998), pp. 623–635; M. Hanson and J. Hentz, 'Neocolonialism and Neo-liberalism in South Africa and Zambia', *Political Science Quarterly*, 114, 3 (1999), 47–502; P. Williams and I. Taylor, 'Neo-liberalism and the Political Economy of the "New" South Africa', *New Political Economy*, 5, 1 (2000), pp. 21–40.
 - 14 D. McKinley, *The ANC and the Liberation Struggle: A Critical Political Biography* (London and Chicago, Pluto Press, 1997).
 - 15 Marais, *Limits to Change*: L. Swatuk, 'Remaking the State: Assessing South Africa's Developmental Agenda' in K. Mengisteab and C. Daddieh (eds), *State Building and Democratisation in Africa* (Westport, Cape Town and London, Praeger, 1999), pp. 201–231; P. Bond, *Elite Transition: From Apartheid to Neo-liberalism in South Africa* (London and Pietermaritzburg, Pluto Press and University of Natal Press, 2000); J. Kunnie, *Is Apartheid Really Dead? Pan-Africanist Working Class Cultural Critical Perspectives* (Boulder, CO, Westview, 2000); G. Götz, 'Shoot Anything That Flies, Claim Anything That Falls: Labour and the Changing Definition of the Reconstruction and Development Programme', in G. Adler and E. Webster (eds) *Trade Unions and Democratisation in South Africa, 1985–1997* (New York, St. Martin's Press, 2000), pp. 159–189.

government, the economic stagnation of late-apartheid was associated with protectionism.¹⁶ In addition, soon after the exchange rate was liberalised in 1996, the Rand depreciated rapidly.¹⁷ The government adopted GEAR in an attempt to stem the fall of the Rand by reassuring international investors of its economic orthodoxy.

While the proximate causes of the 'run' on the Rand were a Union Bank of Switzerland report that assessed it to be over-valued, and rumours about President Mandela's health, it reflected the unwinding of a speculative bubble which had developed as a result of tight Reserve Bank monetary policy, and financial liberalisation, which encouraged inflows of speculative portfolio capital.¹⁸ Financial liberalisation had begun under late-apartheid, and Reserve Bank 'independence' had been enshrined as part of the new political dispensation; largely because this was seen as important in renewing access to private international capital markets.¹⁹ Thus, 'insulation' of monetary policy from democratic politics was one of the structural factors that led to the adoption of more far reaching neo-liberal economic reforms.

The South African state's attitude towards globalisation has been a seemingly contradictory one. On the one hand it has been 'hyper-liberal',²⁰ pursuing an extremely tight fiscal policy, exceeding that proposed in GEAR, and cutting tariffs more deeply than required by the World Trade Organisation (WTO).²¹ On the other hand, it initially introduced stricter labour market regulation in the form of the Labour Relations Act.²²

President Mbeki has argued that 'globalisation, liberalisation, deregulation and the information society ... all originate from the developed countries of the North [and as such] reflect the imperatives of the economies and levels of development of these countries and therefore ... serve the purposes of our rich global neighbours'.²³ However, he qualified this by stating that under globalisation, development cannot be achieved 'under conditions of autarky or self-contained development within our national boundaries or regions'. Hence the South African state is trying to negotiate globalisation.²⁴

Several explanations of the government's highly neo-liberal trade, investment and fiscal strategies have been put forward. The World Bank argued that trade liberalisation would

16 Bond, *Elite Transition*.

17 V. Pillay, 'South Africa's Monetary and Foreign Exchange Rate Policy', in J. Michie and V. Padayachee (eds), *The Political Economy of South Africa's Transition* (London, Dryden Press, 1997), pp. 101–125.

18 S. Roberts, 'Monetary Policy Within Macroeconomic Policy: an Appraisal in the Context of Reconstruction and Development', *Transformation: Critical Perspectives on Southern Africa*, 32 (1997), pp. 54–78; P. Bond, *Against Global Apartheid: South Africa Confronts the World Bank, IMF and International Finance*, forthcoming (London and Cape Town, Pluto and University of Cape Town Press, 2001).

19 M. V. Kelly, *Financial Institutions in South Africa* (Johannesburg, Juta Press, 1993); S. Maxfield, *Gatekeepers of Growth: the International Political Economy of Central Banking in Developing Countries* (New Haven, Princeton University Press, 1997); Bond, *Elite Transition*. Harris and Michie argue that the fall of the Rand in 1996 was largely the result of sales by domestic finance houses – another example of globalisation from within. See L. Harris, and J. Michie, 'The Effects of Globalisation on Policy Formation in South Africa', in D. Baker, G. Epstein and R. Pollin (eds), *Globalisation and Progressive Economic Policy* (Cambridge and New York, Cambridge University Press, 1998), pp. 413–428.

20 R. Cox, *Production, Power and World Order: Social Forces in the Making of History* (New York, Columbia University Press, 1987).

21 EIU, *Country Report: South Africa*. An official of the Ministry of Finance noted that reduction of the budget deficit was facilitated by higher than expected growth in incomes, and hence tax returns, amongst upper income groups (in conversation, 14 July 1999, Midrand).

22 G. Adler, and E. Webster, 'Introduction: Consolidating Democracy in a Liberalising World – Trade Unions and Democratisation in South Africa', in G. Adler and E. Webster (eds), *Trade Unions and Democratisation in South Africa, 1985–1997* (New York, St. Martin's Press, 2000), pp. 1–19.

23 Quoted in L. Van Audenhove, 'South Africa's Information Society Policy: an Overview', *Communication*, 25, 1 and 2, 1999 (available at www.unisa.ac.za/dept/press), p. 5.

24 The one area where the South African state has most explicitly challenged globalisation is in relation to AIDS drugs patents. See P. Bond, 'Globalisation, Pharmaceutical Pricing and South African Health Policy: Managing Confrontation with US Firms and Politicians', *International Journal of Health Services*, 29, 3 (1999), pp. 765–92.

facilitate the development of indigenous-owned small and medium-sized enterprises in 'labour-intensive, light manufacturing industries'.²⁵ However, within the South African government there is a recognition that 'trade liberalisation overseen by the WTO is benefiting only a few countries'.²⁶ Nonetheless, foreign portfolio investors favoured deep tariff cuts, and particularly after the depreciation of the Rand in 1996, it was argued that there was no alternative to adapting to the 'dictates of the global economy'.²⁷ Pressure from large domestically-based conglomerates was also important, as big business saw trade liberalisation as a way of ensuring continued supplies of imported inputs and disciplining labour. The Congress of South African Trade Unions had also previously endorsed limited trade liberalisation as a way of raising the real wage, by reducing the price of consumer goods.²⁸ Once implemented, the logic of trade liberalisation was self-reinforcing as reduced revenues from tariffs were partly offset by the elimination of export subsidies.²⁹

In contrast to most developing countries, however, the strategy of trade liberalisation was also a proactive one. Cutting tariffs more deeply than required gave the government more flexibility should they need to be raised again in the future.³⁰ Thus, tariff reductions were motivated, in part, by the state's desire to get ahead of globalisation; to try to force industry to restructure to become internationally competitive ahead of the next round of global trade liberalisation, and to create space for some (constrained) autonomy in policy making.

The South African government has also pursued a free trade area with the European Union, despite economists associated with the Department of Trade and Industry warning that this would be deleterious to South Africa's economy.³¹ The adoption of the free trade agreement was partly related to South Africa's extra-regional trade orientation, with only 4 per cent of exports going to the rest of Africa prior to the end of apartheid,³² and was also an attempt to try to establish South Africa as an export platform to Europe.

Trade liberalisation is meant to attract foreign direct investment (FDI) by enabling inputs to be easily sourced abroad and by improving incentives to export. Tight fiscal policy enables the continuing reduction of corporate taxes on FDI profits.³³ FDI, in turn, is meant to diversify the economy, bring new technology, and create employment.

In 1996, the IMF argued that the end of apartheid and sanctions 'created the opportunity for external capital flows to return to the role they played in the quarter century before the mid-1980s, when foreign saving averaged more than 5.5 per cent of GDP'.³⁴ In a similar vein, tripartite alliance³⁵ press statements argue that 'much still need(s) to be done for South

25 World Bank, 'Private Sector Development for Black Businesses: Draft Issues Paper', (photocopied, n.d), p. 13.

26 Department of Foreign Affairs, Republic of South Africa, 'Preparing for WTO Multilateral Trade Negotiations in 2000: Towards a South African Framework' (photocopied, 1999), p. 7. South Africa was part of the coalition of developing countries that derailed the Millennium Round of the WTO.

27 Industrial Development Corporation and Department of Trade and Industry, *Sectoral Prospects: Growth Guidelines for South Africa's 80 Industries – 1997–2001* (Sandton, IDC, 1998), p. 1. The government's position has changed somewhat since the collapse of the Millennium Round of the WTO and the reinvigoration of the G-77, as it now seeks to diversify its trade, particularly to Latin America. See H. Cauvin, 'South Africa Looks West for Some Economic Muscle', *New York Times*, 31 December 2000, p. 12.

28 T. Bell, 'Trade Policy', in Michie and Padayachee, *The Political Economy of South Africa's Transition*, pp. 71–88.

29 C. Jenkins and N. Siwisa, 'Overview of Trade Policy in South Africa' (paper prepared for the Trade and Industrial Policy Secretariate [TIPS] 1997 Annual Forum at Muldersrift).

30 A. Hirsch, and S. Hanival, 'Industrial Restructuring in South Africa: The Perspective From Government' (paper presented at the TIPS 1998 Annual Forum, 20–22 September at Muldersrift).

31 E. Teljeur, 'Free Trade: Does South Africa Gain?', *Trade and Industry Monitor*, 6 (1998), pp. 1–6.

32 P. Belli, M. Finger, and A. Ballivan, *South Africa: a Review of Trade Policies*, Informal Discussion Papers on Aspects of the Economy of South Africa, Discussion Paper No. 4 (Washington, DC, World Bank, 1993).

33 N. Schoeman, J. Clausen, Z. Robinson and T. J. de Wet, 'Foreign Direct Investment Flows and Fiscal Discipline in South Africa', *South African Journal of Economic and Management Science*, 3, 2 (2000), pp. 235–44.

34 IMF, *South Africa – Selected Economic Issues*, IMF Staff Country Report No. 96/94 (Washington, D.C., IMF 1996), p. 84.

35 African National Congress, South African Communist Party and Congress of South African Trade Unions.

Africa to become part of the capital flow process'.³⁶ Given South Africa's historic dependence on primary exports, in order to diversify the country's export basket, the government has paid particular attention to attracting FDI in manufacturing.³⁷ However, the government's emphasis on foreign investment can be explained, not only by the changing nature of the global economy, but also by the political economy of transition in South Africa.

While Derrick Cogburn argues that the South African state is characterised by substantial autonomy in its policy making, he does not sufficiently specify in relation to which actors or along what dimensions.³⁸ Alternatively, Adrian Leftwich identifies South Africa as a 'class-compromise non-developmental democracy'.³⁹ Given that capitalist development often requires non-consensual measures to mobilise resources to promote capital accumulation, it is in tension with liberal democracy. In South Africa, the negotiated nature of the settlement meant the basic maintenance of the previous economic system, including respect for private property 'rights'. Thus, rather than enforcing redistribution and resource mobilisation internally, 'industrialisation by invitation' – drawing capital from overseas – became an attractive strategy for the South African state.⁴⁰

Given the low rate of private saving in South Africa, fiscal deficit reduction was seen as important by the government in order not to 'crowd out' private sector investment. It also enables corporate tax rates to be cut, thereby offsetting firms' workforce costs of the AIDS/HIV pandemic. In addition to the intense human suffering wrought by the pandemic, the economic costs are substantial, as it is estimated that 3–4 per cent of the workforce will die each year from AIDS after 2003/4, and that this will cost companies in a range between 3.5 and 6.3 per cent of their salary and wage bill in benefits, absenteeism, retraining and other costs.⁴¹

Neo-liberal reforms have also enabled the South African government to achieve investment grade on its bonds, and thereby reduce its borrowing costs and free up money for other expenditure.⁴² Deficit reduction means that the state is less exposed to volatility in financial markets, again giving it some more policy autonomy.

The government's extreme neo-liberalism in trade, fiscal and investment policy has not been reflected in other elements of policy, however. By going beyond orthodox macro-

36 anclist@lists.sn.apc.org, 13 December, 1999.

37 K. Hesse, 'Foreign Direct Investment in South Africa (1994–1999) – Confronting Globalisation', *Development Southern Africa*, 17, 3 (2000), pp. 389–400.

38 D. Cogburn, 'Globalisation and State Autonomy in the Information Age: Telecommunication Restructuring in South Africa', *Journal of International Affairs*, 51, 2 (1998), pp. 583–604.

39 A. Leftwich, *States of Development: on the Primacy of Politics in Development* (Oxford, Polity, 2000).

40 Whereas internal resource mobilisation and attracting foreign capital have in some cases coincided, as in South Korea during its industrialisation drive, under globalisation foreign investors prefer to invest only in countries with 'secure property rights'.

41 J. Simon *et al.*, 'Estimating the Impacts of AIDS on Businesses in South Africa' (paper presented to the Boston University African Studies Seminar, 10 April 2001). See also S. Benetar, 'South Africa's Transition in a Globalising World: HIV/AIDS as a Window and a Mirror', *International Affairs*, 77, 2 (2001), pp. 347–375.

42 R. Swarns, 'For South African Whites, Money Has No Color', *New York Times*, 20 April 2000, p. A4. 'Investment grade' implies that these are low risk investments and so the government has to pay lower interest rates than on bonds at greater risk of default ('junk bonds'). The government achieved deficit reduction, while still increasing the rate of public investment by retargetting expenditure away from commercial farming. See Harris and Michie, 'The Effects of Globalisation on Policy Formation' and Lodge, *South African Politics since 1994*. However, while the government has cut back military expenditure it is investing heavily in upgrading military hardware, by buying new submarines for example, which cannot be used in regional peace-keeping operations. See S. Willett, 'In the Wake of War: Military Transitions in Southern Africa' in D. Simon (ed), *South Africa in Southern Africa: Reconfiguring the Region* (Athens, Ohio and London, Ohio University Press and James Currey, 1998). This seemingly illogical expenditure may reflect ideas within the international community of states about what major and middle powers 'should do'. See A. Wendt, *Social Theory of International Politics* (Cambridge and New York, Cambridge University Press, 1999).

economic practice the government may have hoped to gain more 'running room' from foreign investors for its more interventionist labour market and 'supply side' industrial policies.⁴³

Given the country's history of brutal labour exploitation under apartheid, the government has opted for 'regulated flexibility' in the labour market – that is, minimum wages, combined with a recognition of a two-tier labour market of permanent protected and temporary less protected workers.⁴⁴ While unemployment has increased since 1994, so too have real wages for those in employment.⁴⁵ The government's supply-side industrial strategy is meant to raise productivity and thereby allow higher wages to be supported.⁴⁶ While there are now moves toward further 'liberalisation' and casualisation, to try to attract more FDI and perhaps reduce firms' AIDS related costs, this more cautious strategy towards the labour market was adopted not to alienate the government's traditional support base in the labour movement.⁴⁷

Thus, the South African government is attempting a compromise between globalisation and social democracy.⁴⁸ However, this is being undermined as the state is increasingly characterised by embedded or institutionalised dependence on global forces.⁴⁹ This dependence is manifest in 'negative autonomy' from domestic social forces. Negative autonomy is where the state appears autonomous from domestic social forces, but that autonomy is the obverse of dependence on global forces, and therefore reflective of their priorities. Thus, the state liberalises the economy to maintain the 'confidence' of international investors and uses the global market to discipline productive capital and labour, rather than being able to discipline them on its own to achieve developmental goals.⁵⁰ In this way, the state uses its power to constrain its power.⁵¹ As the state globalises, the

43 These aim to improve competitiveness through training and other interventions along the production chain. See A. Joffe, D. Kaplan, R. Kaplinsky and D. Lewis, *Improving Manufacturing Performance in South Africa: Report of the Industrial Strategy Project* (Cape Town and Ottawa, University of Cape Town Press and International Development Research Center, 1995) and have been financially supported by the World Bank. See World Bank, 'Staff Appraisal Report: South Africa: Industrial Competitiveness and Job Creation Project', Report No. 16225-SA (photocopied, 1997).

44 G. Standing, J. Sender and J. Weeks, *Restructuring the Labour Market: The South African Challenge*, An ILO Country Review (Geneva, International Labour Office, 1996). Unusually for a developing country, South Africa has pressed for the inclusion of labour rights in international agreements. See R. O'Brien, A. Goetz, J. Scholte and M. Williams, *Contesting Global Governance: Multilateral Economic Institutions and Global Social Movements* (Cambridge and New York, Cambridge University Press, 2000). In part, this may be an attempt to offset the impacts of South African wages being higher than in much of Asia and Latin America.

45 Manufacturing wages have risen 46 per cent in real terms since 1995 (calculated from SARB, *Economic and Financial Data* [available at www.reservebank.co.za] and 'Consumer Price Index' [available at www.statssa.gov.za]). However, the rate of growth of real wages for workers in the economy fell from 7.4 per cent in 1998 to 1.9 per cent in 2000 (SARB, *Quarterly Bulletin*, June 1999 and 2001).

46 N. Nattrass, 'High Productivity Now: a Critical Review of South Africa's Growth Strategy', *Transformation: Critical Perspectives on Southern Africa*, 45 (2000), pp. 1–24.

47 J. Hentz, 'The Two Faces of Privatisation: Political and Economic Logics in Transitional South Africa', *The Journal of Modern African Studies*, 38, 2 (2000), pp. 203–223.

48 T. Koebler, *The Global Economy and Democracy in South Africa* (New Jersey, Rutgers University Press, 1998); V. Padayachee, 'South Africa: New Directions in Economic Policy', *Economic and Political Weekly*, 15 April 2000, pp. 1357–1361.

49 For example, the way in which Reserve Bank 'independence' from political oversight and liberalisation of capital controls means that it is very responsive to international capital movements and investors when setting its interest rate policy.

50 Peter Evans has argued that developmental states are characterised by 'embedded autonomy', where there are dense networks of interaction between the state and domestic industrial capital, with the state in the dominant position. See P. B. Evans, *Embedded Autonomy: States and Industrial Transformation* (Princeton, New Jersey, Princeton University Press, 1995).

51 The state also tries to encourage social development and offset the impacts of the global market by other elements of its policy regime, such as increased social service provision. See P. Bond and M. Khosa (eds), *An RDP Policy Audit* (Pretoria, HSRC, 1999) for an assessment of how well RDP targets have been met.

success of the government's development strategy increasingly depends on private sector actions and investment.⁵²

The Globalisation and Regionalisation of South African Conglomerates

The large-scale capital requirements for deep-level mining gave rise to conglomerates in South Africa.⁵³ In the wake of the Sharpeville massacre of 1960 and subsequent capital flight, overseas investment opportunities were restricted for South African conglomerates by domestic exchange controls, and later by international sanctions.⁵⁴ Consequently, South African conglomerates diversified further from mining into manufacturing and financial and other services. The biggest of these conglomerates, Anglo-American Corporation, is the world's largest natural resource company, with an annual turnover of over \$20 billion. In the mid-1990s, it had 100 subsidiaries in South Africa, and manufacturing accounts for about 30 per cent of its revenues.⁵⁵

With the decline of the gold price, and the onset of economic recession in the 1980s, conglomerates found that geographical restrictions on their field of accumulation depressed their profits. Some of the conglomerates, such as Anglo-American, had been able partially to circumvent the spatial constraints of apartheid by illegal capital flight and by setting up offshore companies to undertake investment overseas.⁵⁶ However, given stark levels of income inequality in South Africa, these businesses had outgrown the domestic market. Whereas, by the 1990s, US corporations earned 30 per cent of their profits overseas, the equivalent figure for South Africa companies was only 7 per cent.⁵⁷ Consequently, large-scale Anglophone and Afrikaner capital pressed for a negotiated settlement with the ANC, so that they could globalise their activities.⁵⁸ The other way to alleviate the problem of over-accumulation would have been a development strategy that focused on widening and deepening domestic markets, but as this would have required substantial asset redistribution to be effective, the conglomerates preferred globalisation, with little questioning of private property.

Some of the conglomerates, such as Anglo-American, with operations in all six continents, were already global companies. However, with the liberalisation of the economy and the end of sanctions, these conglomerates lost little time in further globalising their operations. At first this primarily took the form of regionalisation.

From 1991 to 1995 South African firms increased their total investment in Sub-Saharan Africa fivefold to account for 25 per cent of the total.⁵⁹ From 1994–1998, Africa received

52 Although the role of embedded institutions is also critically important. See A. Amin, and N. Thrift (eds), *Globalisation, Institutions and Regional Development in Western Europe* (Oxford and New York, Oxford University Press, 1994); J. Rogers Hollingsworth and R. Boyer (eds), *Contemporary Capitalism: The Embeddedness of Institutions* (Cambridge and New York, Cambridge University Press, 1997); M. Storper, *The Regional World: Territorial Development in a Global Economy* (London and New York, Guildford, 1997).

53 B. Levy, *South Africa: The Business Environment for Industrial and Small and Medium Enterprises*, Informal Discussion Papers on Aspects of the Economy of South Africa (Washington, DC, World Bank, 1996).

54 Pillay, 'South Africa's Monetary and Foreign Exchange Rate Policy'.

55 'Not a Golden Titan, More a Pig in a Poke', *The Economist*, 7 October 1995, p. 67: Wrights Investor Service (available at www.wisi.com).

56 J. Summa, 'Anglo-American Corporation: A Pillar of Apartheid,' *Multinational Monitor*, 9, no. 9 (1988) (available at www.essential.org/monitor/hyper/issues/1988/09/mm0988_08.html); Fine and Rustomjee, *The Political Economy of South Africa*.

57 J. Nitzan, J. and S. Bichler, 'Going Global: Differential Accumulation and the Great U–turn in South Africa and Israel', *Review of Radical Political Economics*, 33 (2001), pp. 21–55.

58 D. O'Meara, *Forty Lost Years: the Apartheid State and the Politics of the National Party, 1948–1994* (Randburg, South Africa and Athens, Ohio, Ravan and Ohio University Press, 1996).

59 International Monetary Fund, *International Financial Statistics* (Washington, DC, IMF, 1995) and L. Loxton, 'Africa Takes its Place on the Mining Map', *Mail and Guardian*, 9 February 1996, cited in W. Reno, *Warlord Politics and African States* (Boulder, Lynne Rienner, 1998).

42 per cent of the outward investments by South African companies, while the European Union received 18 per cent.⁶⁰ Whereas many mines in South Africa are close to being worked out, this is not the case for new acquisitions in the rest of Africa. As one South African businessman explained in reference to Southern Africa: 'South African firms want to conquer it before anyone else does and before they themselves move into more competitive markets'.⁶¹ Thus, South African companies used their locational advantages in Africa to achieve economies of scale, and boost profits: using the region as a springboard to globalise.⁶²

Conglomerate regionalisation strategies have also dovetailed with other aspects of globalisation, particularly SAPs. Currency devaluations, as part of SAPs, serve to reduce labour costs for the conglomerates in Africa, and privatisation opens up new investment opportunities. For example, as one of the conditions of its structural adjustment programme, Zambia was forced to sell its state-owned copper mines to Anglo-American for only \$90 million, half the original negotiated price.⁶³ In Southern Africa, many such assets were previously owned by South African conglomerates before they were nationalised.⁶⁴ In this way, former divisions of power are being reinscribed.

The globalisation strategies of South African conglomerates have gone further than those of other transnationals worldwide. Despite an 'improvement of the business climate' in South Africa, with liberalisation many of the main business groups, such as Anglo-American, Old Mutual, SA Breweries, Billiton, and Dimension Data, have shifted their primary stock market listings and headquarters to London in recent years. They did this to access cheaper capital and to facilitate their foreign expansion.⁶⁵ Offshore listing was meant to improve their global competitiveness and facilitate increased investment in the South Africa economy. By 1998, the five largest conglomerates controlled 'only' 55 per cent of the shares on the JSE.⁶⁶

By moving their headquarters to London, and financially delinking from South Africa, these companies are able to unlock 'shareholder value'.⁶⁷ While the stock market capitalisation of many companies in advanced capitalist countries, such as the US, are above their net asset values on the basis of projected future profits, Anglo's market capitalisation was 22 per cent below its net asset value in 1995.⁶⁸ By moving to London, these companies' assets became denominated in more secure hard currency, which increased asset values and consequently share prices. Additionally, those conglomerates that became part of the Financial Times Stock Exchange (FTSE) 100 index, received an additional boost to their

60 Hesse, 'Foreign Direct Investment in South Africa'. In part this is because of higher profit margins in Africa in core operations. For example, whereas South African Breweries was involved in many industries under apartheid, including clothing production, its brewing business in South Africa has very high yields or profit margins of around 25 per cent. See J. Lamont, 'SAB hopes European Alliance will Boost African Fortunes', *Financial Times*, 20 July 2001, p. 7. Whereas TNCs typically require higher yields to invest in Africa, to offset political and economic risks, the managing director of SAB feels that the company has the operating skills to overcome poor infrastructure and political instability in the continent.

61 Quoted in 'Investing in Africa: a New Scramble', *The Economist*, 12 August, 1995, p. 17 in Reno, *Warlord Politics*, p. 56.

62 D. Simon, 'Trading Spaces: Imagining and Positioning the "New" South Africa within the Regional and Global Economy', *International Affairs*, 77, 2 (2001), pp. 377-405.

63 'Zambia and the IMF will Discuss New Economic Strategy', *African Eye News Service*, 23 September 1999 (available at web7.infotrac.galegroup.com).

64 Simon, 'Trading Spaces'.

65 T. Van Rensburg, 'A Critical Assessment of Primary Listings of South African Companies on Offshore Stock Exchanges' (paper presented to the TIPS 1999 Annual Forum at Glenburn Lodge, Muldersdrift, 19-22 September, 1999).

66 Hesse, 'Foreign Direct Investment in South Africa'.

67 'London - Home of the Giants', *Mining Magazine*, November, 1998 (available at web7.infotrac.galegroup.com).

68 'Not a Golden Titan, More a Pig in a Poke'.

share prices as tracker funds, which mirror movements in such indices, are required to invest in such companies.⁶⁹ While Anglo's stock price had been erratic, based on price movements in commodity markets, by early 2001 the value of its shares was 37 per cent above its asset value.⁷⁰

There are also complementarities between different elements of conglomerate globalisation. In addition to demutualising and listing in London, an increasing proportion of Old Mutual's (one of the largest financial services companies) operations are now overseas, and consequently its share price has become at least partially delinked from the South African market.⁷¹ The core element of Old Mutual's business is life assurance, and as the prevalence⁷² of HIV/AIDS rises in South Africa, it is under pressure from international financial capital to diversify geographically, by buying banks in the US for example.⁷³ The direct workforce costs associated with the HIV/AIDS pandemic also undoubtedly encourage corporate delinking,⁷⁴ as does the fact that it is one of the few countries in the world where union density is increasing and wages are rising.⁷⁵

The Political Economy of Conglomerate Restructuring

GEAR assumed that FDI would act as a developmental *deus ex machina*, and register a ninefold increase to enable its employment targets to be met.⁷⁶ But South African companies invested \$1.6 billion more abroad than came into the country between 1994 and 1999,⁷⁷ thereby deepening dependence on portfolio capital. Thus, the policy would appear to be self-defeating. However, the strategy of conglomerate globalisation also serves political purposes. It was facilitated by elite pacting, with Anglo-American taking prominent opponents of apartheid such as Mamphela Ramphele and Cyril Ramaphosa on to its board. Also, after coming to power, in order to redress the legacy of racial exclusion, and to consolidate its own power base, the ANC sought the development of a new indigenous entrepreneurial class through 'black economic empowerment'. In order to achieve this quickly, there was a redistribution of assets from white to emergent black capital through 'unbundling' – that is, white dominated conglomerates selling off 'non-core' areas of their business to black economic empowerment companies, and also to foreign transnationals. They were keen to unbundle because of falling rates of profit and the desire to pre-empt domestic competition actions;⁷⁸ gaining political capital in the process. From 1995 to 1998, the proportion of shares on the JSE owned by black economic empowerment companies, and purchased using debt, rose, by some estimates, from 0.5 per cent to almost

69 'Old Mutual Hopes to Shine on the World Stage', *Mail and Guardian*, 29 January 1999 (available at web7.infotrac.galegroup.com).

70 411 Stocks (available at 411stocks.stockselector.com).

71 'Old Mutual Loses Made in South Africa Tag', *Africa News Service*, 31 January 2001 (available at web7.infotrac.galegroup.com).

72 Prevalence refers to the proportion of the population infected. Incidence is the new infection rate in a given year.

73 In HSBC Bank's analysis sterling investors should apply a 20 per cent risk premium to Old Mutual shares in part because of 'an increased exposure to the Aids risk as sales of protection products increases' (quoted in 'Old Mutual – the New Kid on the Block', *Zimbabwe Standard*, 11 July, 1999 [available at web7.infotrac.galegroup.com]).

74 Whereas the migratory labour system served the needs of mining capital in the past, it has now facilitated the spread of HIV (D. Webb, 'The Sexual and Economic Politics of (Re)Integration: HIV/AIDS and the Question of Stability in Southern Africa', in Simon, *South Africa in Southern Africa*).

75 R. Naidoo, 'The Impact of Socio-economic Restructuring on the Working Class and the Challenges Facing Them', paper presented at the Harold Wolpe Forum, 17 August 2000 (available at www.uct.za/misc/wolpe/naidoo.htm).

76 Harris and Michie, 'The Effects of Globalisation on Policy Formation in South Africa'.

77 'Jobless and Joyless', *The Economist: A Survey of South Africa*, 24 February 2001, p. 11.

78 Nitzan and Bichler, 'Going Global'.

20 per cent.⁷⁹ Conglomerates were allowed to use the proceeds from ‘unbundling’ to invest overseas.

At one level, there are similarities between this process and the creation of a large-scale Afrikaner business class, which took place after the Nationalist government came to power in the 1940s.⁸⁰ However, the direct beneficiaries of unbundling were very few, numbering roughly 200 individuals.⁸¹ Also, in a globalising political economy, one of the effects of unbundling was to transfer some of the risks associated with South Africa’s semi-peripheral location (as expressed through its currency)⁸² from a white conglomerate to emergent black capital, and to labour.

In its first year as a London listed company (1999–2000) Anglo-American posted a 24 per cent increase in its profits.⁸³ This was largely as a result of the appreciation of the dollar, the currency in which commodities are traded, versus the Rand, the currency in which the bulk of its operating costs are paid. On the other hand, ‘black economic empowerment’ companies had had to borrow heavily to pay for their unbundled assets.⁸⁴ In the wake of the East Asian crisis, and given that the economy had already been substantially liberalised to attract international investment, the Reserve Bank pushed interest rates to 25 per cent to try to keep portfolio capital in the country. This effectively transferred income from productive capital, consumers and government to financial investors. Given that ‘black chip’ companies were so highly leveraged, most of them experienced severe financial difficulty. Meanwhile, many of the conglomerates had substantial cash reserves, and had transferred the proceeds from unbundling overseas. In some cases they bought back assets that they had previously sold, at heavily discounted prices. Anglo-American had sold Johannesburg Consolidated Investments (JCI) at R54 per share, but after the dramatic fall in the gold price, Anglo bought back JCI’s ‘best assets’: two gold mines. Consequently, the ‘only smile belong(ed) to Anglo, which ... made a handsome profit [R140m] on a sale it had originally declared would be a magnanimous gesture towards wealth sharing’.⁸⁵ By early 1998 JCI shares were trading at R21 each.⁸⁶

Afrikaner businessmen with pre-existing capital were less exposed to the consequences of rising interest rates. Consequently, their ownership share of the JSE rose from 24 to 36 per cent from 1996–1999 as large-scale Anglophone capital divested.⁸⁷ Thus, paradoxically, one of the objectives of apartheid – raising Afrikaners to a position of economic parity with English-speaking whites – is being furthered by its demise.⁸⁸

Changes in share ownership coincide with other forms of socio-spatial restructuring.

79 ‘Empowerment Deal Slowdown’, *Sunday Times Business Times*, 18 October 1998, cited in Lodge, *South African Politics since 1994*.

80 See B. Magubane, *The Political Economy of Race and Class in South Africa* (New York, Monthly Review, 1979) and D. O’Meara, *Volkskapitalisme: Class, Capital and Ideology in the Development of Afrikaner Nationalism* (Cambridge, Cambridge University Press, 1983).

81 Lodge, *South African Politics since 1994*.

82 Ultimately a currency is a claim on production of goods and services produced within a national territory, and exchange rates reflect that over the long term.

83 ‘Diamond Sales Earns Anglo \$1.55 Billion Profit’, *Times of Zambia*, 28 March 2000 (available at web7.infotrac.galegroup.com).

84 Kunnie, *Is Apartheid Really Dead?*

85 ‘Cautionary Tale of Black Business: South Africa’, *The Economist*, 10 January 1998, p. 38; G. Arnold, *The New South Africa* (New York, St. Martin’s Press, 2000).

86 The share of the JSE owned by black economic empowerment companies fell, by some estimates, from 6 per cent in 1998 to 1.5 per cent in 2000 (‘Inequality Changes Colour’, *The Economist: A Survey of South Africa*, 24 February 2001, p. 10). Politically, Anglo could not let JCI fail, and so arranged a share swap with Lonrho shares to keep it afloat (‘Deft Juggling Gets Anglo Off the Hook’, *Weekly Mail and Guardian*, 28 November 1997 [available at www.sn.apc.org/wmail/issues]).

87 Swarns, ‘For South African Whites, Money Has No Color’.

88 Fine and Davis cautioned a decade ago against such an outcome. See R. Fine with D. Davis, *Beyond Apartheid: Labour and Liberation in South Africa* (London, Pluto Press, 1990), pp. 294–295.

Nicky Oppenheimer argued that with its move to London, Anglo-American has now taken its 'rightful place' among the world's top corporations. On the other hand, others see it as a form of recolonisation as London is re-established as the dominant command and control centre for the South African economy.⁸⁹ Thus, aspects of both South Africa's colonial and apartheid history are being reinscribed or reinforced by current restructuring.⁹⁰

While South African companies pressed to be able to globalise their activities, they are now also being shaped by globalisation, through direct competition with other TNCs, and through competition for financial capital. In 1995, the chairman of Anglo-American argued that a core operation was one that 'earns a better rate of return than something else you could do'.⁹¹ However, by 1998 the group stated that its core strategy would be 'to develop as a global operating mining and natural resource company, with related industrial activities'.⁹² This change in orientation is because international financial capital wants the conglomerates to become more tightly focused 'investment vehicles' – to focus on their core operations, diversify geographically, and to abolish the pyramid structure of cross-holdings between companies. In Anglo-American's case, this attempt 'to create a structure that meets the needs and wishes of today's investors', led to the conglomerate being split up into separate business units with different managements.⁹³ The new chairman of Anglo-American has also promised to dispose of roughly \$4 billion of industrial and financial assets over the course of a year, and has already pulled the company out of sugar production in Zimbabwe, for example.⁹⁴ There have also been dramatic reductions in cross-holdings, between De Beers and Anglo-American for example, with De Beers becoming a private company in 2001.⁹⁵

In addition to unbundling, there has also been a process of what has been called 'rebundling', as conglomerates merge and acquire new assets in core sectors to try to meet global competition, with Billiton merging with the Australian mining house BHP for example.⁹⁶ 'South African' conglomerates are also further inter-twining with international capital to overcome their relative technological backwardness. Sanlam has outsourced all of its information technology infrastructure to Daimler-Chrysler, for example,⁹⁷ and Old Mutual, in partnership with Nokia, IBM and Dimension Data, became the first unit trust company in the world to offer online trading via cell phones, in 2000.⁹⁸ Thus, as globalisation from the 'outside in' and 'inside out' intertwine with one another, South African conglomerates and state élites are being absorbed into a broader transnational capitalist class project where global financial capital, given its greater fungibility and mobility, and hence structural power, sets the agenda.⁹⁹

89 R. W. Johnson, 'Colonialism Returns to South Africa', *New Statesman*, 13 November 1998, p. 21.

90 A. Lester, E. Nel and T. Binns, 'South Africa's Current Transition in Temporal and Spatial Context', *Antipode*, 32, 2 (2000), pp. 135–151.

91 Quoted in 'Not a Golden Titan, More a Pig in a Poke'. At this point the company's strategic focus was more internal.

92 Quoted in 'London – Home of the Giants'.

93 Thompson quoted in 'Deft Juggling Gets Anglo off the Hook'.

94 'The Inside Outsider', *The Economist*, 22 July 2000, p. 65; 'Anglo American Corp Pulls Out of Sugar in Zimbabwe', *PanAfrican News Agency*, 14 July 2000 (available at web7.infotrac.galegroup.com).

95 A. Cowell and R. Swarns, '\$17.6 Billion Deal to Make De Beers Private Company', *New York Times*, 16 February 2001, p. W1.

96 G. Field, 'South Africa's Next Revolution', *Worldlink*, January/February 1998 (available at <http://backissues.worldlink.co.uk>); *The Economist*, 24 March 2001.

97 'Sanlam Outsources IT infrastructure' (available at www.sanlam.co.za).

98 ITWeb, 'Old Mutual Unit Trusts Go Wireless in World First' (available at web7.infotrac.galegroup.com).

99 J. Glassman, 'State Power Beyond the "Territorial Trap": the Internationalisation of the State', *Political Geography*, 18 (1999), pp. 669–696; L. Sklair, *The Transnational Capitalist Class* (London, Blackwell, 2001).

Globalisation and Economic Restructuring in South Africa¹⁰⁰

Fine and Rustomjee have argued that South Africa's political economy has been dominated by a 'minerals-energy complex' (MEC), which has blocked economic integration between sectors and the diversification of the economy beyond a focus on mining, mineral processing and the production of energy. Others have disputed this, arguing that economic integration and diversification progressed substantially beyond the MEC.¹⁰¹ Irrespective of which of these positions was correct, some clear trends on the nature of restructuring are emerging now that policy increasingly responds to global capital,¹⁰² including South African conglomerates, rather than a domestic MEC or manufacturing.¹⁰³

While the government's emphasis on FDI can be read as a desire to recreate aspects of the 'economic boom' years of apartheid, it misreads the current conjuncture. In the 1960s, transnational corporations engaged in 'tariff jumping' investment in South Africa to service the market provided by affluent 'whites'. High rates of profit could be achieved based on the low wages of 'black' workers.¹⁰⁴ However, with trade liberalisation, underdevelopment of skills in the workforce, higher wage costs than in most of Asia and Latin America, and the relative insignificance of the South African market, there is little incentive to locate new investments there, as it can be served from other, more cost effective locations.¹⁰⁵ Foreign investment has also been discouraged in the past by the domestic ownership structure, as conglomerates have monopolised markets.

While there have been some successes in attracting new, or expanded, FDI in export-oriented industries – for example all three series BMWs and C class Mercedes are now assembled in South Africa¹⁰⁶ – overall levels of new foreign investment have been low. Much FDI has also taken the form of acquisitions that do not create substantial numbers of new jobs.¹⁰⁷ Furthermore, despite attempts to attract FDI through infrastructural investment in Spatial Development Initiatives (SDIs),¹⁰⁸ inflows started to fall in 1998 as many state enterprises, such as the fixed line telecommunications monopoly, Telkom, were already partially privatised.¹⁰⁹

There have also been other costs in the attraction of FDI. In the car industry, a study by Nicolau¹¹⁰ found that vehicle assembly has benefited from trade liberalisation, whereas domestic component manufacturers have been subject to competitive displacement. Final

100 Given that agriculture accounts for such a small proportion of the South African economy; around 4 per cent in the 1990s, it is not discussed here. See C. Mather and A. Adelzadeh, *Macroeconomic Strategies, Agriculture and Rural Poverty in South Africa*, NIEP Occasional Paper Series No. 10 (Johannesburg, NIEP, 1997) for a discussion.

101 T. Bell and G. Farrell, 'The Minerals-Energy Complex and South African Industrialisation', *Development Southern Africa*, 14, 4 (1997), pp. 591–613.

102 This does not imply that this capital is everywhere, but that its field of action is global. See B. Jessop, 'The Crisis of the National Spatio-Temporal Fix and the Tendential Ecological Dominance of Globalising Capital', *International Journal of Urban and Regional Research*, 24, 2 (2000), pp. 323–360.

103 Fine has argued that the structure and dynamic of the MEC are currently evolving as it is now 'heavily dependent on the globalising strategies of South African conglomerates'. See B. Fine, 'Transition and the Political Economy of South Africa', forthcoming *African Rural and Urban Studies* (2001), p. 7.

104 A. Seidman and N. Seidman, *South Africa and U.S. Multinational Corporations* (Dar es Salaam, Tanzania Publishing House, 1977).

105 K. Mbekeni, *Foreign Direct Investment and Economic Growth*, NIEP Occasional Paper Series No. 11 (Johannesburg, NIEP, 1997); Bond, *Elite Transition*.

106 'Jobless and Joyless'.

107 Fine, *Industrial Policy and South Africa*. For example, Ford buying Samcor back from Anglo-American ('Ford Doubles its Stake', *Business Day*, 26 January 2000 [available at web7.infotrac.galegroup.com]).

108 See S. Gelb and C. Manning (eds), 'Spatial Development Initiatives: Unlocking Economic Potential', Special Issue of *Development Southern Africa*, 15, 5 (1998).

109 International Labour Office, *South Africa, Studies on the Social Dimensions of Globalisation* (Geneva, ILO, 1999).

110 K. Nicolau, *An Evaluation of the MIDP [Motor Industry Development Program] Report No. 3625* (Johannesburg, NIEP, 1998).

assembly for export gained from lower tariffs on inputs and the depreciation of the Rand, which have made exports more competitive.¹¹¹ However, Nicolau argues that ‘this is a dangerous predicament to be in and will eventually lead to the total eradication of the [domestic] South African motor vehicle industry’.¹¹² In other cases, previous ‘tariff jumping’ investments, such as a Philips television manufacturing plant, have closed as a result of trade liberalisation. Production of televisions fell 19 per cent from 1995 to 1998.¹¹³ Local firms also find it difficult to meet competition from foreign investors with tax holidays. For example, in Natal a new Chinese investment in refrigerator manufacturing had a tax holiday, whereas the local company, Defy, did not and was consequently downsizing in 1999.¹¹⁴

South Africa spends 0.7 per cent of its GDP on research and development, a higher proportion than many developed countries, and there is evidence of innovation amongst South African firms.¹¹⁵ Surveys have found some South African companies to be operating at the frontiers of ‘international best practice’,¹¹⁶ and the country has some strengths in non-commodity based manufactured exports. For example, because of very low energy costs and the competitive production of energy-intensive aluminium that allows, the ‘aluminium cluster’ of alloy wheels, catalytic converters and tank-tainers are growing strongly.¹¹⁷ South Africa is also the world’s largest exporter of leather car seats, related to BMW’s investment. However, several studies have shown the deindustrialising impacts of globalisation on different sub-sectors of industry.¹¹⁸ A number of industries, such as bicycle and ship production, have been completely eliminated by foreign competition.¹¹⁹

Some areas of manufacturing, particularly mineral processing, continue to attract substantial conglomerate investment.¹²⁰ For example, conglomerates, catalysed by state capital in the form of the Industrial Development Corporation, are willing to invest in new ‘mega-projects’, such as steel and aluminium processing.¹²¹ Consequently, the South

111 Z. R. Coetzee, K. Gwaradam, W. Naudé and J. Swanepoel, ‘Currency Depreciation, Trade Liberalisation and Economic Development’, *South African Journal of Economics*, 65, 2 (1997), pp. 165–191.

112 *Ibid.*, p. 52.

113 Calculated from Statistics South Africa, *Statistical Release P3051.4: Manufacturing Statistics*, April 1997 and March 1999 (SSA, Pretoria).

114 Interview, National Union of Metalworkers of South Africa negotiator, Johannesburg, 20 June 1999. In response to concerns over the impacts on domestic business, the differential tax regime for new investors was abolished as of 1998. See L. Boyd, M. Spicer and G. Keeton, ‘Economic Scenarios for South Africa: a Business Perspective’, *Daedalus* (Winter 2001), pp. 71–98.

115 Foundation for Research and Development, *SA Science and Technology Indicators* (Pretoria, FRD, 1996): Foundation for Research and Development and Industrial Strategy Project, *Innovation Patterns in South African Manufacturing Firms*, report on the survey of innovative activity in South African manufacturing firms (Pretoria and Cape Town, FRD and ISP, 1997).

116 R. Schoenberger, *World Class Manufacturing: the Next Decade* (New York, Free Press, 1996).

117 Tank-tainers are aluminium road tankers with a ‘return load capability’ (i.e. fuel out and general freight in). See A. Moore, ‘Aluminium Industry Comes of Age’, *South Africa: the Journal of Trade, Industry and Investment* (1st quarter, 1999), p. 33. Interview with DTI official, Pretoria, 30 June 1999, and DTI official in conversation, Midrand, 15 July 1999.

118 R. Kaplinsky and J. Barnes, ‘Globalisation and the Death of the Local Firm? The Automobile Components Sector in South Africa’, *Regional Studies*, 34, 9 (2000), pp. 797–812; R. Kaplinsky and M. Morris, ‘Trade Policy Reform and the Competitive Response in Kwazulu Natal Province, South Africa’, *World Development*, 27, 4 (1999), pp. 777–837; David Kaplan and Raphael Kaplinsky, ‘Trade and Industrial Policy on an Uneven Playing Field: the Case of the Deciduous Fruit Canning Industry in South Africa’, *World Development*, 27, 10 (1999), pp. 1781–1801.

119 Interview with Industrial Development Corporation manager, Sandton, 15 July 1999 and IDC and DTI, *Sectoral Prospects*.

120 J. Thompson, Chairman of Anglo-American Corporation, ‘South Africa: a reasoned case for optimism’, speech to the Instituto de Empresa, Madrid, 16 November 2000 (available at www.barney.co.za/news/nov00/optimism17.htm).

121 Fine and Rustomjee, *The Political Economy of South Africa*: A. Fitschen, ‘The Impact of the Saldanha Steel Project on the West Coast Economy’, in Gelb and Manning, ‘Spatial Development Initiatives’, pp. 771–786;

African case is not one of straight deindustrialisation, as in much of the rest of Africa, as industrial output continues to expand slowly in most years.¹²² However, 'reintegration into the world market is ... reinforc(ing) dependence on resource intensive industries',¹²³ with negative implications for sustainability.

Under GEAR, manufactured export volumes have been erratic, rising and falling depending on the value of the currency and global economic conditions,¹²⁴ but 'most of the sub-sectors in which net exports have been improving have experienced decreasing production'.¹²⁵ The capital goods and engineering industries, which have historically been critically important in the structural diversification of industrialising economies, have been very hard hit by trade liberalisation. In the metal and engineering industry, employment declined by 9.2 per cent from 1994 to 1999.¹²⁶ Thus, rather than the touted labour-absorptive growth pattern emerging, there is evidence of increased capital-intensity in investment, although this represents a deepening of a pre-existing trend.¹²⁷

A recent IMF study found substantial increases in total factor productivity as the capital intensity of investment has increased, and employment has contracted.¹²⁸ Thus, although the relationship is denied by the IMF, the current pattern of growth could be described as 'job destroying'. Given the orthodoxy of macro-economic management, a World Bank funded report attributes massive job losses in South Africa to 'the hassle factor' associated with 'excessive' labour market regulation and crime, rather than situating them as the results of globalisation and conglomerate restructuring.¹²⁹ The substitution of capital for labour is also undoubtedly related to the impacts of HIV/AIDS.¹³⁰

In contrast to the 1980s, South Africa continues to achieve positive economic growth, averaging 1.5 per cent p.a. from 1996 to 2000.¹³¹ This enables the government to reduce corporate tax rates, while maintaining its tax take from them, with Exchequer receipts rising from R146 billion in 1996/7 to R160 billion in 2000/1 in real terms.¹³² However, GEAR is implicated in a substantial slowing of economic growth and massive job losses, as very

Footnote 121 continued

- Industrial Development Corporation, *The Richards Bay Spatial Development Initiative: Industrial Appraisal* (Sandton, IDC, 1998). Two of these projects, by themselves, were projected to absorb over half of total manufacturing investment between 1993 and 1995. See L. Moritz, *Trade and Industrial Policies in the New South Africa*, research report 97 (Uppsala, Nordiska Afrikainstitutet, 1994) cited in B. Fine, 'Industrial and Energy Policy: a Partial Review', in I. Elbadawi and T. Hartzenberg (eds) *Development Issues in Southern Africa* (New York, St. Martin's Press, 2000), pp. 110–142.
- 122 H. Stein, 'Deindustrialisation, Adjustment, the World Bank and the IMF in Africa', *World Development*, 20, 1 (1992), pp. 83–95. Manufacturing output declined in 1999, however. See Statistics South Africa, *Statistical Release P0441: Gross Domestic Product* (February 2001) [available at www.statssa.gov.za].
- 123 H. Nordas, 'South African Manufacturing Industries – Catching Up or Falling Behind?', *Journal of Development Studies*, 32, 5 (1996), p. 715.
- 124 South African Reserve Bank, *Quarterly Bulletin* (Pretoria, SARB, 1998), cited in A. Habib and V. Padayachee, 'Economic Policy and Power Relations in South Africa's Transition to Democracy', *World Development*, 28, 2 (2000), pp. 245–263 and SARB, *Quarterly Bulletin*, (March, 2001).
- 125 S. Roberts, *A Preliminary Analysis of the Impact of Trade Liberalisation on Manufacturing or 'Will Trade Liberalisation Generate Export-led Growth in South Africa?'*, TIPS Working Paper No. 8 (February 1998), p. 46.
- 126 National Union of Metalworkers of South Africa, unpublished data, 1999.
- 127 National Productivity Institute, *Productivity Statistics* (Pretoria, NPI, 1998); R. Kaplinsky, 'Capital Intensity in South African Manufacturing and Unemployment, 1972–90', *World Development*, 23, 2 (1995), pp. 179–192.
- 128 G. Jonsson and A. Subramanian, *Dynamic Gains from Trade: Evidence from South Africa*, IMF Working Paper (Washington D.C., IMF, 2000), cited in A. Subramanian with Enrique Gelbard et al., *Trade and Trade Policies in Eastern and Southern Africa*, IMF Occasional Paper 196 (Washington DC, IMF, 2000).
- 129 Greater Johannesburg Metropolitan Council – World Bank Partnership, *Constraints to Growth and Employment in South Africa* (2000) (available at www.tips.org.za/lfs99).
- 130 Simon et al., 'Estimating the Impacts'.
- 131 Calculated from SARB, *Quarterly Bulletin*, various.
- 132 Calculated in constant 1997 Rand from SARB, *Quarterly Bulletin*, September 1997 and June 2001 (available at www.resbank.co.za) and Statistics South Africa, 'Consumer Prices Index' (available at www.statssa.gov.za).

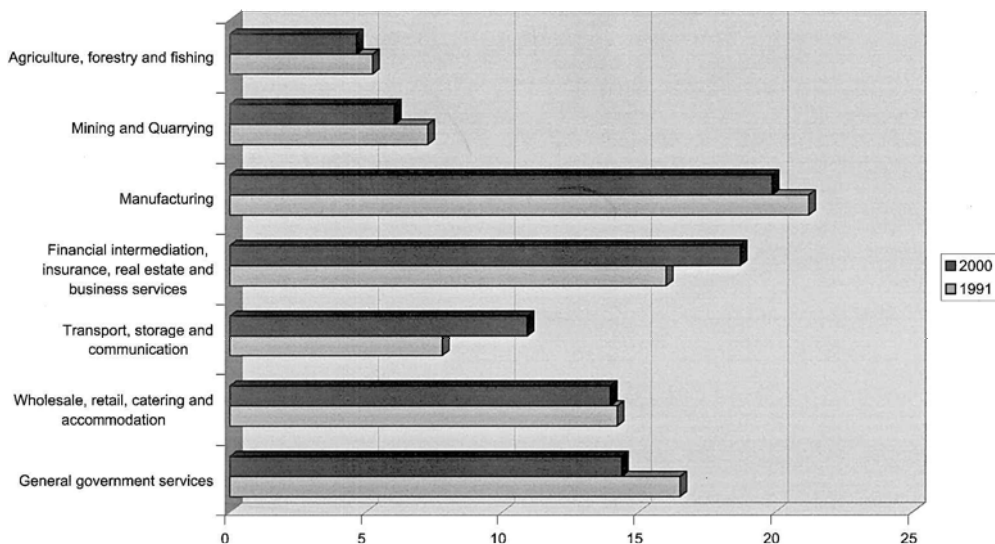


Figure 1. Percentage contribution to GDP. Calculated from SARB, *Quarterly Bulletin*, June 1999 and SSA, *Statistical Release PO441*, February 2001 in constant 1995 Rand.

tight monetary and fiscal policies, combined with trade liberalisation have been deflationary.¹³³ High real interest rates and job losses increase government expenditure and decrease the tax take from workers, making the state more responsive to capital.

The South African government has identified high technology as a strategic sector of the economy as it attempts to move towards an 'information society'.¹³⁴ South Africa has an advanced telecommunication infrastructure, and there have been examples of successful 'high-tech' start-up companies, such as Dimension Data and Thawte, which was sold in 1999 for \$575 million.¹³⁵ A major new private sector company has also emerged in the form of Telkom, the former state-owned monopoly, which has been partly sold to US and Malaysian investors, and is due to have a stock market floatation shortly.¹³⁶ In its policy programmes and focus on high technology, the South African state may be trying to emulate the economic success of high-tech export platforms, such as the Republic of Ireland.¹³⁷ However, this would appear to be dependent on the attraction of massive foreign investment, which has not materialised and is unlikely to materialise.

Mirroring trends in the rest of Africa, the financial sector has grown disproportionately under economic liberalisation, as new investment opportunities are opened up, in currency

133 J. Weeks, 'Stuck in low GEAR? Macroeconomic Policy in South Africa, 1996–1998', *Cambridge Journal of Economics*, 23 (1999), pp. 795–811.

134 T. Van der Walt, and W. Blankley, 'South African Strategies for the Promotion of Research and Technology Innovation: Towards Effective Collaboration and New Business Development', *Industry and Higher Education* (February 1999), pp. 15–24; van Audenhove, 'South Africa's Information Society Policy'.

135 S. W. Wangwe and F. Musonda, 'The Impact of Globalisation on Africa', in A. S. Bhalla (ed), *Globalisation, Growth and Marginalisation* (New York, St. Martin's Press, 1998), pp. 149–167; 'Over the Rainbow', *The Economist*; A Survey of South Africa, 24 February, 2001, pp. 14–15. DiData was started in the 1980s in response to demand from the South African security state apparatus. These companies have undoubtedly been affected by the recent global recession in information technology industries. The attempt to create an information society included reducing tariffs on telecommunication equipment (a key hard industry) to zero, far below the 20 per cent required by the WTO. See Marais, *Limits to Change*.

136 Telkom, 'Company Background' (available at www.telkom.co.za). Thirty per cent of the shares will initially be sold to black South Africans. See 'Minefield', *The Economist*, 17 (March 2001), pp. 61–62.

137 President Mbeki has written of the Republic of Ireland's 'outstanding economic success', but South Africa's location under globalisation is very different. See T. Mbeki, 'Clamour over Zimbabwe reveals continuing racial prejudice in SA', *ANC Today*, 23–29 (March 2001) [available at www.anc.org.az/ancdocs/anctoday/].

speculation for example, to the detriment of production¹³⁸ (Figure 1). Consequently, there are few examples of new hard industries that would create substantial numbers of jobs, and rebalance the income distribution structure.¹³⁹ The (post)apartheid economy is experiencing deepening sectoral disarticulation, or structural dualism, as the conglomerates continue to invest in some major mineral processing projects, but divest from other sub-sectors, and the information economy is confined to the élite.

There are two sets of institutional types that can foster endogenous capitalist industrialisation: diversified business groups, which have synergies across divisions, and regional industrial complexes based on high levels of trust and cooperation between small firms.¹⁴⁰ To date, South African industrialisation has been dominated by large business groups, but these are now specialising and selectively delinking. This in turn has knock-on effects. Given rising unemployment in South Africa and the importance of the wage goods market to small business, since 1994 'a substantial number of small, micro and medium enterprises (SMMEs) have not been able to grow' and 'the growth that does take place in the SMMEs is, to a large extent, jobless'.¹⁴¹

Within government, some recognise that the results of the supply-side industrial strategy have 'not been that good unless you do something fundamentally different'.¹⁴² This concern is shared by the private sector and trade unions.¹⁴³ In the wake of the East Asian crisis, even the major conglomerates are concerned about over-reliance on speculative short-term capital inflows.¹⁴⁴

Globalisation in South Africa has resulted in a rescaling of the forces driving uneven (economic) development from the national state/market complex to the global market. Neo-liberal globalisation is continuing to widen the development gap between South Africa and the OECD – globalising economic apartheid – and resulting in repeated currency crises. It is also creating new patterns of uneven development within South Africa resulting in a 'hollowing out' of South Africa's traditional industrial heartland in Gauteng and a movement of manufacturing towards the coast, with ISCOR closing its Pretoria steelworks, for example, and investing in a new one at Saldanha Bay.¹⁴⁵

In terms of the social impacts of restructuring, despite progressive government initiatives such as participatory budgeting with a gender focus, women tend to be disproportionately hurt by economic liberalisation as the costs of adjustment are passed 'down the line'.¹⁴⁶ In South African manufacturing, women's employment is more heavily concentrated in labour-intensive sectors, such as clothing, which have been most adversely

138 P. Carmody, *Tearing the Social Fabric: Neo-liberalism, Deindustrialisation and the Crisis of Governance in Zimbabwe* (Portsmouth, New Hampshire, Heinemann, 2001).

139 E. Fingleton, *In Praise of Hard Industries: Why Manufacturing not the New Economy is the Key to Future Prosperity* (London, Orion Business Books, 1999).

140 A. Amsden, *Asia's Next Giant: South Korea and Late Industrialisation* (Oxford and New York, Oxford University Press, 1989); Storper, *The Regional World*.

141 A. Kesper quoted in H. Barrell, 'SA's Economy Geared for Growth', *Daily Mail and Guardian*, 23 October 2000 (available at <http://www.mg.co.za/mg/za/archive/2000oct/features/23oct-economy.html>).

142 Interview with DTI official, Pretoria, 30 June 1999. Bell had predicted this. See T. Bell, 'Improving Manufacturing Performance in South Africa: a Contrary View', *Transformation: Critical Perspectives on Southern Africa*, 28 (1995), pp. 1–34.

143 Interview with Steel and Engineering Industrial Federation Association economist, Johannesburg, 9 July 1999; Joint Employer/Trade Union Initiative, 'Draft letter for consideration to Minister of Trade and Industry', 12 October 1999 (photocopied).

144 Thompson, 'South Africa: a reasoned case for optimism'.

145 Interview with DTI official, Pretoria, 30 June 1999. A. Fitschen, 'The Impact of the Saldanha Steel Project on the West Coast Economy'.

146 D. Budlender, 'The Political Economy of Women's Budgets in the South', *World Development*, 28, 7 (2000), pp. 1365–1378; G. Thomas-Emeagwali (ed), *Women Pay the Price: Structural Adjustment in Africa and the Caribbean* (Trenton, NJ, Africa World Press, 1995); V. Shiva, *Staying Alive: Women, Ecology and Development* (London, Zed Books, 1989).

affected by trade liberalisation. Those segments of the MEC that have experienced growth are heavily male dominated in terms of employment.¹⁴⁷ In addition, although inter-racial inequality is falling, South Africa has the first or second highest rate of income inequality in the world, and this is rising.¹⁴⁸ The deepening of (raced) inequality¹⁴⁹ gives rise to other patterns of uneven development as neo-apartheid 'gated communities' proliferate. While there are other reasons for the extent of crime in South Africa,¹⁵⁰ increased inequality undoubtedly contributes. Thus, conglomerate (selective) delinking becomes a self-fulfilling prophecy as it contributes to increased inequality, crime, and the narrowing of markets, which further increases incentives to disinvest.

Ultimately, economic liberalisation may undo South Africa's consociational compact, and in the longer term forebode further social instability, associated economic costs and a shift towards more authoritarian modes of governance.¹⁵¹ Given skyrocketing crime rates there are calls amongst business for 'a return to law and order' (my emphasis).¹⁵² However, the increasing informalisation of the economy¹⁵³ means that, in the medium term, tax revenues may be undercut and the South African state weakened.

Towards a Political Economy of a New South Africa

South Africa's experience has important implications for globalisation theory, which can inform praxis. In the literature, there has been a debate about whether globalisation is 'weak' or 'strong' in terms of its economic impacts and the constraints it places on state policies. Held *et al.* have transcended this debate by showing that there are different types of globalisation that vary across space in terms of their extensity, intensity, velocity and impact.¹⁵⁴ However, globalisation is not just a horizontal-relational phenomenon. It originates within particular places, materialises in national institutions and reshapes hierarchies between places.¹⁵⁵ As South Africa's experience shows, globalisation may originate from

147 I. Valodia, 'Economic Policy and Women's Informal and Flexible Work in South Africa' (paper presented at the TIPS 2000 Annual Forum, 18–20 September 2000 at Muldersvlei).

148 Brazil's may be higher. Statistics South Africa, *Measuring Poverty in South Africa* (2000: available at www.statssa.gov.za).

149 Although inter-racial inequality is falling, this reflects the creation of a new indigenous entrepreneurial and managerial class and the absorption of indigenous people into paid employment by the state. See N. Natrass and J. Seekings, '“Two Nations”? Race and Economic Inequality in South Africa Today', *Daedalus* (Winter 2001), pp. 45–70. Inequality remains profoundly gendered and raced in the sense that poverty remains heavily concentrated amongst rural black women and that it is predominantly the black working class that has had to bear the burden of retrenchments, while white conglomerate capital has benefited from globalisation. See J. May, I. Woolard and S. Klasen, 'The Nature and Measurement of Poverty and Inequality', in J. May (ed), *Poverty and Inequality in South Africa: Meeting the Challenge* (Claremont and New York, David Philip and Zed Books, 2000), pp. 19–50.

150 See S. Ellis, 'The New Frontiers of Crime in South Africa', in J. F. Bayart, S. Ellis and B. Hibou, *The Criminalisation of the State in Africa* (Oxford, Bloomington and Indianapolis, James Currey and Indiana University Press, 1999), pp. 49–68.

151 K. Mengisteab, 'Globalisation and South Africa's Transition through Consociational Arrangement', in F. Adams, S. Dev Gupta and K. Mengisteab (eds), *Globalisation and the Dilemmas of the State in the South* (New York, St. Martin's Press, 1999), pp. 133–151; Habib and Padayachee, 'Economic Policy and Power Relations'.

152 C. Campbell, 'Presidential Address', Steel and Engineering Industry Federation of South Africa, 12 October 1998, Johannesburg, *SEIFSA Annual Report* (1998), p. 2.

153 C. M. Rogerson, 'Emerging from Apartheid's Shadow: South Africa's Informal Economy', *Journal of International Affairs*, 53, 2 (2000), pp. 673–695.

154 D. Held, A. McGrew, D. Goldblatt and J. Perraton, *Global Transformations: Politics, Economics and Culture* (Stanford, Stanford University Press, 1999).

155 S. Sassen, 'Servicing the Global Economy: Reconfigured States and Private Agents', in K. Olds, P. Dicken, P. Kelly, L. Kong and H. Wai-chung Yeung (eds), *Globalisation and the Asia-Pacific* (London and New York, Routledge, 1999), pp. 149–162. Held *et al.*, *Global Transformations* and D. Held and A. McGrew, 'The Great Globalisation Debate: an Introduction', in D. Held and A. McGrew (eds), *The Global Transformations Reader: an Introduction to the Globalisation Debate* (Cambridge, Polity Press, 2000), pp. 1–45.

either the 'outside in' or the 'inside out'. It is generally strongest in its impacts where it is largely driven from outside, and economies are extraverted as in Singapore, Ireland or much of Sub-Saharan Africa. It tends to be weakest in quantitative terms where capital is most developed and trade-to-GDP ratios are low, as in the major industrial countries.

South Africa is unusual in that globalisation was initially largely 'from the inside out', but its impacts have been strong in terms of job loss and economic diversification. Typically, where globalisation originates from within, those places are in dominant positions within subsequent networks and benefit from profit repatriation. However, the shift of major conglomerate headquarters to London has negated this in the South African case. Thus, as the nature of globalisation is restructured, South Africa increasingly experiences it from the 'outside in' (dependence).

Within South Africa, there has been a continuing debate around what constitutes an appropriate economic development strategy. In 1997, Stephen Gelb argued that South Africa's development strategy must embody a compromise between capital and labour, given the power of both parties to disrupt a settlement not in their interests through strikes or a refusal to undertake new investment.¹⁵⁶ Webster and Adler argue for a deepening of South Africa's corporatist institutions to facilitate 'bargained liberalisation' where efficiency on the shop-floor by labour is matched by redistributive mechanisms at the national level to offset the effects of any economic adjustments.¹⁵⁷ However, they acknowledge that this would require the reintroduction of Keynesian solutions at national and international levels.¹⁵⁸ This is likely to remain elusive given the vested interests of the major industrial powers in the continuance of neo-liberalism.

Nicoli Natrass has argued that neither Keynesian nor neo-liberal strategies are likely to achieve their goals, but that the neo-liberal ones are more realistic and less damaging.¹⁵⁹ She argues persuasively that a Keynesian-inspired public investment programme would likely result in unsustainably increased public debt and that an investor response would not necessarily be forthcoming. However, her limited endorsement of GEAR is difficult to sustain given the impacts of current neo-liberal restructuring.

President Mbeki has recently called for a 'Millennium Africa Renaissance Programme'. However, this would appear to be largely a continuation of the current approach to economic development, particularly given its prioritisation of foreign investment.¹⁶⁰ What then is the alternative?

While replicating the Asian experience of industrialisation is not possible, the potential for effective state intervention in the economy remains.¹⁶¹ In the wake of the East Asian

156 S. Gelb, 'South Africa's Post-Apartheid Political Economy', in L. Swatuk and D. Black (eds), *Bridging the Rift: the New South Africa in Africa* (Boulder, CO, Westview Press, 1997), pp. 41–69.

157 E. Webster and G. Adler, 'Toward a Class Compromise in South Africa's "Double Transition": Bargained Liberalisation and the Consolidation of Democracy', *Politics and Society*, 27, 3 (1999), pp. 347–385.

158 For a similar argument for Africa, see R. Sandbrook, *Closing the Circle: Democratisation and Development in Africa* (Toronto and London, Between the Lines and Zed, 2000).

159 N. Natrass, 'Economic Restructuring in South Africa' and 'Gambling on Investment: Competing Economic Strategies in South Africa', *Transformation: Critical Perspectives on Southern Africa*, 31 (1996), pp. 25–42.

160 'Briefing by President Thabo Mbeki at the World Economic Forum Meeting, Davos, 28 January 2001: Millennium Africa Renaissance Programme – Implementation Issues', *Review of African Political Economy*, 87 (2001), pp. 108–110.

161 T. J. Pempel, 'The Developmental Regime in a Changing World Economy', in M. Woo-Cumings (ed), *The Developmental State* (Ithaca, NY, Cornell University Press, 1999), pp. 137–181; J. Streak, 'The Counter-Counterrevolution in Development Theory on the Role of the State in Development: Inferences for South Africa?', *Development Southern Africa*, 14, 3 (1997), pp. 307–325; R. Kaplinsky and E. Mhlongo, 'Infant Industries and Industrial Policy: a Lesson from South Africa', *Transformation: Critical Perspectives on Southern Africa*, 34 (1997), pp. 57–85; H. Chang, 'Evaluating the Current Industrial Policy of South Africa', *Transformation: Critical Perspectives on Southern Africa*, 36 (1998), pp. 51–72; C. Edwards, 'Financing Faster Growth in South Africa: The Case for Reforming the Financial Sector', *Transformation: Critical Perspectives*

crisis, even the IMF acknowledges that capital controls can, under certain circumstances, be beneficial.¹⁶² Particularly given that the HIV/AIDS pandemic will discourage foreign investment, the state must reassert control over conglomerate and financial capital, through the reintroduction of the system of exchange controls, if the currently deepening inequality in, and marginalisation of, South Africa are to be reversed. Achieving greater autonomy from global financial capital will require the mobilisation of domestic resources through enforced saving, such as that pursued by Chile.¹⁶³

While James Mittelman argues that new technologies have enabled capital to transcend national regulation, Saskia Sassen has noted that the high level of territorialisation of financial trading, and also its computerisation, have created possibilities for re-regulation.¹⁶⁴ Reasserting control over the conglomerates remains possible given the extent of their sunk costs in fixed investments in South Africa, with Anglo-American retaining roughly two-thirds of its assets in the country.¹⁶⁵

The South African state is trying to resolve some of the problems created by apartheid by up-scaling economic development processes to the level of the global market. However, it has ended up reinforcing many of them. Given changed global conditions, particularly the constraints imposed by the WTO on export-oriented industrialisation, as liberalisation is required for market access, downscaling may be a more appropriate response. This will require reducing the structural power of conglomerate capital to block an alternative development strategy, through the partial redistribution of its assets. While conglomerates may still play a useful, if much reduced, role in the economy, alternative economic institutions, such as co-ops, community-based corporations and small businesses, must be constructed.¹⁶⁶ This will require the nature of the South African settlement to be revisited. If alternative economic institutions are to be constructed across locales, this will require the development of synergy between the state and civil society, between different levels of government, and the strengthening of state institutions.¹⁶⁷

It is ironic that the 'political capital' built up by the ANC during the liberation struggle is now being spent to enforce neo-liberal structural reforms. While organising to embed the

Footnote 161 *continued*

on *Southern Africa*, 35 (1998), pp. 49–76; T. Mkandawire and C. Soludo, *Our Continent, Our Future: African Perspectives on Structural Adjustment* (Trenton, NJ, CODESRIA, IDRC, Africa World Press, 1999).

162 See J. Michie and J. Grieve Smith (eds), *Global Instability: The Political Economy of World Economic Governance* (London and New York, Routledge, 1999).

163 Enforced saving is where people are required by the government to save a certain proportion of their income, in pension funds for example, in order to finance domestic investment. In Chile, the government required foreign portfolio investors to put some of their investment in non-interest bearing bank accounts. This money was then subject to confiscation if investors engaged in short-term capital flight. On Chile see D. Green, 'Flexibility and Repression: The Chilean Model', in F. Rosen and D. McFadyen (eds), *Free Trade and Economic Restructuring in Latin America* (Washington, DC, NACLA Report on the Americas, 1995), pp. 54–61. Whereas Malaysia responded to the global economic crisis of 1997–99 and the outflow of capital from its economy by imposing capital controls, Chile liberalised its controls to try to attract more investment. This implies the necessity of transcending dependence on foreign portfolio investment (Bond, *Against Global Apartheid*).

164 Mittelman, *The Globalisation Syndrome*; S. Sassen, *Globalisation and its Discontents: Essays on the New Mobility of People and Money* (New York, Free Press, 1998).

165 Arnold, *New South Africa*.

166 M. Shuman, *Going Local: Creating Self-reliant Communities in a Global Age* (New York, Free Press, 1998).

167 On synergy see P. B. Evans, 'Government Action, Social Capital and Development: Reviewing the Evidence on Synergy', *World Development*, 24, 6 (1996), pp. 1119–32 and J. Tendler, *Good Government in the Tropics* (Baltimore, Johns Hopkins University Press, 1997). However, Tendler neglects the importance of synergy between scales, particularly national macroeconomic strategy in the sustainability of local/regional projects. See also A. I. Samatar, *An African Miracle: State and Class Leadership and Colonial Legacy in Botswana Development* (Portsmouth, NH, Heinemann, 1999).

state and market in society, and to transform them, may be more difficult than organising against apartheid, it is imperative if there is to be development.¹⁶⁸ The impetus for this must come from globalisation's and (post-) apartheid's counter-movements in South Africa.

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168 G. Adler and J. Steingberg (eds), *From Comrades to Citizens: The South African Civics Movement and the Transition to Democracy* (New York, St. Martin's Press, 2000).



The ANC & black capitalism in South Africa

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The ANC & Black Capitalism in South Africa

Roger Southall

The emphasis initially laid by the African National Congress (ANC) on national reconciliation after 1994 meant that its ideas about Black Economic Empowerment (BEE) were non-threatening to white interests. However, the government's recent strategy is more assertive, having the aim of creating a black capitalist class, which is both 'patriotic' and productive, as laid down in the ANC's guiding theory of the 'National Democratic Revolution'. Corporate capital is responding with recognition of the inevitability and potential advantages of BEE. However, given the centrality of the state to the deliberate task of creating black capitalism, there are considerable dangers of the latter's lapse into Asian-style cronyism. The 'patriotic' nature of black capitalism is therefore in sharp contestation with its 'parasitism'.

'Black economic empowerment' (BEE) is one of the most contested terms in South Africa today. Some fear that 'affirmative action' points to the ANC wanting to 'take over everything whites have built up' (De Lange, 2002). In contrast, Moeletsi Mbeki, the President's brother, has declared BEE a sham, dreamed up by white capital to seduce the ANC away from nationalising the economy and hence to produce a predatory black elite (Msomi, 2003). Between these poles of the argument there is widespread confusion about the justifications and purposes of black empowerment.

The emphasis by the ANC-led government upon national reconciliation after 1994 meant that its initial ideas about BEE were non-threatening to white interests. However, its more recent approach is becoming increasingly assertive with the aim of creating a prosperity-making, 'patriotic' bourgeoisie. Yet this project remains immensely more problematic, not least because of the ambivalence with which it is regarded by the Congress of South African Trade Unions (COSATU) and the South African Communist Party (SACP), (the ANC's partners in the Tripartite Alliance), on the one hand, and domestic and international capital, on the other. The starting point for understanding these developments is the ANC's conception of the 'national democratic revolution' (NDR).

The Ambiguities of the NDR

In government the ANC has adopted policies that are recognisably capitalist. Even so, given the ANC's historic identification as a liberation movement, it remains necessary for it to maintain a certain ideological, or at least a rhetorical commitment, to the schemas of old. In particular, this requires its formal adherence to the notion that post-apartheid South Africa has embarked upon a 'national democratic revolution'.

In terms of the old 'two-stage' theory of revolution, the NDR was theorised as the precursor to socialism. However, given the collapse of the Soviet-style state socialist model, revisionist thinking emphasised that there was no 'Chinese wall' between capitalism and socialism (Cronin, 1996). This assisted the ANC, leading elements of which had always maintained that the movement had a nationalist rather than a socialist character, to quietly abandon the transition to socialism (as opposed to 'social justice') as an historical goal. Nonetheless, the NDR continues to frame the official discourse whereby the ANC and its alliance partners discuss South Africa's long-term strategy, its inherent ambiguities allowing for the papering over of recurrent differences between them.

The theory of the NDR argues that South Africa was incorporated into world capitalism as a mineral producer, but this was based on institutions in which a white settler minority oppressed the majority of people who were black. This allowed for the vast accumulation of wealth for the few at the expense of the many, until, by the late 1980s, growing mass resistance to national oppression paved the way for the negotiated political transition.

Having conceded democracy in 1994, the objective of the white capitalist class is to provide for a limited deracialisation of the economy. In contrast, the objectives of the NDR are to overcome the legacy of racial oppression of the black majority and to thereby forge a united nation; to achieve democratisation; and to transform power relations as a basis for societal equality. Market forces, previously constrained by the requirements of apartheid now play a more important role in the economy. However, the state must assume the critical role of ensuring equitable economic growth and providing for political stability (ANC, 1997:7).

The problem for the ANC is that the very success of the NDR will lead to the development of a black capitalist class and the major growth of intermediate black middle strata. This is far from being unwelcome, as black – notably African – people cannot be denied education, wealth and upward mobility. However, it may easily lend itself to the project of counter-revolutionary elements that are prepared to concede relative privilege to a minority of blacks in order to maintain the principle contours of social inequality. How, then, is this to be avoided? Or at least, if it cannot be avoided, how can it be presented as still consistent with the NDR?

Even under apartheid, capitalism spawned the existence of intermediate black classes, such as teachers and lawyers, petty business operators, and subordinate officials. Frustrated by racial restrictions, such elements provided an important source of recruits to the liberation movement. However, because the size of these strata was very small, and because it was the black majority as a whole who suffered national oppression, the struggle against apartheid was a truly national one, led by 'the collective of black workers whose class position and social existence placed it at the head of the struggle for freedom' (ANC, 1997:10).

Democracy has set in motion a rapid mobility whereby propertied and professional sections of the black community gain from advancement. From this perspective, 'the rising black bourgeoisie and middle strata are objectively important motive forces of transformation whose interests coincide with at least the immediate interests of the majority' (ANC, 1997:10). However, their relative advantage could easily render such elements antithetical to the interests of the poor. Vigilance is therefore needed to prevent them from becoming the tools of monopoly interests, or parasites that thrive on corruption. According to Pallo Jordan (1997:12), this 'implies that the ANC's

engagement with the emergent black bourgeoisie should involve the elaboration of certain standards of conduct that will speed the realisation of the postponed goals of the national liberation movement'. Elements with such standards of conduct are often referred to as a 'patriotic bourgeoisie' (Netshitenzhe, 1996).

The task of conscientising this bourgeoisie will fall on the ANC, which is charged not only with mobilising all the classes that stand to gain from social change, but also with winning over those which have previously benefited from inequality. It is the vanguard of the NDR (ANC, 1997:12). In short, the theory of the NDR (1) legitimises the 'historic' role of the party in leading South Africa; (2) validates the needs for an interventionist state to radically transform society within the context of a 'mixed economy'; (3) justifies the existence, expansion, wealth and function of a black bourgeoisie, so long as it plays by the rules laid down by the party; and (4) endorses the need for close co-operation with white capitalists of the old order, whose objective interests (for instance in political stability) may eventually lead to their incorporation into the 'patriotic bourgeoisie'.

Nonetheless, despite the progressive role mapped out for it, black capitalism in post-apartheid South Africa has only grown by fits and starts.

Black Capitalism Before 1994

Segregation and apartheid demanded that black capitalism should be deliberately inhibited. Whilst this did not fully prevent the development of something of an Indian merchant class in Natal, it had crippling effects upon African capitalism more generally. To be sure, even after white appropriation of the vast majority of land had eliminated the competitive threat posed by African agriculture, there were Africans who survived under immensely difficult conditions by managing their own small businesses in both town and country. However, significant capital accumulation was denied to them by restrictive legislation, job reservation and limited educational opportunity (Southall, 1980).

After 1948, African capitalism was structured by 'separate development'. Severe restrictions were imposed upon African businessmen in urban areas albeit complemented by the official encouragement of African capitalism in the ethnic homelands. This was achieved via the establishment of development corporations, and limitations imposed upon competition by white business in sectors of bantustan economies where only low levels of technology and finance were required. If in the townships this meant that even the *existence* of African capitalism hovered at the edge of legality, in the homelands African capitalism became an adjunct of official policy and closely identified with the dependent petty state machineries that it established. In these circumstances, African petty capital responded with the formation of nascent organisations, notably the National African Federated Chambers of Commerce (NAFCOC), which not only sought to protect the fragile monopolies over trade it enjoyed in the urban areas and homelands, but to lobby for the removal of all legal restrictions upon African private enterprise (Southall, 1980).

After the 1976 Soweto uprising, the government cautiously enacted measures to promote African business as a buffer between the white minority and black masses. Alongside more energetic efforts to expand African capitalism to buttress the dependent homeland regimes, it began a steady relaxation of restrictions upon African trade and business in the urban areas, most importantly, the introduction of

freehold ownership rights for Africans in urban areas (Hudson & Sarakinsky, 1986:177-182). Even so, despite these improved conditions for black business, its development was to remain severely inhibited. Just as African capitalists in the homelands became entangled with the latter's oppressive regimes, so did urban African businessmen become identified with the black urban authorities under which they operated and on which they often participated.

Such capitalists scarcely qualified as a 'patriotic bourgeoisie'. However, Randall (1996:666) may be premature in suggesting that few of the older generation of apartheid-era black capitalists have survived into democratic times. Indeed, whilst it may well be that many had difficulty in adjusting to the opening up of protected racial zones to post-apartheid competition, it seems intuitively unlikely that they committed class suicide in 1994. Some will undoubtedly have survived in business, even if in the less visible parts of the economy, if only because they had acquired something of a headstart in terms of capital accumulation and experience. Some, too, have managed to ride the political transition with aplomb, the most notable of whom is Sam Motsuenyane, President of NAFSOC from 1968 until the mid-1990s and by 2001 a Director of Corporate Africa, and who in 1993 was appointed by the ANC to head its commission into human rights offences against dissidents which were committed in its camps in exile. A rather different example is Herman Mashaba, who started the hair care and beauty enterprise *Black Like Me* in Garankuwa in 1985 and sold out to Colgate-Palmolive in 1997 (*Sunday Times*, 29 November 1998). Most certainly, as Hart and Padayachee (2000) record, the post-apartheid experience of established Indian capitalists has been much more varied, with some failing, but many adjusting successfully to the new order. Even so, Randall (1996) appears to be correct in observing that those who have prospered in *big* business during the early years of democracy are *largely* composed of a new generation of black capitalists.

This new generation of black capitalists Randall identifies are composed of five groups. First, there are the 'Activist Capitalists', recruited by large corporations and/or appointed to guide parastatals, who are drawn from ex-Robben Islanders and former leaders of internal anti-apartheid groups. Possessing high political standing, they are deemed to be sympathetic to the ANC. Yet few have significant personal capital, financial or technical training, or business experience, so their contribution to companies is largely advisory. This category constitutes archetypal 'Comrades in Business' (Adam, Van Zyl Slabbert & Moodley, 1997), veterans of 'the struggle' who have overcome whatever past reservations they might have had about capitalism to now making it work for themselves, and in theory at least, for the wider black community.

Second, 'educated exiles' are blacks from the post-1976 generation who, although not so well politically connected as the 'Activists', have acquired education and experience overseas. Yet few of them obtained training in subjects, which would have provided a formative basis for their development as entrepreneurs, even if many acquired qualifications in relatively 'soft' areas such as industrial relations and marketing.

Third, 'corporate sophisticates' have been recruited by corporations under 'equal opportunity' programmes introduced as a response to increasing international pressure, such as the corporate codes of conduct introduced from the early 1970s. Again, many of them occupy 'soft' positions in marketing, personnel and public relations. Nonetheless, many have become sought after by virtue of their knowledge about how business operates as well as for their personal connections.

Fourth, 'consultants of change' began to emerge in the 1980s. Combining black skins with silvery tongues, they promote themselves as helping white business to adjust to political change. Similar, fifth, are the 'conference circuit champions' who, having emerged from black business organisations such as NAFCO and the Black Management Forum (BMF), have established strong contacts with the white corporate world (Randall, 1996:666-669).

Randall (1996) characterises the early experiences of the new capitalists as a 'depressing litany', noting that African capitalists have no independent base in the economy and that corporations largely employ them in advisory, non-operational positions. Their portfolios are likely to be oriented to promoting the public image of companies as engaging in transformation, whilst many are specifically employed to use their political influence with government. This latter aspect has on occasion caused considerable controversy, as with Thebe Investment Corporation. Founded by Vusi Khanyile, head of finance in the ANC from 1990 until he founded the company in 1992, Thebe was chaired by the ANC-aligned Enos Mabuza, former Chief Minister of the KaNgwane homeland, and included Tokyo Sexwale, fresh from Robben Island, on its board of directors. Anticipating that foreign support for the ANC would dry up as the political situation 'normalised', Khanyile persuaded prominent individuals close to the ANC of the need for an investment trust, officially to provide financial support to community projects, but unofficially to provide an alternative source of funding for the party. However, given that the firm was founded without any substantial cash, its efforts to raise capital depended upon promises being made to potential investors of future good access to the incoming government. Whilst this tactic initially worked relatively well, it suffered marked setbacks after 1998, when the value of the rand fell and equity markets crashed. Two high-profile companies in which it had significant investments hit major problems, and then, in 1999, a consortium led by Thebe's entertainment arm, Moribo Leisure, failed to secure a lucrative contract to run the national lottery. These 'lean years' hastened the company's shift away from reliance upon political influence towards more conventional investment activities (Joubert, 2002; Randall, 1996:669-672).

Although having characterised black business as having no independent base, Randall (1996) argues that the potential exists for the emergence of a significantly empowered black capitalist class, particularly via joint ventures with white companies. He cites as examples Kagiso Trust Investments, joint partners in two successful companies, Kagiso Publishers and Kagiso Khulani Supervision Food Services, and Thebe's subsidiary, Moribo, and its joint venture with the cinema chain Ster-Kinekor in Ster-Moribo. The distinguishing feature of these enterprises, he argues, is the substantial degree of power, which the black capitalists deploy, as well as the commitment of the white partners to skills transfer and to creating genuine black companies out of their joint ventures. Hence, he concludes, 'South Africa is witnessing the empowerment of African entrepreneurs who can exert a decisive influence in their business interests', this a product of four major factors: the political insecurity of white capital, the promotion of black business by a competent policy-making regime, the mobilisation of opinion against whites using black companies as 'fronts', and last, the existence of a relatively sophisticated economy, including an active equity market and a well organised financial sector. In contrast to the rest of Africa, where on the whole such conditions do not exist, South Africa seems set to see 'the development of a viable black capitalist class' (Randall, 1996:673-686). We may now consider how his prognostication stands up against the experiences of black capitalism during the first ten years of South Africa's new democracy.

Black Capitalism after 1994

According to one overview, since 1994 corporate South Africa has seen 'the rapid growth of black corporations in depth, breadth and credibility.' A few black-owned firms have merged into sizeable players; some large corporations are now black controlled; and black business 'has grabbed the headlines and initiative in an unprecedented manner'. In 1999, Metlife, the largest black empowerment investment in the financial services sector had an asset base of R11 billion, making it the 26th largest company in the country. The media, forestry and paper, pulp, food and beverages, and fishing sectors have all attracted large-scale black investments (Carter, 1999). However, whatever progress has been made has been both uneven and difficult to quantify.

Following 'an initial flurry of politically driven deals', black business reportedly captured about 10% of shares on the Johannesburg Stock Exchange (JSE) between 1994 and 1997 (Jacobs, 2002). Yet most inroads were made into sectors, which were highly vulnerable to fluctuations in the global market, and in 1997, when the JSE crashed, many deals came unstuck. Hence by the end of 1999 or early 2000 the black stake in the JSE had dropped to between 1% (Jacobs, 2002) and 3.8% (Singh, 2001).

The value of BEE ventures dropped sharply in 1999 to R3.4 billion involving 45 empowerment firms compared to R21 billion involving 110 firms in 1998 (Segal, 2000). Meanwhile, in 1999, the single firm of Johnnic accounted for fully 78% of market capitalisation of black-controlled companies on the JSE. Furthermore, BusinessMap's empowerment index, which monitors 'empowerment' from the perspective of corporate influence rather than control, found that all black companies on the JSE, with the exception of Kagiso and Metlife, had recorded shareprice declines of more than 50%, this despite a near 50% recovery in the overall JSE in 1999. The *number* of BEE deals had dropped significantly, too, with the deal flow in 2000 having been the worst since 1996, with new investments in established blackcontrolled companies amounting to R2.5 billion compared with R3.4 billion in 1999 (Singh, 2001).

In 2001, according to Ernst and Young, some 101 BEE deals were valued at R25.1 billion, but 104 deals in 2002 were valued at only R12.4 billion (*Sowetan*, 9 April 2003). However, Empowerdex reports that by late 2002 that nearly 10% of the total share value (R143.5 billion) of the top 115 firms listed on the JSE was owned by blacks, 'five times as much as had been previously thought' (BBC, 2002), although BusinessMap (which was tracking the JSE's 20 top black controlled companies) argued that a truer figure was 2%, and that black owned stakes in pension funds and investments which were not 'actively managed for the benefit of black shareholders' could not be counted as 'real empowerment' (*BD*, 10 December 2002). With the number of black companies on the JSE dropping from 26 to 21, 'real black ownership was becoming a mirage' (*City Press*, 11 May 2003).

The private sector remains overwhelmingly in white hands: 98% of executive director positions of JSE-listed companies in 2002 were white (and mostly male). Only 64 such directors were black (*City Press*, 11 May 2003), and only eight of 387 companies surveyed by Empowerdex were headed by a black chief executive (BBC, 2003). Let us unwrap what these types of data means.

First, we clearly need to differentiate the statistics. Simply put, the various indices produced by bodies attempting to quantify 'black empowerment' are measuring different things. For instance, there is no firm agreement about what constitutes

'ownership'. For its purposes, Empowerdex includes government, municipal and parastatal pension funds, as well as government agencies such as the Industrial Development Corporation (IDC). Hence it could conclude that in 2001 black equity ownership of the top 115 firms on the JSE was just below 10%. In contrast, BusinessMap, which adopts a much narrower definition, tracking the JSE's top 20 black-controlled companies, settles for only 2% of equity being in black hands. McGregor, meanwhile, proclaims a figure of 3.9% (*BD*, 10 December 2002). Whilst we may therefore glean a sense of overall direction by comparing figures emanating from different indices, care must be taken with the specifics. There is also the issue that political correctness presently forbids disentangling 'African' from 'Indian' capitalisms, yet as Hart and Padayachee (2000) suggest, these may have considerably different trajectories.

Second, by far the most important point is that blacks have made extremely limited inroads into the ownership, control and senior management of the private corporate sector. Early initial progress made in the first half of the 1990s was reversed, mainly by the crash of 1997, and the advances since then have been relatively modest. Yet this does not mean that corporate ownership patterns are unchanging: McGregor reports that Afrikaner control of the JSE is increasing sharply in the face of the departure of certain corporations and individual English speakers from South Africa, climbing from 24% in 1996 to 32% in 1998 (English control dropping to 54% from 63%) (Bennet, 2000). Hence the importance to the ANC of appointing blacks to head parastatals like Transnet, Spoornet and Telkom, and of structuring their privatisation for blacks to pick up the pieces.

Third, it would appear that if black capitalists are going to make more rapid inroads into the private sector, then new and innovative ways are going to have to be employed to spur their advance. The basic dilemma, of course, remains the quandary of how black aspirant *capitalists without capital* can be capitalised. The answer is that *they either have to be given it or they have to borrow it*. Until 1998, special purpose vehicles (SPVs) were the most widely used mechanism to propel black investors into the ranks of corporate South Africa.

Corporate South Africa sought to facilitate black empowerment by selling businesses to black investors, who in turn were assisted by financial institutions through SPVs. Empowerment groups financed purchases in shares in firms offered to them by, in part, offering preference shares to institutional investors. However, whilst black investors retained voting control of the SPV through ordinary shares, the preference shares held by the institutions were paid a dividend linked to the prime lending rate. Any difference between the dividend income received by the SPV and the dividends payable to the preference shares was rolled over and paid when the preference shares were redeemed. To redeem the preference shares and any accumulated dividends, the SPV would then have to sell off the shares in the underlying business (TIPS, 1999).

This originally appeared to work well, but fell foul of the plunge in share prices, which resulted from the Asian crisis of 1997. Yet in any case, black investor groups typically took up less than 20% in the companies offered to them, which meant that they did not acquire executive control. So in effect, black groups simply became investment trusts and were not operationally involved in the underlying investments. Indeed, because the principal financial risk lay with the institutional investors rather than the BEE group, the latter were not really motivated to add value because they had little to lose. For their part, institutional investors failed to

appreciate that, unlike their other investments, BEE groups often needed specialised support.

A related mechanism was the sale of 'N' shares, the principal case in point being New African Investments Limited (Nail), one of the biggest empowerment groups. In pursuit of growth and control, Nail offered two types of shares: ordinary shares, with superior voting rights, were issued to black investors; and N shares with limited voting rights were issued to the general public. Not surprisingly, as more and more of the N shares were issued, the discount between them and ordinary shares widened, as investors became uneasy (TIPS, 1999).

Overall, from 1990, the promotion of black capitalism rested heavily upon blacks obtaining stakes at the apex of corporate pyramids, these being purchased at high share prices against high debt levels, or on special deals crafted for a minority with privileged access. Such strategies proved unable to cope with a turbulent period of dramatic currency volatility, interest rate increases, share price fluctuations, declining per capita GDP growth and the external shocks of 1996 to 1998.

Meanwhile, the state was coming under criticism for failing to back its commitment to black empowerment with effective strategies. For instance, Telkom was partially privatised in 1997. Ten per cent of the shares sold were set aside for black investors, but when the deal was complete, 30% of what had previously been a wholly South African-owned enterprise was now owned by Malaysians and Americans. Again, when the state sold the Airports Company, the empowerment stake was set at 10% of the shares, but due to the high prices that foreign bidders offered and a shortage of finance, only 4.2% of the shares were transferred to black owners. In other words, even small share options require expensive borrowing by black investors who in the past have had limited opportunity to accumulate capital. Again, the attempted sale of the state-owned Aventura Resorts to a union investment company also collapsed due to difficulties in raising finance, and eventually a management contract with a major hotel company was negotiated instead (*Promoting Empowerment*). In these circumstances, black business could have done with a body competent to express its collective interests and aims to both government and the wider public. However, by this time, NAFSOC was in total disarray, divided by leadership struggles (which appear to reflect tensions between 'new big' and 'older small' capitalists), and allegations of corruption.

Finally, the most worrying aspect for black capitalism was the perception that black empowerment had worked mainly for the enrichment of a tiny black elite. Inevitably, there was some moral ambivalence with, for instance, former Deputy Minister of Trade and Industry, Ms Phumizile Mlambo-Ngcuka, glorying in the chance for some blacks to become, like whites, 'filthy rich'. However, when the ordinary mass of blacks continued to live in dire poverty, pride in the achievements of the few easily translated into outrage, especially given various highly publicised instances of greed, as when two of Nail's black directors were exposed as having awarded themselves massive incentive packages. In these circumstances, a 'minimalist' approach which defined BEE as centred around the promotion of black business came by the late 1990s to be rivalled by a 'maximalist' position, which emphasised 'a comprehensive restructuring of institutions and society ... rather than the replacement of white individuals with black ones' (Edigheji, 1999). But how could such an approach be implemented?

measure their performance in achieving BEE; set procurement targets for the public sector at national, provincial and local levels; and require all government departments to submit an annual BEE report.

- A *National Procurement Agency* should: revamp the national tendering and licensing system to ensure the centrality of empowerment; and set up an accreditation unit to rate companies tendering for government contracts, and other companies, regarding their BEE performance. 50% of public-sector procurement and 30% of private-sector procurement, 30% of public-sector contracts and concessions, and a minimum of 40% of incentives should go to black companies.
- A *National Empowerment Funding Agency* (NEF) should improve government efforts providing funding for black economic initiatives including community ownership, retail schemes, broad-based share schemes and co-operatives through the creation of four specialised agencies designed to provide 'appropriate packages' to different types of entrepreneurs. Blacks should own 25% of the shares of companies listed on the JSE, with at least 40% of executive and non-executive directors being black within ten years. At least 50% of loans from development finance institutions should go to black-owned enterprises.
- An *Integrated National Human Resource Development Strategy* should increase production of blacks with requisite skills and to enhance black participation in the professions.
- A *Rural Development Agency* (RDA) should gear up present activities aimed at ensuring the availability of funds for land acquisitions, land use and infrastructural development. 30% of land should be in black hands within ten years.
- An *Empowerment Framework for Public Sector Restructuring* should restructure the public sector to improve service delivery, protect workers' rights and achieve BEE. Sales of state assets should help finance the RDA and the NEF should facilitate the sale of shares in privatised assets to black companies, which would otherwise have acquired smaller shareholdings. Black companies should own at least 30% of the equity of restructured state-owned enterprises within ten years.

The banking and financial services sector should be transformed to provide for *Community Re-investment* in order to counteract the disadvantaging of the black majority, particularly women, by the biased allocation of resources. Equality legislation should end discrimination against blacks in this sector and provide for the monitoring of banks' activities (BEEC, 2001). When questioned about whether such measures were necessary to avoid 'another Zimbabwe', Cyril Ramaphosa answered: 'If we don't move quickly now ... yes, it could happen. For this reason we want the white private sector ... to heed that warning' (*Business.iafrica*, 8 August 2001).

The Response to the Report

Avowed liberals decried the report as articulating a race-based preference policy, which negated individual freedoms, and was likely to encourage an over-extended state and endanger employment creation and economic growth. Any BEE measures should therefore be of limited duration and not limited to a small elite (Christianson,

2003). An enabling state should restrict itself to providing freedom and security, combating inflation, providing education and basic health care, and outlawing anticompetitive practices (Kane-Berman, 2002/3).

Government response was cautious, even though President Mbeki, addressing NAFCO, was to admit that black empowerment had moved at a 'snail's pace' (*BD*, 25 September 2002). On the one hand, the ANC leadership remained entranced by Malaysia, where since 1970 high economic growth has been combined with a significant redistribution of assets by an interventionist yet investment-friendly state from the minority Chinese to the indigenous Malays (Southall, 1997). On the other, although the government had sought to promote the new black bourgeoisie, it was acutely aware of its failings, and at times, Mbeki himself had roundly criticised black businessmen for having become nothing more than rentier capitalists. Meanwhile, the governing elite remained divided about the wisdom of a heavy hand and wary of too roughly offending corporate sensitivities: 'if we think the state is going to drive this process we are making a mistake', argued Reserve Bank Chairman Tito Mboweni (*Fast Facts*, 5, 2001).

Even so, the government moved swiftly towards a more interventionist posture. Speaking at the ANC's 51st national conference, Mbeki committed the government to drawing up a 'Transformation Charter' that would set BEE benchmarks, timeframes and procedures, and eliminate uncertainty amongst investors (*Sowetan*, 18 December 2002). This statement was soon to have significant consequences.

Mining

The first major initiative to see the light of day, albeit via a leak, was a proposed mining charter introduced by the Department of Mines and Energy in July 2002 which proposed that all mining operations would have to be 51% owned by blacks in ten years, whilst to secure a new mining license a company would have to have an empowerment partner with at least 30% equity stake in existing operations. This brought a dramatically negative response from the mining industry, and shares in South African mining companies immediately slumped, not least because the government had only just emerged from a bruising battle over a mineral and resources development bill.

The intention behind this bill was basically to vest sovereignty over South Africa's natural resources in the hands of the state, and to impose a 'use it or lose it' principle upon mining companies, whilst at the same time making provision for the assistance of historically disadvantaged persons to conduct prospecting or mining activities. Whilst the corporates had fought a vigorous campaign against what they decried as an erosion of property rights, organised labour had criticised the government for doing nothing to challenge the monopoly structure of the industry (*BD*, 25 June 2002; COSATU/NUM, 2001). Although the bill in final form had made certain concessions to the industry, the latter's reaction to the proposed charter was that it expressed a conviction that the great mining houses were intent on cheating blacks of their rightful stake in the industry (*BD*, 29 June 2002). Consequently, following intense negotiations, when the final Charter emerged, it did so in a much milder form. Government had reduced its empowerment targets considerably, requiring all mines to be 15% black owned in five years and 26% in ten years, with the industry agreeing to raise R100 billion to fund the transfer. The Charter also laid down that companies should aspire to achieving a target of 40% of blacks in management within five years, although it promised flexibility in that a scorecard 94

approach to such goals as ownership, employment equity, improved community and rural development, worker housing and living conditions, procurement, and beneficiation could be offset against each other (*BD*, 11 and 12 June 2002).

Even if the government had made major concessions, the problem of how to finance a partial transfer of ownership remained. It soon became apparent that one source would be a loan made to the IDC that would be sourced from the IMF and the World Bank, with other potential participants being the African Development Bank, local commercial institutions and the mining companies themselves (*M&G*, 18-24 October 2002). A resultant 'New African Mining Fund' (which would be separate from the R100 billion pledged by the mining companies) would grow from R500 million to R2 billion over ten years and be aimed at 'green field' projects to be undertaken by black entrants to the industry (*Sunday Independent*, 24 November 2002). Meanwhile, a queue of black aspirant participants in the industry began to be matched by established mining houses positioning themselves to find black partners who would boost their empowerment credentials. Vuka Alliance, a black consortium led by former Mpumalanga premier Mathews Phosa, acquired a 50% stake in a R100 million a year contract mining company, Rosslyn Mining and Plant Hire (*Sowetan*, 7 February 2003). Similarly, De Beers was preparing to sell a quarter of its local operations to one or more of the more established empowerment companies (*Sunday Independent*, 9 March 2003).

However, the major move was made by Harmony Gold, which announced a R4.9 billion merger with African Rainbow Minerals Gold (ARMgold), less than a year after the latter had become the first black-owned gold company to list on the JSE. This new company then announced that it would buy Anglo-American's stake in Anglovaal Mining for R1.77 billion. In effect, ARMgold chairman Patrice Motsepe converted his personal control of a small gold company (built up through acquisition of mining operations that major companies had come to consider as marginal) into a significant stake (14%) in a major industrial player, for under the deal, the new company not only became the fifth largest gold producer in the world, but immediately achieved the level of black ownership it needed to comply with the charter, as well as teaming up with a small group of black shareholders who were extremely well politically connected. (One of Motsepe's sisters is married to Public Enterprises Minister Jeff Radebe, another to Cyril Ramaphosa), whilst Motsepe himself is now chairman of NAFCOC) (*BD*, 5 and 6 May 2003; interviews, Gule and Simelane).

Gold Fields South Africa rapidly followed suit with the sale of 15% of its shares to Mvelaphanda Resources, a company chaired by former Gauteng premier Tokyo Sexwale. Mvelaphanda incurred a debt of R2.8 billion in funding this purchase, with some R300 million coming from Gold Fields while the further inflow was intended to come from a R1 billion plus share issue (*M&G*, 13-19 June 2003). This was followed by the announcement that mining magnate Roger Kebble's Randgold & Exploration was to link Phikoloso Mining, an empowerment group made up of some ten black companies including Leswikeng (headed by *Black Like Me's* Herman Mashaba), Dyambu (headed by former ANC underground operative and Western Cape provincial representative Hilda Ndude), New Line Investments (led by Chris Nissen, a former Western Cape ANC chairperson), Ituseng Mining (led by Lunga Ncwana, a former ANC Youth League leader), and Ikamva (headed by Sharif Pandor, husband of National Council of Provinces Chairperson Naledi Pandor). In return for R.8 million shares in Randgold, valued at about R268 million, Phikoloso agreed to exchange its mining assets (which included 7.3 million shares in gold-

Cape Town International Convention Centre, whilst Mashishi shares a 20% holding with Graca Machel and Wendy Luhabe in O&M Rightford, an advertising agency which had the contract to conduct public relations for the ANC during the 2004 election campaign (*Sunday Times*, 25 March 2003; RAI/ Matemeku Press Release, 5 February 2003). Meanwhile, Bidvest, a diversified industrial group, has announced sale of a 15% stake in an 'innovative' deal whereby Dinatla Investments (a black consortium) will pay between R42 and c.R60 a share in three years' time, depending on performance (*BD*, 10 July 2003). These, and numerous other similar ventures, indicate that the corporate sector is beginning to take black empowerment seriously.

The ANC, the State & Black Capitalism

Having acquired political power, the ANC has now embarked up a more assertive approach to BEE with the objective of promoting a 'patriotic' capitalist bourgeoisie. Three issues immediately present themselves.

The first relates to the nature of the class project that is involved. The theory of the NDR validates the creations of a black bourgeoisie, whose historic function will be to not merely challenge white economic domination but to raise productive forces, thereby providing for redistribution of wealth to the black working class, and the urban and rural poor. Stripped of its marxist jargon, this is an essentially neoclassical argument, which elevates the importance of private entrepreneurs, in this case black ones, in the creation of wealth. On the other hand, the marked ambiguity of the theory of the NDR towards black capitalism, as – indeed – reflected in the tensions between the ANC and its partners within the Tripartite Alliance, stresses the necessity of the black bourgeoisie being socially responsible at the same time as they become 'filthy rich'.

The ANC, black capitalists and the unions alike have come to straddle this contradiction by adopting an increasingly 'maximalist' stance towards BEE. Emphasis upon companies and institutions achieving targets concerning equity employment, skills training, procurement and community development as well as black ownership not only deepens empowerment, but extends the benefits to the ANC's wider political constituency. Meanwhile, to fend off the allegations that they are merely constructing a self-serving black elite, many empowerment consortia (themselves often trusts to benefit women, rural communities, or former political prisoners and so on) are deliberately attempting to construct their deals so that they can demonstrate benefits to the wider, black community in terms of partial share ownership, rural- development projects, or whatever. *Indeed, it would seem that their very political exposure requires of the relatively small number of significant black capitalists some indication that they are being 'patriotic'.*

The second issue concerns the role of the state. The ANC has been widely criticised for having embraced a neo-liberal, capitalist strategy entailing a minimalist state. Yet this is wrong, for the ANC is rather leaning towards construction of a procapitalist, interventionist state prepared to use its power, influence and divestment of assets to create a black bourgeoisie, expand the black middle class, and to generally produce a seismic transfer of wealth from white to black over a ten to twenty year period. Inevitably, with the state being so centrally involved in the task of class creation, the political connections enjoyed by individual capitalists become crucial in pulling down official loans, decisions and favours, with outright corruption a not uncommon outcome. Not surprisingly, therefore, there is already considerable evidence of Asian style, 'crony capitalism'. In short, there is often a very

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