Elite Transition

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From Apartheid to Neoliberalism in South Africa

Revised & Expanded Edition

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INTRODUCTION

Dissecting South Africa's Transition

This book aims to fill some gaps in the literature about South Africa's late twentieth-century democratisation. There is already an abundance of commentary on the years of liberation struggle and particularly on the period 1990–94 – empiricist accounts, academic tomes, self-serving biographies – and many more narratives have been and are being drafted about the power-sharing arrangements that followed the April 1994 election, as well as the record of the ANC in its first term.

Some of these have been penned by progressives and are generally critical of the course the transition has taken thus far. In the development of an extremely rich heritage of thinking and writing about change in South Africa, have the dozen or more serious commentaries from the Left missed or skimmed or perhaps de-emphasised anything that this work can augment?

I believe so, namely a radical *analytic-theoretic framework* and some of the most telling *details* that help explain the transition from a popular-nationalist anti-apartheid project to official neoliberalism – by which is meant adherence to free market economic principles, bolstered by the narrowest practical definition of democracy (not the radical participatory project many ANC cadre had expected) – over an extremely short period of time. It is sometimes remarked that the inexorable journey from a self-reliant, anti-imperialist political-economic philosophy to allegedly 'home-grown' structural adjustment that took Zambian, Mozambican/Angolan and Zimbabwean nationalists 25, 15 and 10 years, respectively, was in South Africa achieved in less than five (indeed, two years, if one takes the *Growth, Employment and Redistribution* document as a marker).

Inexorable? It is important now, while memories are fresh, to begin to describe with as much candour as possible – even at the risk of unabashed polemic – the forces of both structure and agency that were central to this process. Historians with better documentation (and, as in other settings, retroactive kiss-and-tell accounts by spurned ministers and bureaucrats, perhaps) will have to fill in, more comprehensively and objectively, once a fully representative and verifiable sample of evidence is in the public domain. In the meantime, a key motivation is that the near-term future for South African progressive politics relies upon identifying what was actually feasible, which initiatives derailed, when and how alliances were made, which social forces (and individuals on occasion) hijacked the liberation vehicle, where change happened and where it didn't, and what kind of lessons might be learned for the next stage of struggle.

These questions are only part of the unfinished discussion of South Africa's transition, of course. But they allow us to contemplate arguments that I think have already stood the test of time, and indeed this is where my emphasis in telling this story departs from others of the Left who have written about the end of apartheid. For tracing how capitalist crisis coincided with the emergence of neoliberal ideas, and in turn exacerbated 'uneven development', has helped me, personally, to come to grips with political processes in the United States, Zimbabwe, Haiti and various parts of South Africa. Many leading intellectuals from whom I take inspiration – the names Samir Amin, Robert Brenner, Simon Clarke, Diane Elson, Ben Fine, David Harvey, Dani Nabudere, Neil Smith and Ellen Meiksins Wood stand out today, but of course Marx, Engels, Hilferding, Lenin, Trotsky, Grossmann, Luxemburg, Mattick, de Brunhoff and Mandel among others set the stage over the past century and a half for Marxist political economists who followed – have mapped out this path of analysis, highlighting the link between core processes of capital accumulation, uneven development, crisis tendencies and the temporary ascendancy of a financial fraction of capital (see below). Just as importantly, an increasing number of activists across the globe seem to be independently confirming the arguments through their own practices.

The South African case is still hotly contested, though, and there can be no conclusive statement about what is happening and how we should confront it until more arguments are tested against time and opposing viewpoints. However, what is increasingly universal in the progressive literature on South Africa (not just books but the many discussion documents, academic papers and popular articles) is concern about the new government's deviation from the liberation movement mandate. Sometimes this deviation is related directly to political and economic pressures, sometimes to the whims of individuals. Sometimes the implications for the oppressed have been asserted, often not. Sometimes, such as in the ANC's 1999 campaign literature, it is argued that the process has been slow, but that there is progress nevertheless – yet as I argue below, the steps backward taken by neoliberalism in development policy and economic management throw this assertion into question.

To begin systematically to tackle neoliberalism requires moving through and beyond rhetoric about the nationalist 'sell-out', to documenting what precisely is wrong (defined as unjust, inappropriate, unworkable or untenable) with the ANC's rightward trajectory. The subjects I have chosen to explore include ineffectual economic crisis management (and crisis-induced policies) just prior to and during the political transition (Chapter 1); the all-pervasive but ill-fated social contract philosophy, which glued together elites from various camps (Chapter 2); post-election conservatism in social and developmental policy-making in relation to an (often radical) electoral mandate (Chapter 3); incompetent, market-oriented delivery of housing and urban services (Chapter 4); the pernicious influence of

World Bank and International Monetary Fund advisory missions (Chapter 5); and the implications of the late 1990s world financial crisis for geopolitics and South Africa's positionality (Chapter 6). At a time when global economic turbulence has left orthodoxy in intellectual and practical tatters, these areas of discussion – by no means comprehensive – are at least sites of *some* of the most important recent and future contradictions.

I have tried, in the process, to pass rapidly over general information that has been covered in more detail elsewhere, or that is common knowledge, and instead to jump into the specific kinds of argument that progressives deployed during the 1990s in a few key socio-economic policy debates – and which, I am convinced, will still be extremely pertinent to struggles early in the twenty-first century. Thus, the book assumes both South African and international readers are familiar to some extent with apartheid, the South African liberation struggle and the political-ideological role of the African National Congress, and are interested in locating these politics within broader global processes also unfolding during the 1990s.

But even if my analysis of the apparently universal neoliberal trajectory is accurate and the critique is sound, readers should ultimately trust their own sources for the *micro-level experiences of daily life* – in all their fragmented, richly textured, contradictory and symbolic forms – around these core areas of post-apartheid social and economic policy. The gut feeling of joy (even if temporary) when acquiring a new collective water tap in a desperately poor rural area, or conversely the fury and indignity of a water cut-off due to inability to pay, are, frankly, beyond the comprehension of any white, petit-bourgeois male academic. And although I try regularly to point out strategic implications of the analysis for the democratic social movements, also by way of caveat, I leave immediate, practical political conclusions to others with better connections to mass movements and with more experience in popular mobilisation.

At the political and moral levels, I do, however, rely unashamedly upon the integrity of decades worth of South African social struggles, even if these came to be understood in very different ways – and in many cases negated – by conservative-nationalist politicians and their neoliberal policy advisers during and immediately after the allegedly democratic transition. For if this is in part a book that argues for the need for greater political accountability than many ANC leaders (and virtually all bureaucrats) are willing to acknowledge, it is also an assertion that the radical mandate they were given – from the 1955 Freedom Charter to the 1994 *Reconstruction and Development Programme*, via any number of hard-fought social struggles – was not a bad one. In particular, the *RDP* was not unrealistic or infeasible, either, given the balance of forces in the contemporary world.

What does South Africa have to teach other societies? The manner in which neoliberal forces have come to dominate the globe since the 1970s – initially emblematised by Milton Friedman's role in post-coup Chile, the 1976 International Monetary Fund loan to Britain and then, more decisively, the reign of Paul Volcker at the US Federal Reserve beginning in 1979, followed by Thatcher, Reagan, Kohl, the 1980s handling of the Third World debt crisis and 1990s liberalised trade, investment and capital flows – can probably only be understood through detailed country case-studies. International comparisons are certainly relevant, and I try to draw out some of the more obvious ones in the conclusion. For it is now broadly accepted that a general force pushing globalisation (especially the dominance of the neoliberal ideology) has been *international financial power*, hastening simultaneously with slowing world economic growth.

It is, thus, the particular transition in the 'form' of capital that this book highlights in naming its subject 'neoliberalism': away from a white, sub-imperial 'settler capital' whose accumulation the past century and a quarter was based on the (often artificial) availability of cheap black labour, the extraction of minerals and generation of cheap electricity, and the production of protected luxury goods. Some have termed this form of capital 'racial Fordism', to summarise South Africa's racially inscribed failure to link mass production and mass consumption (in the manner Henry Ford accomplished at his Dearborn auto plant in 1913, and that advanced capitalist countries practised for a quarter-century following the Second World War). I wouldn't endorse this particular heuristic device, for it distracts us from more durable aspects of capital accumulation and crisis formation; however, as we see below, it is certainly an influential way of understanding South Africa's inheritance.

What form of capital accumulation lies ahead? More of the same? 'Post-Fordism', as the leading state strategists (especially in the Departments of Labour and of Trade and Industry) and some trendy Cape Town and Sussex University intellectuals hope? Or just deeper accumulation crises born of the neoliberal orientation to financial speculation rather than productive profit-making?

My bet is on continuing crisis – even if it is often stalled, shifted and displaced (to South Africa amongst other sites of economic volatility) and blunted in the North by bank bail-outs and occasional 'Keynesian' stimulants (as appear, finally, to apply in Japan). And here is where, instead, the overarching theory of uneven development comes in. Karl Marx regarded uneven development as a necessary process under capitalism by arguing that 'in the same relations in which wealth is produced, poverty is produced also'.[1] This 'absolute general law of capitalist accumulation', as he termed it, means that some economic sectors and geographical areas rise and others decline, but in a manner that does not achieve equilibrium, as free market economists would assume, but instead continually *polarises*. Such is the case on the world scale, but also in South Africa.

Leon Trotsky later made explicitly political arguments about combined and uneven development in his 1905 book *Results and Prospects*, which served as an analytical foundation for the idea of 'permanent revolution'. The theory suggests that in the twentieth century there would be scope for telescoping the bourgeois (read in Southern Africa as nationalist or anti-colonial) revolutions and proletarian revolutions into a seamless process, led by the working class. In reality, however, the century has provided combinations of political demobilisation and repression sufficient to overwhelm the subjective conditions necessary for socialist mobilisation, no matter how strong, objectively, the case for socialism remains.

Sadly, this will remain the situation for some time to come, one fears, even in industrial Johannesburg, given how forcefully African nationalism triumphed as the philosophy of South Africa's new petit-bourgeois political elite. There is, hence, very little in respect of the Trotskyist party-building project to which I can contribute in this study.

Instead, it is to a broader debate about uneven development – revived when Marxist social science, especially geographical studies, regenerated during the 1970s – that we can turn for supportive analytical traditions.[2] The phenomenon of uneven and combined development in specific settings has been explained as a process of 'articulations of modes of production'. In these formulations, the capitalist mode of production depends upon earlier modes of production for an additional 'super-exploitative' subsidy by virtue of reducing the costs of labour-power reproduction. South Africa and its bantustan labour reserves are illustrative, given the super-exploited role of rural women in nurturing workers during their youth, and caring for them in their retirement and during illness (hence allowing urban capitalists a lower wage floor, relatively devoid of educational, medical and pension expenditure).[3]

Neil Smith insists, however, that 'it is the logic of uneven development which structures the context for this articulation', rather than the reverse.[4] That logic entails not only differential – sometimes termed 'disarticulated' – production and consumption of durable goods along class lines (as is attributed to racial Fordism).[5] It also embraces 'disproportionalities' that emerge between departments of production – especially between capital goods and consumer goods, and between circuits and fractions of capital.[6] For example, the rise of financial markets during periods of capitalist overproduction – or 'overaccumulation' crisis – amplifies unevenness, as South Africa demonstrates clearly.[7] Indeed if there is a thread that ties the chapters together, it is this latter sentence (see below).

The confidence to make the bold assertion that through classical Marxian approaches to political economy we can best understand the elite character of South Africa's 1990s political transition, stems in large part from my own good fortune to have been in the right place at the right time on occasion. Furtermore, I have had the encouragement of comrades and enemies alike to document continually what I saw around me, and some journalistic opportunities to do so in the region's lively periodicals. If I had any sort of privileged access – first to Marxist theory (1985–87, studying with David Harvey in Baltimore), then to mass struggle and later, briefly, close to the ANC inner sanctum – this in turn reflected such an extraordinary open-mindedness on the part of so many South Africans that it is hard to know where and how to make acknowledgements. Too many individuals have helped to shape the arguments to list, but my gratitude to them all is enormous.

There were, however, institutions which facilitated matters, and they require specific acknowledgement. From 1990 to 1994 I was based at Planact, a then radical urban technical NGO closely aligned to the Johannesburg township civic movements and to the ANC. In 1995 I taught at the Johns Hopkins University

School of Public Health. From 1996 to mid-1997 I was a researcher at the National Institute for Economic Policy in Johannesburg and have, since then, taught political economy at the University of the Witwatersrand's Graduate School of Public and Development Management. I also want to thank publishers of articles and chapters that contributed to the arguments presented here, and the odd funder that provided resources for me to engage in non-commodifiable work.[8]

My family and friends gave me the space and were sufficiently tolerant to allow this work to come, gradually, to the stage of publication; thanks are also due the patient Pluto editor, Roger van Zwanenberg and his team as well as Glenn Cowley and the University of Natal Press. But my greatest gratitude is for the maturing of political consciousness in South Africa's radical labour and social movements, to the point that the Left critique is acceptable as constructive public discourse, not dismissed as unpatriotic, ultra-left diatribe.

If polemic regularly emerges in this book, nevertheless, it reflects the fact that by no means was South Africa's neoliberal status predetermined, nor is it permanent. (Nor is it meant to be 'personal': as Marx remarked in *Capital*, 'Individuals are dealt with here only in so far as they are the personifications of economic categories, the bearers of particular class-relations and interest.'[9]) Being quite close to key decision-makers, both political and bureaucratic, has given me the conviction that a thorough-going democratic transition beyond what elite South Africa offers is not only a matter of understanding the objective structural preconditions – which now, at the moment of neoliberalism's global gaffes, are ripe indeed – but subjectively a matter of political will. Rebuilding the mass democratic movements to articulate a programme for a society and economy beyond what decaying world capitalism has on offer, is thus now more urgent than ever.

Johannesburg, July 1999

Overaccumulation, uneven development and the rise of finance

How do we understand the tendency of capital to 'overaccumulate'? A quick terminological review is in order so as to locate this theoretical tradition more precisely.

To go back to basics, capital accumulation refers to the generation of wealth in the form of 'capital'. It is capital because it is employed by capitalists not to produce with specific social *uses* in mind, but instead to produce *commodities* for the purpose of *exchange*, for profit, and hence for the self-expansion of capital. Such an emphasis by individual capitalists on continually expanding the 'exchange-value' of output, with secondary concern for the social and physical limits of expansion (size of the market, environmental, political and labour problems, etc.), gives rise to enormous contradictions. These are built into the very laws of motion of the system.

Perhaps the most serious of capitalist self-contradictions, most thoroughly embedded within the capital accumulation process, is the general tendency towards an increased capital–labour ratio in production – more machines in relation to workers – which is fuelled by the combination of technological change and intercapitalist competition, and made possible by the concentration and centralisation of capital. Individual capitalists cannot afford to fall behind the industry norm, technologically, without risking their price or quality competitiveness such that their products are not sold. This situation creates a continual drive in capitalist firms towards the introduction of state-of-the-art production processes, especially labour-saving machinery. With intensified automation, the rate of profit tends to fall, and the reasons for this are worth reviewing. Profit correlates to 'surplus value', which is only actually generated through the exploitation of labour in production.

Why is labour paid only a certain proportion of the value produced, with a surplus going to capital? Since capitalists cannot 'cheat in exchange' – buy other inputs, especially machines that make other machines, from each other at a cost less than their value – the increases in value that are the prerequisite for production and exchange of commodities must emanate from workers. This simply means, in class terms, that capitalists do not and cannot systematically exploit other capitalists, but they can systematically exploit workers. Here arises the central contradiction: with automation, the labour input becomes an ever-smaller component of the total inputs into production. And as the labour content diminishes, so too do the opportunities for exploitation, for surplus value extraction and for profits.

This situation exacerbates what becomes a self-perpetuating vicious spiral. Inter-capitalist competition intensifies within increasingly tight markets, as fewer workers can buy the results of their increased production. In turn, this results in a still greater need for individual capitalists to cut costs. A given firm's excess profits are but only temporarily achieved through the productivity gains which automation typically provides, since every capitalist in a particular industry or branch of production is compelled to adopt state-of-the-art technologies just to maintain competitiveness. This leads to growth in productive capacity far beyond an expansion in what consumer markets can bear. (It is true that there are counter-vailing tendencies to this process, such as an increase in the turnover time of capital, automation and work speed-up, as well as expansion of the credit system. But these rarely overwhelm the underlying dynamic for long.) The relentless consequence, a continuously worsening problem under capitalism, is termed the *overaccumulation* of capital.

Overaccumulation refers, simply, to a situation in which excessive investment has occurred and hence goods cannot be brought to market profitably, leaving capital to pile up in sectoral bottlenecks or speculative outlets without being put back into new productive investment. Other symptoms include unused plant and equipment; huge gluts of unsold commodities; an unusually large number of unemployed workers; and, as discussed below, the inordinate rise of financial markets. When an economy reaches a decisive stage of overaccumulation, then it becomes difficult to bring together all these resources in a profitable way to meet social needs.

How does the system respond? *There are many ways to move an overaccumulation crisis around through time and space* (including what we later describe as 'stalling and shifting' tactics). But the only real 'solution' to overaccumulation – the only response to the crisis capable of re-establishing the conditions for a new round of accumulation – is widespread *devaluation*. Devaluation entails the scrapping of the economic dead wood, which takes forms as diverse as depressions, banking crashes, inflation, plant shutdowns and, as Schumpeter called it, the sometimes 'creative destruction' of physical and human capital (though sometimes the uncreative solution of war). The process of devaluation happens continuously, as outmoded machines and superfluous workers are made redundant, as waste (including state expenditure on armaments) becomes an acceptable form of mopping up overaccumulation and as inflation eats away at buying power. This continual, incremental devaluation does not, however, mean capitalism has learned to equilibrate, thus avoiding more serious, system-threatening crises. Devaluation of a fully cathartic nature (of which the last Great Depression and world war are spectacular examples) is periodically required to destroy sufficient economic deadwood to permit a new process of accumulation to begin.

When overaccumulation becomes widespread, extreme forms of devaluation are invariably resisted (or deflected) by whatever local, regional, national or international alliances exist or are formed in specific areas under pressure. Hence overaccumulation has very important geographical and geopolitical implications in the uneven development of capitalism, as attempts are made to transfer the costs and burden of devaluation to different regions and nations or to push overaccumulated capital into the buildings (especially commercial real estate), infrastructure and other features of the 'built environment' as a last-ditch speculative venture. Moreover, the implications of overaccumulation for balance in different sectors of the economy – between branches of production (mining, agriculture, manufacturing, finance, etc.), between consumers and producers, and between capital goods (the means of production) and consumer goods (whether luxuries or necessities) – can become ominous. Indeed, because the rhythm of overaccumulation varies across the economy, severe imbalances between the different sectors and 'departments' of production (sometimes termed 'disproportionalities' or 'disarticulations') emerge and introduce threatening bottlenecks in the production and realisation of value, which further exacerbate the crisis.

These processes enhance the control and speculative functions of finance. The argument, simply, is that as overaccumulation begins to set in, as structural bottlenecks emerge, and as profit rates fall in the productive sectors of an economy, *capitalists begin to shift their investable funds out of reinvestment in plant, equipment and labour power and instead seek refuge in financial assets*. To fulfil their new role as not only store of value but as investment outlet for overaccumulated capital, those financial assets must be increasingly capable of generating their own self-expansion, and also be protected (at least temporarily) against devaluation in the form of both financial crashes and inflation. Such emerging needs mean that financiers, who are after all competing against other profit-seeking capitalists for resources, induce a shift in the function of finance away from merely accommodating the circulation of capital through production, and increasingly towards both speculative and control functions. The speculative function attracts further flows of productive capital, and the control function expands to ensure the protection and the reproduction of financial markets. Where inflation may be a threat, the control functions of finance often result in high real interest rates and a reduction in the value of labour-power (and hence lower effective demand). Where bankruptcies threaten to spread as a result of overenthusiastic speculation, the control functions attempt to shift those costs elsewhere.

These, then, are the underlying core processes that generate crises, amplify uneven development and allow financiers an inordinate say over how, at the turn of the century, states are run throughout the world capitalist system, including its South African branch.