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South African political economy**

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Introduction: Two economies – or one system of superexploitation

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[The first economy] is the modern industrial, mining, agricultural, financial, and services sector of our economy that, everyday, becomes ever more integrated in the global economy. Many of the major interventions made by our government over the years have sought to address this 'first world economy', to ensure that it develops in the right direction, at the right pace. It is clear that this sector of our economy has responded and continues to respond very well to all these interventions ... The successes we have scored with regard to the 'first world economy' also give us the possibility to attend to the problems posed by the 'third world economy', which exists side by side with the modern 'first world economy' ... Of central and strategic importance is the fact that they are structurally disconnected from our country's 'first world economy'. Thabo Mbeki, *ANC Today*, 2003.

From day to day it ... becomes clearer that the relations of production in which the bourgeoisie moves do not have a simple, uniform character but rather a dual one; that in the same relations in which wealth is produced, poverty is produced also; that in the same relations in which there is a development of the forces of production, there is also the development of a repressive force; that these relations produce bourgeois wealth, i.e. the wealth of the bourgeois class, only by continually annihilating the wealth of the individual members of this class and by producing an ever growing proletariat. Karl Marx, *Capital*, 1867.

1 INTRODUCTION

In the pages that follow, a group of South Africa's leading political economists tackle President Thabo Mbeki's 'two economies' thesis, the framework most popularly invoked for contemporary poverty policy in South Africa. In short, poverty can be beat if sturdy (market-focused) ladders are found between the second and first economy, which unfortunately at present are 'structurally disconnected'.

On at least two earlier occasions, a critical mass of university-based intellectuals gathered in various publications to contest ideas of this sort: the mid-1970s when radicals fought liberals over the relationship between race and class; and the early 1990s when the South African version of the Regulation School was established. Both contributions were flawed, we will see. Since then, there has been a growing sense of the need to revisit and reconstruct old frameworks, in part because of the tremendous upsurge in popular social struggles associated with new types of exploitation. Political economists are late in responding to the challenge, but may now have established the necessary historical, theoretical and applied framework.

To work this out properly, our contributors are all aware, requires a renewed commitment to the underlying intellectual challenge posed systematically in Harold Wolpe's (1972, 1980) early work, on the way modes of production were 'articulated' so as to link cities, mines, plantations and Bantustans. That challenge is now amplified by President Thabo Mbeki's neomodernisation argumentation and practice, dressed up as it often is in egalitarian, redistributive garb, reminding us of Wolpe's own political commitments – but then departing fundamentally from those. Hence, if the idea of 'talk left, walk right' (Bond 2006) accurately describes the way South African elites challenge what they term 'global apartheid', in the following pages we ask whether the same process is evident domestically in the very conceptualisation of political economy.

The contributors to this particular volume come together as part of a wide-ranging effort to reinvigorate South African political economic theory and analysis. They gathered at the University of KwaZulu-Natal's Centre for Civil Society on 28 February 2006 for a Colloquium on Economy, Society and Nature which included a tribute to Harold Wolpe on the tenth anniversary of his passing.¹ In addition to Wolpe, two other great political economists active until 2005 in regional debates – Guy Mhone and Jose Negrao – were also feted on 1 March at the Colloquium, as recorded in *The Review of African Political Economy* (March 2007) by Thandika Mkandawire (for his cousin Mhone) and by Negrao's widow Sabina Asselle and Joe Hanlon. (Other articles in that Roape drawn from the Colloquium are Gillian Hart's work on articulations reprinted below – for which we are grateful to the Roape editors for permission – and analysis of resistance strategies by CCS masters student Prishani Naidoo and by one of our Wits University associates, Salim Vally.) Mhone and Negrao offered original critiques of systemic uneven development in other Southern African settings, a necessary task we have therefore not attempted to replicate in this volume.



Mhone's critique of what he called capitalist 'enclavity' received special treatment in a recent booklet devoted to his memory, launched in Nairobi at the January 2007 Mhone Memorial Seminar of the International Development Economics Associates (with which Guy was closely associated) by Mkandawire and Indian economist Jayati Ghosh (Bond 2007b). Of extraordinary merit is the inspiring review of Mhone's ideas by Adebayo Olukoshi, contextualised within broader economic development theory. Most important, perhaps, a summary of the prolific contributions by Mhone and Negrao would have to stress the way their own *praxis* – the often frictional rubbing of radical ideas against establishment power politics – contributed enormously to the production of knowledge (Bond 2007a). Their deaths in 2005 represented a tragic loss to political economy and to all who knew and worked with them.

Wolpe, Mhone and Negrao taught us to assess the way social challenges are reflected in the system's actions and reactions. Hence a further rubbing of ideas occurred at the Colloquium when from 2–4 March, CCS joined the Rosa Luxemburg Foundation in celebrating her masterpiece of political economy, *The accumulation of capital*. For Luxemburg, writing in 1913, the problem of imperialism itself followed the very logic of capital 'superexploiting' the non-capitalist terrain of the Third World, and South Africa was a classic case. In the edited collection that resulted, *The accumulation of capital in Southern Africa*, several chapters addressed the historical and contemporary South African economy, including Jeff Guy's treatment of Luxemburg's source material; a debunking of two economies by Caroline Skinner and Imraan Valodia; critiques of commodified state services by Greg Ruiters and the Black Economic Empowerment strategy by Leonard Gentle; and activist responses by S'bu Zikode, Salim Vally and Trevor Ngwane (Bond, Chitonge and Hopfmann 2007).

What sets this volume apart are the specifically South African analytical focus, the orientation to practical problems, and the varieties of overlapping critiques of Mbeki's new dualist analysis and strategy. The pages that follow are grouped into two sets of essays – first, diagnosis and then, policy/politics – which help us to consider economic development in terms of either 'two economies' or instead, 'superexploitation'.

For Marxists, the idea of superexploitation is often captured by 'permanent primitive accumulation', in which the initial capitalist strategy of dispossessing non-capitalist spheres – most famously in land enclosures which forced peasants into a proletarianisation process – becomes permanent. Superexploitation is a way to understand South Africa's history of extremely biased accumulation, combining capitalism and non-capitalist sites of work, of life and of nature. This process of 'uneven and combined development' can be identified in history as integral to the 'original' moment of capital accumulation considered by Marx as 'primitive', i.e., in the initial stages when the new mode of production was gathering momentum not on the basis of exploitation at the point of production – the main point of *Das Kapital* – but rather in the superexploitative relations between market and non-market activities.



David Harvey has termed this broader process 'accumulation by dispossession' (in contrast to accumulation by exploitation at the point of production), and locates it as the dynamic behind the 'new imperialism', in the spirit of Luxemburg's early 20th century argument. The capitalist system's recourse to systematic looting has, argues Harvey, emerged time and again during accumulation crises, including at present. He traces the most substantial economic problems in 'overaccumulation' which set in at the global scale during the 1970s, and which has only been displaced, not resolved, since (Harvey 2003).

That was also the point at which Wolpe himself located modern South Africa's historically high profitability in an articulation of two modes of production, capitalist and pre-capitalist. But the argument arose within a vibrant intellectual context that meant it was neither the first nor last word in understanding social relations. We can consider, next, some other key strands in political-economic analysis prior to the 1970s revival of neo-Marxist political economy.

2 PRECEDENTS FOR ARTICULATION/TWO-ECONOMIES DEBATE

Hidden traditions of debate about the South African economy are worth revisiting briefly by way of introduction to the theme of superexploitation. We might begin with uneven and combined development, a concept introduced in Leon Trotsky's 1906 requiem for the prior year's failed revolution.² It was then that Trotsky interrogated the 'backward' stage of Russia's development, and as a result insisted that 'permanent revolution' was the category best equipped to deal with a hybrid economy that included both capitalist and pre-capitalist social relations.

Although Johannesburg and Cape Town activist intellectuals soon debated the merits of permanent revolution – in contrast to the stageist theory popular in the Communist Party from the late 1920s – it is striking that the many variants of Trotskyist organising never boasted a major analytical statement that advanced our knowledge of uneven development as an interrelated class, racial, gendered, ecological, geographical and geopolitical process.³ Apart from several subsequent political and trade union oriented works by Trotskyists including Baruch Hirson, Neville Alexander and Alex Callinicos, perhaps the most powerful short *political-economic* statement in the tradition of permanent revolution was the 1934 'Draft Thesis on the Native Question' issued by the Workers Party of South Africa, authored by its main ideologue, Yudel Berlak (1993a:106–114):

The main characteristic of the South African economy as it is today is the exceptionally low level of wages of the unskilled and semi-skilled workers ... Because of this intense exploitation of the black workers, the exploitation of the white workers is comparatively much less vigorous ... As South Africa is predominantly an agrarian country, the bulk of the population is to be found on the land, engaged in agriculture ... But the special characteristic of this



peasantry is that it is a landless peasantry ... There is no native bourgeoisie in South Africa, and no native bourgeois democratic national movement of any importance in existence ... The pauperisation of the natives, the pauperisation of the small white farmers, the Native Problem and the poor white problem, not only hamper but bar the way for the development of the country. There is no future for South Africa, there is no place for industrial development and growth, until the internal need is studied and supplied, the level of internal consumption raised, and the whole internal market systematically developed ... It must be made clear to the workers and intelligentsia of South Africa that the Native Problem, the agrarian problem, is *their* problem, that the liberation of the native is *their* liberation.

From these insights there followed critiques of the white chauvinist Labour Party and the Communist Party's 'Native Republic' political strategy, and a call for a 'South African October'. One reply from the International Secretariat of the Trotskyist movement – by Ruth Fischer (1993:114–119) in 1935 – was that 'the point of first importance is *smite English imperialism*; all other questions are subordinate questions'.⁴ In a later position paper, Berlak (1993b:157) also addressed the question, 'How does the grip and rule of imperialism manifest itself?' He answered,

[d]irectly through the finance and money market of the City of London and through their representatives, the banks, indirectly through the Chamber of Mines, Chamber of Industry, and Chamber of Commerce ... The clearest manifestation of the rule of finance capital was in the matter of the Gold Standard. Although the majority of the country and the parliament were for remaining on the Gold Standard, the pressure of the City of London and the Chamber of Mines forced South Africa off gold and subjected the 'independent' South African Pound to the British Pound... The greater this dependence on the gold industry, the more powerful is British finance capital that forced the country off gold; it was British finance capital that forced the coalition upon those who up that time had been deadly enemies (remember Smuts and Herzog); and it is British finance capital that is now forcing fusion. Setting aside the aims of both parties in Fusion [the name given the ruling party from 1934, combining English mining and smaller Afrikaner-dominated agricultural interests], such aims as higher and more stable profits, a settlement of the Native Question, that is, a permanent settlement securing the supply of cheap and yet cheaper labour, eliminating even the existing competition, we can see that by Fusion finance capital will strengthen its position.

Combining these two strands of argument – pro-land reform and democratisation with anti-imperialism – another Trotskyist theorist, Moshe Noah Averbach (1993:131–133), provided a unified *description* (if not theory) of South African social relations in 1936, which is worth citing at length:

It is necessary to grasp that the landlessness of the Africans in particular has flowed from the imperialist policy of creating a migratory African



proletariat kept in readiness in vast reservoirs of labour – the reserves – driven out of these reserves by landlessness, starvation and the poll tax, and controlled in the cities by means of compounds, pass laws, etc. In short, the land question cannot be separated from the question of the way in which imperialism built up by a supply of cheap African labour. Here the land question is not only the problem of fighting against landlordism, but furthermore a problem of fighting imperialism, with its strongholds in the cities. Just as the rural African, in most cases [sic – meaning men], is also a city worker for part of his life, so the land problem is tied up with the problem of the anti-imperialist fight which has its bastions in the big cities of South Africa ...

In order to have at hand a ready source of controllable cheap labour, imperialism has deliberately prevented the development of an African peasantry, for such a peasantry would live off the land, would reduce the number of human beasts of burden to be exploited in the mines, factories and on the farms, and slow down or threaten to stop the migration of cheap labour from town and farm to the reserves and back again. Imperialism has uprooted the African tribalist, expropriated the African small farmer, prevented their growth into peasants, extended their landlessness, and kept them in a state of permanent flux between the slave conditions in the cities and starvation conditions on the reserves – in short, imperialism has created the land question as part and parcel of its mechanism of depriving the non-Europeans of their rights, of their land, of opportunities – part of its mechanism of the colour bar and segregation and race persecution ...

The African was *expropriated* by sword and fire. Near the end of this process, the imperialists began to industrialise the country and to employ masses of cheap labour on the Natal plantations, in the diamond mines, the gold mines, in the industries connected with these mines, and at the big ports. They used the reserves where the expropriated Africans had been driven as real reserves – as reservoirs of cheap labour ... In the cities the bourgeoisie built up an elaborate system of compounds, passes, and regulations to control the migratory labour from the reserves. To prevent the formation of a stable, hereditary urban proletariat which would become used to the traditional methods of organisation and struggle – trade union and political – of the city working classes all over the world, the imperialist bourgeoisie segregated the Africans from each other tribally or otherwise, and from city political life by means of compounds, and allowed a drift back to the reserves after some time of slavery in the towns.

Among urban black African workers, intellectual and political figures, there were exceptional speakers in the revolutionary tradition – for example C.B.I. Dladla, Dan Koza, Isaac Bongani Tabata, T.W. Thibedi – whose arguments have only sporadically been recorded, but which contributed to powerful critiques of the Stalinist strategy. However, rather than dwell upon analysis, Trotskyists used their energies to



organise and forge links with labour movements in the major centres and establish small political parties, though this work ebbed and flowed depending upon the cycles of repression and nationalist hegemony over the broader progressive movement.

It is useful to compare these insights to those of the Left within the South African Communist Party (SACP), especially the theory of 'colonialism of a special type' (CST). Drafted by Mick Harmel, CST was officially adopted by the Communist Party during the early 1960s, and represents an internal version of dependency theory. According to the SACP's (1989) most widely-circulated analysis, the

South African capitalist state did not emerge as a result of an internal popular anti-feudal revolution. It was imposed from above and from without. From its birth through to the present, South African capitalism has depended heavily on the imperialist centres ... It was within a colonial setting that the emerging South African capitalist class entrenched and extended the racially exclusive system to increase its opportunities for profit. The racial division of labour, the battery of racist laws and political exclusiveness guaranteed this ... In all essential respects, the colonial status of the black majority has remained in place. Therefore we characterise our society as colonialism of a special type.

From this analysis, it was logical for the SACP to defend a vision of a revolution first of national liberation from internal colonialism, followed by the socialist struggle against capitalism. The SACP's late intellectual leader Joe Slovo also suggested that there is no 'Chinese Wall' separating the stages, and that 'dominant ingredients of later stages must already have begun to mature within the womb of the earlier stage'. From this approach, there are still regular calls from SACP intellectuals to hasten the 'National Democratic Revolution' and for the state to take on a more 'developmental' character (in other words, interventionist in the East Asian sense), without yet identifying what socialist content is appropriate.

But new generations of radical South African scholars added several other branches of Marxian analysis: Wolpe's articulations of modes of production argument during the early 1970s; neo-Poulantzian 'fractions-of-capital' analysis during the late 1970s; the concept of 'racial capitalism' during the early 1980s; the Social History school of the 1980s; and French regulation theory (and 'racial Fordism') during the late 1980s. It is worth devoting attention to Wolpe's ideas, in view of the current concern about relationships that tie capitalism to non-capitalist social and environmental conditions.

3 WOLPE'S ARTICULATION AND ITS AFTERMATH

As the CST framework came under repeated questioning from Left intellectuals (e.g. Callinicos 1988), it was not long before, during the early 1970s, SACP intellectual Wolpe (1972, 1980) applied the idea of articulation of modes of production to argue that South African capitalism required and nurtured the superexploitation



that was available by harnessing colonial-style dominance of pre-capitalist modes of production. Explicit evidence for the Wolpe thesis came from the Chamber of Mines, which in official testimony to a government commission in 1944, admitted that a subsidy drawn from pre-capitalist society was crucial to the maintenance their profits: 'The ability of the mines to maintain their native labour force by means of tribal natives from the reserves at rates of pay which are adequate for this migratory class of native, but inadequate in practice for the detribalised urban native, is a fundamental factor of the economy of the gold mining industry'.

Wolpe argued that as capitalism increasingly dominated pre-capitalist society, employers necessarily exploited the cheap labour pool ever more thoroughly, hence the formalisation of migrant labour through formal apartheid Bantustans. Although more and more workers began living permanently in cities near manufacturing jobs, there was still a large supply of migrant labour. From 1948 through the 1970s, 3.5 million people were forcibly removed onto the reserves, which could simply not handle the environmental demands placed on them. From the standpoint of capitalist managers, it was better that the families starve, rather than move to the workplace where the wage-earner would require – and demand and perhaps win – higher pay to support their women and children.

Simply put, migrant workers were to be subsidised by their kin in rural areas, such that wages could be kept at ultra-low levels. What Wolpe did not express was how gendered the process became. The migrant 'tribal natives' did not, when they were young, live under a system that required companies to pay their parents enough to cover school fees, or pay taxes for government schools to teach workers' children. When sick or disabled, those workers were often shipped back to their rural homes until ready to work again. When the worker was ready to retire, the employer typically left him a pittance, such as a cheap watch, not a pension that allowed the elderly to survive in dignity. From youth through to illness to old age, capitalists were let off the hook. The subsidy covering child-rearing, recuperation and old age was provided by rural African women. The central lesson from this crucial aspect of apartheid was that capitalism systematically looted the Bantustan areas, especially women, which supplied such a large proportion of workers. The economic functionality of apartheid was, for Wolpe, a logical and necessary outcome of the post-war development of South African capitalism.⁵

In Wolpe's seminal contribution, 'Capitalism and cheap labour-power in South Africa: From segregation to apartheid', first published in *Economy and society*, in 1972, he draws an explicit link between race and class:

Conventionally, apartheid is regarded as no more than an intensification of the earlier policy of segregation and is ascribed simplistically to the – particular racial ideology of the ruling Nationalist Party. In this article substantial differences between apartheid and segregation are identified and explained by reference to the changing relations of capitalist and African pre-capitalist modes of production. The supply of African migrant



labour-power, at a wage below its cost of reproduction, is a function of the existence of the pre-capitalist mode. The dominant capitalist mode of production tends to dissolve the pre-capitalist mode thus threatening the conditions of reproduction of cheap migrant labour-power and thereby generating intense conflict against the system of segregation. In these conditions segregation gives way to apartheid, which provides the specific mechanism for maintaining labour-power cheap through the elaboration of the entire system of domination and control and the transformation of the function of the pre-capitalist societies ...

In the period of capitalist development (from say 1870) African redistributive economies constituted the predominant mode of rural existence for a substantial (for much of the period, a majority), but continuously decreasing number of people. The simultaneous existence of two modes of production within the boundaries of a single state has given rise to the notion of the 'dual economy' (e.g. Hobart Houghton). As André Gunder Frank and others have shown for Latin America, however, the assumption that different modes of production can be treated as independent of one another is untenable.

In South Africa, the development of capitalism has been bound up with, first, the deterioration of the productive capacity and then, with increasing rapidity, the destruction of the pre-capitalist societies. In the earlier period of capitalism (approximately 1870 to the 1930s), the rate of surplus value and hence the rate of capital accumulation depended above all upon the maintenance of the pre-capitalist relations of production in the Reserve economy which provided a portion of the means of reproduction of the migrant labour force. This relationship between the two modes of production, however, is contradictory and increasingly produces the conditions which make impossible the continuation of the precapitalist relations of production in the Reserves. The consequence of this is the accelerating dissolution of these relations and the development, within South Africa, towards a single, capitalist, mode of production in which more and more of the African wage-labour force (but never the whole of it) is 'freed' from productive resources in the Reserves.

This results in important changes in the nature of exploitation and transfers the major contradiction from the relationship between different modes of production to the relations of production within capitalism.

Here we arrive at the critical point of articulation between ideology, racial political practice and the economic system. Whereas segregation provided the political structure appropriate to the earlier period, apartheid represents the attempt to maintain the rate of surplus value and accumulation in the face of the disintegration of the pre-capitalist economy. Or, to put it in another way, apartheid, including separate development, can best be understood as the mechanism specific to South Africa in the period of sec-



ondary industrialisation, of maintaining a high rate of capitalist exploitation through a system which guarantees a cheap and controlled labour-force, under circumstances in which the conditions of reproduction (the redistributive African economy in the Reserves) of that labour-force is rapidly disintegrating.

Wolpe's argument has been attacked from various directions, as Ari Sitas, Gillian Hart and David Masondo discuss below. As subsequent research and theoretical arguments showed, there was ample room for contesting Wolpe's chronology and understanding of the dynamics of capitalism.⁶ But we will return, often, in the pages below, to the power of his original insight into superexploitative processes that structurally connected the economies of mines, fields and factories to the Bantustans.

Meanwhile, international trends in historical materialism – especially the success of Althusserian and Poulantzian structuralism – were by the mid-1970s having a major impact on South African political economy. There emerged a fascination with which 'fractions of capital' controlled the state at particular moments of political change.

Although the various fractions became increasingly blurred by the 1960s as South Africa's big mining finance houses diversified into manufacturing, several leading neo-Marxist researchers identified prior distinctions between capitals in terms of their sector of production (mining, manufacturing or agricultural), their location within the circulation of capital (industrial, financial, commercial, landed), or their 'nationality' (Afrikaner, English-speaking, foreign) (Davies 1979, Davies, Kaplan, Morris and O'Meara 1976, and Kaplan 1976).

The historical argument of the fractions of capital school can be summarised as follows. In 1910 the Union of South Africa was founded, and led by a South African Party representing an alliance of foreign-oriented mining capital and more prosperous capitalist agriculture, and also commercial capital and the incipient industrial bourgeoisie. The National Party/Labour Party 'Pact' government followed in 1924, combining the interests of small white landowners, local capitalists (especially in manufacturing) and racist workers. Pact policies also supported agricultural capital.

A decade later, in 1934, the United Party was a fusion of the National Party and South African Party, with mining interests increasingly favoured. Mining ties to industrial capital also strengthened at this stage, but agricultural capital eventually deserted the party to support the Herenigde Nasionale Party. The Labour Party and Dominion Party (representing large sugar farmers and petty bourgeoisie) joined a coalition government in 1939. By 1948 a coalition of the Herenigde Nasionale Party and Afrikaner Party won the election on the broad support of capitalist agriculture, non-monopoly industrial and financial capital, the white petty bourgeoisie and white labour. Renamed the Nationalist Party in 1951, it codified the existing set of measures of racial segregation known as apartheid. In the late 1970s Nationalist Party leaders became increasingly ambivalent about their social base in white rural and labour constituencies (who have largely moved to the Conservative Party), while



instead supporting reform policies originally advanced by big capital's Progressive Federal Party (now the Democratic Alliance) (Davies, O'Meara and Dlamini 1986).

Before long, however, the Poulantzian analysis itself came under sharp attack, especially by Simon Clarke (1978). For whereas focusing on fractions of capital highlighted questions of power, the costs of this single-minded focus were excessive: the capital accumulation process was downplayed, capital-labour conflicts dismissed, and thus a sense of necessity and contingency in the development of the social and economic formation diminished.⁷ (There has been little or no subsequent work in the Poulantzian tradition.)

With an upsurge in protest beginning with the Durban labour movement emerging in 1973, and with the economic slowdown beginning around 1974, radicals' attention turned away from aspects of stability and control, to instability and crisis. The theory of 'racial capitalism' was invoked to link the political and the economic. At the economic level, Marxist explanations of crisis often fall into three different camps: underconsumption, profit squeeze, and overaccumulation. First, insufficient demand for goods – or underconsumption – was described by John Saul and Stephen Gelb in 1981 as follows:

From the late 1960s, the growing saturation of the white consumer market limited not only sales but also the ability of the manufacturing industry to benefit from economies of scale. Since an expansion of the black consumer market was not then contemplated, this made more urgent the state's often reiterated, yet difficult to realise, call for an increase in manufacturing exports (Saul and Gelb 1981).

The implications are morally satisfying: give black consumers more income, they'll consume more, and that will spur the economy. At first blush, this sounds logical both as a way to explain economic stagnation and as a possible solution. But does it really get to the root of the way capitalism works? Marx commented that it is 'sheer tautology to say that crises are caused by the scarcity of effective consumption'. Moreover, notes Charles Meth (1991), 'underconsumption, while always lurking, is not a theory of crisis, nor a permanent hindrance to capital accumulation'.

Tellingly, perhaps, by the early 1990s Gelb (1991) came to reject the underconsumption argument, and predicted that if a post-apartheid government simply attempted a general redistribution of income from rich to poor, it 'would lead quickly to supply bottlenecks and higher levels of inflation eroding any real gains. Furthermore, it would simply exacerbate one of the underlying causes of the crisis, which originated on the supply side of the South African economy'. In other words, boosting the purchasing power of low-income blacks might fuel the economy for a short while, but would do nothing to solve the underlying problems.

A second explanation for the crisis focused on labour. As white privilege became even more extreme during the 1960s – after black political resistance was deci-



mated – African labour came under much more intense pressure. On top of new-found labour militancy beginning in 1973, Saul and Gelb also identified the shortage of skilled labour as a crucial weakness created by the apartheid system's colour bar and bantu education policies. These shortages became acute by the early 1970s. The argument here is that economic crisis is rooted in resistance by (and problems of) workers, which led to a 'squeeze' on corporate profits and a slowdown in growth.

This argument is central to the question of the labour movement's post-apartheid wage demands. The danger of this line of argument should be evident. By the late 1980s, Gelb (1987) had come to the position that rising wages were a key culprit – an 'originating cause' – of the crisis. The mid-1970s wage demands stemmed from rising inflation (not the other way around) and labour's increased clout in the wake of the 1973 Durban and Johannesburg strikes. Mining industry wages were also possible following the 1971 rise in the gold price. A second round of wage increases in the 1980s coincided with the massive consolidation of trade union organisation.

This explanation for the economic slump is distasteful for many radicals. As Meth put it, there is a 'slight awkwardness about holding an analytical position which may be used to justify an attack on workers'. While class struggle certainly affects profitability – both on the shopfloor and at the negotiating table over how corporate income is distributed between profits and wages – such struggles cannot be the essential reasons for capitalism falling into a long-term structural crisis. Normally, in fact, wages fall during a crisis. If worker demands are seen to be a cause of economic crisis, there is a simple capitalist solution: 'wage restraint'.

Gelb (1991) later argued the 'need to lower costs and improve productivity in the existing productive sectors, especially mining and manufacturing. This will require increased investment in new technologies, and/or lower wages at least in real terms. In other words, capital in these sectors needs to be strengthened, that is, profitability restored'.

In contrast, overaccumulation theory, the third approach to capitalist crisis, better explains the need felt during the 1980s for capital to end its support of apartheid, and the need for workers to gain higher wages so as to overcome inherited structural economic bias (against basic needs consumption). But what all such theories required was the confidence to generalise, something that some intellectuals felt increasingly uncomfortable about during the 1980s.

The fractions and racial capitalism perspectives were most harshly criticised by a new school of South African social history which prided itself for looking at society and economy not from the top (state and capital), but from the very lowest levels of the voiceless majority.⁸ This was directly related to the unsatisfactory character of the various macro-theories that had come before. As Ben Fine and Zav Rustomjee (1996:22) put it in their own very valuable contribution to the debate,



[s]uch fashions have subsequently given way to the new social history, which has drawn its inspiration from the work of E.P. Thompson, in which rural struggles have figured prominently as case studies. Here there is considerable antipathy to reductionism, functionalism, structuralism and many other-isms. Instead is offered rich empirical detail and an emphasis on the many-sided making of history in terms both of the different aspects of struggle and participants in it. But there is precious little explicit theory.

Indeed, no matter how rich and interesting the particularities of the social history case studies proved, they added up to very little that could be generalised for the purpose of answering the larger questions of capitalist development (Morris 1988). The broader theoretical discourse about race and class in South Africa seemed to peak in the 1970s, and with rigorous detailed probing underway in the 1980s in the context of the search for specificity, research into the nature of the mode of production tailed off markedly.

Conveniently, in the late 1980s, the larger questions were again placed on the agenda. It was a time when South Africa's capitalist class demanded, perhaps for the first time, an end to formal apartheid. The reasons for this are closely related to economic stagnation and financial crisis, but what was disconcerting was how dramatically this shook many Marxist theorists who, earlier, so profoundly rejected the liberal thesis that apartheid and capitalism were incompatible. As Gelb (1987) put it, radicals must 'develop a substantial and consistent analysis of capital accumulation which preserves their view of the earlier relationship between apartheid and capitalism, explains the transformation from long run apartheid boom to economic crisis and then analyses the crisis itself.' To that end Gelb introduced 'regulation theory' to dissect the relative stability of South African capitalism from 1948 through the early 1970s. A new wave of international scholarship had just emerged from France under the rubric of regulation, seeking to explain how post-war 'Fordist' economies faltered (Jessop 1990).

Capitalism does, of course, manage to generate fairly long periods of growth before its internal contradictions become overwhelming. Describing how capitalism could stabilise itself over a period of several decades was the task that the founder of regulation theory, Michel Aglietta (1979), set for himself in his seminal study of United States economic history. The label for the stability that came of this articulation, in honour of a phrase coined by the Italian Marxist Antonio Gramsci, was 'Fordism', signifying the symbiotic relationship between mass production and mass consumption (the product of Henry Ford's assembly line and \$5/day wages). As a fully-fledged 'regime of accumulation', Fordism relied upon intensive kinds of production in which capital 'deepened', and production became capital intensive with high productivity. There also emerged under Fordism a wide range of social and political institutions. Those that were most important to the American version – which then served to spread the Fordist regime throughout the advanced capitalist world – were the Bretton Woods agreement (which stabilised the world financial system under the power of the US dollar); a social contract between big business, big government and big trade unions



(which also involved the McCarthyite purge of communists); and a limited but real welfare state (which supported consumption).

South African 'racial Fordism,' as Gelb (1987, 1991) termed it, captures the post-war combination of formal apartheid with industrialisation based on import-substitution: 'As with Fordism in the advanced countries, accumulation in South Africa during this period involved the linking of the extension of mass production with the extension of mass consumption, but in a manner that was restricted on both sides of the equation, as is very familiar'. The expensive imported machinery was paid for by a relatively stable flow of foreign currency provided by mineral exports. Although political turmoil disturbed the economic boom in 1960, growth was relatively secure for at least two decades after apartheid was introduced, and this qualifies as the longest uninterrupted period of prosperity that the country's entire white population had ever had. Even short-term business cycle downturns helped correct imbalances in the system, says Gelb, in a 'reproductive' rather than destructive way.

But white mass consumption only goes so far – an entire industrialised economy with South Africa's aspirations could not build on so small a base. Because 'the size of the internal market is the main barrier to this type of accumulation', ANC economists Maria Ramos and Fuad Cassim (1989) wrote, 'the Fordist model within a domestic economy must be described in terms of the conditions of its interaction with the world economy'.

South Africa's location on the periphery of the world economy gives it certain peculiar characteristics, which Ramos and Cassim call 'peripheral Fordism.' Thus, contrary to Gelb's analysis of racial Fordist regulation, the mass production-mass consumption link occurred *between the global and economy and South Africa*, and not primarily within South Africa, although at first, 'peripheral Fordism began by producing for a middle class both at home and abroad', Ramos and Cassim acknowledged. 'To survive, the (international) Fordist regime had to relocate to a country where high rates of exploitation existed', which explains the post-war manufacturing boom in places like South Africa and Brazil. 'But though foreign capital has been crucial in underpinning South Africa's growth, South Africa has been unable to penetrate the world manufacturing market, in particular against the competition of more skilled and better utilisation of labour elsewhere'.

With the crisis in racial Fordism largely understood as a breakdown in the institutional apparatus that regulated capitalist instability (witnessed in the form of 1970s strikes and social unrest, the import of international inflation, and the oscillating gold price), the key task for the regulationists – whether relying upon internal or international causality – then became how to stitch together a new set of 'post-Fordist' institutions and assist in the process of 'kick-starting' capitalist growth. Wage restraint, productivity *quid pro quos*, social contracts and even Taiwan-style export-orientation have been advocated by Gelb and progressive economists (many connected to the Economic Trends Group 'Industrial Strategy Project' of Cosatu) who gained inspiration from the post-Fordist discourse.



But here the politics of regulation theory emerged into full view. As four social scientists who work in this tradition – Avril Joffe, David Kaplan, Raphael Kaplinsky and David Lewis (1993) – put it in the final paragraph of a key paper, what is required is ‘to identify a structured form in which these strategic discussions can be pursued across the spectrum of industrial activity without at the same time becoming swamped in a wider agenda of class conflict’. Controversies over trade union policy – particularly social contracts and shopfloor flexible specialisation – began to emerge (Brenner and Glick 1991, Callinicos 1992).⁹ Meanwhile, as with earlier approaches to neo-Marxist analysis, an historical materialist critique of regulation theory became widespread internationally.

What is most remarkable about this search for theoretical explanation of race and class, of the trajectory of political economy, of macro-micro relations and of gender (O’Meara 1996), among other themes, is that at the point such theory may have been most useful to those engaged in everyday struggle against capitalism during the rise of neoliberalism, in the early 1990s, it *evaporated*. In the most important 1990s contribution, Fine and Rustomjee (1996) intervened with the idea of ‘Minerals Energy Complex’ at the core of South African political economy, but did not elaborate this into a broader position on the evolution of social relations.

The theoretical exercises were, perhaps, so flawed in parts, that it became distinctly unfashionable to theorise about political economy. As Fine and Rustomjee (1996:21) appropriately cautioned, the

relationship between abstract theory and empirical application is not unique to the study of South Africa. But the virulent form taken by its racism within the bounds of a predominantly capitalist economy has cast considerable doubt on the simple expedient of examining South Africa’s development in terms of hypotheses derived from ready-made analytical frameworks.

4 REVISITING THE ANALYTICAL FRAMEWORKS

Without a substantive challenge from the Left up to that point, Mbeki’s own ready-made analytical framework of two economies – so reminiscent of modernisation theory, as David Masondo points out in his article – became the prevailing discourse in government circles by 2005. André du Toit and David Nevens, below, set out the implications for analysis and policy:

Proponents of second economy discourse do not deny that links exist between the economic mainstream and poor and marginalised people and regions – indeed, given the abundant evidence of a long history of incorporation and integration, they would be hard-pressed to do so. Rather, they seem to argue either that *where disconnection exists*, it is intrinsically disadvantageous; or that disadvantage, where it exists, *must be due to some form of disconnection*. So although the existence of connections



is not denied, 'second economy' discourse predisposes policymakers to seek a 'better integration' – which is almost universally understood to be a tighter, closer one – and leaves untouched the underlying assumption that this larger system into which people need to be integrated will necessarily function to their advantage.

This collection picks up the debate over Mbeki's premise in several ways: historically, theoretically, empirically and politically. First, superexploitation is addressed in historical terms by Michael Perelman with reference to the Game Laws of England. This is followed by Ari Sitas's consideration of various feedback effects from Wolpe's legacy, including an agenda for further work. Next, Gillian Hart compares the South African situation with global debates drawing in ideas of Stuart Hall, Ernesto Laclau and Chantal Mouffe, and Antonio Gramsci, in part to explain how capitalism and nationalism have intertwined to produce the conditions in which a figure like Jacob Zuma flourishes. Masondo then reviews how vulgar Marxism and modernisation theory worked initially in conflict, but ultimately in harmony, to distract attention from more durable race-class debates. Charles Meth dissects the flawed, biased statistics we are compelled to deal with when considering poverty and inequality. Martin Legassick provides an overview of the overaccumulation crisis evident – albeit displaced – within the 'first economy'. Finally, to round off the initial section of this volume on history, theory and empirical information, Du Toit and Neves report on their nuanced research in two settings – Mount Frere in the Eastern Cape and Khayelitsha in Cape Town – in which the two economies thesis falters, along with notions of small 'business' in a context of survivalism.

The second group of articles focuses on politics and policy. Isobel Frye begins by unpacking the hot rhetoric of the two economies. Whether under contemporary circumstances, South Africa can become a genuine 'developmental state' – or something intermediate or even just half-hearted – is addressed in two contributions by Bill Freund and Devan Pillay. Moving to detailed case studies of the mechanisms of superexploitation, I first provide a specific example of how two economies analysis justifies microcredit interventions within the main macroeconomic programme (the Accelerated and Shared Growth Initiative for South Africa), notwithstanding severe problems already evident in this strategy. Another important state intervention is the expansion of public works, which Melanie Samson debunks as a two-economy solution that also does 'depoliticising' work. Likewise, the ongoing way in which social reproduction by women subsidises capitalism is illustrated in the case of home-based care, by Nina Hunter. At the workplace, the introduction of ubuntu/botho within the context of racially-determined skills shortages is addressed by Simon Mapadimeng, as a warning of the limits of Mbeki's strategy. Ashwin Desai compares a new and surprisingly neoliberal 'Taylorism' with Mbeki's worldview, finding them both wanting. Finally, Margaret Legum focuses on the search for a revitalised South African political economy.



As these articles were being prepared for publication, another strong statement of the need to transcend 'two economies' analysis and practice came from the Congress of SA Trade Unions (2007). One apparent task in March 2007 was to identify the difference between increasingly radical ANC rhetoric regarding forthcoming state intervention to address the two economies problem, on the one hand, and on the other, residual structural forces which prevent working people from benefiting from ruling party patronage:

The Central Executive Committee unanimously observed that the political debate is shifting to the left ... [But] Cosatu will not exaggerate gains or drop its guard. The shifts are not qualitative and certainly do not signal a consensus on a new developmental path based on fundamental restructuring of the economy through an active industrial strategy that will lead to massive absorption of the unemployed into the labour market. The shifts are never unambiguous and are full of contradictions. They happen within a conservative economic climate in which it is constantly repeated that the economy is doing well and that we have turned the corner. Some are still saying that the Growth, Employment and Redistribution programme was right all along and that we are now reaping its fruits, with talk about 500 000 new jobs being used to promote glowing optimism. Yet the reality for the working class and the poor is extraordinary levels of unemployment, ravaging poverty and growing inequalities. The 500 000 jobs per annum, whilst representing small progress, in the context of the massive job destruction in the first decade, will not help us realise the modest goal of halving unemployment by 2014. Moreover, most of the jobs are of poor quality, created in sectors renowned for high levels of casualisation and subcontracting such as construction, retail and the hospitality industry. Moreover Cosatu is concerned that these shifts are managed outside of the Alliance and the ANC, but through a team of economists from Harvard and the President's Investment Council.

Cosatu's leaders summed up the dilemma our own writers face when hearing of R400 billion in forthcoming infrastructure spending, increased access to free basic services, delivery of anti-retroviral medicines and the like: 'the question remains: is this a cynical move to occupy a Left position that has been occupied by Cosatu during this year of the ANC conference or is this a genuine shift to the Left?' One might point out that the state's major resource transfers will benefit the construction companies and other powerbrokers responsible for the Gautrain, Lesotho Highlands Water Project dams, soccer stadia, arms deals, nuclear plants, Coega industrial subsidies and the like. Further evidence for the 'cynical move' is that 'developmental state' rhetoric is articulated, still,

within a conservative climate which repeats the notion that the economy is doing well and that our society has turned the corner. This conservative convergence threatens to overshadow and downplay the inequitable nature of the current growth path. As such, there is an ideological battle



to maintain a message that it is big business and not the poor who are the major beneficiaries of economic reforms ... While [the ANC] remains a broad church, there is a hegemonic conservative bloc, which has attempted to move the movement to the centre left. This is manifest in the hollowing of the internal organisation, poor internal democracy and the locus of the centre of power in the state, changes in the key cadres driving the ANC, and on economic policy. Another key concern is the tendency to use the ANC as an instrument of individual accumulation, whether via the state or through business connections. However the environment is not static and is subject to intense contestation. Therefore the principal task of the working class is to recapture the ANC as a progressive and radical liberation movement ...

We may have access to political office but the nature of our democracy is not far-reaching in political and economic terms. Wealth and power still resides with a white minority and for many blacks, opportunities may have opened but are tempered by the glass ceiling at the workplace, unemployment, poverty and inequality. Hence there is still a need for a broader multi-class alliance led by the working class to prosecute the National Democratic Revolution, noting that for the working class the ultimate goal is to achieve socialism.

While entirely sympathetic, our ambition in producing this set of articles is more modest: to critique the mid-2000s turn to the 'two economies' metaphor by the ruling party's leadership, in part by looking at the theoretical problems it raises, and in part by critically considering practical implications in policy and politics that follow from this framework. While this compels an analysis of South African capitalism that stresses superexploitative relationships within a single system, it is now past time for poor and working people, anti-racists, women, environmentalists and all others arrayed against capitalism to take the further step of *forging unity*, and ultimately generating a programme to transcend 'two economies', to deconstruct 'developmental state' rhetoric by exposing underlying processes of poverty generation and positing workable radical reforms, and to achieve a thorough-going liberation.

Durban, April 2007.



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ENDNOTES

- 1 _____. 1988. *Race, class and the apartheid state*. Paris, UNESCO.
Contributors to this part of the CCS Colloquium on Economy, Society and Nature, on 28 February 2006, included Ann-Marie Wolpe (Wolpe Trust), Michael Perelman (CalState), Ari Sitas (UKZN), Caroline Skinner (UKZN), Imraan Valodia (UKZN), Renato Palmi (UKZN), Sthembiso Bhengu (UKZN), Nina Hunter (UKZN), David Hemson (HSRC), Simon Mapadimeng (UKZN), Isobel Frye (Naledi), Charles Meth (UKZN), Devan Pillay (Wits), Mark Butler (groundWork), Lubna Nadvi (UKZN), Richard Ballard (UKZN), Bill Freund (UKZN), Ashwin Desai (UKZN), Vishnu Padayachee (UKZN), Margaret Legum (SANE), David Masondo (Wits), and Martin Legassick (UWC). That evening, Ike's Books and CCS hosted a memorable launch of two new books: Amanda Alexander's edited collection of CCS Wolpe Lectures, *Articulations*, and Dennis Brutus' political memoir and poetry collection *Poetry and Protest* (Chicago, Haymarket Press and UKZN Press). Those paying tribute to Brutus included the inspiring radical poets Vonani wa ka Bila (Timbila Collective), Mphutlane Bofelo and Pinky Magwaza (Jubilee SA). From Wolpe Trust, we thank Ann-Marie Wolpe, Peta Wolpe and Tracy Bailey for generous support.
- 2 This section is expanded upon in Bond and Desai 2006.
- 3 See the special issue of the journal *Revolutionary History* entitled *Colour and Class: The Origins of South African Trotskyism*, 4, 4, Spring 1993 and the invaluable work of Allison Drew (1996). A variety of other books document partial experiences in the Trotskyist political tradition, e.g. Alexander 1991, Fine and Davis 1990, Harsch 1990, Hirson 1990, Mokgatle 1971, and Roux and Roux 1972.
- 4 Trotsky's (1971:248-255) own reply included warnings against 'polemical exaggerations arising from the struggle with the pernicious national policy of the Stalinists'.
- 5 In a subsequent book, Wolpe (1988) backtracked substantially from the earlier position that apartheid was necessary to capitalist development, and he came to suggest that central aspects of their mutual evolution were contingent.
- 6 The first, and perhaps most powerful critique (focusing on the tenuous link between the Bantustans and cheap labour), was by Michael Williams (1975), while Martin Legassick's (1974) work on the increasing capital intensity of manufacturing offered a different and in many ways more fertile direction of inquiry.
- 7 The most sophisticated use of Poulantzian ideas not as fractions but as circuits of capital can be found in Van der Pijl (1984).
- 8 The greatest work in this tradition is Van Onselen (1996), with theoretical arguments registered in Van Onselen (1993).
- 9 This is best documented in issues of the *South African Labour Bulletin*.



Articulation from feudalism to neoliberalism

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Abstract

The brutal history of primitive accumulation had significant support from the early masters of classical political economy, who saw the traditional system of self-dependence in the countryside as an impediment to capitalist production. Even Adam Smith, who had a relatively undeserved reputation for humanitarianism, was strongly antagonistic to the traditional economy of the countryside. Some early theorists even developed a sophisticated calculus in order to adjust the pressure of primitive accumulation to match the ability of the emerging industries to absorb the flow of labour from the countryside. The parallels between defense of primitive accumulation, and the way South Africa's own 'articulation of modes of production' emerged, are striking, as are updated versions of primitive accumulation such as privatisation. Ultimately, these arguments represent an attack on people's means of providing for themselves, on their freedom from wage labour, and on the very heart of the social division of labour.

1 INTRODUCTION

Through a very roundabout way, I came to the conclusion that primitive accumulation has an ongoing importance for the global economy. I was beginning a dissertation on capitalists' use of technology to combat labour in the context of dynamic game theory – a new technique at the time that I was probably ill-equipped to pursue. My advisor, George Kuznets, supposedly Simon's smarter brother, just left my drafts unread.



Irritated, I became determined to write the easiest dissertation ever produced in our department, and went to the departmental library to find the shortest dissertation ever published. Looking for a subject that I thought would be of relatively little consequence – so no advisers would be tempted to meddle – I found a data series on tractors in the United States, which became doubly attractive when I discovered that the person who had compiled the data had just retired and that nobody was going to take up his work. My dissertation had nothing to do with primitive accumulation, but this work sparked interest in the subject, even though I did not know what primitive accumulation was at the time.

The American agricultural community used to regularly celebrate its efficiency by compiling statistics that showed that one farmer feeds 10, 20, 30 American citizens – a number that soared as the farm sector shrunk. I realised that this statistic was ridiculous, because a new social division of labour was at work. Farm labour, which had once raised horses, for example, was now hard at work building tractors and other farm inputs. Similarly, farmers' work in distributing the food was now controlled by another part of the agribusiness industry.

At the same time, these numbers also reflected an element of primitive accumulation, since relatively self-sufficient, self-provisioning farmers were the first to fall by the wayside. At the same time, the tractor data led me to look at the fossil fuel consumption of the agricultural sector. I concluded that the agricultural sector was consuming more than 10 calories of fossil fuel for each calorie of food that it was delivering to the table, undermining the claims of efficiency.

A bit of further research revealed that the large, supposedly successful farms that were taking over the agricultural sector were not necessarily more efficient than small farmers; instead, they had more access to capital and made more intensive use of purchased inputs, many of which depended upon cheap fossil fuels. When I showed this data to the professors they dismissed it, explaining that if fossil fuels became more expensive in the future, farmers could easily find substitute technologies. When the first oil crisis hit, severely affecting much of the farm sector, these same professors denied having said what they did.

After I finished my first book on agriculture, I decided to study the social division of labour in agriculture. (Peasant movements at the time seemed to be a very dynamic force, and I had also begun teaching a class in the history of economic thought.) The classical political economists took a keen interest in the social division of labour in agriculture, although this subject was almost entirely absent from their theoretical works. Instead, they largely confined to this subject to their non-theoretical writings. These authors were consistent: the peasant system of self-provisioning had to be destroyed in order to create a labour force, but the destruction had to be gradual.

I was struck by the sophistication of some of these primitive accumulationists. They realised that to destroy the subsistence economy altogether would not be in



their best interests for two reasons. First, and most obviously, the capitalist employers were not prepared to absorb the entire subsistence sector. Second, and more subtly, self-provisioning subsidised wage labour.

I was not aware at the time either of the literature on the articulation of modes production or of the works of Harold Wolpe, but these primitive accumulationists clearly described how such matters worked. Crudely, for the capitalist sector as a whole, surplus value represents the difference between variable capital and the total output. If, for example, the worker or the worker's family produces food or support from within a pre-capitalist mode of production, the quantity of necessary variable capital falls, leaving more surplus value. In effect, capitalism sucks value from the peasant sector.

Here, the question of labour time was crucial. Early capitalist technology was almost identical to the traditional methods of production. Since the early capitalists had nothing to contribute to the production system, they had only two ways to extract surplus value from the population in the countryside. Either they could reduce the workers' standard of living or increase their labour time, what Marx called absolute surplus value. Neither option would seem particularly attractive to the potential working class, which had reason to engage in wage labour.

For example, Samuel Johnson observed that a pair of traditional Scottish brogues could be made at home in one hour. On the market, shoes sold for one-half crown per pair (Johnson 1774:50). According to Adam Smith's estimates of wage rates for labour in the vicinity of Edinburgh, where workers were undoubtedly paid more than in the countryside, a citizen of that city would have to work for three full days to earn enough money to purchase a pair of shoes (Smith 1976:31, 92). Commercially produced shoes would need to have a great deal of appeal to induce people to work for almost three days to purchase them, when people could make their own brogues in an hour, assuming that they could obtain leather cheaply. Such a transaction would make no more sense than for the Chinese peasant to come to work in a Nike sweatshop for a two dollars day wage in order to purchase a \$100 pair of Nikes.

Given the unfavourable exchange between wages and purchased commodities, people in the Highlands generally preferred self-provisioning to wage labour. In light of this resistance, primitive accumulation was necessary to jump-start the transition to capitalism. For example, Thomas Pennant, a prominent botanist, approved of whatever restricted people's opportunity for self-provisioning. For example, he commended the practice of the Earl of Bute, whose 'farms were possessed of a set of men, who carried on at the same time the profession of farming and fishing to the manifest injury of both. His lordship drew a line between these incongruent employs, and obliged each to carry on the business he [Bute] preferred, distinct from the other' (Pennant 1774:2, 160).

Pennant did not base his objection to these poor husbandmen on technical grounds. He admitted that 'in justice to the old farmers, notice must be taken of their skill



in ploughing even in their rudest days, for the ridges were strait, and the ground laid out in a manner that did them credit' (ibid.). Pennant wanted a new system of dependency. Thus, he praised the management of the Breadalbane estate, where tenants could stay rent free 'on the condition that they exercise some trade. [Consequently, Breadalbane] has got some as good workmen, in common trades, as any in his Majesty's kingdom' (Pennant 1774:90). To establish such dependency, Pennant saw the need to restrict the possibility of hunting for one's own food.

2 CALIBRATING THE MODEL OF PRIMITIVE ACCUMULATION

Classical political economy quickly recognised that once people could no longer produce all their own food, they would become partially dependent on the market for their nourishment. But absolute dependence was not desirable. Primitive accumulationists paid considerable attention to the effect of varying the extent of dependence, or what we might term, 'relative primitive accumulation'. They wanted to make sure that workers would be just self-sufficient enough to raise the rate of surplus value without making them so independent that they would or could resist wage labour.

The classical primitive accumulationists agreed that capital had to exert great care lest the worker become 'a little gardener instead of a labourer' (cited in Chambers and Mingay 1966:134). Explicit calculations about the appropriate extent of household production were exceedingly common in the 18th century as this proposal in an 1800 issue of the *Commercial and Agricultural Magazine*:

[A] quarter acre of garden-ground will go a great way toward rendering the peasant independent of any assistance. However, in this beneficent intention moderation must be observed, or we may chance to transform the labourer into a petty farmer; from the most beneficial to the most useless of industry. When a labourer becomes possessed of more land than he and his family can cultivate in the evenings ... the farmer can no longer depend on him for constant work, and the hay-making and harvest ... must suffer to a degree which ... would sometimes prove a national inconvenience (cited in E. Thompson 1963:219–20).

Robert Gourlay (1822:145–46), an associate of Arthur Young, made a similar point:

[T]he half acre of land is condescended upon as being such a quantity as any poor man could make the most of at his spare hours, and from which he could raise sufficient food for a cow, along with his liberty of pasturage on the common; but there are reasons which would make it politic and right to diminish both the extent of the common and the garden plot. A quarter of an acre is the proper size for a garden, and 25 instead of 50 acres of common would be quite sufficient. A rood of land, under good



garden culture, will yield a great abundance of every kind of vegetable for a family, besides a little for a cow and pig ... It is not the intention to make labourers professional gardeners or farmers! It is intended to confine them to bare convenience. The bad effect of giving too much land to labourers was discovered more than thirty years ago, in the lowlands of Scotland ... [The] bad effects of the little potato farms in Ireland are well known; and nothing but dirt and misery is witnessed among the Crofters of the Highlands of Scotland. A tidy garden, with the right of turning out a cow in a small, well-improved and very well fenced field, would produce efforts of a very different kind indeed.

The Earl of Winchilsea, G. Finch (1796:5–6), offered another example of the calculus of primitive accumulation. In a letter to Sir John Sinclair, president of the British Board of Trade, he wrote,

nothing is so beneficial both to them [the labourers] and to the Land Owners, as having Land to be occupied either for the keeping of Cows, or as gardens, according to circumstances ... By means of these advantages, the Labourers and their families live better, and are consequently more fit to endure labour; it makes them more contented, and more attached to their situation and it gives them a sort of independence which makes them set a higher value upon their character ... [W]hen a Labourer has obtained a Cow, and Land sufficient to maintain her, the first thing he has thought of, has been how he could save money enough to buy another.

The earl estimated that four-fifths of the labour put into a garden will come 'at extra hours, and when they and their children would otherwise be unemployed' (ibid:14). As might be expected, he cautioned against allowing a labourer access to even several acres of arable land because that much land 'would occupy so much of his time, that the take would, upon the whole, be injurious to him' (ibid:13).

In this spirit, the British Board of Agriculture attempted to assist those who employed farm labour to benefit from a more self-sufficient labour force. It offered a gold medal 'to each of the five persons, who shall, in the most satisfactory manner, prove, by experiment, the practicability of cottagers being enabled to keep one or two milch cows on the produce of the land cultivated with spade and hoe only' (cited in Sinclair 1803:850).

To be sure, the board did not intend to return to precapitalist subsistence farming. Its president, Sir John Sinclair (ibid:851), wanted the small farming operated under three principles:

1. That a cottager shall raise, by his own labour, some of the most material articles of subsistence for himself and his family;
2. That he shall be enabled to supply the adjoining markets with the smaller agricultural productions; and



3. That both he and his family shall have it in their power to assist the neighboring farmers, at all seasons, almost equally as well as if they had no land in their occupation.

Sinclair had two objects in mind, both of which pertained to primitive accumulation. First, he thought that the provision of a small plot of land would make peasants accept enclosures more readily. Second, a glance at Sinclair's three points indicates that he thought that if small-scale farms could be properly proportioned, agricultural employers could profit from a cheaper labour force. Sinclair, following the logic of articulation, calculated that the cottagers would earn slightly more than half their income from wages. The rest was expected to come from their sales of agricultural produce. Moreover, in excess of one-third of their money wages was expected to return to the landed gentry in the form of rents paid for their tiny plots of land (ibid:854).

Many later primitive accumulationists adhered to Sinclair's vision. By the 19th century, the bulk of the very small farmers already were wage earners who supplemented their earnings with agricultural pursuits (Wordie 1974, Wells 1979).

A similar arrangement formed the basis for the early takeoff in East Asian development. In South Africa, Wolpe (1972:434) discovered the evidence given by the Chamber of Mines:

It is clearly to the advantage of the mines that native labourers should be encouraged to return to their homes after the completion of the ordinary period of service. The maintenance of the system under which the mines are able to obtain unskilled labour at a rate less than ordinarily paid in industry depends upon this, for otherwise the subsidiary means of subsistence would disappear and the labourer would tend to become a permanent resident upon the Witwatersrand, with increased requirements.

Calibration must necessarily adjust with changing technology. For example, progress in spinning, traditionally an agricultural sideline, failed to increase the capacity to weave cloth (Smelser 1959:65). Accordingly, the textile industry needed to move more people from part-time farming into full-time spinning.

3 GAME LAWS

The Game Laws, which restricted hunting, are one of the most interesting aspects of primitive accumulation. Many of you are no doubt familiar with the restriction of hunting in Africa. In Great Britain, the Game Laws represented a strange convergence of capitalism and feudalism.

Although the British Game Laws began as a feudal institution, they lost most of their importance as feudalism waned. By the end of the 16th century, the English state had even ceased to enforce them, although they still remained on the books. Charles I tried to revive them in 1630 to raise revenue, but both Parliament and



Civil War conditions prevented him from doing so (Munsche 1980:189). The revival of the Game Laws began in 1671. The preamble sounds far more like the handiwork of avaricious capitalists' intent on maximising surplus value than an appeal to feudal tradition:

Whereas great mischief do ensure by inferior tradesmen, apprentices, and other dissolute persons neglecting their trades and employments who follow hunting, fishing and other game to the ruin of themselves and their neighbors, therefore, if any such person shall presume to hunt, hawk, fish or fowl (unless in company of the master of such apprentice duly qualified) he shall ... be subject to the other penalties (William and Mary 3 and 4, Chapter 23, cited in Ignatieff 1978:26).

Even so, the initial spirit of this Game Law may have been as feudal as its predecessors. According to one of the few works devoted to the study of this subject, the 'Game Laws were born out of a desire to enhance the status of country gentlemen in the bitter aftermath of the Civil War. Their message was that land was superior to money' (Munsche 1980:164).

While an anti-bourgeois sentiment may have motivated the Game Laws, these acts also represented a direct response to the refusal of the rural poor to accept the landlords' assertion of unprecedented property rights, which came at the expense of the traditional rights of the poor in the countryside (Ignatieff 1978:16).

These traditional rights were far from inconsequential. For the rural poor, hunting was an important source of nutrition rather than just a pleasant recreation. The Game Laws, in this sense, became part of the larger movement to cut off large masses of the rural people from their traditional means of production (E.P. Thompson 1975:94, 99, 207, 261).

Once English leaders recognised the unexpected benefits of the Game Laws, the people in power went well beyond merely embracing the acts as they found them – they passed increasingly restrictive measures with even more inhumane penalties. The British Game Laws became the harshest in the world (Engels 1845:552–53).

Although the spirit of the Game Laws may have been in tune with modern capitalism, the British system of justice often administered them in a decidedly feudal style. The case of the unfortunate Richard Dellers became a particularly famous example. On the basis of information from his game keeper and a servant, the Duke of Buckingham convicted Dellers. The duke, presiding over the trial in his own drawing room, informed Dellers that if he uttered a single impertinent word, he would be taken to jail or the stocks (Munsche 1980:76, see also Cobbett 1830:191–93). Henry Brougham, speaking in 1828 when the Dellers affair was still fresh in the minds of the British public, roared: 'There is not a worse constituted tribunal on the face of the earth' (cited in Munsche 1980:76).



Nonetheless, despite the feudal execution and intent of the modern Game Laws, their effect was decidedly capitalistic insofar as they succeeded in accelerating the process of primitive accumulation.

4 THE OPPRESSIVE NATURE OF THE BOURGEOIS GAME LAWS

Although the feudal administration of the Game Laws was harsh, the paternalistic obligations that society still expected of the gentry often tempered the severity. Generally, those most in need would expect some modest generosity from the superior orders; however, the social mores were changing.

With the decline of feudal relations, land ownership was becoming more of a business and less a way of life. The economic value of land rose and the gentry became more bourgeois (Wood 1999). Landlords' relations with their tenants became both more distant and more exploitative. Long-term leases became less common. Rental income was on the rise. Cottagers were being eliminated. Casual labour was replacing full-time workers and servants. Any goodwill was fast disappearing from the countryside.

Within this context, the Game Laws became ever more brutal. The Waltham Black Acts of 1722 were among the earliest of the severe measures to punish poachers. This legislation was devised at a time when venison had become a prized delicacy, perhaps because of the great expanse required for raising a deer (E.P. Thompson 1975:30). More and more, poachers began to see the quarry as a commodity rather than as an object of direct consumption. A century later in 1826, a journalist lamented that it was 'difficult to make an uneducated man appreciate the sanctity of private property in game [when] ... the produce of a single night's poach was often more than the wages for several weeks' work' (cited in Shaw 1966:156).

The penalties for taking small game initially were less severe than for poaching deer, until landowners began to take measures to increase the population of deer on their land. In response, the scope of the Game Laws expanded rapidly. During the first six decades of the 18th century only six acts were directed against poachers of small game. The next 56 years saw the enactment of 33 such laws. As a result, 'meat virtually disappeared from the tables of the rural poor' (Deane and Coale 1967:41).

Since the taking of game was tantamount to challenging property rights, such acts had to be punished severely. After all, the Game Laws represented an essential bulwark for the social order. Poaching was taken so seriously that it was, on occasion, even equated with treason. The British courts enforced these laws with shocking ferocity. Several poachers were actually executed under the famous Black Acts (Thompson 1975:68).

The imposition of draconian penalties for infractions of the supposedly feudal Game Laws at such a late date might seem anomalous for an advancing capital-



ist economy. Yet, the Game Laws were an important part of the intensifying class struggle that was engulfing the countryside during the age of classical political economy. One pamphleteer exclaimed that 'the article of game [is] productive of more disquiet, popular discontent and local animosity than any other law ever established in this kingdom' (Taplin 1792:168).

The conviction rates indicate the sharpening of this conflict. Between 1820 and 1827, nearly a quarter of those committed to prison were convicted of poaching (Shaw 1966:155). The Duke of Richmond told the House of Lords in 1831 that one-seventh of all criminal convictions was for violations of the Game Acts (Hammond and Hammond 1927:167). In Wiltshire alone, more than 1 300 persons were imprisoned under the Game Laws in the 15 years after the battle at Waterloo in 1815, more than twice the number for the previous 50 years (Munsche 1980:138). These numbers undoubtedly understate the conviction rates since the Justices of the Peace who heard cases frequently neglected to record convictions (Hay 1975:192). In addition, the state convicted a good number of poachers for other crimes that grew out of their poaching, such as resisting arrest.

Despite the reform of the Game Laws in 1831, the number of convictions for poaching still continued their dramatic increase (Munsche 1980:157). During the 1840s, in some rural counties, 30% to 40% of all male convictions were still for infractions of the Game Laws (Horn 1981:179–80).

The majority of convicts that Britain exiled to Australia supposedly were convicted of poaching. Robert Hughes (1987:170), who disputes that view, claiming that the majority of transported convicts were guilty of more serious crimes, still shows how the Game Laws were used to rid the labour market of people whom the authorities deemed to be undesirable.

Economic conditions, rather than feudal history, explain the upswing in conviction rates. For example, the Hammonds (1927:167) asserted that poaching became more intensive when unemployment was high. After the Napoleonic Wars ended in 1812, some 250 000 to 400 000 men were demobilised. During the war, threshing machines had also taken many of their traditional jobs in the countryside (Munsche 1980:136). Just as the people's means of providing for themselves was diminishing, along with the opportunity for jobs, the cost of purchasing food on the market was rising substantially, catching the workers in a cruel scissors (Hammond and Hammond 1927:86ff). Hence, many unemployed workers poached because they had no other option for survival.

5 THE GAME LAWS AND BOURGEOIS HEGEMONY

The Game Laws reflected an emerging hegemony of property relations in which the interests of capital and the gentry coincided. The gentry could enjoy the prestige of hunting, while the capitalists could profit from the labour of people who were forbidden to hunt as a means of subsistence.



The lesson of the Game Laws was not lost on either the gentry or the bourgeoisie. Many observers recognised that people would resist drudgery so long as they could hunt instead. As an early writer from the United States warned his readers, 'once hunters, farewell to the plough' (de Crèvecoeur 1782:51). Similarly, John Bellers, famed Quaker philanthropist of the early 18th century, remarked: 'Our Forests and great Commons (make the Poor that are upon them too much like the Indians) being a hindrance to Industry, and are Nurseries of Idleness and Insolence' (Bellers 1714:128, see also Thompson 1991:165).

The legal theorist, William Blackstone (1775:4:174–75), agreed, observing that 'the only rational footing, upon which we can consider it a crime [to violate the Game Laws], is, that in low and indigent persons it promotes idleness and takes them away from their proper employments and callings.' William Pitt concurred (cited in Cobbett 1806–1820:32, 851).

The Game Laws also prohibited the rural poor from keeping weapons (Anon. 1757a), thereby diminishing people's ability to resist the onslaught on their means of subsistence. Blackstone (1775:ii, 412) noted, 'the prevention of popular insurrection and resistance to the government, by disarming the bulk of the people; which last is a reason oftener meant, than avowed, by makers of forest or Game Laws'. Later research has confirmed Blackstone's contention, finding that access to weapons was a major factor in determining the level of exploitation (Pettengill 1981).

The British took note that in France, one of the earliest acts of the French Revolution was repeal of this hated legislation. At the time, Arthur Young (1794:9, 441–42) exclaimed: 'One would think that every rusty gun in Provence is at work'.

Horace Walpole, after commenting on the speed with which the French Game Laws were eliminated, confided to Lady Ossory: 'I never admired game-acts, but I do not wish to see guns in the hands of all the world, for there are other *ferae naturae* besides hares and partridges – and when all Europe is admiring and citing our constitution, I am for preserving it where it is' (Walpole 1937–1974, cited in Munsche 1980:126).

Lord Milton made a similar point to Lord Kenyon in 1791: 'The Republican party has made the Game Laws the object of their abuse and detestation; in France, the instant they began to overturn the constitution and level all distinctions, these were the first they pulled down. It therefore seems to me that they should be most respectfully guarded' (ibid.:127).

The Game Laws also seem to have stiffened the resolve of many of the common people as well. William Cobbett wrote in the Political Register of 29 March 1823 that a gentleman in Surrey asked a young man who he could live on a half crown per week. 'I don't live upon it,' said he. 'How do you live then?' 'Why,' he replied, 'I poach; it is better to be hanged than to be starved to death' (cited in Hammond and Hammond 1927:167).



6 THE DESTRUCTIVE NATURE OF THE GAME LAWS

The maintenance of the Game Laws imposed severe economic costs, over and above the direct consequences for the poor. Animals protected by the laws ravaged the nation's crops. Others, which were zealously hunted, such as the little foxes and martens, were valuable predators that prevented the population of rodents from becoming excessive (Kautsky 1899:393). In the 1840s, game destroyed an estimated quarter of the crops of Buckinghamshire (Horn 1981:179).

A letter to the editor of the London Magazine in 1757 claimed:

The present scarcity is owing to an evil, felt by the industrious husbandman, who has in many places in this kingdom, seen all his care, labour, and industry sacrificed to the caprice and humors of those who have set their affections so much on game. Numberless are the places and parishes of the kingdom which have had at least one-third part of their wheat crop devoured and eat[en] up by hares (Anon. 1757b:87).

A modern student of the Game Laws observed, 'pheasants, if anything, were more destructive' (Munsche 1980:46).

The destruction of crop by game was a very important phenomenon. In France, for example, on the eve of the revolution, people were given the chance to register their concerns to the government. In almost every case, the people of the countryside demonstrated their exasperation at the devastation caused by game and hunters (Philipponneau 1956:29, Young 1794:9). The grievances of the English peasants were no doubt just as strong as those of the French.

Even worse, hunters and their horses trampled much of what the game left growing in the fields. One notorious fox hunt carried its riders 28 miles through the British countryside (Thomas 1936:43). A recent study pointed out other costs besides the ruined crops:

Sportsmen, it was said, continually broke fences, beat down unharvested corn, trampled turnips, disturbed sheep 'big with lamb' and generally pursued game with little concern for the damage they caused. The quantity and volume of these complaints suggest that such conduct was common and deeply resented (Munsche 1980:4, see also Anon. 1757a:14).

The upper classes were outraged that the poor farmers did not welcome the destruction of their crops by hunters. Anthony Trollope (1929:56–58) reflected this attitude in the *Pall Mall Gazette* in 1865:

[I]n England two or three hundred men claim the right of access to every man's land during the whole period of the winter months! ... Now and then, in every hunt, some man comes up, who is indeed, more frequently a small proprietor new to the glories of ownership, than a tenant farmer who deter-



mines to vindicate his rights and oppose the field. He puts up a wire-fence round his domain ... and defies the world around him. It is wonderful how great is the annoyance which one such man may give, and how thoroughly he may destroy the comfort of the coverts in his neighborhood’.

Trollope (ibid.:59–60) went on to explain:

Farmers as a rule do not think very much of their wheat. When such riding is practicable, of course they like to see men take the headlands and furrows; but their hearts are not broken by the tracks of horses across their wheat fields. I doubt, indeed, whether wheat is ever much injured by such usage.

Perhaps the owners of some large farms were not aggravated by the loss of their grains. For the larger the farm, smaller would be the share of the total crop lost to a swath of destruction caused by a group of horses.

Of course, Trollope wrote long after the controversies about the Game Laws had subsided, but he reflected a mentality that had been common in earlier years. One anonymous writer despaired of any communication with people who were of this persuasion:

It is in vain to argue with a man who will maintain, that the wealth of his country, and the advancement of cultivation, is of no concern, when compared to the pleasure of fox-hunting; or, that the farmers and tenants, instead of following the plough, are much better employed when after the hounds, and while neglecting the culture of their own grounds, laying waste and ravaging the improvements of their industrious neighbours (Anon. 1772b:33).

Parliament indicated an interest in this problem the damage of the hunt on only one occasion: For ‘most sportsmen, the season began with partridge shooting on the first of September ..., but following the bad harvest in 1795 ..., [e]arly in 1796, Parliament voted to postpone the start of partridge shooting until the 14th of September’ (Munsche 1980:46). Parliament repealed this provision by the next year.

The Game Laws also throw a critical light on the role of the gentry. On the infrequent occasions when Parliament took notice of the Game Laws during the late 18th century, the ruling strata adopted a curious defense of this legislation. Although hunting was deemed to be an improper diversion for the poor, members of Parliament commended hunting for the rich since it was regarded as an encouragement to agricultural production. But how could running horses and hounds through the fields, trampling grain and destroying fences, possibly improve agricultural production?

Keep in mind that the gentry were an idle lot, spending much of their time enjoying the pleasures of the city. The opportunity to hunt seemed to be the only means



of bringing the wealthy into contact with their land (Cobbett 1806–1820:32, 833ff, Horn 1981:172). To my knowledge, none of the gentry rose to defend themselves against this characterisation of their relationship to the land.

When Parliament debated the Game Laws again in 1830, not one prominent spokesperson for political economy called for their abolition. Instead, Robert Peel, whose family wealth had come from the employment of those who were leaving the land, cautioned Parliament not to act with undue haste: '[W]e are apt to be too sanguine in our anticipations of advantages to be derived from a particular change. He was afraid that we overlooked the love of enterprise and amusement, which rendered the pursuit of game attractive to the common people' (cited in Hansard, 1830:597–98).

A leading journalist made a similar point in 1826, commenting that the gentry, 'the most useful and valuable class,' was 'entitled to properly regulated ... amusement and relaxation after the performance of their public duties'. Moreover, the periodic visits to the countryside supposedly contributed to the 'virtue and civilisation of the English peasant,' which saved Britain from the horrors of the French Revolution (cited in Shaw 1966:156).

7 CLASSICAL POLITICAL ECONOMY AND THE GAME LAWS

The most intense application of the Game Laws falls between 1776, the same year that the *Wealth of Nations* was published, and the 1840s, an interval often used to mark the age of classical political economy. The classical political economists took a keen interest in primitive accumulation, although this subject – including the game laws – was almost entirely absent from their theoretical works. Instead, they largely confined to this subject to their non-theoretical writings.

Political economy offered efficiency and progress as a justification for a regime dominated by the logic of property relations. But the classical political economists never noticed the feudal nature of the property relations inherent in the Game Laws.

Political economists of the time took a lively concern in all matters pertaining to the functioning of the economy. Why should classical political economy have taken note of so much of the minutiae of society, while remaining oblivious to the monstrous impact of the Game Laws? For example, classical political economy devoted an enormous amount of energy to protesting the inefficiencies that the Corn Laws caused. Surely the damage done to the harvest at a minimum must have been of the same order of significance as the distortions caused by the Corn Laws.

Yet, consequent loss of grain from the Game Laws passed without comment from the ranks of classical political economists, whose keen vision rarely left any opportunity for increased productivity pass unnoticed. How could the classical political economists never have broached the subjects of trampled grain or the crops lost to the protected wildlife?



The classical political economists had to know about the human costs of the Game Laws. Even if they were entirely ignorant of the realities of rural life, they had to know transportation was a common punishment inflicted on poachers in the early 19th century. Yet, Frank Fetter (1980:192), after carefully noting the attendance and voting patterns of political economists in Parliament, observed: '[T]ransportation was not an issue in which many political economists were concerned'.

Here was a set of laws that created substantial hardships for an enormous number of people. They allowed many workers to be incarcerated or transported. They condoned the destruction of valuable crops. Yet, these arbiters of efficiency remained silent regarding the inefficiencies of Game Laws. This omission in no way absolves these economists of any responsibility for the repression and destruction associated with the operation of the Game Laws. Silence in the face of such conditions amounted to an effective form of support.

8 CONCLUSION

Primitive accumulation may have historical relevance, but what about the ongoing importance of primitive accumulation? Classical primitive accumulation seems to have three different dimensions: first, primitive accumulation involves the direct expropriation of people's means of providing for themselves; secondly, purposefully forcing people into wage labour; and finally, intentionally manipulating the social division of labour. In all likelihood, we will not see all these conditions met very often in the contemporary economy, with one ominous exception.

Today, expropriation is still almost commonplace. In the United States, local governments are using the right of eminent domain to take over peoples' homes to give land to private corporations. On the most obvious level, multinational corporations are taking over resources in a manner that would have made earlier primitive accumulationists proud. Their primary objective, however, is not to deprive people of their means of production, but rather to grab wealth directly.

Privatisation does have much in common with classical primitive accumulation. We might think of public services as a form of social self-provisioning. A social dimension was undoubtedly present during classical primitive accumulation. In the case of the privatisation of necessities, the imposition of markets forces families to make themselves useful to capital or to put themselves at severe risk. People deprived of clean water die as tragically as a peasant shot by the game wardens of old.

Like imperialism, privatisation expands the field of business. When the government rather than the public is the client, the opportunity for special favours is almost unlimited.

In United States, for example, privatisation is expanding in the schools, prisons, and even the military. This privatisation may only be the beginning. The forces behind the administration of George W. Bush are promoting something they call



'the ownership society'. This benign-sounding expression is a cynical cover for a plan to demolish every existing social support. The idea is that leaving everybody to fend for themselves puts them at the mercy of the job market in a manner reminiscent of the dispossessed peasants.

Like the classical primitive accumulationists, their modern disciples are clear about the outcome. They gloat that in an ownership-society people will have to work harder and save more. Unlike the early primitive accumulationists, their modern counterparts are rabid ideologists. They have no patience with moderation or even the sophisticated calibration that occupied people like Sinclair. Yet the modern primitive accumulationists put on a benevolent face, pretending that privatisation will serve the interests of ordinary people. Only business is capable of providing efficiency and modern technology.

When economic historians look back at the history of primitive accumulation, what they see is part of the larger process of the Industrial Revolution, which represented an enormous material advance. I don't think that Marx entirely disagreed, though he was mindful about the destructive nature of primitive accumulation. While early capitalism was brutal, it still furthered society's potential for creating a better life. This new variant of primitive accumulation really offers nothing more than a callous redistribution of wealth and income, without any promise of compensating technological advances.

Let me close with a final nod to Marx. One of the great lessons of capital is to show how under capitalism responsibility becomes diffused. Unlike primitive accumulation, where a vicious feudal lord may bear individual responsibility, the capitalist is, in Marx's wonderful expression, merely the character mask of capital. The capitalist has little choice but to compete aggressively or cease functioning as a capitalist. The results can be equally brutal, but the fault lies with the system, not the individual. In order to minimise the danger of analysing the world in terms of justice or unfairness, Marx left the discussion of primitive accumulation for the final section of Volume 1.

But putting aside the apparent unfairness of individual capitalists, gives the appearance that the system is somehow objective, especially within the context of classical political economy. Marx, however, insisted that we pierce the misleading facade of objectivity in recognising the exploitation of wage labour, and even more so how capitalism puts limits on the ability of people to fulfill their potential.

Like the capitalist system, privatisation calls for clear political analysis. Movements in South Africa, Bolivia, and elsewhere have made great strides in that respect. Even so, much remains to be done. Hopefully, our gathering might be useful in this endeavour.



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Wolpe's legacy of articulating political economy

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ABSTRACT

Harold Wolpe launched his structuralist Marxist critique of liberalism in a 1972 article, fusing the question of race-class oppression with the theory of 'articulation of modes of production'. The times demanded this analysis, with varying influences from the left drawing liberation theorists to much more radical lines of argument. In particular, Wolpe drew attention to linkages between production and reproduction, urban and rural. Six types of criticisms emerged, which Wolpe partially addressed in subsequent work. What Wolpe left us is concern for pre-existing forms of domination and relations of production, as well as the moral imperative to interrogate the expanded reproduction of society. Wolpe would have asked very hard questions indeed about post-apartheid politics and social relations.

1 CONTEXT

As we are currently stumbling about, trying to find alternatives to the harsh situation we find ourselves in as scholars and citizens in South Africa, consider for a moment Harold Wolpe's contribution to our sociological analysis and to contemporary debates.

Harold Wolpe's article on 'cheap labour power' (1972) was seen as a profound intervention, a structuralist piece of Marxist analysis. Using the conceptual armoury of 'articulation', of 'modes of production' and surplus value theory, he attempted to explicate and to theorise apartheid. For many scholars it was seen as too functionalist for their liking and since its appearance in the journal *Economy and Society* in



1972 it sparked off lively debates. It has since then remained a reference point for any analysis of apartheid South Africa.

Wolpe's contribution must be understood in context. We must remember that the dominant idea in South Africa at that historical moment was the liberal idea which argued that the economy was in essence 'colour-blind' and there was, through apartheid, an imposition on it by forms of racial domination that were irrational (Schlemmer and Webster 1978). The separation between the forms of domination and the economy allowed for only one conclusion: the economy, left to itself, would set everyone free and more or less equal.

Wolpe's piece provided a fundamental critique of this idea. It basically argued that the two were interconnected and that racial domination buttressed a system of exploitation of cheap black labour power.

The second contextual point demands that we go back to 1972 and remember the atmosphere of the time. For example, at its historic Morogoro Conference in 1969, the ANC shifted its revolutionary policy to argue that the South African national democratic revolution would be led by the African working class. This was a new take on liberation and was hotly debated. Furthermore, we must realise that it was a year before the Durban strikes, where black workers took to the streets as a militant agency of transformation. There had been murmurings everywhere – from Durban's docks to the Namibian mines – but no-one had expected such an outbreak of popular energy.

The third contextual point is that the Universities Act of the apartheid government created the conditions for its nemesis – the Black Consciousness movement, which found its epicenter in the designated 'black' universities and spread everywhere in the townships. There was also the first round of releases from Robben Island, where all of a sudden Jacob Zuma, Judson Khuzwayo, Harry Gwala and others were trying to re-establish SACTU. Whether this effort was about trade unionism per se or about organising cells for the liberation movement has been a hotly debated issue (Friedman 1987, Baskin 1991). What is certain, however, is that by 1972, worker meetings were happening at Sarmcol (Howick) to reconstitute trade unionism (Bonnin 1988). The Natal Indian Congress too was beginning to revive its activities and Phoenix became a central area of debate and dispute.

2 INTELLECTUAL INFLUENCES

If we broaden our memory, remember such disputes emerged at a time when there were four main currents of thought in post-colonial Africa.

In 1972 the Dar es Salaam school – especially intellectuals like Walter Rodney – was beginning to argue that Europe had underdeveloped Africa, which started the whole dependency theory argument on our continent. Although Rodney was a historian by origin, he became an influential thinker in all fields of social inquiry.



Related to it, a Fanonist tradition was running through Francophone networks that emphasised the revolutionary potential of the peasantry and the urban poor to violently overthrow colonial relations of power. Fanon's works – which had been translated into English and banned by the apartheid government – were circulating actively in Black Consciousness circles.

There was also the Dakar 'moment', when a lot of the Diop-based arguments about the restoration of the dignity of an African past beginning an endogenous take on history, slavery, colonialism and their cultural implications.

In South Africa too, the philosopher Rick Turner was gaining momentum in arguing the vitality of the African working class as an agency for transformation. A young generation of white activists therefore started to dedicate themselves to trade unionism.

In short, it was a time of fermenting ideas which preceded a new outbreak of conflict in South Africa. Its power was that it was the first holistic attempt to understand the social formation and to analyse how apartheid – as a system of racial domination and separate development – was buttressing the exploitation of cheap black labour.

Sociologists mined the piece extensively: whether it was to understand the role of patriarchy in rural traditions or whether it was to understand the social dynamics in the Bantustans or in the townships, it offered for many years a productive springboard.

The complicated links between the urban and the rural, between production and reproduction – the links between the Reserves, the homesteads, the social welfare largely provided by women, working the land in pre-capitalist ways and what was happening in the city through the migrant labour system, and on top of that, the pass system (that in the 1950s and 1960s imprisoned one in three black people in the country) – only made sense as part of a broader structural dynamic.

If we stretch it even further, issues of cultural pluralism, of ethnicity and of 'homeland independence' could be read as so many attempts to buttress the sustainable and sustaining exploitation of black people.

3 CRITIQUES

Criticisms elicited by Wolpe's work have been six-fold.

First was the criticism of the Nicos Poulantzas-inspired South Africans (Kaplan 1977), who argued that Wolpe did not adequately grasp the various fractions of capital and how they reconfigured power through a variety of regimes. This fractionalist critique tried to provide a more complex understanding of the relationship between the economy, politics and state forms.



Secondly, social historians were very critical of the 'functionalism' of Wolpe's work (Bozzoli and Delius 1990). They felt it was not very sensitive to variation and agency. Some historians went further: that the system of segregation, the survival and codification of chieftainship and the customary was a result of successful resistance by African societies to colonisation (Crais 1992).

The third critique attacked his theory of articulation between modes of production and argued that it did not understand the complexity of social relations that constituted the so-called 'pre-capitalist formations' (Mafeje 1981). Such a misreading of social relations did damage to our understanding of African politics.

Fourthly, there was critique of Wolpe's idea of 'cheap labour power'. This was seen as a departure from the scientificity of Marx's theory of surplus value (Hindson 1987).

The fifth strand of criticism was that race and nation were too tightly linked to class. They demanded more autonomy for the concepts and some even went further to demonstrate that race organised economic and class relations (Nzimande 1991).

Finally, Mamdani's criticism (1996) stated that all Marxists and neo-Marxists in South Africa had been wrong: they overemphasised economic and 'market relations'. What needed emphasis was the 'political modalities of rule' – the indirect forms of despotism through the system of chieftainship as a specific colonial form of domination common to all Africa.

Unfortunately there is no space here to thoroughly consider the intricacies of these six strands of criticism – they have merely been mentioned to indicate how challenging and profound Wolpe's contribution has been.

4 LEGACIES

It can be argued that there are two enduring legacies of the Wolpean movement. As Marx argues in the *Grundrisse* (1974), new relations of production and property 'do not fall from the sky ... but they emerge through and in antithesis' to prior forms of domination and relations of production. Unless we understand that, we do not understand how capitalism itself was constituted in the country as an economic and social system. Without such an understanding we cannot even venture to pronounce on the present as well.

For example, if we were to discuss the interests and struggles of an African middle class or an African bourgeoisie, we have to remember that it was not allowed to own any means of production in the areas demarcated as 'white' until very recently. Yet it did emerge and it emerged despite the social system, not because of it. So in other words, race was somehow implicated in class formation and the concrete definition of classes in South Africa. Furthermore, the 'black working class' was never a *tabula rasa*. It had a history and such a history was and is entangled with



the migrant labour system. It was nurtured in hostels, in compounds and some of the most callous 'total institutions' known in the history of any capitalism.

So in other words, the enduring Wolpe – and the idea we have to take seriously – is how capitalism developed in South(ern) Africa. In his words, it involved an 'articulation of modes of production' which, in turn, had something very important to do with a system of racial domination: both of which have something to do with the way that we think and behave today.

Secondly, his legacy is related to a demand that we think holistically in the present as well. What are the elements that hold things together at present: what is sustaining the expanded reproduction of our social system bounded by a specific state and forms of governance? What are its contradictions, its moments of fracture and change? Do existing forms of social interaction relate to a specific 'regime of accumulation'? If so, how do they do that?

It is hard to answer in the affirmative because I am beginning to suspect that the social system does not, in fact, hold together as a system.

5 THE FUTURE

To state the problem sociologically: any attempts to reconfigure the steering media of our social formation through the state in order to create a society that is different from apartheid leads to forms of social action that are intentionally different and in direct contradiction to that era. In trying to refract, people recoil from the pressures around them and generate actions that do not correspond in a functional way with what is designed for them to do.

So are we in a transitory period where the steering mechanisms that create the parameters of what pulls society together are in tension with social action? I would think so.

These are the first tremors of some kind of collapse. This time it is not the collapse of the Bantustans. To put it more graphically, it is the collapse of the four pillars of the 'grand compromise', a compromise which was institutionalised in the early 1990s. These pillars allow South Africa to exist in its current form: they constitute a compromise about land between blacks and whites, about the 'customary' (a social contact between modernisers in the liberation movement and chieftainship structures), the corporate arrangements between labour, state, unions and communities to create a way of moving beyond conflict, as well as the social contract between leaders and followers, whether you call it the RDP or 'delivery' (Sitas 2006).

For some, these four pillars have already collapsed, for others they are shaking on their foundations. But we definitely are witnessing something getting unhinged at the moment, and it does not even have a descriptive name because it lacks theorisation.



If we lack the capacity to articulate the institutional framework of the new, we also lack the capacity to speak intelligently about what is being 'unhinged'. Yes, we can describe crises in society. There are many: there is a crisis of patriarchal relations of power and it unleashes multiple tensions (yet, there is no coordinated women's movement at the moment, only women's networks acting in micro-steering ways). Can we speak of a crisis in gendering systems? And how does the fight against the spread of HIV/Aids manifest itself in all this?

There are crises in terms of livelihoods and of reproduction. Yes, there are trade unions, informal worker associations, Treatment Action Campaigns, all of them embroiled in the thin line between life and livelihood, between survival and death. Do they shape social action or has it all been 'unhinged'? There is a crisis in terms of emerging neo-racisms, which are happening everywhere: in middle management, in top management, between workers and the poor.

The point I'm trying to make is that not only is the social system in crisis, even the emerging vectors of change stem from that crisis. Despite the constitution, the law and the manifestations of protest, of challenge, of social movements, of strikes.

Coming back to Harold Wolpe, if he was around at the moment, he probably would have attempted three things.

First, he would have followed up on his work on the state by asking the same question he asked in 1988: what is the degree of space within the state for a transformation project? Secondly, he would have been still concerned about the customary areas and how the urban and the rural get articulated in post-apartheid South Africa. Thirdly, he would have thought about the democratic content of policy in a class society.

Yet, even in his absence, we are goaded to think how the elements of perceived reality interconnect. What steers, who steers and how? After all, the world is an unequal, interconnected, patterned and evolving sociality. Do we have anything substantive to say about it or is it enough to enumerate social issues and crises? Wolpe would have thought the former – we have become experts in avoiding it.

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Changing concepts of articulation

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ABSTRACT

Intense struggles are currently underway within and between the African National Congress and its Alliance partners. In an effort to make sense of these struggles, this essay revisits earlier South African debates over race, class, and the national democratic revolution. Its focus is on multiple and changing concepts of articulation, and their political stakes. The first part of the essay traces important shifts in the concept in Harold Wolpe's work, relating these shifts to struggles and conditions at the time, as well as to conceptual developments by Stuart Hall in a broader debate with Laclau's work on populism, and with Laclau and Mouffe who take the concept in a problematic post-Marxist direction. I then put a specifically Gramscian concept of articulation to work to explore how the ruling bloc in the ANC has articulated shared meanings and memories of struggles for national liberation to its hegemonic project – and how a popular sense of betrayal is playing into support for Jacob Zuma.

1 INTRODUCTION

The race-class debate in South Africa refuses to go away, Neville Alexander noted in his 2002 book *An ordinary country*. Since then race-class debates have amplified dramatically, along with intensified struggles over the meaning of the 'national democratic revolution' (NDR).¹ Key contours of these debates find clear expression in a special edition of *Bua Komanisi!* issued by the Central Committee of the South African Communist Party (SACP) in May 2006 (SACP 2006), and the furious response on 19 June from the African National Congress (ANC 2006). In a rejoinder entitled: 'Is the ANC leading a national democratic revolution or manag-



ing capitalism?', the SACP reiterates its accusation that the ANC has come to be dominated by 'the narrow self-interest of an emerging black capitalist stratum with close connections to established capital and to our movement,' that acts 'not in order to advance the NDR, but for personal self-accumulation purposes' (SACPb 2006).

For many on the Left, the hijacking of the NDR by a bourgeois class project is scarcely surprising. The very notion of the NDR derives, Alexander (2002:25) points out, from

the dual-economy, liberal-pluralist notion of 'colonialism of a special type', which was supposed to be the paradigm within which the SACP analysed South African society but which, in reality, simply abdicated any pretensions to political leadership of the mass movement and permitted the ... aspiring black middle class leadership of the ANC to lead the mass struggle.

And lead they did, he went on to note, 'with single-minded clarity to the ends of the African nationalist struggle'. More generally, two-stage theory has long been the focus of intense critique in the context of South African race-class debates.

Yet precisely because the NDR remains a live and influential social category, it is insufficient simply to point to its analytical inconsistencies and political shortcomings, and then set it aside. What needs to be grasped more fully is how meanings of the NDR have been redefined and articulated as part of the hegemonic project of the ruling bloc within the ANC, along with how and why these meanings have become an increasingly vociferous site of struggle and contestation within the ANC Alliance and in grassroots politics.

Deeply entangled with struggles over the meaning of the NDR is popular support for Jacob Zuma, who stands at the centre of the 'succession debate' that is producing massive upheavals within and between the ANC, SACP, and Cosatu (the Congress of South African Trade Unions). Part of what is going on, no doubt, is opportunistic jostling for position in provincial, national, and local political arenas between those labelled as Mbeki-ites and Zuma-ites. Yet the challenge to the ruling bloc within the ANC has been made possible by powerful currents of popular support for Zuma that even key leaders of the SACP admit are poorly understood – other than that they are in some broad sense a coming together of a politics of grievance and resentment.²

What, then, are the analytical tools that are likely to be most useful in grappling with the dangerous conjuncture in which we find ourselves? My central argument in this article is that there is a great deal to be gained from going back to earlier race-class debates in South Africa, and focusing on the concept of articulation – or, more precisely, on the multiple and changing concepts of articulation that have figured prominently in these debates, and their political stakes.



The concept of articulation was first introduced to South African debates in 'Capitalism and cheap labour power' (1972), Harold Wolpe's enormously influential contribution to race-class debates framed in terms of the articulation of modes of production. In *Race, class and the apartheid state* (1988), however, Wolpe deploys a radically different concept of articulation.

A highly significant, but little-recognised influence behind this shift is an article by Stuart Hall (1980a) entitled 'Race, articulation, and societies structured in dominance'. Engaging explicitly with the race-class debate in South Africa and with Wolpe (1972), Hall moves the concept of articulation from the structural Marxism of Althusser to the cultural Marxism of Gramsci.

While Wolpe acknowledges Hall's influence and the far more supple and politically powerful analysis that it enables, this Gramscian conception of articulation has remained radically under-utilised in South African debates, as well as more generally. Part of what has happened, I suggest, is that Hall's concept of articulation has become conflated with a third – but again very different – notion of articulation set forth by Laclau and Mouffe (1985) as part of their project of renovating liberalism in the name of 'radical democracy' and post-Marxism.

In addition to clarifying the analytical and political differences among these diverse concepts of articulation, I try in this essay to suggest how the concept might be adapted and used to grapple with the conditions in which we find ourselves today.

2 WOLPE'S REARTICULATIONS OF RACE AND CLASS

In his deeply influential intervention in the race-class debates that raged in the 1970s, Wolpe (1972, 1975) deployed the concept of articulation of modes of production derived from Althusser to call into question the claim that apartheid was a continuation of segregation.³ Wolpe used the concept to refute liberal (and indeed orthodox Marxist) portrayals of the racial order in South Africa as an irrational hangover of Afrikanerdom that would melt away with the further development of capitalist market relations. Instead, Wolpe proposed that capitalism in South Africa had latched on to subsistence agriculture in the reserves, which provided a subsidy in the form of cheap labour power. In other words, South African capitalism had developed in part through articulation – or joining with – the pre-existing non-capitalist mode of production; and political domination and legitimating practices had, as a consequence, assumed distinctively racial and ethnic forms.

By the middle of the century, Wolpe argued, the capacity of the reserves to sustain subsistence production had collapsed. Apartheid represented a new racial capitalist order, with panoply of repressive legislation and practices directed towards regulating and reconfiguring the conditions of reproduction of cheap labour power. Thus apartheid was not simply an extension of the earlier system of segrega-



tion, as some radical critics had argued. Instead, he maintained, racial ideology in South Africa – and the political practices in which it was reflected – sustained and reproduced capitalist relations of production, although in complex, reciprocal (but asymmetrical) relationships with changing social and economic conditions.

Wolpe also built on his revisionist analysis of cheap labour power to launch a critique of theories of internal colonialism – in particular, ‘colonialism of a special type’ (CST) that had become the theoretical cornerstone of the ANC/SACP alliance by the late 1960s. These theories are unable to explain the relationship between class and race or ethnic relations, he asserted. As a consequence, race and ethnic relations are once more treated as autonomous and in isolation from class relations (Wolpe 1975).

With intensified political urgency driven by changing conditions since the Soweto uprisings, Wolpe returned to debates over the relationship between racial domination and the capitalist order in *Race, class and the apartheid state* (1988). The imperative to revisit old questions about race and class arose, he argued, from a new context – most notably, ‘the relative decline in the need for cheap black labour, and the increasing costs of maintaining stability in the face of black opposition’ (Wolpe 1988:49). In responding to these conditions, ‘certain white economic and political forces’ were in the process of creating ‘the political space in which the rationality of the free market system can operate, that is to say, to ensure the reproduction of capitalism under new conditions’ (ibid.).

In moving away from the cheap labour-power thesis, Wolpe underscored the imperative for a non-reductionist understanding of class in relation to race. The problem of reductionist Marxism, he argued, is not its starting point – the general relation of exploitation – but ‘the path it follows from the abstract to the concrete, a path which leads it to impose the abstract on the concrete as if they were homologous’ (Wolpe 1988:51). What is so problematic and limited about reductionist forms of understanding is that they fail to appreciate how, in specific concrete conditions; classes are likely to be internally differentiated:

Classes ... are constituted not as unified social forces, but as patchworks or segments which are differentiated and divided on a variety of bases and by varied processes. It is true that a more or less extensive unity may be brought about politically through articulation, within a common discourse, of specific interests which are linked to the common property which defines classes. But, and this is the fundamental point, that unity is not given by concepts of labourpower and capital, it is constituted concretely through practices, discourses and organisations. One might say that class unity, when it occurs, is a conjunctural phenomenon (Wolpe 1988:51).

In this crucially important move, Wolpe is making use of a concept of articulation that is significantly different from that embodied in the Althusserian notion of articulation of modes of production. As I argue more fully below, it derives most imme-



diately from Stuart Hall's (1980a) engagement with the South African race-class debate, which builds on Wolpe's work, and which Wolpe explicitly acknowledges.

In the conjunctural moment with which he was grappling, this conceptual shift enabled Wolpe to call into question the assumption that opposition to white domination would necessarily function to unite all black classes against the regime. Pointing to the enormous expansion of a black petite-bourgeoisie in the 1980s which was becoming increasingly organised, as well as to possible divisions within the black working class, he warned that political struggles to overthrow or sustain white domination in South Africa could not be read off structures of either class or race. Instead, they would depend on the specific conjuncture and forms of struggle.

Neville Alexander has recently observed that Wolpe's treatment of the relationship between race, class and capitalism in *Race, class and the apartheid state* potentially opens up conceptual and political space for more nuanced analysis and action. Yet, he argues, Wolpe ends up defending two-stage theory and helping to pave the way for 'the aspiring black middle class leadership of the ANC to lead the mass struggle' (Alexander 2002:25).

There are indeed sections of Wolpe's text in which, while conceding that the struggle for national liberation could move in conservative or reformist or bourgeois directions, he vigorously defends the SACP's two-stage thesis from the accusation that it is likely to be hijacked by an emerging petite-bourgeoisie.⁴ As Michael Burawoy (2006:15) has noted, Wolpe 'didn't see what Frantz Fanon saw: two very different, opposed projects that existed side by side, that vied with each other within the decolonization struggle' – a point to which we shall return below.

Burawoy also identifies a key shift in Wolpe's work in the late 1980s when, while still in exile, he embarked on a major new research project into education in a new South Africa.⁵ This work, Burawoy argues, represents Wolpe's shift from a Leninist adherence to the SACP's view of the imperative to seize state power, to a Gramscian argument for a War of Position 'that would restructure civil society before winning state power, warning against a War of Movement (boycott education and liberation first) or succumbing to a War of Position from above (expanding and reform of education for upgrading the labor force)' (Burawoy 2006:18).

What is also distinctive about these writings, Burawoy maintains, is that they validated struggles outside the state, and intensified Wolpe's frustration with his confinement to a narrow policy terrain following his return to South Africa in 1990. In his final paper published shortly before his death in 1995, Wolpe launched a prescient and incisive critique of the Reconstruction and Development Programme (RDP) White Paper, discussed more fully below. While Wolpe did not live to see the ANC's explicit embrace of neoliberal forms of capitalism and the rearticulations of race and class embodied in Black Economic Empowerment (BEE), the broader questions he raised in his final paper remain powerfully salient. It is precisely in grappling with these questions that the revised conception of articulation holds



out considerable promise. First, though, we need to delve more deeply into this concept, and distinguish it from what I will argue is a distinctively different notion of articulation currently in circulation.

3 RETHINKING 'ARTICULATION': ANALYTICAL and POLITICAL STAKES

By the term, 'articulation,' I mean a connection or link which is not necessarily given in all cases, as a law or fact of life, but which requires particular conditions of existence to appear at all, which has to be positively sustained by specific processes, which is not 'eternal' but has constantly to be renewed, which can under some circumstances disappear or be overthrown, leading to the old linkages being dissolved and new connections – rearticulations – being forged. It is also important that an articulation between different practices does not mean that they become identical or that one is dissolved into the other. However, once an articulation is made, the two practices can function together ... as 'distinctions within a unity' (Hall 1985:113–4).

Let me start with Stuart Hall's 'Race, articulation, and societies structured in dominance' (1980a).⁶ Engaging with the South African race-class debate (although not the political freight attached to CST), Hall acknowledged Wolpe's deployment of the concept of articulation of modes of production – in particular, the advance it represented on liberal and neo-Weberian formulations of racially structured social formations – while also pointing to some of its structuralist limits.

In the process, he reworked the conception of articulation to argue that the workings of race and forms of racism cannot be read off economic structures: 'One must start ... from the concrete historical 'work' which racism accomplishes under specific historical conditions – as a set of economic, political and ideological practices of a specific kind, concretely articulated with other practices in a social formation' (Hall 1980a:338).

Thus, Hall went on to note, racialised practices are not necessary to the concrete functioning of all capitalisms. Nor does it make sense to extrapolate a common, universal structure to race and racism: there is no 'racism in general'. Instead, it needs to be shown how race comes to be inserted historically, and the relations and practices that have tended to erode and transform – or to preserve – these distinctions through time, not simply as residues or holdovers, but as active structuring principles of the present organization of society and the forms of class relations:

Race is thus, also, the modality in which class is 'lived', the medium through which class relations are experienced, the form in which it is appropriated and 'fought through'. This has consequences for the whole class, not spe-



cifically for its 'racially defined' segment. It has consequences in terms of the internal fractioning and division within the working class which, among other ways, are articulated in part through race. This is no mere racist conspiracy from above. For racism is also one of the dominant means of ideological representation through which the white fractions of the class come to 'live' their relations to other fractions, and through them to capital itself (Hall 1980a:341).

As I have argued more fully elsewhere (Hart 2002), there are important lacunae in this analysis – most notably attention to gender and sexuality. Yet what Hall accomplished was to open up new possibilities for non-reductionist understandings that go far beyond notions of 'intersectionality' (through which some feminists have sought to grapple with the neglect of race and ethnicity in earlier Marxist-feminist formulations of gender and class).

To grasp the analytical and political stakes in Hall's revised conception of articulation it is useful to start with the concrete conditions with which he was grappling, and his own positioning within them. Grant Farred (1996) has given us a wonderfully illuminating account of Hall's engagement as a diasporic Caribbean intellectual with race and class in post-war Britain. In the late 1950s and 1960s, Farred explains, Hall was caught between immigrant activism in context of escalating racism on the one hand, and his growing influence in New Left circles on the other: 'Hall was not only ideologically split between the two communities in which he was invested, he was separated by class from the one with which he shared a racial affinity. Hall could only give critical public voice to the tensions, stresses, and precariousness inscribed within that process retrospectively, once he had been able to resolve the issue of class' (Farred 1996:6). By the mid-1970s, ongoing anti-immigrant racism embodied in 'Powellism' – and its reverberations in Thatcherism – propelled him into the work on race for which he is best known, *Policing the crisis* (1978).

What, then, of Stuart Hall's lesser-known turn to South African race-class debates? Of great significance is his engagement with the British Anti-Apartheid Movement (AAM) since its founding in 1959. In his address to the 40-year Perspective conference in 1999, Hall comments on how the AAM's founding coincided with large-scale Afro-Caribbean migration to Britain, and how impressed he was by the AAM's capacity to connect with ordinary 'unpolitical' people by permeating everyday life – especially the ways in which sport, consumer boycotts, and sanctions formed wedges into political consciousness of race and racism.⁷ These political engagements with questions of race and class are important in grasping what is analytically distinctive about the concept of articulation that Hall and Wolpe (1988) are using. One key lies in Hall's 'reading' (1974 [2003]) of Marx's notes on method in the 1857 Introduction to the *Grundrisse* – which is also, as McGregor Wise (2003) points out, a reading of Althusser's appropriation of Marx. What this double reading makes clear is that Hall is using the concept of articulation as central to Marx's method – that of advancing from the abstract to the concrete, in the sense of concrete concepts that are adequate to the concrete in history:



Both the specificities and the connections – the complex unities of structures – have to be demonstrated by concrete analysis of concrete relations and conjunctions. If relations are mutually articulated, but remain specified by their difference, this articulation, and the determinate conditions on which it rests, has to be demonstrated ... Differentiated unities are also therefore, in the Marxian sense, concrete. The method thus retains the concrete empirical reference as a privileged and undissolved 'moment' within a theoretical analysis without thereby making it 'empiricist'; the concrete analysis of concrete situations (Hall 1974 [2003]:128).

While acknowledging the Althusserian concept of a social formation as a complex ensemble of relations structured in dominance, he also insists (contra-Althusser) on a reading of Marx in terms of the 'mutual articulation of historical movement and theoretical reflection' (Hall 1974 [2003]:137).⁸

In focusing on what he calls 'the combined and uneven relations between class and race' through his engagement with South African debates, Hall (1980a) also insists that the concept of articulation must be supplemented by a reading of Gramsci, that is significantly different from Althusser's narrowly structuralist interpretation. At the time, Gramsci was seen as the pre-eminent theorist of Western Marxism. On the contrary, Hall maintained, Gramsci's insistence that the problem of hegemony be viewed as a historically (and geographically) concrete articulation – along with his deep engagement with Italian history – made his work profoundly relevant for non-Western social formations: 'The problem of the state, and the question of strategic alliances between the industrial proletariat and the peasantry, the "play" of traditional and advanced ideologies, and the difficulties these provide in the formation of a "national-popular" will all make his analysis of Italy specially relevant to colonial countries' (Hall 1980a:333–4).⁹

The turn to Gramsci also enables extending the concept of articulation to encompass not only the joining together of diverse elements – the sense in which Althusser and indeed Wolpe (1972) used it – but also the second sense of articulation in English and French, namely 'to give expression to' or the production of meaning through language. In a related piece published at the same time, Hall (1980b) noted that 'it is largely Gramsci who has provided us with a set of more refined terms through which to link the largely "unconscious" and given cultural categories of "common sense" with the formulation of more active and organic ideologies, which have the capacity to intervene in the ground of common sense and popular traditions and, through such interventions, to organise masses of men and women' (Hall 1980b:69).¹⁰

It was in fact Laclau (1977) who first elaborated the double meaning of articulation in his analysis of populism, arguing that signifiers like 'freedom', 'equality', and 'the people', have no fixed, intrinsic meaning or class belonging. Rather, they can be reconvened as elements within very different discourses, positioning the popular classes in relation to a power bloc in quite different ways. Yet for all that it repre-



sented an important advance, Laclau's conception remained on a fairly narrow structuralist terrain – a point taken up more fully below.

There is yet another important shift in the concept of articulation between Laclau (1977) and Laclau and Mouffe's (1985) *Hegemony and socialist strategy* (1985), that is closely linked to their embrace of post-Marxism and radical democracy in which they claim to extend the concept of hegemonic articulations 'far beyond Gramsci'. As part of their critique of class reductionism and economism, they effectively abandon any conception of determination while nominally holding on to revised notions of hegemony and articulation. This disabling move lies at the heart of their incapacity to engage with questions of capitalism.¹¹ It also produces a deeply impoverished concept of articulation – one that abstracts from the historically and geographically specific but interconnected processes, material conditions, forms of power, and processes of subject formation.

These distinctions are crucial in differentiating Hall's Gramscian conception of articulation from that of Laclau (1977), as well as from Laclau and Mouffe (1985) with which it is often incorrectly conflated.¹² Indeed, Hall has noted that in *Hegemony and socialist strategy*, "there is no reason why anything is or isn't potentially articulable with anything else. The critique of reductionism has apparently resulted in the notion of society as a totally open discursive field" (Hall 1996[1986]:146).

Elsewhere Hall (1988:157) comments on his effort 'carefully to demarcate the immensely fruitful things which I learned from Ernesto Laclau's *Politics and ideology in Marxist theory* from the dissolution of everything into discourse which, I believe mars the later volume, *Hegemony and socialist strategy*, despite its many insights'. He also qualifies carefully what he takes from Laclau (1977), including the latter's tendency to pay too little attention to how the articulation of discourses with the practices of particular classes have often been secured over long periods.

The stakes in these different conceptions find vivid illustration in an analysis by Ari Sitas (1990) of the limits of understandings derived from Laclau (1977) to explain Zulu 'ethnic nationalism' and working class cultures in the vicious dying days of apartheid. Calling into question analyses of 'Zulu-ness' as the product of ideological interpellations from above, Sitas insisted that the black working class is not a *tabula rasa*, but bears its own traditions: "'Zulu-ness" must be viewed as a negotiated identity between ordinary people's attempts to create effective and reciprocal bonds (or functioning cultural formations) out of their social and material conditions of life and political ideologies that seek to mobilise them in non-class ways' (Sitas 1990:266) – and each sets limits on the other.

In addition, he argued, while black workers in Natal understand that there is some 'social bond' knotting them together, there are different modalities (one could also say articulated combinations or articulations) of this 'Zulu-ness' – mediated through relationships to land, dispossession, and proletarianisation – which assume distinctively different forms in different parts of the province.¹³ Gender and sexuality



are undoubtedly also key elements in these articulations. In other words, such 'negotiations' are and constrained by class in relation to other determinations, but these can only be grasped concretely.

The shift from Althusser to Gramsci is precisely what is at stake analytically in Sitas' critique of how Laclau (1977) was being used to explain Zulu ethnic nationalism, and in his insistence that official and popular articulations must be grasped in relation to one another. Significant political stakes attach to this alternative conception precisely because, as Sitas (1990:273) points out,

it is on such a local understanding and traditions that labour organizations can engage with 'social views and visions' to echo Hlatshwayo, in order to begin providing for a resonant alternative to Inkatha's myth complexes. In the process, the delicate relationship between chiefs and commoners, the unwritten record of the Congress movement in Natal, of religion, etc. will have to be explored. So far, most of the scholarship in and on Natal has boosted Inkatha's self-confidence as the logical heir of Zulu legacies; it is time that it boosted the self-confidence of ordinary people.

Hlatshwayo was at the time Cosatu's cultural coordinator and an oral poet whose analysis of the challenges he confronted as an organic intellectual bears powerful traces of Gramsci and Fanon. As he put it, 'you have to start from where people are and go with them where they take you. I mean if you are thrust in this struggle then you have to engage in people's social views and visions' (cited by Sitas 1990:263).

These considerations bear directly on the question of popular support for Jacob Zuma, and how it is fuelling the 'succession crisis'. The failure to attend carefully to the forces playing into support for Zuma is closely linked to another major hiatus in a great deal of critical analysis of the post-apartheid conjuncture – engagement with the National Democratic Revolution (NDR).

Of necessity in very broad brushstrokes, I shall now try to put the Gramscian concept of articulation to work in outlining the processes through which the NDR has become a key site of contention. In concluding, I try to suggest in a very preliminary way how these processes are closely interconnected with the multiple currents feeding into the rise of popular support for Zuma.

4 RE-ARTICULATING RACE, CLASS, AND NATIONALISM AFTER APARTHEID

An essentially neoliberal RDP strategy, which is what we are left with, may well generate some level of economic growth; should this happen, the existing mainly white and Indian bourgeoisie will be consolidated and strengthened; the black bourgeoisie will grow rapidly; a black middle class



and some members of the black urban working class will become incorporated into the magic circle of insiders; but for the remaining 60–70% of our society this growth path, we venture to predict, will deliver little or nothing for many years to come (Adelzadeh and Padayachee 1994:16).

What is at stake in the Reconstruction and Development Programme (RDP) for the ANC and its allies, Wolpe (1995:89) noted in his final paper, is the completion of the NDR: 'That is to say, the establishment of a democratic electoral and parliamentary system and the electoral victory of the ANC are considered to provide the principal enabling condition and instrument for, in the words of the [RDP] White Paper, a "fundamental transformation" of the social and economic order'. Yet, he noted, citing the prescient passage above from Adelzadeh and Padayachee (1994), the framing of the RDP and the White Paper submerged crucial political issues.¹⁴ While operating on a deeply contested terrain, the RDP eradicated sources of contradiction and conflict by asserting harmony and a consensual model of society; and, on the basis of this premise, it conceptualises the state as the unproblematic instrument of the RDP (Wolpe 1995:91). Accordingly, he concluded, conceptions of 'fundamental transformation' central to the NDR were likely to become a major source of contestation in the future.

This more complex view of the RDP enables us to see how the unilateral declaration of GEAR the following year was more than just a shift from relatively benign neo-Keynesianism to harsh neoliberalism, as is often supposed.¹⁵ GEAR was not simply a roll-back of the state, nor was it just the final victory of class over race apartheid. Instead, I suggest, GEAR represented a redefinition of the NDR in terms of a rearticulation of race, class and nationalism, along with the assertion of new technologies of rule.

These include the consolidation of conservative forces bent on working in alliance with white corporate capital to create a black bourgeoisie nominally more responsive to 'development'; creating the conditions in which the state can hold not only its agencies but also non-state bodies to its principles; inciting not only the black bourgeoisie but the population more generally to become 'entrepreneurs of themselves'; and making social support conditional on the correct attitudes and aspirations.

These technologies of rule conform quite closely to what some might call neoliberal (or advanced liberal) governmentality.¹⁶ Yet there are several reasons why this interpretation is at best very partial.

One is that the redefinition of the NDR embodies a powerful drive to contain popular mobilisation. An initial manifesto of this broader state project was an ANC discussion paper issued in 1996 entitled 'The state and social transformation', widely believed to have been authored by Thabo Mbeki. While not making explicit reference to the NDR, the manifesto asserts the imperative for containing 'the instinct towards "economism" on the part of the ordinary workers' in the following terms:



'If the democratic movement allowed that the subjective approach to socio-economic development represented by 'economism' should overwhelm the scientific approach of the democratic movement towards such development, it could easily create the conditions for the possible counter-revolutionary defeat of the democratic revolution' (paragraph 6.11).

From one perspective, then, GEAR can be seen to exercise a new form of activism defined in technocratic and hierarchical terms, and to assert the dominance of a transnationally-connected technocratic elite over mass mobilisation and action.¹⁷ Yet this is not all there is to it. The redefinition of the NDR also works in and through new articulations of nationalism.

Considerable significance attaches to how we understand post-apartheid deployments of nationalism. The general tendency on the left has been to underscore the regressive bourgeois character of post-independence nationalism in Southern Africa. A more nuanced analysis by Franco Barchiesi points to 'the extreme and peculiar flexibility of the ANC's nationalist discourse – in this very different from nationalist rhetoric fallen into disrepute elsewhere on the continent – and its remarkable capacity to adapt to changing global scenarios' (Barchiesi 2006:224). He shows how the ANC's portrayal of 'the nation' and the policies needed to build it are cast in terms of a definition of what the 'real world' makes viable.

To grasp the hegemonic power of official articulations of nationalism as well as their limits, we also have to attend carefully to how they work in and through ongoing invocations of the struggle for national liberation and the suffering for freedom that our people have endured. This is not just a cynical manipulation from above – it carries powerful moral weight and connects with specific histories, memories, and meanings of racial oppression, racialised dispossession, and struggles against apartheid. Precisely because official articulations of nationalism tap into popular understandings of freedom, justice, and liberation from apartheid racial oppression, they bolster the ANC state's hegemonic project in crucially important ways.

Writing about the 1980s, Hein Marais (2001:262) has observed that the ANC became adept at articulating nationalism to its hegemonic project: 'it managed to deploy an array of ideological precepts and symbols, and to assert their pertinence to the lived realities of millions of South Africans.' In the immediate aftermath of the 2004 national government elections, Jeff Guy (2004:86) reiterated this point, stressing the ongoing importance of the ANC's capacity to articulate popular currents of nationalism:

This facility continues to this day, and it is nationalism which gives its political discourse both the strength and the flexibility to absorb changes, inconsistencies and failures in policy and postures by presenting a consistent nationally-grounded history and vision of the future ... South African nationhood is an imagined construct – but one with sufficient perceived authenticity and actual authority to provide the framework for an agreed nationalist discourse and political framework to ensure the participation



and support of individuals and organisations representing a wide range of ideological positions.

Yet the deep grounding of popular understandings of nationalism and liberation is a razorblade that cuts both ways – a phrase often used by Alfred Duma, a resident of Ezakheni township who forged his own razor-sharp dialectical tools of analysis on Robben Island. Precisely because official articulations of nationalism are linked to histories, memories, and meanings of freedom struggles, redress for the wrongs of the past, and visions of a new nation, they are potentially vulnerable to the current counter-claims of betrayal.¹⁸ Feeding into these charges of betrayal are, of course, the deprivations of livelihood for the majority of black South Africans, and the obscene inequalities cutting across race lines, that have intensified with the (further) unleashing of neoliberal forms of capitalism in the post-apartheid era.

There are, in other words, profound instabilities built into the ruling bloc's redefinition of the NDR, and the rearticulations of race, class, and nationalism through which it is working. Let me turn now to tracing in broad outline how these pressures and tensions have amplified since 1996.

The frequency and intensity of official invocations of the NDR provide revealing indicators. Between 1996 and 2001/2, official references to the NDR were either missing from key documents as noted above, or they were fairly bland and routine. A key turning point was the Bredell land occupation in early July 2001, which represented a profound crisis of the ANC's hegemonic project (Hart 2002, 2006a). Thousands of desperately poor settlers paid nominal amounts of money to representatives of the Pan Africanist Congress for patches of privately-owned land between Johannesburg and Pretoria, and immediately started erecting ramshackle shelters. In response, the ANC government moved swiftly and brutally to evict the settlers. Anger provoked by Bredell fed directly into the rise of oppositional movements, which made a dramatic appearance on the international stage at the World Conference Against Racism the following month. Precisely a year later, in August 2002, the World Summit on Sustainable Development (WSSD) provided an even more spectacular platform for oppositional movements, severely embarrassing the ANC government and the Alliance more generally.

It was in this context that we saw new and increasingly vociferous official deployments of the NDR as part of an arsenal to discipline the 'ultra Left'. Immediately following the WSSD, strategically-placed ANC figures sprang into action, excoriating the 'ultra Left anti-neoliberal coalition' and accusing it of acting in alliance with 'real neoliberals' (i.e. the predominantly white Democratic Alliance) and with foreign elements hostile to NDR.¹⁹ Mbeki reiterated this theme in his address to an ANC policy conference in late September 2002, asserting that 'we have radically reduced the capacity of the opponents of the national democratic revolution to conduct a campaign of terror against the revolution,' while at the same time accusing 'Left sectarian factions' of occupying 'the same trench with the anti-socialist forces' in their joint efforts to impede the national liberation movement.²⁰



The 'Strategy and Tactics' document prepared for the December 2002 conference is replete with references to the NDR, describing the ANC as the 'leader of the national democratic struggle, a disciplined force of the Left, organised to conduct consistent struggle in the interests of the poor.' The ruling bloc's aggressive disciplining of the 'ultra Left' was accompanied by new assertions of the ANC as a developmental state, as well as a further redefinition of the NDR in terms of a first and second economy.

Mbeki inaugurated this redefinition in a media briefing on 29 July 2003:

Now, this is, as it were, the modern part of South Africa, with your aeroplanes and your computers and the people sitting around this room, who read and write and so on. We, all of us, we are this modern sector ... So, you then have this large part of South Africa, which is relatively uneducated. It is unskilled. It is not required in terms of modern society. I am saying 'required' in the sense of employability. So, we have recognised this from the beginning, that large numbers of our people are poor and are in this condition. You can make the interventions we make about modernisation of the economy and so on, but it wouldn't necessarily have an impact on them, because of that degree of marginalisation. Therefore, you needed to make different sorts of intervention.²¹

The first/second economy figured prominently in the ANC's 'Ten year review' later in 2003, its manifesto for the 2004 election, Mbeki's State of the Nation address in February 2004, his opening address to parliament in May 2004, and a slew of statements by lesser luminaries.²² Later in 2004 a series of articles entitled 'Approaches to poverty eradication and economic development' appeared on the ANC Today website, asserting 'the critical need for the state to be involved in the transformation of the second economy. This state intervention must entail detailed planning and implementation of comprehensive development programmes, fully accepting the concept of a developmental state.'²³ At the same time, leading ANC figures were quick to make clear that planned intervention in the second economy did not in any way reduce official commitment to rapid capital accumulation driven by market forces.

As I have discussed more fully elsewhere (Hart 2006b), first/second economy discourses can be seen as part of an effort to contain the challenges from oppositional movements that reached their zenith at the time of the WSSD, and render them subject to government intervention. What is significant about this discourse is the way it defines a segment of society that is superfluous to the 'modern' economy, and in need of paternal guidance – those falling within this category are citizens, but second class. As such they are deserving of a modicum of social security, but on tightly disciplined and conditional terms.

Strategies to identify and treat a 'backward' segment of society go a long way towards explaining the vehemence with which powerful figures in the ANC dismissed proposals for a modest Basic Income Grant (BIG). The reason why the



ANC government rejects the BIG, I suggest, is precisely because it is a universal grant – and therefore lacks points of leverage for instilling in its recipients the ‘correct’ attitudes and aspirations.

Yet it is one thing to identify the depoliticising thrust of discourses of a second economy and the disciplinary practices that accompany them, and quite another to presume that such effects are necessarily secured in practice.

It is indeed the case that several of the more militant oppositional movements that emerged in the early 2000s are in a state of disarray. The decline of these movements was, however, accompanied by a massive upsurge of angry protests all over the country. In October 2005, the Minister of Safety and Security announced that his department had recorded 881 illegal protests during the 2004/5 financial year – during which period there were reported to have been 5 085 legal protests.²⁴ Many of these uprisings were directed at local government officials and councillors, and framed in terms of failure to deliver basic services and housing, but encompassing as well a range of other grievances – including official moves to displace people from areas defined as urban ‘squatter settlements’ to rural peripheries.

The upsurge in popular anger extends well beyond specific local grievances, however. These broader and deeper tensions burst into open view in the middle of 2005, when two explosive issues fed into one another at the ANC’s National General Council (NGC) conference in June 2005.

First was a discussion paper on bridging the divide between the first and second economy entitled ‘Development and Underdevelopment’ prepared by Jabu Moloketi, a conservative figure close to Mbeki. The central thrust of the paper is that an ‘increase in investment is only likely to result in an increase in employment if the cost of labour is reduced relative to capital’ (ANC 2005:8). The paper then proposes a dual labour market strategy, in which minimum wage and other collective bargaining agreements are waived in the lower segment of the labour market. The document unleashed fierce condemnation by the ANC’s Alliance partners, the SACP and Cosatu, who saw the Moloketi proposals as undermining the few concessions to organised labour in the neoliberal turn of the 1990s. In addition, it provoked a barrage of angry critique of the elitism of the ANC’s Black Economic Empowerment (BEE) measures, making clear how BEE sits uneasily astride the discursive divide between the first and second economies, and serving to underscore the deeply conservative character of post-apartheid race-class articulations.

The NGC meeting was also a key moment in which the anger provoked by ‘Development and underdevelopment’ fed into and amplified the fury unleashed by Mbeki’s firing of Zuma as deputy president of the country as well as the ANC less than two weeks earlier, following Zuma’s implication in the corruption trial of his financial advisor, Schabir Sheik. It was at precisely this moment that popular support for Zuma crystallised into a major force – one consequence of which was that Mbeki was compelled to re-instate Zuma as deputy president of the ANC.



The NGC became, in effect, the crucible in which Wolpe's (1995) prophecy that the meaning of the NDR would become a key site of struggle was fully realised. The explosive anger that erupted at the NGC also underscores the double-edged character of articulations of nationalism as liberation – how they are key elements of the post-colonial hegemonic project, while at the same time deeply vulnerable to charges of betrayal. In short, the NGC was the moment when the ruling bloc within the ANC lost its grip on articulations of the nation and liberation.

Part of what Zuma represents is a move to seize the mantle of the liberation struggle, and present himself as its rightful heir.²⁵ Positioning himself as the hero of national liberation is the key to Zuma's capacity – at least for the time being – to articulate multiple, often contradictory meanings into a complex unity that appeals powerfully to 'common sense' across a broad spectrum. They include his asserting himself as a man of the Left (much to chagrin of many on the Left who point to his support for GEAR, as well as his links to certain fractions of capital); as a traditionalist who dons leopard skins on key occasions (and as one who brought peace to KwaZulu-Natal, helping to end the violent civil war of the early 1990s); and as an anti-elitist (his regular reference to himself as 'not educated' – but, by implication, extremely smart – is a direct attack on the technocratic elite surrounding Mbeki, often portrayed by Zuma supporters as arrogant and self-serving, and as not having served in the trenches of the revolutionary struggle). These rearticulations of race, class, and nationalism are also shot through with gender and sexuality.

Yet these are not simply interpellations from above. The figure of Zuma operates in many ways as a point of condensation for multiple, pre-existing tensions, angers, and discontents that until recently were contained within the hegemonic project of the ruling bloc in the ANC, and have now been diverted into newly opened fields of conflict. How this popular anger will be inflected remains a wide open question. S'bu Zikode, leader of the Durban shack dweller's movement (*Abahlali base mJondolo*) put it succinctly at a public lecture on 29 June 2006, when he urged the audience to understand that 'our desperation and anger can go in many directions'.

5 TOWARDS A CONCLUSION

This partial and very preliminary effort to grapple with the rise of Zuma and the struggle within the ANC Alliance owes a great deal to Laclau's (1977) analysis of populism, from which we still have much to learn – especially in terms of his insistence on non-reductionist understandings of populism. It was in this piece that Laclau extended the concept of articulation in seeking to come to grips with Peronism in Argentina, and from which Hall (1980a) drew inspiration in engaging Wolpe (1972) and the South African race-class debate.

Yet we have also seen how earlier South African debates highlight the limits of Laclau's structural analysis, and the imperative for a more fully Gramscian understanding. In the current moment of danger, what is at stake is whether and how



the Left engages with popular discontents and forms of common sense – including those that take the form of popular support for Jacob Zuma.

In reworking of the concept of articulation along Gramscian lines, Hall has provided an invaluable analytical tool – as well as a means for attending to Gramsci's injunction about what is entailed in superseding existing forms of common sense: 'it is not a question of introducing from scratch a scientific form of thought into everyone's individual life, but of renovating and making "critical" an already existing activity' (Gramsci 1971:330–1).

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ENDNOTES

- 1 The NDR refers to the first stage in a two-stage theory of revolution adopted by the South African Communist Party in 1962 and subsequently by the ANC, in which the overthrow of the apartheid state would inaugurate a phase of national democracy that would pave the way for the second-stage socialist revolution.
- 2 This point became clear at the launch of the SACP's Discussion Document at University of Kwa-Zulu-Natal, 30 June 2006.
- 3 Foster-Carter (1978) notes that neither Althusser nor Balibar use the term 'articulation of modes of production', and claims it was Pierre-Philippe Rey who introduced it in a widely distributed mimeographed paper entitled 'Sur l'articulation des modes du production' (1969).
- 4 '[W]hat is absolutely clear in the contemporary period is that no section of the national liberation movement is committed to or struggles for, what may be termed a bourgeois national democratic revolution. Even the conception of the "left/workerist" contention that the national liberation movement is bourgeois in character, has nothing in common with the vision of corporate capital or, say, the bantustan sections of the black petitebourgeoisie for a de-racialised capitalist South Africa. The two-stage revolution does not envisage a transformation based merely on a degree of redistribution of wealth and political power in favour of black people; it envisages the first stage as merely a stage in which the conditions are established which will permit the inauguration of a process of further social transformation' (Wolpe 1988:33-34).
- 5 'Against both boycott and reform he defends the ongoing struggle for "people's education" – a schooling that would eliminate ignorance and illiteracy, cultivate an understanding of apartheid and all its oppression and inequalities, that would counter competitive individualism with collective organization, that would equip people with the capacity to realise their potential' (Burawoy 2006:17).
- 6 This piece has been republished in radically shortened form in Essed and Goldberg (2002). What is lost in this shortened version, though, is much of the engagement with South African debates which is, in my view, precisely what makes this intervention so compelling.
- 7 He also acknowledges his close relationship with Wolpe: 'I met Harold Wolpe shortly after his sensational escape from prison and we used to talk long into the night about South African affairs, about the ANC, about the work which Harold was doing around education and so on.'



- 8 In a subsequent piece Hall (1985) further distinguishes his position from that of Althusser, as well as from the post-structuralists – those like Foucault who broke with structuralist theory by insisting on radical contingency, while retaining elements of structuralism.
- 9 Although Hall makes no mention of Fanon, the parallels between this reading of Gramsci and Fanon are very close.
- 10 His larger project in this piece is transcend the structuralist/culturalist division to combine ‘the best elements in structuralist and culturalist enterprises, by way of Gramsci’s work,’ going on to note that they pose, together, the problems consequent on trying to think both the specificity of different practices and the forms of articulated unity they constitute (Hall 1980b: 72).
- 11 Wendy Brown makes a related point: ‘It is interesting . . . that the optimism of radical (social) democratic vision is fueled by that dimension of liberalism which presumes social and political forms to have relative autonomy from economic ones to be that which can be tinkered with independently of developments in the forces of capitalism. Indeed, it is here shaped that the radical democrats become vulnerable to the charge of ‘idealism,’ where idealism marks the promulgation of select political ideals de-linked from historical configurations of social powers and institutions . . .’ (Brown 1995:12).
- 12 For example, Braun and Disch (2002) and Fischman and McLaren (2005).
- 13 My research in the 1990s in two areas of northwestern KwaZulu-Natal provide strong support for this argument (Hart 2002).
- 14 See Bond (2000) for an argument about how the RDP White Paper effectively evacuated the progressive elements in the original framing of the RDP.
- 15 GEAR is an acronym for Growth, Employment and Redistribution, an extremely conservative package of macro-economic policies that the ANC government presented to the South African public as a *fait accompli* in June 1996.
- 16 Elsewhere (Hart 2007) I discuss more fully the uses and limits of the concept of governmentality.
- 17 Johnson (2003) argues that Mbeki and his followers have found the reorganization of the state along conventional (neo)liberal lines quite compatible with their Leninist understanding of the primacy of vanguard party leadership over mass action.
- 18 The “land question” – along with histories, memories, and meanings of racialised dispossession and the imperatives of redress – are also part of this complex (Hart 2002, 2006a, 2006c).
- 19 In September 2002, the Political Education Unit of the ANC issued a revealing document entitled “Contribution to the NEC/NWC Response to the ‘Cronin Interviews’ on the Issue of Neoliberalism.” See also Makhaye (2002) and Moleketi and Jele (2002) along with the sharp response by Masondo (2002).
- 20 Article in *City Press*, September 29 2002 entitled ‘Ultra-left transposes DA agenda on the ANC.’
- 21 <http://www.info.gov.za/speeches/2003/03080511461001.htm>, accessed June 30, 2004.
- 22 For documentation, see the references provided by the South African Regional Poverty Network: <http://www.sarpn.org.za/documents/d0000830/index.php>, accessed June 30, 2004.
- 23 <http://www.anc.org.za/ancdocs/anctoday/2004/text/at47.txt>, accessed December 19, 2004.
- 24 These figures are contained in an article entitled ‘66 cops injured in illegal service delivery protests,’ Cape Argus October 13, 2005.
- 25 I develop this and related arguments more fully in Hart (2006c).



Capitalism and racist forms of political domination

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Abstract

South African political economy has long been pre-occupied with the relationships between class, racist and patriarchal forms of political domination. These relationships are not only contentious between Marxists and non-Marxists, but also within these schools. At the heart of the older scholarly debate, dating to the 1960s, is the extent to which racial domination, in particular Apartheid, was functional for capital accumulation. Subsequent Marxist political economists failed to apply dialectical method thoroughly, and thus did not theorise the relationship between race and capitalism as contradictory. Worse, unreconstructed vulgar Marxism and modernisation theory have together supported the conceptual underpinnings of neoliberalism, which attempts to draw the 'second economy' into the 'first' so as to expand the market.

1 INTRODUCTION

South Africa has been variously characterised as suffering from Colonialism of a Special Type or 'CST' (by the SA Communist Party), 'racial capitalism' (John Saul and Stephen Gelb), 'the articulation of modes of production' (Harold Wolpe), 'racial Fordism' (Gelb), 'uneven and combined development' (Patrick Bond and Ashwin Desai), the 'Minerals-Energy-Complex' (Ben Fine and Zav Rustomjee) and control by 'fractions of capital' (Rob Davies and David Kaplan).

The theoretical debate needs revisiting at a time when liberalism is returning to its dualist perspective on the South African social formation. Liberals have tradition-



ally argued that the economy was divided into two. The first economy (capitalist) was a desirable model for development, while the pre-capitalist was traditional and backward, and had to be obliterated. It was argued then – and now – that the two modes were structurally disconnected, and that capitalism would modernise and swallow the pre-capitalist forms. The demise of apartheid is indeed celebrated in these terms by liberals – namely that capitalist growth undermined racist irrationality (Michael O'Dowd). (In reality, it was capitalist crisis that finally broke the relationship between white English-speaking capitalists and the racist rulers in Pretoria during the mid- and late 1980s.)

In contrast, this article reclaims from Marxist political economy an organic conception of the connection between capitalism and pre-capitalist modes of production. The functional relationship between the two was systematically theorised in Wolpe's work (1975). The liberals maintained that racism was dysfunctional for capital accumulation. But as we will see, Marxist political economists did not stretch the dialectical method far enough, for they should have theorised the relationship between race and capitalism as more contradictory – a realisation that Wolpe came to in his arguments from the early 1970s to late 1980s.

Wolpe (1988) ultimately analysed what he termed the 'conjunctural' relationship between capitalism and racist forms of political domination: there is no necessary functional relationship between racist forms of political domination and capitalism, and therefore the destruction of the former does not necessarily mean the end of the latter. In other words, the end of national oppression does not mean the end of capitalism. Nevertheless, South African capitalism had an opportunistic relationship with racist political domination, which became dysfunctional due to the working class struggle and the rise in the organic composition of capital (a point we return to later).

Unfortunately, I will conclude, a combination of unreconstructed vulgar Marxism¹ and modernisation theory have provided the conceptual basis for contemporary neoliberalism, which is dressed up as the 'first economy' drawing in the 'second economy' to a successful market process. The racial Fordism thesis (Gelb) provided a foundation for export-led growth strategies. The CST and its National Democratic Revolution (NDR) strategy is also used by some in the African National Congress to justify the current neoliberal incorporation of the emerging black bourgeoisie into the structure of capital accumulation. However, the neoliberal approach, and creation of black capital, is not necessarily inscribed in the NDR itself.

2 LIBERAL DUALISM

The dualist conceptual separation of politics from economics made it possible for liberals to artificially separate racial political domination and capital accumulation. They saw racism as an inherent obstacle to the industrialisation and modernisation project. The early liberalism was predicated on the Victorian liberal dualism of civilisation and barbarism (Macmillan 1930). The former was associated with whiteness and the latter with blackness.



Liberals argued that racism was incompatible with capitalism, and they believed that the development of capitalism would eventually get rid of racism. The liberal paradigm borrowed from modernisation theory which argues that pre-capitalist institutions, ideology (racism) and culture are not compatible with the capitalist growth. Liberal dualism counterpoised capitalist rationality against pre-capitalist irrationality. W.W. Rostow's stage theory provided a theoretical arsenal for liberals to argue for the teleological obliteration of both the pre-capitalist modes of production and of state racism (O'Dowd 1996 and Houghton 1964).

Hutt (1964), one of early liberal political economist theorists, argued that if the English in South Africa had continued with the development of a liberal economy it would have prevented or ameliorated the racist forms of political domination which were part of the pre-industrial attitudes which impeded the development of capitalism in South Africa. From his perspective, racial prejudice was a manifestation of irrational customs which will dissolve under the pressure of economic rationality. Restriction on the investment to the reserves by the apartheid state has prevented the industrialisation, which would have led to the eradication of the tribal customs and traditions, liberal political economists argued.

According to Hutt (1964), African wages were low not because of the rate of exploitation, but because black workers' needs were less, and because they did not like accumulation of private property (except in the form of cattle). Hutt's theorisation is misleading because it assumes that there is only one form of capitalism which is static, and that racial capitalism was not capitalism. Furthermore, it is also historically inaccurate that capitalism did not provide support to racist forms of political domination. For instance, mine owners drafted the Law No. 23 of 1895, which imposed passes on Africans working on the mines in order to curb their movement in search for better wages in other sectors of the economy.

3 MARXIST FUNCTIONALISM

Marxian political economists challenged the idea that racial domination has always distorted and impeded capitalist accumulation. In rebutting the modernisation and liberal theory advocated by Houghton and others – with its implication that South African capitalism could not develop because of 'irrational' African traditions and customs which impeded the capitalist development of agriculture – Colin Bundy (1979) showed that in fact, African peasantry responded competitively to new market conditions during the late 19th century and early 20th century.

But owing to the mining industry's demand for cheap labour, Bundy argues that the South African peasantry became proletarian through a process of primitive accumulation. The familiar methods included land dispossession and the imposition of hut and dog taxes, in order to force wage-labour to come to market. As a prominent Anglican cleric once remarked, Africans 'are peasant farmers, why should they send their sons and daughters to work for wages? They prefer supplying their ones from the soil, as they can easily do so they stay at home' (Bundy 1988:92). The



hut tax was introduced on Zulu land as a specific mechanism to proletarianise the peasantry, as documented by Jeff Guy (1982:175). The peasantry had to work for a wage in order to earn money to pay the tax. Some sold cattle to raise cash and some paid in cattle, pushing prices ever lower (Guy 1982:176). In sum, for capital, the problem was that self-sufficient African small farmers withheld labour from the mine owners. Hence the dispossession of Africans and the destruction of the African peasantry were linked to the needs of capitalist development in South Africa.

Contrary to the view of liberal political economy that capitalism in the periphery has a tendency to do away with pre-capitalist features, Wolpe (1975) argued that capitalism can co-exist with – and prosper from – pre-capitalist modes of production, which served as source for cheap labour. Wolpe was not only concerned about the pitfalls of setting dependency theory against liberal political economy, but also felt the need to correct the CST thesis, which lacked its own intrinsic theory of exploitation. Even Bundy, South Africa's leading dependency theorist, had ignored exploitation in his theorisation of the process of primitive accumulation. By emphasising the market and the circulation of commodities within which the African peasantry could have thrived (were it not for systematic destruction by big capital), Bundy implies that the African peasantry could have become incorporated into the capitalist system as petty owners of capital, as opposed to being wage-labourers.²

To be sure, the CST does not provide adequate theoretical tools to illuminate the relationship between national oppression and class exploitation, and without a theory of exploitation the CST was not all that different from race relations theory (Wolpe 1975). To overcome both the pitfalls of the dependency theory and the CST, Wolpe developed the theory of cheap labour to tease out the extra-economic mechanisms by which capital pumped out more surplus value from the black working class by drawing on Bantustan mechanisms. In trying to explain the nature, origin and the reproduction of racist forms of domination, and their subsequent consolidation in the post-1948 apartheid policies, Wolpe expanded upon Marx's concept of exploitation, and eventually arrived at the cheap labour thesis.

Consider Marx's concept of exploitation, as clarified by Holmstrom (1993) using the concepts of 'necessary, free and surplus labour'. Necessary labour is the amount of labour necessary for the reproduction of the worker and her dependents regardless of a mode of production – whether capitalism or communism. Under capitalism, workers are required to do more than necessary labour, in other words, to generate surplus labour which is appropriated by the owners of the means of production. Necessary labour is required under communism, but it is not forced labour in a sense that direct producers are not subordinated to the power of owners of the means of the means of production. In other words necessary labour is free if it is controlled and ownership of the direct producers. The direct producers do not have control over the surplus.

In contrast, racial forms of domination were used as mechanisms to facilitate the process of pumping out surplus labour from the black working class. Marx's labour



theory argues that capitalists generate surplus value through the exploitation of labour. Under capitalist production relations, a capitalist buys a worker's labour power like any commodity. The value of the labour power is determined by labour socially necessary to reproduce a worker. A worker needs clothing, food and shelter in order to reproduce, and a wage plays this function. The value of labour power is thus determined by means of subsistence. Here we see the importance of the articulation of modes of production, for the non-capitalist reproduction of labour power creates a basis for the relative reduction in the value of the labour.

For Wolpe, racial domination over black workers through the migrant-labour system was functional to capitalism, because the Reserves subsidised the way the black working class was subjugated as forced necessary labour. Subsistence agriculture in the reserves contributed to the social reproduction and maintenance of migrant workers. Put differently, the Reserves took care of the worker in his old age or illness (or youth). Capitalism thus benefited from the continued existence of the pre-capitalist mode of production. The Reserves took care of those who were not immediately useful (children) and those who were no longer useful (retired or ill workers). Since capitalism treated workers as means for capital accumulation, physically-disabled workers – victims of widespread occupational hazards – as well as old workers no longer functional for capital accumulation were thrown into the reserves. Though he is critical of the CST, Mahmood Mamdani (1996) developed the concept of the bifurcated state, which provides a useful framework for understanding the political superstructure in the Reserves, which were controlled by the chiefs in the interests of broader systemic stability.

4 LIBERAL AND MARXIST CONVERGENCE ON CONTINGENCY

Nel (1987) argues that the early Wolpe used the beneficial effects of apartheid to capitalism as a 'sufficient' explanation for the origins of the system after 1948. But Wolpe's initial explanation – that South African capitalism *needed* Bantustans to generate super profits – falls into a trap of functionalism, and could not explain aspects of racial political domination that may be in contradiction with capitalism.

The functional fallacy was later overcome by the theory of contingency in Marxism (Wolpe 1988), which was also adopted by at least one liberal, Merle Lipton (1985). Wolpe and Lipton could agree that the relationship between capitalism and racial order is contingent outcome of the struggles between contending groups or classes, and the outcome of the struggle may be functional or contradictory by advancing the interest of the certain classes at the expense of others.

Lipton (1985) conceded that apartheid had some benefits for capitalism, particularly the agricultural and mining fractions, until the 1970s. In line with Hutt's (1964) idea that the maturation of capitalism erodes prejudices, Lipton (1985) argued that dysfunctionality of the racist forms of political domination arose from structural changes.



The key shift was from 'labour intensive' to 'capital intensive' forms of work which required skilled labour. Apartheid became dysfunctional for capital accumulation because the growth of the manufacturing industry required skilled labour and rising black purchasing power, and the latter was depressed by poor wages.

From this perspective, racism had benefits and costs for capital accumulation. The benefits were provided by cheap labour, which was in demand by mining and agricultural capital, and the state intervened with a variety of apartheid techniques to reproduce the cheap labour. But costs became detrimental, as the absence of skilled black labour resulted in capital relying on 'expensive' white labour. This view was also developed in the thesis of 'racial Fordism' (Gelb 1986). It could be argued that the manufacturing sector benefited from racial policies which prevented the formation of trade unions, and allowed for the relatively easier suppression of workers' struggles.

Lipton's main theoretical shortcoming is failure to distinguish between capitalism and capitalists. The former is a social order or structural system, and the latter are agents in the structure who may have different interests in how the structure should function. The significance of this distinction is her capacity to show that racist forms of political domination were functional and dysfunctional to the interests of different fractions of capital, but incapacity to address the capitalist system as a whole. Therefore it was misleading of her to argue that capitalism did not benefit from racist forms of political domination, on the basis of some relatively narrow contradictions.

Both Lipton and a 1970s generation of Marxists who studied fractions of capital in the tradition of Nicos Poulantzas, arrived by different routes at the same conclusion regarding the relationship between class and race. The fraction of capital thesis was not, as Simon Clarke (1978) argued, fundamentally different from the liberal-pluralist theory of interest groups and power. That theory tends to locate state activities in relation to policies proposed by different social forces, and it fails to locate the state within the broader framework of social reproduction and transformation (Clarke 1978, Therborn 1978). Both blame particular sections of capital for racism. The only difference was that Lipton blamed the political power of the state for overruling those capitalists who increasingly wanted deracialisation.

For several vulgar Marxists, a late 1980s analysis replaced the idea of apartheid-capitalism with that of 'racial Fordism': mass production by blacks, mass consumption by whites. The result of this analysis, again, was a set of policies that maintain the wage-labour system. The modernisation project has been justified in terms of overcoming racial Fordism, and in the crucial transition period of the early 1990s, the concept also influenced the trade union movement's analysis. The racial Fordist thesis, like Lipton's analysis, traces the roots of the South African social crisis to insufficient demand and a poor skills set. Labour's early 1990s Industrial Strategy Project and its 1996 Social Equity and Job Creation document were policy alternatives that reflected this theoretical approach. Building on underconsumptionist assumptions, Kaplan and Lewis (1996) attributed economic problems to lack of skills, lack of demand and lack of efficient technology.



5 RETURNING TO MARXIST THEORY

In contrast, a deeper-rooted Marxist political economy should have used its unique theory of capitalism to demonstrate the contingent, conjunctural relationship between capitalism and racism in terms of broader social relations. Capitalism transforms the means of production and labour into commodities to be purchased in the market. The means of production are purchased as constant capital and labour power as variable capital. Capital accumulation requires constant reproduction of the variable and constant capital. In order to make surplus value, the value of the product must be greater than the constant and variable capital used up in the process. The additional value is found in the labour power. The capitalist can increase surplus value either through extension of working day or through the rate of work ('absolute surplus value extraction') or through applying more efficient systems of work ('relative surplus value'). The latter extraction of relative surplus value refers to a decrease in the value of labour power required in production, through increasing labour's productivity. This usually comes as a result of improvement of technology or innovation (Marx 1967). As a result of mechanisation, the value of workers' basic needs should also decline, thus lowering the value of labour power. As one capitalist increases productivity through inventions and innovations, others have to follow in order to compete and continually accumulate.

Marx (1967) argues that crisis tendencies are inherent in the capitalist mode of production because competition amongst capitalists leads them to invest more in capital equipment or 'constant capital' than in 'variable capital' (workers who operate the means of production), hence pushing up the organic composition of capital and reducing the amount of surplus value that is extracted in production. The rate of profit thus tends to fall over time.

The basic problem for capitalism is that capitalists invest in constant capital in order to increase profits in the short term, by gaining an edge over competitors. For this reason, the necessary labour associated with a given level of output declines, thus decreasing market prices and rewarding the capitalists who invested in constant capital with a competitive advantage over other capitalists. But the system as a whole draws out less surplus value as a result.

In the early period of industrialisation, capital mainly used the absolute surplus value mechanism to extend the working day and the rate of exploitation. One route that proved crucial was the turn to extra-economic measures – such as enclosures of land commons – to recruit and control labour. In South Africa, this process of imposing primitive accumulation was codified in the 1894 Glen Grey Act and consolidated in the 1913 Land Act which dispossessed the African peasantry and incorporated black male workers into migrant wage labour. In early South African capitalism, mining and farming labour requirements were dominant, and these capitalists relied on absolute surplus value mechanisms to control labour. This required more repressive extra-economic apparatuses, culminating in apartheid.



The contradiction, of course, was that this process gave rise to massive struggles and also to the ecological decline of the reserves. Moreover, as Wolpe (1975) and Saul and Gelb (1981) point out, agricultural and manufacturing capital gradually increased their constant capital to the point that mechanisation required a new generation of skilled labourers. By the 1960s, older aspects of national oppression had become dysfunctional to capital accumulation (Wolpe 1988).

6 FROM VULGAR MARXISM TO NEOLIBERAL NEOMODERNISATION

A new problem arises in this analysis, which again shows the limits of the vulgar Marxism that sometimes characterised South African debates. Modern development is associated with science, technology and the development of productive forces. Modernisation theory named some alleged sources of underdevelopment in pre-capitalist forms of societal organisations, especially lack of technology, markets and 'entrepreneurial spirit'. The cure was to dismantle traditional customs and institutions (like property rights, titles to land, markets, credit), and provide modern technological instruments for production. In this spirit, the current government has set as its key role to modernise the 'second economy', integrating the unsophisticated second economy into the first economy. This is 'neomodernisation' theory, which posits that the first and second economies are structurally disconnected.

The mirror of this on the left is a crude kind of dependency theory, in which the 'underdeveloped' society is a product of the colonial-era imperialism which inaugurated capitalist relations in much of Africa. In reaction, the vulgar Marxism advocated by Bill Warren agreed with dependency theorists that colonialism exploited and underdeveloped the poor countries. But Warren and Cristobal Kay next argued that there was not enough exploitation of these countries, because the productive forces did not develop. South African neoliberalism has also been justified by Josiah Jele and Jabu Moleketi (2002) on grounds of the need to develop our productive forces.

Both vulgar Marxism and neoliberalism have arrived at the same conclusion via different conceptual schemas. Both vulgar Marxists and neoliberals argued for the increase of the rate of profit in the production process. One hand, the neoliberals argue for re-organisation of the labour process to weaken labour through greater 'flexibility'. In opposition to this, vulgar Marxists who advocate 'post-Fordism' – Alec Erwin, for example – do not question the exploitative production relations, but instead argue for improved conditions of exploitation.

In sum, both vulgar Marxism and neoliberalism agree that there is a need to increase the productivity of labour and capital. The government's Accelerated and Shared Growth Initiative for South Africa advocates making the 'cost of doing business cheaper', that is, lowering the barriers to capital accumulation. State-owned enterprises are being geared towards facilitating capital accumulation. Constant capital



will be made cheaper through state-subsidised electricity, telecommunication, water and transport infrastructure. Even though there have been significant corporate tax breaks, neoliberals are still pushing for further tax reductions – in sites such as the Coega complex – as a way of lowering the cost of doing business in South Africa.

So too does *The communist manifesto* glorify the role of the bourgeoisie in developing the productive forces. Even though Marx saw the negative effects of colonisation in Ireland, he wrote of the positive role of colonisation in India. The modernisation perspective within the works of Marx and Engels armed Warren and those who would justify neoliberalism.

But this view draws an incorrect interpretation of Marx's material conception of history. The vulgar Marxists suggest that capitalism has to mature first, before less developed countries can advance to socialism. Therefore, more exploitation is required for the poor countries to develop. Marx's view was more nuanced, for in a letter to Vera Zulisich, he drew attention to the 'unevenness' of the global capitalism, and argued that not all countries had to first establish capitalism in order to move to socialism.

In this spirit, the Bolsheviks ran a programme of industrialisation which treated workers as a means of development. Trotsky proposed the militarisation of labour. Marxist political economists still need to think hard about political society in the post-revolutionary period, and learn from the mistakes of the Bolshevik tradition.

7 CST AND POST-1994 PRACTICES

Armed with ideas like the articulation of modes of production, there was a tendency by some in the Congress tradition to frame national oppression and class exploitation in dualistic fashion. For some, class exploitation was seen as the essence, of which one epiphenomenon was national oppression. For example, Joe Slovo (1976) argued: 'Yet for all the overt signs of race as a mechanism of domination, the legal and institutional domination of the white minority over black majority has its origin in, and is perpetuated by economic exploitation'. He went on to say that 'race discrimination is the mechanism of this exploitation and functional to it ... and the struggle to destroy white supremacy is ultimately bound up with the very destruction of capitalism itself'.

For SACP theorists, the struggle for national liberation was linked to socialism because the former undermined the conditions for exploitation of the black working class. The NDR was conceptualised as anti-capitalist as opposed to merely building a bourgeois democracy. Indeed, the NDR was a strategy developed by the Comintern to deal with colonial and semi-colonial social formations in which the productive forces and the proletariat were miniscule (Hudson 1986). The tasks of the NDR were to lead an agrarian revolution which would transfer land to the peasantry. National liberation would end imperial oppression and ensure state control of 'commanding heights of the economy' (Lowy 1981). Because national



oppression was conceptualised as functional to global capital accumulation, the struggle for national liberation was also explicitly anti-capitalist. While there was a strategic convergence over the need to build worker alliances with the peasantry, which would open non-capitalist roads towards socialism, there was also heated debate within the Comintern on tactics to achieve this goal. This was particularly sharp between the Indian communist M.N. Roy and Lenin, who saw the need to form tactical alliances with nationalists.

South African capitalism was advanced in comparison to other colonial and semi-colonial social formations. The NDR as a strategy was adopted because of how the CST theory focused on what Simons and Simons (1968) called 'colour consciousness'. From within this tradition, Wolpe did not disconnect the struggle against racism from capitalism. Wolpe still saw the national liberation struggle as entailing the socialisation of the means of production in the hands of the people.³ But Wolpe (1988) acknowledged that national liberation struggles can have both pro-capitalist and anti-capitalist content. In the post-1994 period, the pro-capitalist forces have won the battle, and in the process has vulgarised Marxist political economy to justify neoliberal socio-economic development policy and political practice.

In contrast, the underlying political programme of the NDR was to inaugurate a genuine national democracy, based on a non-capitalist economic strategy. The Freedom Charter conceived such a programme, and the ANC itself admitted that it was fighting for socialism in its Politico-Military Strategy Commission,⁴ which reported as follows regarding the ANC's approach to socialism: 'It should be emphasised that no member of the Commission had any doubts about the ultimate need to continue our revolution towards a socialist order; the issue was posed only in relation to the tactical considerations of the present stage of our struggle'. The Freedom Charter was not meant to build black capitalism, as Thabo Mbeki argued in 1978, 'black capitalism instead of being an antithesis is rather confirmation of parasitism'.

The direction of the NDR was always contested within the ANC, and there were two ideological interpretations of the Freedom Charter. Nelson Mandela argued that the NDR and Freedom Charter will usher in bourgeois democracy, against Govan Mbeki's view, which was that it would bring about a deeper people's democracy (Mbeki 1991). Mandela's version of that Freedom Charter, which rested upon building a black bourgeoisie, won the battle in post-1994 South Africa. During his address to the Black Management Forum in 1999, Mbeki declared, the 'struggle against racism in our country must include the objective of creating a black bourgeoisie ... I would like to urge, very strongly, that we abandon our embarrassment about the possibility of the emergence of successful and therefore prosperous black owners of productive property'.

The project of building a black bourgeoisie and middle class as a buffer between white monopoly capital and the white working class was initiated in the 1960s, and intensified in the 1970s (Hudson and Sarakinsky 1986, Nzimande 1990). Since the ANC came into power, various institutions, charters and pieces of legislation were



passed to create this class, and the leadership of the ANC owned capital directly or indirectly. Without doubt, this has changed the character of the ANC. Below is a table originally printed in *City Press* (2005) that shows ANC leadership in business.

Table 1 The ANC's leading business-politicians

Name	Company
Sakie Macozoma	Stalin Group, Standard Bank, Volkswagen SA, Murray and Roberts, Liso, Investment Vehicle and Safika
Penuell Maduna (former Minister of Minerals and Energy and Justice)	Amabusi, Sasol, Tshwarisano LFB Investment
Popo Molefe (former North-West Premier)	Sun International and Leroko Investment
Valli Moosa (former Minister of Local Government, and Environmental Affairs)	Sun International and Leroko Investment
Smuts Ngonyama, (former Eastern Cape, MEC for Economic Affairs)	Elephant Consortium and Fishing Industry
Matthews Phosa (former Mpumalanga premier)	BMW, ABSA, KPMG and Ruslyn Minning and Plant Hire
Cyril Ramaphosa (former NUM and ANC Secretary General)	MTN, SABMiller, Standard Bank, Shanduka Investment Co. Alexander Forbes

There is, as a result of this, a drastic shift from the 1960s and 1970s ANC position towards socialism, to what Mbeki termed 'parasitism' back in 1978. The adverse global balance of forces has been used to rationalise not only neoliberalism, but also the creation of black bourgeoisie. However, it should be noted that the form of black participation in South African neoliberalism is justified in terms of race equity. A new round of primitive accumulation is underway through the capitalist dispossession of the state, either through illegal corruption or legal corruption, and this broad-based privatisation is justified in terms of race.

It is not my intention to explain the shift here, for explanations have been provided in other works, notwithstanding some pitfalls (Marais 2000, Bond 2005). The RDP was also vague, and allowed room for misinterpretation. In his strongest rebuke of the SACP, in its 1998 Congress, Mbeki argued forcefully that GEAR was a logical outcome of the RDP. I would argue that the RDP was also shift from the Freedom Charter, which was grounded upon what might be considered a 'non-capitalist' path – the RDP was, at best, based on the Keynesianism.

The question that we need to ask is: what has happened to the CST since 1994? Put differently, has the South African social formation changed since 1994? There is no doubt that it has changed.



Table 2 Post-1994 political landscape shifts

Pre-1994	Post-1994
1910, political exclusion of black South Africans as citizens in South Africa	Political inclusion, in which blacks have political citizenship – the right to vote
Settler colonial-apartheid-capitalist state	Neo-colonial state, with key neoliberal features
Black working class main supplier of cheap labour, white economic ownership	Black working class main supplier of labour, but BEE, rapid rise of the black middle class and bourgeoisie
Racism as a dominant ideological instrument	Neoliberalism as a dominant ideology to maintain and reproduce neo-CST
Colonial/apartheid workplace regime	Relatively progressive workplace regime, but constantly under threat because of causalisation
ANC-led liberation movement – mass democratic movements Anti-capitalist movements	Contemporary social movements as a result of the crisis of reproduction
Soviet Union, anti-capitalist liberation movements	Dominance of US-led imperialism and neoliberalism

Political independence is symbolised in the national flag and national anthem, but we have inherited economic dependence on white monopoly capital, which itself has largely moved offshore.

8 CONCLUSION: THE POLITICAL ECONOMY OF THE WORKING CLASS

To conclude, we can consider the ideas of Michael Lebowitz (2004) about what is termed ‘the political economy of the working class’. Lebowitz argues that even though Marx noted the critical role of workers’ struggles, *Capital* does not systematically deal with the goals of the wage-labourer, as well as her life outside the workplace. Wage-labour is present in an ‘underdeveloped form’ in Marx’s *Value, price and profit*.

In his Inaugural Address to the First International, Marx drew attention to the political economy of the working class. In contrast to the political economy of the bourgeoisie, for which workers’ time is for capital and the worker is alienated from herself, from fellow-workers and from products, there is a political economy of the working class according to which labour exists for a worker and is consumed by a worker, time is for the worker and she produces for herself. These political economies co-exist in a contradictory unity. They manifest themselves in the process of class struggle in which the working class attempts to impose its political economy. According to Marx the political economy of the working class found con-



crete expression when workers won the victory on the Ten Hours Bill, as well as the emergence of a co-operative movement. The political economy of the working class can only triumph if workers understand that commodities are a result of their exploitation, and as such overthrow capitalism.

Because of the absence of workers as an active and conscious subject in *Capital*, the result is sometimes a one-sided reading of capitalism, because everything that happens under capitalism corresponds to the needs of capital. Lebowitz deals with the functional fallacy of reforms under capitalism in which any reform by capital is seen as result of the benevolence of capitalists without working class struggle. If a workday declines, it is as a result of capital wanting workers to rest. If a health system is introduced, it is by virtue of the fact that capital wants healthy workers. According to Lebowitz, this is one-sided because it does not look at how wage-labourers struggle against capital. Lebowitz argues that workers' struggles to satisfy their many-sided social needs – schools, health services, time for reading, decent housing and good food – are struggles against capital as a mediator.

Lebowitz acknowledges that these aspects of reproduction cannot be guaranteed under capitalism, and that workers have to ultimately overthrow capital as a mediator in production, circulation and consumption. He provides a theoretical and concrete platform upon which transitional demands towards socialism can be formulated. This in turn provides a theoretical basis for the working class to act for both its own immediate and long-term interests, based upon working-class political economy. The working class can only defeat capitalism if they move beyond economism – wage-struggles – and join struggles for health, social grants, education and welfare as well as other reforms such as co-ops. Put differently, the working class cannot just struggle for reforms within the capitalist system – it must negate capital.

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ENDNOTES

- 1 This kind of Marxism advocated colonialism unapologetically. Bill Warren argued that exploitation of the colonial countries is necessary for its development (for a critique see Bond 1997). This argument has also been appropriated to justify neoliberalism in South Africa (Jele and Moleketi 2002).
- 2 This argument has been appropriated by one of the key black capitalists in post-1994 South Africa: Macozoma 2003.
- 3 The notion of the 'people' is the 'working people' in a Leninist sense, that is, the working class, peasantry and middle class.
- 4 Thabo Mkeki, Joe Slovo, Moses Mabhida, Joe Gqabi and Joe Modise were members of this Commission which accepted socialism as the ultimate goal for the South African revolution.



'Rational ignorance' and South African poverty statistics

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ABSTRACT

Those arguing for a 'two economies' approach to poverty strategy often stumble over statistics, for poverty and unemployment are calculated in inconsistent and erratic ways. Data sources are crucial, and as initiator (and funder) of research, government made an energetic start. Enthusiasm for tackling the task waned, and for many years, no new projects were undertaken. Understanding why the gathering of information on the nation's most serious problem should have been so haphazardly conducted (and why information on unemployment, one of its most important causes should be interpreted in so cavalier a manner) is no simple task. While not offering any explanation for this sloppiness, the article suggests that the utterances of every senior policymaker (and senior civil servant) should be subjected to the Display Test, an exercise which requires confrontation of the unintended consequences or potential failures that would follow the implementation of recommendations. This sorts them into two categories: (a) those who are candid (they acknowledge the possible downsides of policies for addressing poverty that they propose and/or support, pointing out to their audience the possible consequences of failure), (b) those who are ignorant or who are posturing. Readers are invited to conduct the test themselves.

1 INTRODUCTION

This article provides a cursory survey of estimates of (income) poverty and inequality in South Africa since the advent of democracy in 1994, paying some at-

tention to the data sources on which the various attempts have been based. But problems quickly arose. Statistics South Africa, scarred by the release of implausible income poverty figures for the period 1995–2000, withdrew from the field. Its General Household Surveys (from 1992 onwards), and the massive Community Survey (fieldwork done in 2007), allow for measurement of asset and service poverty, but are poor instruments with which to attempt to produce income poverty estimates. A major 'poverty' survey, mooted for the year 2008, is currently under consideration.

The presidency, instrumental in pushing for the studies conducted in 1995 and 1996 (May 1998 and May *et al*, 1998), diverted attention from the income poverty debate by the publication of the incredible (unbelievable) results of its attempts to conduct a benefit incidence analysis (PCAS 2003). A measure of respectability has been regained by the presidency through its role in the National Income Dynamics Study (NIDS), which is about to go into the field.

Although there are a few contenders for the unenviable position of most serious problem in South Africa, poverty probably takes the winner's place. Government recognises this. It also recognises that although the market can make a significant contribution to the wellbeing of the poor, it can only do so if it (government) acts to remove (many of) the structural impediments that are the bitter fruit of centuries of oppression (a task which, it insists, it cannot successfully perform alone).

Central to the state's capacity to perform this essential task is the fact that government contains within it, institutions capable of gathering the information necessary for the monitoring and evaluation of anti-poverty policies on a sustained and nationally representative basis. Only the national statistics agency, Statistics South Africa (Stats SA), is empowered to conduct national censuses – only Stats SA, it may be argued, has the capacity to conduct, at regular intervals, the large-scale surveys required to provide the socio-economic data required to assess changes in the conditions of the poor.

Paradoxically, in a climate in which references by senior politicians and civil servants to the enormity of the task of tackling poverty and inequality abound, government's failure to act on the need for maintaining the flow of information on the poor (and the not-so-poor!), saw the momentum generated by the energetic start that produced landmark studies on poverty and inequality (May, 1998, May *et al*, 1998), gradually dissipate. The desultory attention accorded what is arguably the most important of all research topics in South Africa, leaves us today in a position where there is great uncertainty about the extent of both inequality and poverty.

The aim of the present article is to catalogue some of the more prominent attempts to measure both, that have been made in the period 1993–2005. The article is not a literature survey – it makes no pretence of comprehensiveness. Rather, the intention is to chart the outcomes of the relationship between government (mainly in the form of Stats SA) as producer of basic information, and the research com-



munity, as user of that information as an intermediate input in the process of producing information about poverty and inequality.

Like politicians everywhere, the (habit-forming?) taste for good news has been acquired by South Africa's politicians (Meth 2007a), so that in almost the same breath as they point to the severity of poverty (and less emphatically) inequality, they may be found indulging in self-congratulation (often premature) on the success of the struggle against both. Typical of this is the claim in the Accelerated and Shared Growth Initiative for South Africa (AsgiSA) document that not only will South Africa 'virtually eliminate poverty' by 2014, but also that it will 'radically reduce inequality' (AsgiSA 2006:17).

Explaining government's under-whelming enthusiasm for charting the progress of the poor by any means other than research that is likely to show that the vast sums of money spent, have not been spent in vain, is not easy. Other than to circle around this problem, the only effort made in the present article to address it consists in the suggestion that a profitable line of inquiry may lie in the field of public choice theory. In the hands of the crass, this brand of theorising can easily degenerate into government bashing. The misuse of conceptual tools by conservative ideologues does not, however, absolve us of the duty to test the explanatory power of some of the propositions that have been developed within the body of public choice theory.

'Rational ignorance' is a concept (originally) used by these theorists to denote a situation where the cost of finding out enough about a particular issue to be able to make an informed decision outweighs (or appears to outweigh) the expected benefits of the decision. To devote additional time to the acquisition of information under such circumstances would be (economically) irrational. The concept finds application in a number of fields, politics probably being the most prominent. For example, the cost, for any single voter, of obtaining the information necessary to make an informed choice between competing political agendas (often complex, multi-issue platforms) is high, while the difference made by the participation is usually negligible.

From the literature using the concept of rational ignorance to understand political decision-making, I pluck an ordeal called the 'Display Test', advanced by Pincione and Tesón (2006), which may be used to establish policymaker's *bona fides*, and ask the reader to judge whether or not the formulators of South Africa's anti-poverty policy pass the test. The test is described in the long passage that follows, taken word-for-word from their article (rephrasing it in other words merely to avoid citing them directly, seems silly). They argue that

someone passes the Display Test if and only if he (*sic*) publicly acknowledges the downsides of his political proposal or, if he did not publicly acknowledge them, he would insist on the proposal if exposed to those downsides. For present purposes, we stipulate that a downside of a politi-



cal proposal is any feature of it that, if disclosed, would likely reduce the audience's support for it. Such downsides are not only those outcomes that are *predictable* on the grounds of the most reliable theories available. They include, in addition, any non-negligible probability that the proposal will have bad effects, given the most reliable theories available. Those who pass the Display Test, then, do not publicly conceal or overlook the proposal's downsides; typically, they do not feel embarrassed by their recognition that it may frustrate some worthy goals. On the other hand, those who fail the Display Test are either ignorant or dishonest. They may be simply people who would withdraw their proposals if exposed to their downsides, in which case they are ignorant. Alternatively, they may conceal the problems with their proposal because they seek rhetorical advantages, as something different from winning the audience's informed approval. In that case, they are posturers who take advantage of the audience's rational ignorance (2006:78).

Some may object that such a test, with its three possible outcomes – candid, ignorant or posturer – is unduly harsh. Be that as it may, applying it to the refusal by senior politicians to countenance the construction of a truly comprehensive social grant system, and their insistence instead on rescuing South Africa's unemployed poor through growth, with a little help from the 'social wage' and the extended public works programme (EPWP), one can find only one prominent politician who passes, the Minister of Social Development, Zola Skweyiya.

Late last year, he 'came out in support of a basic income grant' ('Skweyiya calls for basic income grant', *Mail and Guardian online* 10 November 2006). In the ensuing furore, he 'stuck to his guns' ('Skweyiya sticks by his call for basic income grant', *Mail and Guardian online* 20 November 2006). Then, on 7 December 2006, an article under the heading 'Cabinet pours cold water on basic income grant' appeared in the *Mail and Guardian online*. The article went on to say that cabinet turned 'instead to ways to find "exit strategies" to reduce reliance on social grants'. The cabinet had noted a proposal for linking social grants to poverty alleviation initiatives and other economic activities. But it said the beneficiaries of social grants – 'most of whom are able-bodied individuals' – would be given incentives linked to exit strategies. 'These would include skills development and participation in labour intensive programmes such as the extended public works programme'.

If the *Mail and Guardian* article of 10 November 2006 is to be believed, the Minister of Social Development was motivated by the belief that 'government would be unable to reach the poorest of the poor and eradicate unemployment within the next ten years'. Expression of such doubts is precisely what is required to pass the Display Test. The longer those who have failed it by virtue of their ignorance, fail to act upon the lead offered by the Minister of Social Development, the greater the likelihood that they slide into the class of posturers. The longer the 'truth' about poverty and inequality (whatever the truth is) can be obscured, the longer the posturers can 'take advantage of the audience's rational ignorance'.



None of this is altered by the possibility that poverty and inequality may fall – all that is required to make it essential for every policymaker involved to submit to the Display Test, is that there be some doubt that present policies will succeed. It behoves each of them to acknowledge this, and to spell out the consequences of possible failure. If, as critics believe, there are good reasons for suspecting that the present package will not have the desired effects, the need to confront those criticisms squarely (to pass the Display Test) is all the greater.

While the argument above may help to explain the current predicament, more, much more, is required to understand the developments of the past 13 years. Instead of digging into the past to retrieve that history (an arduous task that would require extensive interviews with politicians and civil servants, whose willingness to discuss the matter candidly is far from assured), the present article tackles the much easier job of sketching the aforementioned record of attempts to measure poverty and inequality in South Africa.

The 13 years is broken down into periods demarcated by the availability of the relevant data. The end of the period is marked by the publication of a set of results generated by Van der Berg *et al* (2005). By stepping out of the official data source pool, these authors have re-invigorated what was becoming a tired and thoroughly bad-tempered debate. Their results, which suggest a major fall in income poverty over the period 2000–2004, a finding that pleased government mightily, are, however, almost certainly incorrect. The Van der Berg *et al* estimates are contrasted with a competing set of estimates that I have published (Meth 2006a). Brief reference is made to the problems both of us have had to confront in preparing our respective estimates. This is followed by a glance at the latest offering on asset and service poverty (Bhorat *et al* 2006), from which government has drawn more comfort than it ought. The article ends with an attempt to see how much celebration the official employment and unemployment statistics call for.

2 WORSENING POVERTY AND INEQUALITY 1994–2001

It has been suggested above that the South African state has been somewhat less than enthusiastic about discovering the 'true' extent of poverty and inequality, and the way in which this has changed in the era of democracy. Even after one has paid homage to the well-known difficulties of conceptualising, defining and measuring each (which is why there are commas around the word 'true'), the claim still stands.

This has come about because government has failed to monitor adequately the progress, or the lack thereof, consequent upon its multifarious attempts to address poverty and inequality. Government (all spheres of it) has devised and allocated funds for dozens of poverty alleviation (and job creation) projects. Even though not all of the money allocated could be spent, inducing cutbacks (Swilling *et al* 2005:66–67), much of it could. Billions have been poured into expansion of the social grant system, and into the provision of the other elements of what is described



as the 'social wage' (chiefly housing, education, health, water, electricity and sanitation). Although the flow of information about the impact of some of this spending has increased in recent years, agreement on the conditions of South Africa's poor, some three years into our second democratic decade, still does not exist.

Things started off well enough. In 1995, the Reconstruction and Development Programme (RDP) office commissioned the South African Participatory Poverty Assessment (May 1998), to fill in some of the gaps in the benchmark Project for Statistics on Living Standards and Development (PSLSD) survey conducted by the Southern African Labour and Development Research Unit (SALDRU), which commenced in 1992 (Woolard and Leibbrandt 2001:44). Also in 1995, the cabinet agreed that a 'Poverty and Inequality Report be undertaken by South African researchers' (PIR). Its objectives were to:

- undertake a detailed analysis of poverty and inequality in South Africa;
- analyse current policy proposals for the reduction of poverty and inequality;
- analyse the adequacy of current plans to reduce poverty and inequality and possible barriers to their implementation; and
- propose ongoing monitoring mechanisms to measure the impact of policies and programmes in the reduction of poverty and inequality (May *et al* 1998:xii).

The then Minister of Welfare (now Social Development) Geraldine Fraser-Moleketi (1998:17) responded to the PIR with a mixture of praise and criticism, noting at a certain point in a paper she presented, that:

The Poverty and Inequality Report signals the end of a phase in which government and the broader South African public is usefully informed about the nature and extent of the poverty and inequality challenge. This challenge is clearly before us and the government acknowledges its responsibility to lead the attack to eradicate poverty and inequality. However, this is not a challenge for government alone. It is also the challenge for civil society, in particular the business sector, the trade union movement and other non-governmental organisations. The question they need to be asking themselves is: 'What can we do to address poverty and inequality in South Africa?'

What, precisely, the statement about the 'end of a phase in which we are usefully informed about the nature and extent of poverty and inequality' implies is not clear. One interpretation is that after the PIR, government could safely leave the collection of the information required to make the relevant estimates, in the hands of the national statistics agency, Stats SA. In any event, there commenced a phase in which surveys conducted by that institution (formerly the Central Statistical Service), began to flow in regular and increasingly useful form. Although not without flaws, the 1995 October Household Survey (OHS) and 1995 Income and Expenditure Survey (IES), are among the landmarks of the period.

With a few notable exceptions, it has fallen to academics to convert the information on incomes and expenditures so gathered into poverty and inequality estimates.



Stats SA has made two major forays into the poverty estimating business. The first of them (Stats SA 2000), presented a collection of papers, of which one, that by Alderman *et al* stands out as a pioneering effort (in this country) to use census and survey data to perform the useful task of generating information about poverty on a small area basis. The second major foray, *Earning and spending in South Africa* (Stats SA 2002), was memorable mainly for the hostility it aroused in government. The cause is not difficult to find. According to this publication, which presented selected findings from the 1995 and 2000 Income and Expenditure Surveys (IESs), people at all income levels were significantly worse off (2002, pp.27ff). Without much hindsight, it is clear that the results should never have been published. The most primitive of consistency checks, using information available at the time would have revealed that something was amiss.¹ In any event, Stats SA, possibly seared by the experience, has made no more major pronouncements on poverty since then.

Called in to assist in sorting out the mess caused by difficulties experienced in conducting the 2000 IES (among them, severe problems of non-response, of under-reporting of income and expenditure, and of sampling weights), World Bank experts contributed to a paper on poverty and the construction of a poverty line (or lines) for South Africa, which has still not seen the light of day (Babita *et al* 2003). Its results, however, apparently do not differ much from those published in a paper by Hooegeveen and Özler (2004). Publication of the latter paper gave rise to some tensions, doubts having been expressed as to whether the authors had the right to release the results.² Four poverty lines are mooted in the Hooegeveen and Özler paper: a food poverty line of R211 per capita per month, a lower bound poverty line of R322 per capita per month, and an upper bound poverty line of R593, all in 2000 prices (2004:9). Most parsimonious of the lines they use, R174 per capita per month (in 2000 prices), is roughly \$2/day.³ It was used for two reasons: for international comparative purposes, and more importantly, to see what happened to people down at the bottom end of the distribution.

Table 1 below reproduces the Hooegeveen and Özler results for the country as a whole (they are also available by race and by province). The poverty indicators used are the standard Foster, Greer and Thorbecke (FGT) measures: the headcount ratio; the poverty gap ratio, and poverty gap ratio squared.⁴ Results in the table are obtained using two of the lines, R174 and R322 per month. Statistically significant deteriorations in the conditions of those at the bottom of the heap (people living on less than \$2/day) are reported for each of the indicators. Instead of the decline in average expenditure suggested by *Earning and spending in South Africa*, they report a slight (statistically insignificant) increase overall.



Table 1 Changes in poverty between 1995 and 2000

Poverty Line	\$2/day(R174)		Lower-bound poverty line (R322)	
	1995	2000	1995	2000
Headcount Index*	0.32	0.34	0.58	0.58
Poverty Gap* ^a	0.11	0.13	0.27	0.29
Poverty Gap Squared* ^a	0.05	0.07	0.16	0.17
Mean Expenditure	534	547	534	547

Note: * indicates that the difference in the poverty figures between 1995 and 2000 is statistically significant at the 90% level for z=174. a indicates that the difference in the poverty figures between 1995 and 2000 is statistically significant at the 90% level for z=322.
Source: Hoogeveen and Özler 2004, Table 1:38.

While there is no change in the headcount ratio at the R322 level, there are statistically significant changes in both the poverty gap and poverty gap squared ratios. By their reckoning, more than 66% of Africans lived in poverty in 2000 (below R322), while more than 40% of them were below the R174 line (2004, pp.11–12). Converting the headcount ratios to headcounts, and assuming that the mid-year population estimates are roughly correct, the number below the R174 increased by about 2.2 million, to 14.8 million in 2000, while the number below the R322 line would have gone from 22.9 to 25.3 million.⁵ Hoogeveen and Özler also report that income inequality increased, the most common of the three measures they use, the Gini coefficient for the country as whole rises from 0.565 to 0.577. Within group increases (from 0.467 to 0.501) are worst among the African population (2004, Table 3:40).

Using the 1996 and 2001 population census data, Leibbrandt *et al* (2004) also report a 'slight but unambiguous increase in poverty', as well as an increase, at the national level in the Gini coefficient from 0.68 to 0.73 (2004, Table 1:9). As was the case with the survey-based estimates, inequality estimates derived from the population censuses was highest among the African population group in both 1996 and 2001.

Government's silence on the pressing and obvious need for definitive work on income poverty, given the high priority of the goal of poverty eradication, needs, as noted above, to be explained. Apart from the 'rational ignorance' hypothesis explored briefly in the introduction, two other partial explanations (there could be more) suggest themselves. One of them has to do with the ability of the Statistician-General (head of Stats SA) to influence Stats SA's priorities. Even though Statistician-General reports' to the Minister of Finance, the Statistics Act (Act No. 6 of 1999) grants the Statistician-General (SG) significant autonomy. Although the Minister has the power to direct the SG to undertake any statistical collection (S5, ss2a), this power appears not to have been exercised as far as the gathering of information relating specifically to poverty, is concerned. This could imply, at least until *Earning and spending in South Africa* was published (2002), that government was relatively content with the direction Stats SA was taking.



The final October Household Survey (OHS), for example, conducted in 1999, was explicitly intended to facilitate poverty monitoring. The survey was made possible by a grant from the UK Department for International Development (DfID), in circumstances described thus on the first page of the statistical release: 'The Office of the presidency approached DFID for funding, and DFID provided the required eight million rands to undertake the survey, with prime emphasis on poverty monitoring' (SR P0317, 31 July 2000:i).

Where the pressure originated for the emphasis to be placed on poverty monitoring is not clear. Whatever its source, however, the emphasis was sensible. Lost in the subsequent flurry of Labour Force Surveys (LFSs) that supplanted the OHS, and never quite regained by the General Household Surveys (GHSs), income poverty monitoring using official statistics ground to a halt.

The first General Household Survey (GHS) was conducted in 2002, in response to a need expressed by 'users of Statistics South Africa [data] for a regular survey designed specifically to measure the level of development and performance of government programmes and projects' (P0318, 15 December 2003). The survey collected information on earned income and (aggregate) household expenditure, making rudimentary estimates of poverty possible. Rudimentary is the operative word, however. Not only are the income questions weak, no information was collected in the GHSs on migrant remittances (it is still not collected by the GHSs). Without income from this source, more than a million households in South Africa would have little else on which to live.

3 SOCIAL WAGES: THE GREAT LEVELLER

Another possible explanation for the absence of a concerted effort to track income measurement is the impact of the so-called 'social wage'. It is, of course, correct to insist, as government has from about 2003 onwards, that concentrating on the measurement of income (expenditure) poverty to the exclusion of deprivation in other domains of existence, is simply wrong. No one disputes this. At the same time, it must, however, be acknowledged that income measures do tend to dominate the debate because they are the most tractable (easiest to estimate). Government's insistence on the need to develop measures that take account of the multi-faceted nature of the phenomenon of poverty, was, therefore, a useful intervention.

There have been many attempts to construct multiple measures of poverty or deprivation⁶ but no wholly satisfactory way of combining the other aspects of poverty (and inequality) with the income measure has yet been devised. A recent paper that attempted to address this issue, giving a clear indication of how each component (attribute or domain) that goes to make up a multi-dimensional poverty index should be regarded, argued that:

The fundamental point in all what (*sic*) follows is that a multidimensional approach to poverty defines poverty as a shortfall from a threshold on



each dimension of an individual's well being. In other words, *the issue of the multidimensionality of poverty arises because individuals, social observers or policy makers want to define a poverty limit on each individual attribute: income, health, education, etc....* All the arguments presented in [the] paper are based on this idea (Bourguignon and Chakravarty 2003, pp.27–28, emphasis in original).

There is a footnote at the end of this passage which reads: 'Note that poverty limits in all dimensions are defined independently of the quantity of other attributes an individual may enjoy' (p.48).

In short, while a multi-dimensional index may show declining poverty overall, rising poverty in any one of the attributes (dimensions), is still cause for concern. So, although measures of income poverty can only tell part of the story, and that part possibly not wholly reliably, they remain useful.

Faced with seemingly endless repetition of the claim of worsening poverty and inequality in South Africa, inferred from the research work discussed above, government went on an offensive aimed at showing that even if income poverty had not been significantly dented, major advances in tackling asset and service poverty had been made. Briefing Parliament's communication committee on the work of the Government Communication and Information System (GCIS), in advance of a debate in the house on 'whether conditions in SA had improved since the democratic elections in 1994', its CEO at the time, Joel Netshitenzhe, said that the GCIS 'had to correct mistaken views that the poor were worse off than they were during apartheid years' (*Business Day* 26 March 2003). He is quoted as saying that

the tide had turned on the unemployment front as the economy was beginning to create jobs. A 'social wage' had also been introduced, reflecting government's efforts to deal with poverty. This had contributed to an improved quality of life.

The social wage included social grants, tax relief, the provision of free basic services. In addition, the acquisition of human rights had also improved the quality of people's lives.

While partial data and focus on single points in time may attract shallow claims of no delivery and increasing poverty a contrary conclusion follows from a rounded picture of trends including the social wage, tax relief and social grants over and above cash income from employment (*Business Day* 26 March 2003).

In the hurly-burly of political contestation, reduction of opposing views to straw-men is standard practice. Analysis of the changing conditions of the poor was, however, not quite as crass as Netshitenzhe claims. With only the 1993 and 1995 data at their disposal, and thus not much evidence of delivery to draw on, Woolard and



Leibbrandt (2001:71) discuss the importance of inadequate access to basic services (electricity, toilets, water, transport) for poverty. As soon as more data become available, they are pressed into service. Making use of the October Household Surveys (OHSs) for the years 1995–1999, and the Labour Force Survey (LFS) for September 2000,⁷ Stats SA's otherwise reviled publication *Earning and spending in South Africa* (2002), suggested significant improvements in living conditions. The proportion of people living in formal dwellings rose (as did the proportion in informal dwellings, a concomitant of migration to urban areas, confirmed by a decline in the proportion living in traditional dwellings); the proportion with access to fresh water rose; the proportion of households using electricity for lighting rose; the use of wood declined, supplanted by paraffin, and the proportion of households with a telephone in the dwelling⁸ rose. There was a small increase in the proportion of flushing or chemical toilets, and a decline in the proportion of (detested) bucket toilets (2002:20–26).

The disc containing the cleaned 10% sample data from the 2001 population census became available in April 2004. Researchers set to work on it immediately,⁹ and within a short time, were producing results that showed while income poverty and inequality may have worsened over the period 1996–2001, access poverty did not. Leibbrandt *et al* (2004), for example, conclude that:

Given ... persistent inequalities in access, it is not surprising to find that households with poorer access tend to be found in the poorest income quintiles. However, it is important to note that access to basic goods and services has improved for many households in our society, including those in the poorer quintiles. Thus, there is an optimistic lack of correspondence between the *slight* increase in poverty when measured in income terms and the decrease in poverty when measured in access terms (2004:39, emphasis added).

Informing Netshitenzhe's plea for greater acknowledgement of the impact on people's lives of government's poverty alleviation policies was a piece of research of an entirely different kind. In preparation for the celebration of a decade of democracy, government instituted a research project that attempted to answer two 'overall questions': (a) has the government achieved its policy objectives?, and (b) are these the appropriate objectives? The results of the enterprise were published in a draft report called *Towards a ten year review* (PCAS 2003).

From among the many papers commissioned for the review, one in particular is of interest here, a piece on benefit incidence which formed the basis for the set of pre- and post tax and transfer 'income shares' estimates. The work done apparently covered only the period up to 1997, so officials in the presidency took it upon themselves to devise a means for estimating (extrapolating?) corresponding results for the year 2000 (PCAS 2003:91). Detailed results are given for 2000 but not for 1997. For the latter year, the review states that the 'Gini coefficient excluding social transfers' was equal to 0.68, while the 'Gini coefficient including social



transfers' was equal to 0.44, a change of 33% (PCAS 2003:90). Results for the year 2000 are worth reproducing because of the radical redistribution that they portray.¹⁰ This is done in Table 2 below.

One's willingness to believe the results in Table 2 depends on two things: what meaning one attaches to the concept of 'income' as it is used in this table, and following on from that, whether one thinks that 'incomes' really changed by the percentages indicated in the table as a result of 'social spending' (and taxation). As far as the first of these is concerned, the only way in which it is possible for such massive changes in the 'income' of the poor to be registered (pre-transfer incomes in the bottom decile increase 25 times!), is if one assigns to those households, all or most of the cost of production of the services they receive.

Table 2 Pre- and post transfer household 'income shares'

Decile	1	2	3	4	5	6	7	8	9	10	Gini
2000 h/h income share IES	0.42	1.21	1.85	2.6	3.64	5.29	7.96	12.16	19.72	45.2	0.57
Pre-transfer income share	0.19	1.21	1.95	2.84	4.05	6.08	9.36	13.38	20.2	40.74	
Pre-transfer income share (cumulative)	0.19	1.4	3.35	6.19	10.24	16.32	22.68	39.06	59.26	100	0.59
Income after social spending	4.7	5.4	4.8	5.4	5.9	7.3	9.2	11.9	15.6	29.8	
Income after social spending (cumulative)	4.7	10.1	14.9	20.3	26.2	33.5	42.7	54.6	70.2	100	0.35
Source: PCAS 2003:91. Note: The cumulative value in decile 7 of 22.68 (in the original) should be 25.68.											

In 2000, the number of child support grant recipients was relatively small, amounting to no more than 350 000 in April 2000 (National Treasury 2004:74) and those are unlikely to have found their way into many of the poorest households. Those households, incidentally, land in the bottom decile because they are (a) workerless, i.e., they contain adults of working age, none of whom is employed, and (b) have little or no access to social grants, especially not the state old age pension. While it may be plausible to suggest that average tax take in the top decile was about 27%, much of that portion of taxes that went into social spending in the year 2000 re-appeared as incomes for medical professionals and teachers, healthcare and education being by far the largest components of the social wage.

The definition of income 'traditionally used by [p]ublic finance economists' is 'the money value of the net increase to an individual's power to consume during a



period' (Rosen, 1995:360). The distribution of this, traditionally, is what Gini coefficients measure. Performing calculations like those used to generate the distribution in Table 2 requires the abandonment of the accepted definition of income. What is substituted for it is not clear. What is clear is that to argue that the social wage could cause the Gini coefficient to fall from 0.57 to 0.35¹¹ is preposterous, unless some wholly new definition of income, one which incorporates income-in-kind (in the form of government services provided) is posited.

Apart from the work that I have done on the question of the value of the social wage,¹² the only other published work of which I am aware is the 2004 HSRC paper on the topic. Their estimates of the value of the social wage in 2003 are reproduced in Table 3 below. What constitutes the social wage is the subject of disagreement (a dispute into which we need not enter here). The figures in Table 3 accept the convention adopted by the HSRC of keeping social grants out of the social wage – other researchers do not. Accepting this convention, the most remarkable feature of the estimates in the table is the way in which the social wage is dominated by the expenditure on education. Per capita expenditure on health-care (used intermittently by individuals) is also high. The value of housing to those who receive it (relatively few as may be seen by looking at the ratio of expenditure among those households that receive housing subsidies, or houses) to expenditure on housing distributed among all households.

Table 3 HSRC estimates of the average value of social wage in 2003

Component	Value when distributed over all households				Value in households receiving social wage
	Top 40% of households	Poorest 60% of households	Poorest 40% of households	All households	
	Column 1	Column 2	Column 3	Column 4	Column 5
Electricity	2	31	33	19	55 to 57
Water	1	20	22	13	31
Sanitation	1	6	6	4	14 to 15
Solid waste removal	1	10	10	7	31
Housing	20	26	26	24	220
Sub-total	25	93	97	67	
Sub-total as % of total social wage	5.6	13.7	13.5	11.4	
Education	270	347	379	317	661 to 772
Healthcare	155	238	244	205	250 to 271
Sub-total	425	585	623	522	



Sub-total as % of total social wage	94.7	86.4	86.6	88.9	
Total value of social wage	449	677	719	587	
Social grants	70	208	236	154	536 to 562
Total social wage + social grants	519	886	955	740	
Source: HSRC 2004, Table 2:8 and Table 4:10. Note: Values are R/month per household in 2003 prices.					

So far, the estimates have been taken at face value. With the exception of electricity and water (and social grants), it takes scarcely a moment's reflection to deduce that the valuation of the social wage poses some fairly hefty problems. If a shack dweller who has built their home either legally (on state land set aside for the purpose) or illegally, becomes the owner of an RDP home, how should that be valued? What is the value of education to the unemployed? (It is not suggested here that it is without value, merely that it is extremely difficult to attach a value to it.) In like vein, what is the value to an individual of free healthcare, if prior to its supply, the individual receiving it could purchase no healthcare at all? Although in each case, the service or asset provided will have value, since we do not know the shape of each individual's demand curve for each service, we can have no idea of their subjective valuation of these services.

The insolubility of the valuation problem (from the demand side) is widely acknowledged in the literature. A popular set of instructions for novices in this matter, *Benefit incidence: A practitioner's guide* (Demery 2000), produced by the World Bank, outlines on its very first page, the central problem facing those who wish to estimate the impact of government spending on various groups in society. The good news is that there is a (relatively) conceptually rigorous way of doing so – the bad news is that it is generally not possible for it to be done. In the first paragraph of the second page of the guide, the reason why not, is given. Thereafter, the guide describes the compromise usually adopted. It is a variant of this latter approach that has been used by whoever it is that was responsible for the income distribution estimates in the *Towards a ten year review*.

In essence, the problem arises from the absence of prices for pure public goods, and from the unreliability of such prices as do exist for the subsidised (and hence, rationed) goods and services provided by government, as indicators of the value that people attach to these goods and services. Tracking the history of this central debate in the theory of public sector economics, Demery notes that in the early



1970s, it was argued that to assess how public expenditures benefit individuals: 'a rationed publicly-provided good or service should be evaluated at the individual's own valuation of the good (his or her demand- or *virtual-price*). Such prices will vary from individual to individual' (Demery 2000:3, emphasis in original).

Estimating individual or household demand functions requires large amounts of data, data that are expensive and difficult to collect. Because of this, an alternative to the individual preference method of valuing subsidised goods and services emerged. This 'less demanding' approach aims to value publicly-provided goods and services at their marginal cost. In practice, much more likely to be carried out using average costs,¹³ the technique known as benefit incidence 'combines the cost of providing public services with information on their use in order to generate distributions of the benefit of government spending. This has become an established approach in developing countries' (Demery 2000:3).

Demery's assessment of the relative merits of the two techniques concludes that while the individual preference (behavioural) approach is 'more theoretically robust',¹⁴ the benefit incidence measures are 'far easier to calculate'. If the latter are going to be used (and there may sometimes be little choice in the matter), users need to be aware, when doing so, of their limitations. Although the technique allows 'benefit flows to *recipients* of government services [to be] distinguished from the income flows government spending generates to the *providers* of those services and other government administrators', this cannot be taken to imply that

benefit incidence analysis is an accurate tool for measuring benefits to service recipients. Perhaps a better term to describe the technique is *beneficiary* incidence since this avoids the suggestion that true benefits are measured, but simply conveys the message that spending is imputed to the beneficiaries (Demery 2000:50).

Benefit incidence analysis can be a useful tool for helping to discover whether or not government-provided or -subsidised goods and services are well targeted. Unit costs, however, are a poor proxy for the value of the social wage to individuals (Demery 2000:51). In other words, the estimates of 'income after social spending' in the *Ten year review*, and the 'value of the components social wage' in the HSRC paper are well-nigh meaningless, when it comes to estimating their impact on poverty and inequality.

If inequality in South Africa were such that the Gini coefficient were 0.35 in 2000 (presumably the expansion of the social grant system would have reduced that in succeeding years) then it would have found itself among the advanced social democracies – Australia, Ireland, Belgium, Italy, the UK, and New Zealand all had Ginis in this region 2000 (HDR 2006:335). All countries have their poor areas, but casual empiricism (comparing Khayelitsha with Camps Bay; Saxonwold with Diepsloot; Kennedy Road with La Lucia)¹⁵ suggests that the 0.35 Gini claim is utterly implausible, a conclusion likely to be supported by more careful research.



Official ventures into the business of estimating the impact of the 'social wage' on poverty and inequality do not have much to recommend them.

4 POVERTY REDUCTION, 2000–2004

On the income poverty question in the period after 2000, matters have proceeded with a little more decorum. Nonetheless, it is likely that the poverty estimates that currently enjoy favour with the state, almost certainly because they record a substantial drop between 2000 and 2004, namely, those produced by Van der Berg *et al* (2005), are incorrect. Having written about this at length elsewhere (Meth 2006a, 2006b, 2007a, 2007b), it is not the intention to do anything more here than reproduce the major findings, plus the briefest of notes on how they are obtained. Table 4 contains the relevant figures.¹⁶ The ratios P_0 and P_1 (the headcount and poverty gap ratios) are the standard FGT measures. The poverty line (z) used (following Van der Berg *et al*) is R250 per capita per month in 2000 prices.

In addition to the results reproduced above, the Van der Berg *et al* paper also presents estimates of the poverty gap squared ratio (P_2). Unlike the headcount ratio, which may be rendered meaningful simply by multiplying it by the relevant population size (as is done in Table 3 above), the other two FGT measures (particularly the latter of the two) do not have an immediate intuitive appeal (Morduch 2005:68, Woolard and Leibbrandt 2001:57).

Table 4 Competing income poverty estimates, 2000/2001 and 2004

Estimate	Headcount	Headcount ratio (P_0)	Poverty gap ratio (P_1)
Van der Berg <i>et al</i> (2007)			
2000	16 300 000	0.364	0.163
2004	13 100 000	0.281	0.113
Meth 2006a			
2004 including remittances	18 200 000	0.399	0.227
2001 excluding remittances	20 700 000	0.459	0.322
2004 excluding remittances	19 500 000	0.427	0.262
Source: Van der Berg <i>et al</i> (2005, Table 2:17). Meth (2006a, Table 6:31 and Table 8:37)			

Poverty gap ratios may be made comprehensible by turning them into what I call the politician's poverty gap, i.e., by expressing them in terms of the size of the annual transfer required to eradicate poverty at existing levels (about R40 billion per year in 2004). The most one can say of the poverty gap squared ratio is that, like the other FGT ratios, larger is worse. To understand its significance, it is necessary to view in some kind of comparative context, either between countries, or over time



(or, since FGTs are decomposable, between say, population groups). Given the limitations of the 2001 data source I used to produce the poverty estimates at the bottom of Table 4, there is little point in furnishing crude guesstimates of an indicator whose meaning is so hard to decode.

Before describing the difficulties encountered in producing the estimates, we take a brief look at the results. Our respective 2004 figures (mine where migrant remittances are included) are the only ones between which a direct comparison is possible. As may be seen, the difference is substantial, my estimate of the headcount ratio being almost seven percentage points higher, which translates into about 2.8 million more people below the poverty line. The proportional difference between our estimates of the poverty gap ratio is even larger.

By the reckoning of Van der Berg and his colleagues, the headcount fell by a little over 3 million between 2000 and 2004. Most of this, they note, is attributable to the rapid expansion of the social grant system. The ability of the expanded grant system to achieve this is, however, to open to question. Changes in the social grant beneficiary profile are given in Table 5. As may be seen, the most significant growth occurred in the numbers of child support grants (CSGs) dispensed. The other change of major importance is the increase in the number of disability grants paid. Less significant, but not to be overlooked, is the increase in the number of old age pensions. Although it is difficult to be precise about such matters, even though the CSG misses many at the bottom of the heap, and falls into the hands of quite a few at the top end of the distribution who do not look as though they should be receiving it, the grant appears otherwise to be well targeted. If survey respondents are being truthful, then it would appear that old-age pensions and disability grants are also quite well targeted.

Table 5 Numbers of beneficiaries of various social grants

	2000	2001	2002	2003	2004
Old age	1 860 710	1 877 538	1 903 042	2 009 419	2 060 421
War veterans	7 554	6 175	5 266	4 594	3 961
Disability	612 614	627 481	694 262	953 965	1 270 964
Grant-in-aid	8 748	9 489	10 332	12 787	18 170
Foster care	79 937	85 910	95 216	138 763	200 340
Care dependency	24 438	28 897	34 978	58 140	77 934
Child support	352 617	974 724	1 907 774	2 630 826	4 309 772
Total	2 946 618	3 610 214	4 650 870	5 808 494	7 941 562

Source: National Treasury 2004:74 (Intergovernmental Financial Review).

My (very rough) estimates of the numbers of individuals lifted over the poverty line in 2004 by the three social grants that form the backbone of the system namely, pensions, disability grants¹⁷ and child support grants are respectively 1.4 million,



800 000 and 800 000 (Meth 2006a, Table 7:35).¹⁸ A quick calculation gives a rough indication of the scope of the expansion the system for lifting people over the poverty line. At R740 per month in 2004, the pensions and disability grants were about 4.3 times as large as the child support grant of R170. The additional 4 million CSGs may be treated as though were roughly equivalent to about 900 000 pensions. If 2 million pensions lift 1.4 million people above the poverty line, then 900 000 pensions could do the same for a further 600 000. Doubling the number of disability grants could raise a further 400 000 above the line.

Obviously, the reliability of these guesstimates depends critically on the actual distribution of income, and in particular on the numbers of people within striking distance of the poverty line. If most benefit recipients are well below it, the impact of the expansion of the grant system between 2000 and 2004 would be in the region of about 1.2 million. This means that some of the burden of poverty reduction in the Van der Berg *et al* paper has to fall on increasing real incomes, and job creation. Using the LFS employment estimates, I demonstrate that the latter is unlikely to have made any contribution to poverty reduction. Most of the jobs created appear to go to the skilled (Meth 2006a, Table 11:46). The improbability of former is demonstrated by reference to work on real wages by Van der Berg's co-authors (Burger and Yu 2006).

My attempts to estimate changes in poverty over the latter period with which Van der Berg *et al* are concerned (2000–2004) were limited by data availability. Not only does the September 2000 LFS contain no information on migrants, the household section of the questionnaire has no questions on expenditure in it, making imputation of missing incomes and implausible zero incomes much more difficult. There are no migrant remittance estimates in the September 2001 LFS either, but if one assumes that migrant remittance patterns did not alter much between those years, then it is possible to construct a set of poverty estimates excluding remittances for both years. Using this admittedly crude approach, the figures in Table 4 for those years suggest that the fall in poverty between 2001 and 2004 was probably not much more than 1.2 million to 1.5 million, the number yielded by the quick calculation above. The likely explanation for the difference between my results and those produced by Van der Berg *et al* (2005) lies in the manner in which survey incomes have been adjusted for under-reporting, one of the subjects of the next section of the article.

Being starved, for whatever reason, of the information necessary for measuring poverty and inequality adequately, leaves us intellectually impoverished. The brief examination that follows looks at shortcomings of the surveys, which in turn disclose an even worse poverty of information.

5 DATA DIFFICULTIES

To prepare their poverty estimates, Van der Berg *et al* (2005) drew on a variety of sources. The major innovation in their study is the use of income data collected in



the annual All-Media and Products Surveys (AMPS) conducted for the South African Advertising Research Foundation (SAARF). I relied primarily on the September Labour Force Surveys (LFSS) for 2004 and 2001. Because of the weakness of the information on social grants in the LFSS, I also referred to the 2004 General Household Survey (GHS).

Four major obstacles confront the would-be user of household surveys as sources of data for the preparation of poverty estimates, whether it be the Stats SA data or that from the AMPS. They are:

- income and expenditure under-reporting;
- missing income estimates and implausible zero-income estimates;
- zero-income households; and
- contradictions between administrative vs. household survey data, e.g., on social grants.

It is not intended to engage with these at any length here (I have done so in Meth 2006a), rather, the intention is to highlight some of the difficulties researchers face in attempting to measure poverty and inequality. Whether one uses private survey data, like Van der Berg and his colleagues have done with the AMPS, or one resorts to the household survey and census data produced by Stats SA, problems of the type listed above have, in varying degree, will be encountered.

Under-reporting of both income and expenditure is a feature of surveys and censuses everywhere. The errors have two characteristics: the first is that the raised totals of income and expenditure from household surveys are usually lower, often quite a lot lower than national accounts estimates of the (roughly) corresponding variables (call this the aggregate error); the second is that under-reporting errors are unlikely to be distributed equi-proportionately among households (call this the distribution error). Ideally, adjustments for both features of the error should be made simultaneously.

Together, the two characteristics of the under-reporting error constitute a formidable obstacle. Although there are speculations as to which groups in society are likely to have the highest propensity to under-report, there is little hard information available about this in South Africa. If national accounts estimates of income and expenditure were to be relied upon, one would at least have a control total against which to raise survey totals. Poverty estimates could then be tested for sensitivity to different assumed error distributions. Unfortunately, there can be no presumption that national accounts estimates are themselves reliable – the consensus seems to be that they overstate income levels (Deaton 2003).¹⁹ Two related sets of assumptions have, therefore, to be made. Despite acknowledging the force of the Deaton critique of national accounts estimates, Van der Berg *et al* (2005:11) say that they wish to

arrive at estimates of the income distribution that maintain the household survey distribution information but accord with national accounts current household income magnitudes. In other words, we trust national accounts



data for aggregate household income, while we trust survey data for the distribution of such income between households.²⁰

To shore up their assumptions, Van der Berg and his co-workers seek corroborating evidence for their income figures in other statistical series. There is no reference in the paper to tests which check the sensitivity of the poverty estimates to aggregate under-reporting errors of varying magnitude.

The approach that I have used assumes that aggregate errors could range from 0% to 200% (incomes reported in the surveys are multiplied by 3 to correct for an error of that magnitude). As far as the distribution of errors between income classes is concerned, the income distribution in South Africa is so skewed, that without assuming very high levels of under-reporting in the upper income groups, it is impossible to raise survey income and expenditure estimates to anything even approaching the national accounts totals. By the same token, incomes down at the bottom end of the distribution are so low that even very large assumed errors fail to lift them out of poverty. After playing around with various possibilities, I ended up proposing that the under-reporting error was distributed equi-proportionally across all income classes.

A similar approach to the distribution error appears to have been used by Van der Berg and his colleagues. One crucial difference between our approaches to the under-reporting problem is that they apparently adjust all household incomes, whereas I only adjust earned incomes in households where a paid worker is present. In my work, a correction of about 75% (multiplying all earned incomes and migrant remittances by 1.75) pushes survey total income to within striking distance of the national accounts income estimates.

Missing income estimates and implausible zero income estimates are normally dealt with by imputation processes of varying degrees of sophistication. These range in complexity from sequential multiple regression techniques to the simple imputation of income from expenditure. The latter is the process I used. The Van der Berg *et al* paper does not describe the method used to deal with this problem (which is unlikely not to be present in the data sets they use).²¹

Another problem with the Statistics South Africa household survey data is that it throws up a number of households that have no apparent source of income at all. Of the roughly 2.5 million individuals who fell into this category in September 2004, about 1.8 million were in households where per capita expenditure levels were below the poverty line of R250 per month in 2000 prices (about R309 per month, or R10 per diem in 2004 prices). Since it is impossible for individuals to survive on nothing, and since where there is expenditure there must have been income of some sort, it is concluded that the survey instrument is not sensitive enough to detect the income flows in question.

Finally, the questions in the LFS on social grants (unlike their counterparts in the GHS) are poorly designed, asking only if grants of a particular kind were received



by the household, instead of asking (as is done in the GHS), which individuals receive grants (all of the major grants being listed). To compensate for this weakness, a variety of assumptions (which are not too heroic) has had to be deployed to generate the results shown in Table 4. This is no trivial matter – social grants are the major (often sole) source of income for many households.

As I point out in Meth (2006a), the use of the LFS as a data source for poverty estimates is no longer possible. As part of an extensive re-engineering process, the household section of the questionnaire was removed, and with it the questions on household expenditure and social grants (poor as it was).²² If a section on migrant remittances were introduced into the GHS, it would be possible to use it as an alternative source of information for poverty studies. This suggestion has been put to Statis SA for consideration.

6 ASSET POVERTY ONCE MORE

Government's bullish attitude on the question of poverty and inequality, evident in the boast from the AsgiSA document cited above, that not only will South Africa 'virtually eliminate poverty' by 2014, but also that it will 'radically reduce inequality', appears to be based on three pieces of research on poverty, and on the optimistic interpretation (or persistent misinterpretation, depending on how charitably one views the interpreters) of employment and unemployment statistics. Two of the poverty pieces, the benefit incidence study that yielded the unlikely Gini coefficients cited above, and the Van der Berg *et al* figures that show large reductions in income poverty between 2000 and 2004, have already been considered, albeit cursorily in the case of the former. The third member of the troika is a study by Borhat *et al* (2006) that examines changes in non-income welfare in South Africa over the period 1993–2004. Using factor analysis, the study concludes that:

An initial overview of the shifts in access to services and assets provides strong evidence that government asset and service delivery between 1993 and 2004 was pro-poor in nature. When standard measures of poverty are applied to our asset index values, statistically significant decreases in the headcount asset poverty rates between 1993 and 2004 across a range of covariates are found. A series of inequality measures are also applied to our asset index. The estimates show that across all covariates, asset inequality decreased between 1993 and 2004. Inequality decompositions indicate that within-group inequality has increased in importance in determining aggregate inequality (2006, abstract).

Not tarrying to see if any qualifications attach to these findings, whether of a methodological nature, or whether concerned with issues of the quality of assets and services delivered, government rushed to embrace the findings, for use as ammunition against critics. Responding to an instance of such use (abuse?), I wrote a paper recently that tries to understand government's insatiable appetite for good news (Meth 2007). In it I argued that Netshitenzhe, head of the policy unit in the presidency,



mines Borat *et al* for the most spectacular-sounding achievements in the asset provision field. He fails to mention their finding that asset poverty reduction appears to have been more rapid between 1993 and 1999 than it was between 1999 and 2004. Nor does he mention their conclusion that the relative headcount reduction in the bottom decile was much lower than that higher up the distribution (2006:33). Netshitenzhe also does not draw reader's attention to the continuing 'marginalisation of poor African women living in rural areas' where Borat *et al* discover the asset poverty headcount rates in 2004 to have been above those in 1993 (2006:31).

While it is undoubtedly true that assets are reaching poor in increasing volumes, that does not mean that asset inequality is necessarily falling. If all assets are taken into account, it may well be rising. Apart from noting that the absolute number of people living in formal dwellings has risen (2006:12), Borat *et al* appear not to take housing into their calculus. Including housing in the estimates is likely to see the value of assets owned by the well-off (and the less well-off who have the good fortune to own fixed property) leap as a result of the rapid and sustained increases in property prices over the past several years. Affordable housing for first-time buyers is probably available only for those with high skills. Although there is much to celebrate as far as delivery is concerned, there is also much that is wrong – it is still too early for self-congratulation.

7 EMPLOYMENT STATISTICS: RATIONAL IGNORANCE ONCE MORE?

Finally, we look at employment creation, the mechanism that allegedly is going to save the poor from their poverty. In recent times, the official statistics on employment have been a comfort to the ruling party. In his 2007 State of the Nation Address, for example, Mbeki said that over the 'past 3 years, the economy has created some 1.5 million jobs. It is encouraging that in the year March 2005 to March 2006 alone, 300 000 of the jobs created were in the formal sector outside of agriculture'. In similar vein, Manuel, delivering the 2007 Budget, claimed that: 'the economy is creating about 500 000 jobs a year' (Budget Speech 2007:9).

Table 6 below reproduces the official employment estimates for the period 2000–2006. They differ slightly from the usually quoted figures by excluding estimates of informal agricultural workers. Measuring the growth in small-scale farming, as part of the programme of land reform, is very important. So too, is measurement of subsistence production. The LFS does not appear, however, to be capable of doing either task very well. As may be seen, apart from a hint of seasonality, the results in Table 6, which show no particular trend, yield an implausibly small total of people working on the land among a genuinely rural population that probably exceeds ten million. Noise in the series has, therefore, been reduced by removing informal agricultural 'employment'.



Table 6. Employment 2000–2006: Informal agricultural workers excluded

September estimates	2000	2001	2002	2003	2004	2005	2006
Number employed (1000s)	11 170	10 800	10 750	11 060	11 220	11 970	12 270
Change from previous September	-	-370	-50	310	160	750	300
March estimates	2000	2001	2002	2003	2004	2005	2006
Number employed (1000s)	-	11 540	10 760	10 860	11 060	11 400	11 750
Change from previous March	-	-	-780	100	200	340	350
Employment in informal agriculture	2000	2001	2002	2003	2004	2005	2006
September	1080	390	560	370	430	340	480
March	-	750	870	450	350	520	710
Source: Labour Force Surveys for the relevant periods							

The President celebrated the creation of 300 000 formal sector jobs; the September 2005 to September 2006 results provided even greater cause for satisfaction, when, by the same measure, 400 000 jobs were created. The aggregate changes reported in Table 6, however, do not support the optimistic claims made by the President and the Minister of Finance. When the State of Nation address was written, the latest available employment figures were for March 2006. If by 'the past 3 years' Mbeki was referring to the period March 2003 to March 2006, the annual changes may be seen to be 200 000, 340 000 and 350 000. If he was referring to the period September 2002 to September 2005, then the relevant numbers are 310 00, 160 000 and a whopping 750 000 for September 2004 to September 2005, a figure that can lend an interesting twist to stories about employment creation.²³ Whatever one does with this series, one can extract from it neither Mbeki's 'million and a half', nor Manuel's '500 000 jobs a year'.

There is some confusion about the size of the working age population resulting from the discovery by Stats SA that population growth rates had not fallen as quickly as had been believed.²⁴ A quick calculation suggests that the working-age population increases in number by about 350 000 per year (a number that will probably decline slowly between now and 2014). Assuming that existing participation rates are maintained, roughly 200 000 more people will become economically active each year. Depending on which series one chooses to use, job creation is thus eating into the backlog of unemployed at somewhere between 100 000 and 200 000 per year. It requires quite a lot of faith to believe, on the basis of this per-



formance, that (official) unemployment can be halved in the scant 7 years between the present and the year 2014.²⁵

8 CONCLUSION

It has been several years since a government agency took a direct interest in creating an instrument that is capable of measuring poverty. Stats SA's last avowed poverty monitoring instrument was the 1999 October Household Survey. As noted at the outset of this article, after a good start, momentum simply ebbed away. Three initiatives currently offer the hope that the knowledge drought of the intervening years may be broken. Fieldwork on the first of these, the monster Community Survey conducted by Stats SA, was due to take place in the month of February 2007. Enumerating approximately 280 000 households, its questionnaire resembles the census, with bits and pieces of the GHS tacked on. Critically, the survey captures information on income as well as on social grants. It thus forms a potentially valuable source of information on poverty. Like the 2001 population census, the Community Survey appears to have been designed for electronic (scanning) capture of data. If this is so, results should become available quite quickly, despite the massive size of the survey.

The second initiative, the National Income Dynamics Study (NIDS), will also go into the field in 2007, while the third, a survey by Stats SA focussing specifically on poverty, currently at the design stage, is scheduled to go into the field in 2008. NIDS, a project overseen by the office of the presidency, and conducted by the Southern African Development and Research Unit in the University of Cape Town, will be the first national panel study to concern itself with the wide range of household dynamics that are but poorly understood, if understandable at all, using cross-section surveys. NIDS, however, is much smaller than the surveys such as the LFS, GHS and IES. It will gather information about 30 000 individuals in 8 000 households, as opposed to the approximately 110 000 individuals in 30 000 households covered by the cross-section surveys. NIDS is expected to deliver its first results to government in 2008/2009.²⁶

Until the fruits of the endeavours listed above become available, we will drift along in a fog, not sure of how poverty and inequality are changing. Worse than that, as 2014 bears down upon us, we are likely to be bombarded with a mixture of exhortation and premature congratulation as politicians and other amateur interpreters of the very complex social problems that beset the country, try to talk up a solution to the problems of poverty and inequality. Calls have been made for senior politicians (of the ruling party) to test their Aids status; to this should be added a demand that as far as anti-poverty policy is concerned, they be required pass the Display Test – let us discover finally, who is candid, who is (rationally) ignorant, and who is posturing.

If the utterances by Mbeki and Manuel reported above were mere hot air, of the type spouted by politicians the world over, there would be little cause for concern.



They are, however, nothing of the kind – rather, they are the considered assessments by two of the most important people in South Africa, of the performance of the economy. Is this an instance of rational ignorance? On the basis of the evidence considered in this article, there is a 'non-negligible probability that the proposed policies for addressing poverty and inequality will have bad effects'.

The goals of halving unemployment and poverty by 2014 are both too modest and too ambitious. They are too ambitious because the policy tools proposed to achieve them are unlikely to succeed. They are too modest because even if they are achieved, levels of poverty and unemployment will still be unacceptably high. To reject alternative policies which could bring relief to the poor, such as the extension of the social grant system, without acknowledging the possible 'bad effects' of the existing policy suite (and without making contingency plans to deal with the possible effects), when attention has been drawn by critics to the possibility of these effects arising, is to fail the Display Test.

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ENDNOTES

- 1 According to the *South African Reserve Bank Quarterly Bulletin* for December 2001, final consumption expenditure by households in constant 1995 prices was R343 037 million in 1995 and R392 886 million in 2000 (p.S-109). *South African Statistics 2001* (published in 2001) gave mid-year population estimates of 39.477 million and 43.686 million respectively for 1995 and 2000 (p.1.1). Using these figures, mean per capita consumption in the two years would thus have risen from R8690 in 1995, to R8993 in 2000. *Earning and spending in South Africa* (Statistics South Africa, 2002:28), by contrast, reported average expenditure for individuals falling from R8892 in 1995 to about R7575 in 2000 (1995 prices), or from R12 282 in 1995 to R10 463 in 2000 (2000 prices). One may not want to elevate national accounts statistics to the status of infallible, but that is no reason to ignore them altogether.
- 2 Both authors were economists employed by the World Bank. Özler was a member of the team that had done their best to 'repair' the 2000 IES. I am not sure of Hoogeveen's status.
- 3 They note that the \$2/day poverty line (R174 per month in 2000 prices) is roughly the same as the R105 per month in 1993 prices used by Deaton (1997).
- 4 The Foster, Greer and Thorbecke (1984) measure is expressed thus: $P_{\alpha} = (1/n) \sum_i ((z - y_i)/z)^{\alpha}$ in which the relevant variables are the sum of the people in a population n , with incomes y_i below some poverty line z . The index requires that the individual's incomes be below the poverty line (Bhorat, 2001:156). When the coefficient α takes the value of zero, the poverty headcount ratio is generated. The poverty gap ratio results when it has the value of unity. Values greater than unity may be used to reflect the society's concern with the severity of poverty. One common practice is to give the coefficient α the value of two, which generates the poverty gap squared ratio. For a critical evaluation of the poverty gap ratio, see Morduch (2005:60ff).
- 5 Since the figures use the Hoogeveen and Özler results, which are given only to two decimal places, they could each overstate the increase in the headcount by a couple of hundred thousand. Such an error would not, however, alter the basic story.
- 6 For attempts to do this in South Africa, see Noble *et al.*, 2006, and Everatt *et al.*, 2006.
- 7 It is necessary to be cautious about using successive cross-section surveys as time series data, especially when they are separated only by a short period.
- 8 In trying to obtain a measure of the way this variable has changed, Statistics South Africa use three categories: In the dwelling; within a distance that can be covered in 15 minutes or less, and at a greater distance than this. Somewhat oddly, the category 'In dwelling' is coupled with 'prison cell'. (Statistics South Africa, 2002:25)
- 9 Before extracting any results from the census data, a few difficult tasks, such as dealing with problems such as implausible zero-income reports, which must be 'fixed' by imputation (see Ardington *et al.*, 2005), needed to be carried out.
- 10 In countries such as the UK, where the cost-apportionment method is used to value components of the 'social wage' such as health care or education, no attempts are made to include the 'notional income' they generate in the measures of income poverty and inequality. See Jones (2007:45, para.55 in Appendix 2).



- 11 The social wage (the sum of taxes paid and the value of government services received) is negative for the high-income groups.
- 12 In Meth (2006b) there are some highly tentative estimates of what I call the impact of the 'bankable' components of the social wage, chiefly social grants, 'free' electricity and water on incomes.
- 13 Demery gives an example of how marginal returns to primary education have been estimated in India (2000, pp.19-22). The results reinforce the warning that caution is required in "... drawing policy conclusions from average benefit incidence results" (p.21).
- 14 Apart from their data intensive nature, there are other serious limitations to behavioural (demand-side) approaches. These are discussed in van de Walle (1998, pp.372ff).
- 15 The website <http://abahlali.bayareafood.org/> (visited 5th April 2007) gives details of an ongoing confrontation between residents of the Kennedy Road shack settlement and the police.
- 16 The table also includes a more recent set of estimates by van der Berg *et al* (2007). Other than to remark that their latest estimates push estimated poverty levels even lower, the figures will not be discussed here. An attempt at explaining why there is such a huge gap between our respective 2004 estimates (the headcounts now differ by about five million), is given in Meth (2007b).
- 17 Using the whole of the disability grant payout to reduce the poverty headcount is open to the serious objection that it is not known, in the first place, if the grant raises individual disabled people (with diverse special needs) above the poverty line.
- 18 Estimates of the numbers of individuals lifted above the poverty line are a poor measure of the poverty-alleviating impact of the expanded social grant system (just as headcounts by themselves, are a poor measure of poverty). (Relatively) good targeting of the grants means that they find their way into many very poor households. The fact that these grants are not large enough to lift many (most?) of these households out of poverty should not detract from the alleviation of poverty they occasion. Note that in making the poverty estimates, it is assumed that these categorical grants (they are aimed at old people, the disabled and children) are shared equally among all members of the households into which the grants flow. It is known that this is not the case in reality. In the absence, however, of the information required to determine the form of the intra-household distribution of grants (and other income!) no other course of action is possible.
- 19 The standard defence advanced by national accounting statisticians when their workmanship comes in for criticism, namely, that although they may not get absolute levels correct, they do capture trends, is clearly inapplicable when a figure is sought against which survey (and census) results can be benchmarked.
- 20 Estimates of income in the AMPS surveys are only available in category or band form, so the authors are obliged as well to estimate means in the different income categories. About 70 per cent of respondents in the September 2004 LFS gave point estimates of income.
- 21 The AMPS survey questionnaire requires the enumerator to guesstimate income when the respondent does not furnish the required information (Meth 2007b).
- 22 This means that where individual earnings data are deficient it is now no longer possible to use the simple imputation technique described above.
- 23 End point selection is a problem, as ever, especially in the early days of the survey's life, when informal sector employment estimates danced merrily to no particular melody (the February 2001, for example, are completely out of line with all other estimates).
- 24 For details of the changed estimates of population growth rates see Statistical Release P0302, 31 May 2005, Table 7:10, and P0302, 1 August 2006, Table 5:6. The changes, caused by mainly revised assessments of the impact of the AIDS epidemic are substantial. Growth rates for the year 2004-2005 in the two publications are respectively are 0.92 and 1.17 per cent.
- 25 The absolute number of officially unemployed has been roughly constant since September 2003 (4.4 million), while the official rate of unemployment has fallen by a little over two percentage points (28.0 to 25.6 per cent). The very conservative (Scenario 1) assumptions used in my 'halving unemployment' paper suggest that 3.6 million jobs would have to be created between 2003 and 2014 to halve the official rate of unemployment. It is possible that one million new jobs have been created in three years (the 750 000 looks highly suspicious), leaving 2.6 million more to found in the next seven years. In the simulation, I assumed that the participation rate was falling at 0.1 per cent per annum. If that is changed to an increase of just 0.1 per cent per annum, the number of jobs that has to be created rises to 4.2 million. A growth of 0.2 per cent per annum, pushes this to 4.6 million (Meth, 2006b:379).



- 26 NIDS builds on the expertise developed in the KwaZulu-Natal Income Dynamics Study (KIDS), spearheaded by Julian May in the School of Development Studies in the University of KwaZulu-Natal, and the Cape Area Panel Study (CAPS), a joint project of the Centre for Social Science Research (CSSR) in the University of Cape Town and the University of Michigan. Subsequent waves involved SALDRU and Princeton University. After three waves, the first of which, in 1992/93, was conducted as part of PSLSD (the others were in 1998 and 2005), the KIDS has amassed a wealth of information about poverty dynamics. CAPS has done likewise, having been through four waves since the first in 2002.



Flaws in South Africa's 'first' economy

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ABSTRACT

The main division in South African society remains race, yet national oppression cannot be ended until capitalism is. This is evident when we consider the processes behind the long-standing overaccumulation crisis, and the way the crisis has been displaced in recent 'high growth' years. Various theories have addressed the problem. But it was with the late 1980s turn to policy analysis that concessions emerged in Economic Trends, the Industrial Strategy Project, the Macroeconomic Research Group and the Reconstruction and Development Programme, which left the working class unable to adequately contest the post-apartheid state's neoliberal economic strategies, including privatisation and Black Economic Empowerment. In a context of capital strike, export dependence and balance of payments problems, the state's alleged turn to a 'post-Gear' policy must be considered with skepticism. Given the limits of African National Congress crisis management, a socialist alternative deserves the population's reconsideration and support.

1 INTRODUCTION

'Why is the country not embarking on a large-scale socialist programme to mobilize young people, in order to build roads and schools and plant fields?' 'Forget it' says the media manager. 'The government dare not be seen as socialists, or the West will crap in its pants.' 'I am actually sick of being held to ransom by the West,' grumbles the mfundisi. 'Do this, do that. What has all this free-market stuff brought us? They don't give up a

thing, not tariffs, not lifestyle, yet we have to be more capitalist than Wall Street' (Antjie Krog, *A change of tongue*, 2003.)

There has been an enormous transformation of the South African state from a white-controlled and staffed apartheid repression to a state with a democratic parliament and an extremely democratic constitution (at least on paper) which guarantees basic freedoms. The ANC was elected to govern with a majority of more than 60% in 1994 and has increased its apparent share of the vote at two subsequent elections (1999 and 2004) to some 70% – though the percentage of the population voting in the elections has consistently diminished so that in 2004 only 38% voted for the ANC (McKinley 2004). But the mass of people elected the ANC into government not for the sake of having members of parliament, but in order to improve their lives. ANC election propaganda has recognised this, promising (1994 onwards) 'a better life for all', and (in 2004) to 'create jobs and fight poverty'. But does the ANC have a policy and programme which is adequate to the task?

The ANC leaders introduced the Growth, Employment and Redistribution (GEAR) programme with the claim that it would speed up economic growth. But growth has been sluggish – averaging 2.4% a year between 1996 and 2000 and 2.7% a year between 1994 and 2003, compared with the target set by the government in 1996 of an average 4.2% and rising to 6% by 2000 (Terreblanche 2002:117, Gelb 2005:367, Bond 2004).

The ANC managers of the economy have been congratulating themselves on their achievements. But what has been the record of delivery since 1994? Overwhelming evidence shows that since 1994 the unemployed have increased in numbers, that the gap between those at the top and the bottom of society has widened, that impoverishment has increased and that social problems have increased in scale.

The government disputes this evidence. Government agencies such as Statistics South Africa (Stats SA) and the Reserve Bank are constantly 'revising' the figures – always in the direction of creating a more favourable impression. Perhaps the first occasion was when in 2000 the Reserve Bank revised the Gross Domestic Product (GDP) figures for 1998 upwards by 17.9%, and 'adjusted' the GDP figures back to 1992. As a result a recession (negative growth) in 1998 was wiped out, and 'real per capita GDP figures, which had been showing a continuous decline throughout the decade, now showed a rise from when the ANC government took office in 1994'. The reasons given were the need to include the 'informal economy', although, as Patrick Bond (2004) points out, the 'correction' was not carried through consistently.

Straightening out the confusions and removing from the figures the spin given by the government spin-doctors, leads to the same conclusion that most ordinary people have experienced: that the rich are getting richer and the poor are getting poorer (Jones and Inggs 2003, *Business Day* 22 June 1999, *Sunday Independent* 27 June 1999, *Sunday Times Business Times* 27 June 1999).



In 2005 Stats SA again revised the statistics (upwards) on GDP between 2002 and 2005. It is now claimed that in 2002 the economy grew by 3.7% (rather than 3.6%), in 2003 by 3% (rather than 2.8%) and in 2004 by 4.5% (rather than 3.7%). In 2005 the figures were also revised upwards, from 3.5% to 4.6% for the first quarter and from 4.8% to 5.4% for the second quarter, leading to a predicted growth for 2005 of 5.1% as opposed to the original government estimate of 4.3% (*Business Day* 30 November 2005, *Business Report* 30 November 2005).

In early 2006, the government announced a new plan – the Accelerated and Shared Growth Initiative for South Africa (AsgiSA) – to achieve 6% growth by 2010. But what confidence can be placed in this plan? Rather, what is likely to be confirmed again is that while the capitalist system continues, the government will not and cannot deliver its promises. The real question raised by an understanding of the dynamics of the economy is: how can capitalism be ended?

The evolution of capitalism in South Africa – in particular the development of secondary manufacturing industry – had by the 1970s already created an enormous and militant black working class whose opposition to apartheid and capitalism constituted the major challenge to the system. Today apartheid has been ended. Yet neither national nor social liberation has been achieved. The working class, organised predominantly within Cosatu, holds the key to the future in its hands. At the head of all the oppressed – the unemployed, young and old, women and men, in countryside and town, as well as drawing to its side a middle class exploited and oppressed by the banks and monopolies – and with a programme to solve the social and democratic tasks, it could easily defeat the ANC and win power. However, is its leadership up to the task?

2 SOUTH AFRICA'S ACCUMULATION CRISIS

Trotsky's theory of permanent revolution asserts that late developing capitalist societies are subject to combined and uneven economic development, and cannot 'catch up' with the first developing capitalist societies. In addition, he argued that in late developing capitalist societies all the burdens of the past are not solved by capitalism, but become attached to capitalism and are worsened by it. In South Africa since colonial occupation, race has been the main form of division and oppression in society, and in the 20th century it was used to promote the profitability of capitalism. The extent of South Africa's 'national capitalist' development was made possible by the intensification of national oppression, and the worsening of the land question (Inqaba ya basebenzi 1982).

Today for many poor blacks, despite an ANC government, race and not class is still seen as the main division in society. And it is. National oppression will not be ended until capitalism is ended (Legassick 2001). This is why the SACP can get away with presenting this as still the stage of the 'national democratic revolution' (with a struggle for workers' democracy not really on the agenda) – because they are right in a certain sense, but they fail to put forward the conclusion confirmed



by the Russian revolution – that only the working class can solve the democratic problems of society, including the national question.

As both William Martin (1990) and Patrick Bond (2000) have pointed out, the most rapid economic growth in South Africa took place in the 1930s and 1940s, when the events associated with the world depression lifted the chains of imperialism somewhat from the country – thus lessening its dependence. For Bond (2000) it was ‘the post-war reintegration of South Africa into international capitalist circuits which fostered the crisis conditions that are so overwhelming today’.

The elements of the contemporary crisis were already identified by Marxists by the late 1970s. Rooted in the relation of the South African economy to the global capitalist market, and expressed as a chronic crisis in the balance of payments, it was a manifestation of the relations between different departments of production. It was a crisis of overproduction – rooted in the incapacity of the apartheid economy to provide a market for expanding manufactures, and the inability of South African manufacturing to break through into the world market because of the problems of economies of scale, intensified by the downturn in the world economy from 1974.

Earnings from manufactured exports were needed to fill out the earnings from mineral and agricultural exports (particularly as, with the breakdown of the Bretton Woods agreements) the gold price became unstable. The failure to achieve this led to a fall-off of new foreign investment, worsening the balance of payments crisis. A vicious cycle developed, barely eased by spasmodic increases in the gold price (to a peak of \$864 in early 1980). This explanation – its core put forward by Simon Clarke in 1978 in an argument against the South African Poulantzians – was developed and rounded out by the Marxist Workers’ Tendency of the ANC in the 1980s.

In the early 1990s Bond redeveloped Clarke’s arguments into a similar explanation of the crisis in terms of overaccumulation, which he argued had begun in the late 1960s. The root cause was excessive production of consumer goods locally (textiles, chemicals, rubber, motor vehicles) and the inability of local producers of manufactures to export profitably. ‘Too many goods are produced, workers are replaced by machines, and competition between capitalists becomes ruinous ... a situation in which goods cannot be brought to market profitably, leaving capital to pile up without being put into new productive investment ... unused plant and equipment, huge gluts of unsold commodities, an unusually large number of unemployed workers, and the rise of speculation in shares and real estate’. Excessive automation in the 1970s led to loss of jobs. The consequence was a decline in economic growth and a drought of new investment through the 1970s and 1980s.

As subsequently summarised by Bond (1991:34–40 and Meth 1990), the crisis conditions included

a near-exhausted raw materials export sector, an overproductive luxury goods sector hosting overprotected local monopoly capital and multina-



tional corporations, an inadequate capital goods sector, and a hopelessly under-resourced basic needs sector. As in many semi-peripheral countries, import-substitution industrialisation was geared to the desires of the local bourgeoisie and ended up generating serious balance of payments tensions. Under such structural conditions, as rising levels of class struggle combined with local processes of uneven development, an accumulation crisis surfaced during the 1970s and became acute during the late 1980s.

South Africa's 'abundant mineral resource endowment ... promoted a lotus-eating effect – that is, it was easier to import producer goods than make them locally' (Bond 2000:237, 2005:15–24). In an attempt to resolve the crisis, the state stepped up its investment, with a dramatic increase in foreign borrowing for parastatals such as the 'strategic' SASOL (oil-from-coal), ISCOR and ESKOM. Basic chemicals and basic metals accounted for two-thirds of investment between 1972 and 1990, with MOSSGAS and SASOL accounting for about 50% of the growth in manufacturing investment, and roads, dams, railways, nuclear power and arms production accounting for the rest.

Because of negative real interest rates and accelerated depreciation allowances, this investment was extremely capital intensive. The manufacturing sector, for example, was producing 40% less output per unit of capital in 2001 than it was in 1960. Nattrass argues that the state had a choice of extending inward industrialisation in this way, or of opting from the early 1970s for a more outward-oriented export strategy (on the model of the East Asian tigers), but the pattern of accumulation was already long and well-established (Altman 2004, Nattrass 2004 and Hirsch 2006).

In the 1980s the state began to reverse course on state investment and embarked on a privatisation programme, leading to the privatisation of ISCOR and SASOL late in the decade. Having attempted to liberalise exchange control regulations, the state was forced in 1985 into a financial freeze and a rescheduling of foreign debt. American banks, perturbed by the revolutionary upsurge in the country, refused to roll over their loans. It was the prelude to the worst period for the South African economy, with high interest rates failing to stem a drain of big capital (foreign and local) from the country. There was negative per capita growth, a negative growth rate of productive investment, and an absolute decline in the value of capital stock, especially in manufacturing. 'Overaccumulated capital was placed in the JSE, real estate and various other financial markets, rather than in new productive plant and investment' – and the result was 'volatile and vastly overvalued stock market, inordinate corporate and consumer debt [and] hugely overbuilt commercial property markets' (Bond 1991:40–48, Bond 2000:Chapter 7 and Bond 2005:50).

The South African economy, from the time of gold-mining and the domination of a few big mining houses (Wernher-Beit, Rhodes' Consolidated Gold Fields, Albu's General Mining, Goerz and Co) had always tended towards monopoly. In the 1960s the mining houses extended their control over manufacturing industry, and in the



1980s they and the big insurance companies took over the interests of foreign companies who pulled out. Thus, by 1992 six companies accounted for 85.7% of the market valuation of the Johannesburg Stock Exchange: Anglo American Corporation had 33.7%, Sanlam had 15.6%, Rembrandt had 14.6%, SA Mutual had 14.2%, Liberty Life had 4.7% and Anglovaal had 2.9% (Lewis 1995, Innes 1984).

3 DEBATING THE ROOTS AND MEANING OF CRISIS

Similar conclusions – of a crisis – had been reached earlier, in 1981, by John Saul and Stephen Gelb (1981) in their groundbreaking book, *The crisis in South Africa*, though these were phrased more in terms of under-consumption, and with less attention to the relationship of South Africa to the world economy.

Saul and Gelb pointed to such contradictions as the saturation of the white consumer market by the late 1960s, and the lack therefore of economies of scale, a structurally high rate of unemployment and the shortages of skilled labour because of the job colour bar. They linked the onset of the crisis to the 1974 downturn in the world economy and to the Durban strikes of 1973. The ability of capitalism to resist the pressures of the crisis was, they argued, undermined by 'growing inflation, skilled labour shortages, and balance of payments deficits'. They regarded the problems of inflation and the balance of payments, however, as less serious than skilled labour shortages, the limits of the white consumer market and the high black unemployment rate (see also Simkins 1978, 1982).

Gelb was to develop this analysis in the late 1980s on the basis of French regulation theory, and to identify the crisis as one of 'racial Fordism'.¹ This became the standpoint of the Economic Trends group, policy-makers for Cosatu. Fordism was the accumulation regime of the advanced capitalist countries based on assembly-line production for a mass market. Racial Fordism was South Africa's version of this – import-substitution industrialisation based predominantly on the white market.

Then Gelb placed more emphasis on the role of the balance of payments – as between mineral/agricultural exports and capital goods imports – than in his 1981 book. The bottlenecks caused by the need for foreign exchange and the shortage of skilled labour were 'reproductive' rather than negative in that they limited the rise of the capital-labour and capital-output ratios.

The economic crisis in the advanced capitalist countries in the early 1970s (collapse of the Bretton Woods system and the 1974 downturn) precipitated crisis in the South African economy. It meant (a) fluctuations in the gold price and (b) the price of machinery imports rising leading to inflation. The consequences were (a) destabilisation of the balance of payments and (b) rising inflation meant falling real interest rates, encouraging capital-intensive investment, eating into profits, and deepening the crisis. In addition, the rise in black wages consequent on the Durban strikes pushed up real unit labour costs (see Gelb 1987, 1991, reproduced by Marais 1998 and Murray 1994).



Bond (1991), relying partly on Charles Meth, criticised Gelb's analysis for (a) being under-consumptionist in the sense of maintaining that the problem could be solved by pumping money into the economy and (b) identifying the 'unreasonable (politically-motivated)' wage claims of the workers as a key cause of crisis, thus laying the blame for the crisis on those who were its victims. Thus Gelb, according to Meth (1990:32–33), 'allows capital to slide too easily off the hook'.

In addition, Meth apparently regarded the rising cost of raw materials, rather than of machinery, as the means of transmission of the world economic crisis into the South African economy. Gelb's analysis, in addition, seems to involve a contradiction – blaming both low wages and wage rises for the crisis. Nor does Gelb explain clearly how the balance of payments can be seen as both a 'reproductive' factor and a crisis-inducing factor: racial Fordism's 'success' in achieving growth brought its own problems, however ... the ability to expand production was increasingly tied to balance of payments considerations'.

Clarke (1988:7–11) regarded regulation theory as having 'very valuable' features, such as 'drawing attention to the systematic character of the regulation of capital accumulation, relating the forms of regulation of capitalist production to the forms of regulation of accumulation by money and the state'. However, he continued,

the explanatory relationships proposed are very unclear, both theoretically and empirically ... it is not at all clear that the different aspects of a particular 'regime of accumulation' can be so neatly tied together in a functional whole, nor that the directions of causality are as unambiguous as indicated in the model ... [Its structural-functionalism] leads it considerably to over-emphasise the coherence and stability of the 'regime of accumulation' in a period of sustained accumulation, and to exaggerate its disintegration and instability in a period of crisis ... [It had] no theory of money and the state as the dual forms of capitalist power, nor any conception of the contradictory character of capitalist regulation that derives from the contradictory form of capitalist production ... [Crisis] is seen only as a crisis of particular 'modes of regulation' of capital accumulation, resolvable by developing new forms, rather than being seen as a crisis which expresses the contradictory form of accumulation itself.

In 1981 Saul and Gelb (1981:3–4) wrote not just of economic crisis, but of organic crisis: that economic crisis spilled over into political crisis (splits in the ruling class, development of mass opposition) and ideological crisis (a crisis of legitimacy). They quoted the Italian Marxist Antonio Gramsci (1971:178) from his prison notebooks:

A crisis occurs, sometimes lasting for decades. This exceptional duration means that incurable structural contradictions have revealed themselves (reached maturity), and that, despite this, the political forces which are struggling to conserve and defend the existing structure itself are mak-



ing every effort to cure them, within certain limits, and to overcome them. These incessant and persistent efforts (since no social formation will ever admit that it has been superseded) form the terrain of the 'conjunctural' and it is upon this terrain that the forces of opposition organise.

It is well known that in his prison notebooks, Gramsci (1971:276) was forced into extreme circumlocutions to evade censorship. Evidently here, however, he is describing the emergence of a revolutionary situation in which the 'supersession' of capitalism is possible. A similar and more well-known passage of Gramsci's (1971:276) on the same theme reads, '[t]he crisis consists precisely in the fact that the old is dying and the new cannot yet be born; in this interregnum a great variety of morbid symptoms appear'.

It is significant that Saul and Gelb omitted, however, the immediately following sentence of Gramsci's (1976:276): 'These forces [of opposition] seek to demonstrate that the necessary and sufficient conditions already exist to make possible, and hence imperative, the accomplishment of certain historical tasks' – which, in Gramsci's circumlocutions meant that under those conditions *the working class tries to make a social revolution* (my emphasis).

Instead of advocating revolution, Gelb (1987:35–36) adopted regulation theory and became more explicit about the political project ahead. He regarded the various 'orthodox' Marxist explanations of capitalist crisis as limited because they implied that crisis was a terminal disease for capitalism, and fail to account for capitalism's continued survival through numerous crises. Marais (1998:37) followed Gelb in this, caricaturing the 'orthodox' Marxist definition of crisis: 'a terminal breakdown of the system which necessarily inaugurates profound social transformation'. Both Gelb and Marais insisted instead that an economic crisis 'is thus seen more appropriately as a turning point in the form of capitalism rather than as a terminal disease. Its resolution is as likely, or more so, to involve a transformation of capitalism as a transformation from capitalism to a different mode of production.' Or, again:

The popular connotation associated with 'crisis' is an idea of collapse or breakdown. But the original, more useful meaning of the term is 'turning point'. In this sense a crisis in a capitalist economy implies that the system cannot continue to develop along the same path as before – it must 'adapt or die' as P.W. Botha eloquently expressed it more than a decade ago (Gelb 1987:36).

Why did they not stick with Gramsci's Marxist approach to capitalist crisis, in which the possibility (not necessity) of social revolution exists, provided the working class can correctly organise its hegemony? A similar idea was expressed by Trotsky (1934):

The strength of finance capital does not reside in its ability to establish a government of any kind and at any time, according to its wish ... Its strength



resides in the fact that every non-proletarian government is forced to serve finance capital; or better yet, that finance capital possesses the possibility of substituting for each one of its systems of domination that decays, another system corresponding better to the changed conditions. However the passage from one system to another signifies *the political crisis which, with the concurrence of the activity of the revolutionary proletariat, may be transformed into a social danger to the bourgeoisie* (my emphasis).

Such a Gramscian/Trotskyist definition of crisis focusses attention on the subjective organisation of the working class as the key to whether social revolution is achieved out of organic crisis. This subjective organisation depends critically on the strategies and policies pursued by the leadership of the political parties in which the working class is organised. Only if the working class fails to make a revolution is the capitalist class able to impose its own solution.

Gelb explicitly repudiated such an approach. A telling review of the book that he edited as the leader of Cosatu's Economic Trends policy-making group, in 1991, *South Africa's economic crisis*, appeared in *Work in Progress*. 'Gracchus' (1991:45-46) maintained that the economic trends group had become a 'project to rescue capitalism'. Capitalists would not invest under existing conditions because they could not make a profit, and poverty would continue until investment created new jobs and enriched existing jobs: 'If the capitalists won't invest, then the state will have to take over and do the investing instead. Yes, that means nationalisation' – yet 'in the entire book, the word socialism is mentioned only once. If nationalisation is mentioned at all, it escaped among the jargon and got clean away'.

Gelb (1991:42–43) replied in an article entitled 'Capitalism: There is no alternative ... for now', repeating his deterministic position that 'South African capitalism is right now in the process of transforming itself, away from an excessive reliance on racially-defined institutions and structures; and ... capitalism will survive its own transition so that socialism is not on South Africa's agenda for the next round... The real issue of the day, then, is what form South African capitalism will take in the next round'. As if any 'agency' – working-class action – could not have altered this 'structurally imposed' situation.

Gelb, at the time a critic of neoliberal policies, has in a more recent piece justified the agreement between big business and the ANC, on the basis that it was needed to secure inflows of foreign investment. The 'concession' by big business, Gelb (2005:368–370) states, was to support the modification of the 'racial structure of asset ownership' – i.e., to support black economic empowerment (BEE). The ANC government, according to Terreblanche (2002:102), made a much more important concession: to relax exchange control so that the conglomerates could 'escape into globalism', meaning they could invest abroad in the world economy. Thus big capital in South Africa would become a player on the global stage, with blacks co-opted into the capitalist class.



4 ECONOMIC TRENDS, ISP, MERG AND RDP SWALLOWED BY GEAR

Much has been written about the 'Great economic debate' that took place around and inside the ANC between 1990 and 1996 – the twists and turns are dealt with in critical accounts by Martin Murray (1994), Hein Marais (1998), Patrick Bond (2005) and Sampie Terreblanche (2002). Alan Hirsch (2006), currently chief director of economic policy in the presidency, tells a different story, justifying the outcome in GEAR. It is not necessary to repeat these blow by blow accounts. The story is essentially one of the failures of various alternative (social-democratic) economic policies to win acceptance by the ANC leadership (that of the economic trends group, that of MERG, the social policies in the base document of the RDP) so that in the end the neoliberal policy followed by the ANC leadership was no different from that put forward between 1990 and 1994 by the National Party.

As described by Gelb (2005) and Bond (1991, 2005), the National Party's 'econocrats' in the early 1990s were putting forward a neoliberal, privatising, export-oriented growth strategy as a way of resolving the crisis. They maintained that in order to grow, South Africa must be open to the world economy, that there was not enough money in South Africa for grandiose social programmes, and that spending heavily on such programmes would fuel inflation. In the 1980s new Asian markets had absorbed South African coal, uranium, platinum, paper pulp, iron and steel, ferro-alloys, copper, nickel and diamonds and they hoped to add to this chemicals, paper and packaging, processed foodstuffs and cars. The main export-emphasis would be 'beneficiation of minerals and other commodities currently exported in a semi-processed form, together with other intermediate manufactures' (Gelb, 1990). They also promoted privatisation of industry and deregulation of financial markets. Gelb (2005:34) wrote that this strategy would 'be likely to reinforce and extend a dualistic structure of society, as income inequality within the black population, and indeed overall inequality, would probably widen'.

The alternative to this was initiated by Cosatu's economic trends research group (of university-based researchers) and was first broached at a workshop of some 60 people in Harare in March/April 1990 attended also by representatives of the ANC, the UDF, and Cosatu. This policy advocated 'inward industrialisation', the employment-generating development of labour-intensive consumer goods industries to serve the basic needs of South Africa's people, in food, clothing, furniture and/or housing, electricity, phones: 'a first priority would be to meet basic needs for the population in food, housing, welfare and employment'.

The policy was termed 'growth through redistribution' though Gelb was to emphasise that this meant 'redistribution of investment not of consumption'. The state was to play a 'leading role' (Harare document) or was to be 'the dominant actor in the economy'. The policy would involve some nationalisation, though the economy would remain mixed. However, as Gelb pointed out (1991a:38–39) since it was the country's conglomerates (monopolies) that provided the finance, to ensure



its proper deployment would require an anti-trust policy: 'For the "redistribution of investment", the conglomerates cannot be left in their present form'.

This was scary stuff for big business. Though similar ideas were put forward in an ANC 'Discussion document on economic policy' in 1990 influenced by the Harare conference, Murray is misleading when he maintains that this was 'the most important and substantial pronouncement on ANC economic thinking'. As Hirsch makes clear, ANC economic policy was only in the process of being formed, and was formalised only at a May 1992 policy conference (Murray 1994, Hirsch 2006). Such proposals came under extreme attack as irresponsible 'populism' which would lead to collapse and chaos, from pro-business academics and the pro-business media, and were also scorned in the rash of business-promoted 'scenario planning exercises' which suddenly began to appear, as books, videos, and in newspaper supplements. 'Their language was that of melodrama', writes Marais (1998:147–148), 'laden with populist flippancies and cartoon-like metaphors'. Probably at the behest of the ANC's Department of Economic Planning (headed by Trevor Manuel) the ideas of 'growth through distribution' and of 'nationalisation' disappeared from ANC documents (Murray 1994:20–21).

The May 1992 conference of the ANC was associated with the document *Ready to Govern*. This contained no mention of 'growth through redistribution', nor of taxation directed to redistribute income. The state was accorded only a reduced role. The version presented at the conference contained the idea of privatisation, but after a substantial debate (in which heavyweights such as Mandela, Sisulu and Ramaphosa participated) it was replaced by a 'pragmatic' and unwieldy sentence committing the ANC to nothing. However, the document still recognised the 'concentration of power in the hands of a few conglomerates' and called for greater control over the financial sector (Marais, 1998:149–150). At the end of 1992, however Cosatu issued a document, *Economic policy in Cosatu*, reaffirming 'growth through redistribution' and a policy of inward industrialisation (see Terreblanche 2002:88–89).

The May conference was speedily followed by the period of breakdown of negotiations and mass action between June and September 1992, precipitated by the Boipatong massacre and ended by the events in Bisho. This was rapidly followed by the agreement reached between the NP and ANC on 26 September 1992, which ushered in the TEC and the elections of April 1994. The ANC economic leadership was clearly already committed to the neoliberal pro-business policies (privatisation rather than nationalisation; compelling international competitiveness through trade liberalisation; curtailing government spending through no tax increases and small budget deficits) that were agreed with the IMF as conditions for the November 1993 loan and were to be formalised in GEAR.

As Terreblanche (2002:97) put it, 'the corporate sector's myth that economic growth would "trickle down" to the poor [was] accepted as self-evident ... The sharp inequalities in the distribution of income and property were not acknowledged'. In



the meantime there were three other ventures stimulated by left intellectuals and basically driven or at least supported by Cosatu: the Industrial Strategy Project (ISP), the Macro-Economic Research Group, and the 1994 election manifesto, the Reconstruction and Development Programme. In different ways, all proposed alternatives to neoliberalism.

The ISP was set up by 'regulationist' economists searching for a path, within capitalism, to solve the crisis of 'racial Fordism'. They were concerned particularly with the poor performance of manufacturing industry. At their inception, ISP economists such as Avril Joffe and David Lewis (1992:26) still took for granted that ANC policy involved redistribution, potentially placing 'greater purchasing power in the hand of low income consumers' and 'shifting the demand profile of the economy' presumably towards consumer goods, as well as 'infrastructural projects, for example housing and electrification'. At the same time, to overcome the balance of payments constraints on growth, they advocated that 'manufacturing has to develop a greater capacity to produce capital goods, and a greater ability to export manufactured goods'.

Both Marais (1998) and Bond (2005) were critical, however, of the emphasis in their final product principally on export-orientation – 'Taiwan-style'. 'Many of the elements of the ISP plan,' writes Marais (1998:155–156), 'could have augmented an industrial revival strategy geared at servicing popular domestic needs. Instead, they were deployed in a framework that pivoted South Africa's economic revival on an export-led growth strategy' – and this despite their own warning that entry into external markets was increasingly difficult. Bond (2000:240) makes similar points, ridiculing ISP-inspirer Raphael Kaplinsky's advocacy of swimming-pool 'creepy-crawlies' as an example of the niche global markets that South African manufacturing could aspire to, when Kaplinsky also admitted that it 'may seem crazy for a post-apartheid state to target the export sector in the face of the economy's present problems in meeting basic needs' (cited in Bond 2005:65–66).

The MacroEconomic Research Group (1993) originated in a team of Canadian economists, and was set up as an ANC-linked policy research group as a complement to the ISP's research on industrial policy. It and the ANC's more orthodox Department of Economic Planning (headed by Manuel) were constantly at loggerheads and one Stellenbosch economist complained of 'foreigners' (University of London progressives) having too much influence on it (*Finance Week* 18 March 1993, Kentridge 1993 and Hirsch 2006). Its main report, *Making democracy work*, was issued in December 1993. It advocated Keynesian policies, with budget deficits initially of the order of 7–8% of GDP, as well as a national minimum wage, government control over the Reserve Bank, and a strong role for the state in leading growth, intervening in pricing decisions and creating supervisory boards of various stakeholders for larger companies. The project was immediately attacked by Tito Mboweni of the ANC and by the pro-business media (Bond 2005:75–76, Marais 1998:160). The ANC was already involved with the secret Letter of Intent to the IMF to secure a loan (Hirsch 2006:63).



Hirsch (2006:55–57), chief director of economic policy in the presidency, disparages the report, which 'has been resurrected as an icon of the left'. He claims the report was 'less revolutionary than muddled'. He claims that most of its ideas were not ideologically controversial in the ANC, recognises that its proposal for government control of the Reserve Bank was based on the Asian tiger model, and asserts that 'Policies that had worked well in East Asia might not be able to be implemented immediately in South Africa because of the incompetence and potential treachery of the old state apparatchiks and the expected inexperience of new civil servants.'

Yet it is also Hirsch (2006:77–91,103) who in his book puts major blame on the high interest rates implemented by the Reserve Bank in the latter 1990s for the failures of growth and job-creation. (These, moreover, were futile attempts to preserve the exchange rate of the rand in the face of the exodus of hot money. Bond [2005] has argued that continued exchange controls would have been a better alternative.) Moreover, MERG's advocacy of relaxed budget deficits as opposed to the tightness of the ANC's GEAR strategy (deficit down to 4% by 1997/8 and 3% by 1999/2000 – it was actually reduced to 2% by 1999/2000) was subsequently supported by the World Bank, which said that a deficit of 12% would be sustainable in South Africa (Marais 1998:164).

The RDP, 1994 election programme of the ANC, was initially Cosatu's initiative. It ended up – in what became known as the base document – as a profoundly contradictory and inconsistent document (Marais 1998:181,185–186, Bond 2005:93–96). On the one hand, it contained a social programme that went even further than Keynesianism in putting forward non-market mechanisms for the provision of basic goods and services, decommodifying (turning exchange-values back into solely use-values), democratising access to economic resources and so on. It was hailed by left intellectuals as posing 'challenges to the commanding heights of capitalism, racism and patriarchy', by proposing 'structural reforms' – reforms which would start the building of socialism under capitalism and lead inexorably to a socialist transition (for the theory of structural reform (see Saul 1991, Gorz 1973).

Hirsch's (2006:59-61) critique of this part of the RDP is that it returned to the discredited Keynesian idea of redistribution as a means of growth, and contained 'mildly dogmatic statements' like the need for a public housing bank and to retain all infrastructure in public hands. On the other hand, its section on macroeconomic policy, as Thabo Mbeki was forcibly to point out to the SACP in 1998, 'identified a high [budget] deficit, a high level of borrowing and the general taxation level as ... part of our macro-economic problem' (see Bond 2005:114–115), and therefore not in conflict with GEAR. Thus it can be interpreted by Hirsch (2006:61) also as an 'Asian-type heterodox policy that combined investment driven hard by the public sector with institutional reform and orthodox macro-economic stability'.

Though the name of the RDP continued to be uttered by the ANC up to its 1999 election campaign and even later, the economic leadership of the ANC had from



the start no intention of implementing the RDP where it clashed with their pro-business aims of export-orientation, trade liberalisation, fiscal austerity or privatisation. As Terreblanche (2002:110, 112) writes, for them it was principally an election programme – and its abandonment started to put into the heads of ordinary South Africans the idea of ‘empty promises’ which resounded so loudly in the delivery protests of 2004 onwards.

As pointed out by Bond (2005:90–91), within days of the election Mandela falsely claimed that the RDP said ‘not a word about nationalisation’, Joe Slovo, Minister of Housing, contradicted it by saying that the government could not condone squatting, and ESKOM contradicted it by trying to raise foreign loans. The subsequent Green, and more specifically, the White Paper on the RDP diluted its content drastically, and emphasised neoliberal ideas (Terreblanche 2002:109, Marais 1998:179 and Bond 2005:97–98). In August, only a few months after the election, the Department of Trade and Industry announced tariff reductions in the clothing, textile, and auto component industries going far beyond the demands of GATT (Terreblanche 2002:115, Marais 1998:129). In September, Mandela at the Cosatu Congress evoked the low-wage Asian economies and called on workers to tighten their belts and sacrifice to grow the economy (Marais 1998:160).

In March 1995 the financial rand was abolished, removing a key aspect of exchange control, and legitimising the relatively free movement of money abroad by big companies – to the detriment of investment in South Africa. Thus, in Bond’s (2005:216) words: ‘South Africa’s national sovereignty continued to be offered up on a plate to impetuous and whimsical local and international financial markets’ – as displayed in the currency crashes of 1996, 1998, and 2001. In September 1995 the government produced a document justifying privatisation (Marais 1998:163, 174). When Mbeki told the 1998 SACP Congress that the RDP had not been departed from and that an audit would be done, Bond and Meshack Khoza (1999:188–195) did a systematic comparison of the directives of the RDP document with the processes of implementation. While they noted some that were achieved, there were many others that had been ‘distorted, contradicted or simply ignored’: the charge that ‘the ANC had abandoned the RDP was indeed true in most crucial areas of social policy’.

In March 1996, Trevor Manuel became Minister of Finance. Three months later, the openly neoliberal policy of GEAR was introduced, without discussion on the ANC NEC, or consultation with Cosatu and the SACP, partners in the Tripartite Alliance (Marais 1998:160, Hirsch 2006:101). The background was a 25% depreciation of the rand between February and June (the first currency crash), and the publication in February by the South African Foundation of Growth for All, a vicious document claiming that the new government had no credible economic policy, rejecting the RDP as unattainable, and demanding a brisk privatisation programme, a two-tier labour market, and curbs on government spending. Interestingly enough, given the attempts of the ANC leadership in 2005 to reintroduce a two-tier labour market, Hirsch (2006:95) notes that at that time, Tito Mboweni, then Labour Minister, said it was an ‘affront to democracy’.



GEAR promised to drive the budget deficit down to 3% of GDP by 2000, keep inflation below 10%, reduce corporate taxes, have a general tax ceiling of 25% of GDP, phase out exchange control, encourage wage restraint, speed up privatisation, and create a more flexible labour market – all policies associated with IMF and World Bank 'structural adjustment programmes' (Bond 2005:78–84, Marais 1998:161–164). 'There are few differences between GEAR and the [NP's] NEM, the [November 1993] 'statement on economic policies' and [the SA Foundation's] Growth for all', commented Terreblanche (2002:115), 'it is openly Thatcherite in content and tone'. All this was, of course, at the cost of cutting spending on the needs of the disadvantaged majority. Vella Pillay, previously director of MERG, and at the time director of National Institute for Economic Policy, in fact in the same period advocated raising the budget deficit (Hirsch 2006:95, Pillay and Millward 1996).

In his 1997 budget speech Manuel had the gall to describe promises to privatise, to make wages more flexible, to reduce the state deficit and to cut back public spending as 'deep transformation' – in reality neoliberal restructuring as opposed to the redistributive transformation promised by the liberation struggle (Terreblanche 2002:116, Adam, Van Zyl Slabbert and Moodley 1997:206). Hirsch (2006:69) justifies GEAR as a result of the fear of conceding sovereignty to the IMF and the World Bank in the event of a crisis, but then admits: 'The irony was that in order to stave off the power of international finance, the ANC committed itself to policies approved by the same financiers' (for a rebuttal to Hirsch, see Bond 2005:189–191).

GEAR was justified by the government and mainstream economists on the grounds of the 'unsustainable' budget deficits (7,3% in 1992 and 10,1% in 1993) and the 'huge, growing government debt and interest burdens' (debt amounting to 48% of GDP in 1995/6 and interest payments approaching 22% of the budget in 1995) (Gelb 2005:370). Hirsch (2006:69) writes: 'it was thought that the debt burden was crowding out private sector borrowing – what was certain was that the debt to GDP ratio raised fears of macroeconomic instability that could drive away private investment capital'.

But, as the NGO Alternative Information and Development Centre (AIDC) (1997, 1998) was subsequently to make clear, a better way of dealing with these problems would have been to write off the government debt. In fact the largest single component of this debt (40%) was owed to the Public Service Pension Fund (only 4% is foreign debt). This had been run up in the early 1990s in the last years of the NP government – to assure top apartheid civil servants of their pensions, or early retirement golden handshakes, in case the ANC stopped paying them pensions. In 1980 total government debt was about R20 billion and in 1989 R80 billion. Correspondingly, the budget deficit in 1991 had been a mere 1.4% GDP and government debt only 29% of GDP; in 1978–1982 interest payments had been a mere 8.3% of the budget (Gelb 2005:370). By 1997, however, government debt had risen to R310 billion. This was because of a change from a 'pay-as-you-go' to a fully-funded pension fund, the value of whose assets increased by R100 billion (from R31 billion in March 1989 to R136 billion in September 1996) paid for from taxpayers money.



Hirsch (2006:70–71, 258) calls the early 1990s ‘a period of fiscal indiscipline’ and says some ANC supporters speculated ‘that the old regime had deliberately set a debt trap to constrain the actions of the ANC government’. If the ANC government had looked into the matter more carefully, it would have seen what had happened. The AIDC calculated that if this debt to the pension fund had been written off (which they analysed would have been possible with no threat to people’s pensions), debt would be only 36% of GDP and not 60%, and the budget deficit would have been substantially reduced. This, moreover, would have led to a reduction of the high interest rates of the time, which (at least according to Hirsch 2006:241) were partly due to the level of government debt. Hirsch and the ANC’s economic gurus congratulate themselves that debt and debt servicing has been brought down in the 2000s. But debt was still 50% of GDP in 2004 and debt servicing costs were 14% of the 2003/04 budget and 13.2% of the 2004/5 budget (Hirsch 2006:235).

To their credit, the leadership of Cosatu immediately expressed its reservations about the GEAR strategy. Initially, however, the SACP did not oppose GEAR, and only came out against it almost a year later (Marais 1998:162). The only consolation for the working class in 1997 came in the passage of the Basic Conditions of Employment Act, to the intense hostility of business, which intensely disliked the ‘labour market inflexibility’ that it created – making it more difficult to fire workers. Indeed in June that year even the Quarterly Bulletin of the Reserve Bank attacked the legislation, then still under discussion, which was vehemently objected to by Cosatu (*Sunday Times Business Times* 22 June 1997, *Sunday Times Business Times* 9 November 1997, *Cape Times* 10 November 1997).

5 PRIVATISATION AND BEE

Jeremy Cronin (2005) has identified three phases in the post-apartheid economy: 1994–1999, when macro-economic policy was assumed as the driver of growth, 1999–2002 when privatisation was supposed to be the key catalyst of growth, and post-2002 when infrastructural investment is the key catalyst – a policy which is to be continued in the infrastructural investment of AsgiSA. Let us now examine the second of these phases, adding ‘black economic empowerment’ to privatisation as supposed catalysers of growth. Let us also recall that the The Freedom Charter declared: ‘The People shall share in the country’s wealth’ – and judge privatisation and black ‘economic empowerment’ against that standard.

What is the record on privatisation? (See Bond 1994 for a fuller account.) The 30% stake in Telkom bought by Texan and Malaysian capitalists have, in fact, made communication costs in South Africa among the highest in the world – by no means to the benefit of the people. The cost of local calls increased hugely, leading to an actual decline in the use of fixed-line phones. In 1994, 34% of the population had telephone landlines, in 1997, 32% and in 2002, 27%. Of 13 million connected to fixed line telephones for the first time after 1994, 10 million were disconnected. Today even poor people – who can afford a cellphone on a pay-as-you-go basis – prefer it to a fixed line phone with high rental charges. The partly-privatised Tel-



kom slashed its workforce from 64 000 to 24 000. Of these, 13 000 workers were supposed to be included in 'outsourced' entities, but only 2 000 of even these jobs still exist. Attempts by the government to cap fixed-line monopoly pricing were blocked by the owners. Telkom's 2003 initial public offering of shares in New York raised only a disappointing \$500 million. In the process, an estimated \$5 billion of Pretoria's own funding of Telkom's late 1990s capital expansion evaporated.

In the field of transportation there have been partial privatisations, creating, for example, commercialised toll roads which are unaffordable for the poor. Air transport privatisation led to the collapse of the first regional state-owned airline (Sun airlines). South African Airways has been disastrously mismanaged, with huge currency-trading losses and an inexplicable \$20 million payout to an American manager on a short-lived contract. The privatisation of the Airports Company South Africa (ACSA) has led to security lapses and labour conflict. The ANC-aligned SATAWU has struck periodically in part over its fears about further transportation privatisations. The increasingly corporatised rail service has shut down many feeder routes that, although unprofitable, were crucial to rural economies. How has this benefited the people?

In electricity generation, the parastatal Eskom, the world's fourth largest electricity producer, made redundant 30 000 electricity workers during the 1990s to try to prepare for privatisation. Despite problem shut-downs of the existing nuclear power plant at Koeberg in Cape Town, the state is likely to expand nuclear energy, through new pebble bed reactors in partnership with American and British firms. Electricity rates for township customers have risen to unaffordable levels as cross-subsidies came under attack during the late 1990s. Millions who fell into arrears have been disconnected – leading to mass resistance through illegal reconnections. Those who have been forced back to the use of paraffin or coal stoves face huge fire risks – fires continually sweep through shack settlements – as well as the threat of respiratory diseases. How has this benefited the people?

Virtually all local governments began to turn to a 100% cost-recovery policy during the late 1990s, preparing for a wave of privatisation of water and waste services. Although this privatisation has so far applied to only 5% of municipalities, the pilot projects have been run by the world's biggest water companies (Bewater, Suez, and Saur) and have resulted in over-priced services. Contracts have been renegotiated because of insufficient profits, pre-paid water meters have been widely installed, services have not been extended to most poor people, and many low-income residents have been disconnected. Attempts to recover costs from poor communities inflict hardships on the most vulnerable members of society, especially women and those with HIV positive family members. The dogma of 100% cost-recovery led to the continent's worst-ever cholera outbreak in August 2000, catalysed by mass disconnections of rural residents. How has this benefited the people?

Black economic empowerment (BEE) equally, has simply a euphemism for the incorporation of blacks into the ownership of the monopolies. The 1969 programme of



the ANC (1969) declared that 'our nationalism ... must not be confused with the classical drive by an elitist group among the oppressed people to gain ascendancy so that they can replace the oppressor in the exploitation of the mass'. The sentiment inside the country in the 1980s was, as Jay Naidoo put it in 1986, 'our victory does not consist merely of replacing white faces by black faces, but of transforming the conditions of the lives of the masses' (*South African Labour Bulletin*, 11, 5, 1986).

Nevertheless, the 'unbundling' advocated by Mandela has been taking place. The share of the top monopolies on the JSE fell from 85.7% in 1992 to 61% in January 1998 and to 44% in 2004. Ironically, the main 'unbundling' was to the benefit of Afrikaans groups – who by the end of 1998 owned 32% of the JSE (including Rand Merchant Bank group with 4.8% and Christo Wiese's retail and banking empire with 3.4%) – while the Rupert family's Rembrandt grew from 7.8% in 1995 to 13.7% in 2002 (Hirsch 2006:196–197, *Sunday Times Business Times* 15 February 1998, *Sunday Times Business Times* 13 June 1999). Nevertheless, aspirant black capitalists have also benefited.

The first wave of BEE was initiated by Sanlam when in 1993 it sold a controlling share of Metlife to Motlana's NAIL, and by Anglo American 'unbundling' JCI to Mzi Khumalo (Hirsch 2006:214–216). This was achieved by means of so-called 'special purpose vehicles', which, in Bond's (2005) words were 'a series of dubious financial scam-operations which put black "owners" in historically unprecedented debt at historically unprecedented real interest rates ... to buy historically unprecedented over-inflated companies whose price/earnings ratios were at an all-time high'. These took black ownership to some 10–12% of the JSE until these ventures came to grief, especially when interest rates were raised by 7% in a fortnight by the Reserve Bank as a result of the East Asian currency crash in September 1998 – though Khumalo was already in trouble before this (Bond 2005, Hirsch 2006:217–219). Black ownership fell back to 2%, though it rose to 3–4% direct ownership and 12–15% direct or indirect ownership by 2002 (*Sunday Times Business Times* 24 June 2001).

On the initiative of black businessmen, the Black Economic Empowerment Commission, chaired by Cyril Ramaphosa, was established at the end of 1997 and reported in 2001. As a result legislation was passed in September 2003 leading to sectoral 'empowerment charters' imposing targets for BEE on white-owned business (Hirsch 2006:220–221). In 1998 people in the ANC were complaining that

the purchase of shares on stock exchanges [by aspirant black capitalists] does not result in the expansion of the economy, but in producing new owners of existing stock ... Many argue that empowerment should be about building factories and creating jobs rather than purchases of volatile stocks and shares (*Sunday Independent* 31 May 1998).

In response, the Commission came out with incredibly vague statements. According to its deputy chair, Gavin Petersen, it took a 'broad' rather than a 'narrow'



definition of empowerment: rather than 'evaluating empowerment in terms of the transactions focusing on transfer of ownership only', it argued that empowerment was

a coherent socio-economic process which is integral to national transformation ... seeking to substantially and equitably transfer the ownership, management and control of financial and economic resources to the majority of its citizens ... [it] must have an effect on the lives of those excluded from the economy (*Business Day* 3 April 2000).

The government supported the Commission, with Joel Netshitenzhe, head of the president's policy unit claimed:

The implication of not involving the majority at all levels of the economy is that the country relies on a smaller pool of wisdom and expertise, it has a smaller middle class and employed population. This has negative consequences for aggregate demand, and there is a real danger that over time, blacks would become cynical of democracy (*Financial Mail* 9 August 2002).

The new state, an ANC document proclaims, 'promotes the emergence of a black capitalist class' (*Business Day* 25 May 2000).

It is true that the cheap labour system of the past in South Africa reduced 'aggregate demand' and that inhibited economic growth. But how is the creation of more black capitalists going to solve this problem? The 'aggregate demand' created by black capitalists is for more 4X4s and more Rolex watches. What the masses need is money in their pockets for food, for shelter over their heads, for health, for schooling. How can capitalists, simply because their skin colour is black rather than white, create more jobs? Profit-making is the criterion for job creation, not colour. 'Black capitalism' make not one iota of difference to the predicament of the masses in South Africa – save for creating a few more wealthy black faces. In January 1998 James Motlatsi, then president of the NUM, complained at the sale of six mine shafts by Anglo American to African Rainbow Metals, He said that the deal was 'not black empowerment at all' as it involved the loss of 3 000 mineworkers' jobs (*Business Report* 16 January 1998). Subsequently, Motlatsi has been co-opted as a director of Anglo Gold.

Blade Nzimande, SACP general secretary, has criticised those who want to be 'filthy-rich millionaires' and argued for BEE to empower the 'black working class'. He later asked: do headline-hitting empowerment deals 'remotely' contribute to dealing with the challenges of unemployment and poverty, or were they rather doomed to serving only a select few (*Business Day* 25 May 2000, *Business Day* 5 May 2005)? If the Commission and Netshitenzhe, moreover, were serious about wanting to involve the majority in 'ownership, management and control' of the economy, then the way to this is through nationalisation of its commanding heights, under workers' control and management, not the promotion of a black capitalist class.



Deputy president Phumzile Mlambo-Ngcuka said recently that she didn't think 'there is any virtue in pure BEE if that equals poor service' (*Sunday Times Business Times* 27 November 2005). At the same time she defended the 'concentration of equity ownership in a few hands, charging that there appeared to be different rules for black and white entrepreneurs'. But there are objections to both white and black entrepreneurs 'concentrating' ownership 'in a few hands' – and the answer to this is to make ownership of the commanding heights social.

Malaysia's programme of transferring economic power to the indigenous Malays is often quoted as a model that South Africa could follow for 'black capitalism'. It is ironic that just as Mbeki was promoting this programme, the Malaysian government was abandoning it. The Malaysian Prime Minister, according to the *Financial Mail*, has accused indigenous Malays (Bumiputeras) of selling off the businesses provided to them by the government for a quick return: they 'sold off their opportunities to become sleeping partners in an arrangement cynically known as "Ali Baba" in which Ali merely obtains the licenses, permits, shares or contracts and immediately sells them off to non-Malays' (*Financial Mail* 9 August 2002). What the pro-capitalist *Financial Mail* failed to mention is that the solution of the Malaysian government was to nationalise big Malay-owned businesses (*Financial Times* 7 August 2002).

In November 2004, the US/Malaysian investors in Telkom sold their shares to three blacks, two with top positions in government. This moved even the capitalist paper *Business Day* to comment:

As sure as the sun rises, this enrichment of the few, this constant bagging of state assets by the same rich and connected blacks and this bagging of the same rich and connected blacks by white business desperate to get its empowerment targets out of the way, will lead to trouble for SA one day. You cannot fob poor people off with water and lights while the party powerful get to own the water and lights. This ANC-sanctioned greed will demonise capitalism again as it was rightly demonised under apartheid and the institutions rushing to finance the latest charade should be ashamed of themselves ... The future danger for the country is obvious. By creating a tiny class of favoured black capitalists in much the same mould as the established class of white ones, the economy does not change shape and this cannot change outcomes. That means the poor get poorer and that they will multiply. And not forever will the liberation sloganeering at election time be able to hide the fact that while the masses are expected to wait and wait, there's a party on in Fat City (*Business Day* 10 November 2004).

Of course *Business Day's* answer was to broaden the spread of shareholders. The masses answer on the other hand would be to implement the Freedom Charter by nationalising the big banks and monopolies (whether white- or black-owned) under workers' control and management.



6 CAPITAL STRIKE AND EXPORT DEPENDENCE

Investment is the key to growth in the economy, to the provision of jobs and services, and to improving the lives of people. In its heyday in the 1960s and 1970s gross domestic fixed investment in South Africa was the equivalent of countries such as Malaysia, South Korea and Australia, peaking at an average of 26% of GDP between 1971 and 1976 (when it was 30%) – and higher than other import-substitution economies such as Mexico, Brazil and Chile.

But from 1983, with the onset of the crisis of the economy, it declined, from 26.8% of GDP in 1983 to 25% in 1985, to well below 20% in the late 1980s, and to 15.5% by 1993. In other words between 1983 and 1993 fixed investment was largely negative, sometimes falling by 6% or more a year. But after 1994, under the ANC government, it has barely picked up. It increased by less than 2% a year during the GEAR period (when it was projected to grow by 7% a year). Private sector investment fell by 0.7% in 1998, and in 1999 and 2000 total investment fell (Bond 2005:193). While Malaysia, South Korea and Australia have continued to invest at levels between 20 and 30% of GDP, South Africa has staggered along at 15–16% of GDP (*Mail and Guardian*, 16–22 July 2004). More recently it has begun to increase (from a very low level). But according to SA Reserve Bank figures, though it grew by 9.4% in 2004 and 9% in the first half of 2005, it was still only some 17% of GDP (*Business Day* 25 August 2005).

Private investment averaged only 12.1% of GDP between 1994 and 2003 compared with 10.6% in the period of recession and great uncertainty between 1990 and 1993 (Gelb 2005:385). And this is despite a taxation policy under the ANC government which has slashed taxes on business. The prime tax rate for companies fell from 48% to 30% in 1999. Thus companies' contribution to total tax revenue fell from 27% in 1976 and 22% in 1980 to 18% in 1990 and 11% in 1999 though they increased somewhat again to 24.5% in 2005. That of the mines fell from 9% in 1976 to 2% in 1990 and less than 0.5% in 1999. Correspondingly, personal taxes rose from 25% in 1976 to 30% in 1990 and 42% in 1999, and then fell to 31.5% in 2005 (Bond 1991, Bond 2004, Hirsch 2006:74).

In addition, there has been negligible direct foreign investment since the advent of the ANC government in 1994. Between 1996 and 2002 it averaged 1% a year, in comparison with the GEAR target of 4% of GDP. Virtually all foreign direct investment was the purchase of existing (privatised) assets, for example of Telkom – reflected in the inflow of more than R17 billion in 1997 (the only year up to 2000 that gross inflows have exceeded R10 billion) (Bond 2005). The recent acquisition of ABSA bank by Barclays Bank, at the cost of R28 billion (*Business Day* 3 January 2006), though widely celebrated by government, is a similar exercise – and, significantly, in the financial sector and not in manufacturing industry.

In fact, according to the then Governor of the Reserve Bank, between 1994 and 2000, R7 billion had entered the country as direct foreign investment compared to R230 billion in portfolio investment ('hot money') – 32 times as much (*Business*



Report 24 October 2000, Business Day 12 March 2001). Such 'investment', which can be easily sold off, has been responsible for the volatility of the rand's exchange rate since 1994 (Marais 1998:123, 126). Even recently, because the real interest rates are so much higher than in the advanced capitalist countries, the trade in the rand has been 20 times GDP (*Business Day 21 June 2004*). Portfolio investment still dominated investment in 2005: in the first quarter there was a R1.3 billion inflow in direct investment, and R7.8 billion in portfolio investment; in the second quarter a net outflow of R1 billion in foreign investment (a partial withdrawal by the German investor Claus Daun) an inflow of R22.1 billion in portfolio investment (*Business Report 23 September 2005*).

According to the Economist Intelligence Unit (2004), in fact, between 1995 and 2001 there was an average annual net outflow of capital from South Africa amounting to 0.25% of GDP. From 1998 – as part of the agreement reached early in the decade with the ANC – Anglo American, Billiton, Dimension Data, SA Breweries, Old Mutual moved their head offices to London and their main listings to the London stock exchange – so that their subsequent new investment in South Africa counts as foreign investment (Terreblanche 2002:122, Bond 2005:24–29). But this has also burdened South Africa with a growing outflow of dividends: from R2 billion in 1995 and 1996 to R22 billion in 2001 and 2002 (Terreblanche 2002:122, Makgetla 2004:276).

AsgiSA goes along with 'big' plans for infrastructural investment – R372 billion. But if these are realised it will merely push public sector investment from 4% to 8% of GDP – a mere additional 4% (*Financial Mail 10 February 2006*). But would the private sector respond by increasing its investment sufficiently to raise the total level of investment to around 25% of GDP?

The first sector to examine is manufacturing, whose contribution in the economy has steadily diminished under the ANC government: from 21.2% of GDP in 1994 to 18.8% in 2002 to 16.4% in 2005 (Bond 2004). During the 1990s, the mean growth of manufacturing production was 0.3% per year and employment had decreased to 81% of its 1990 level by 1999 (Naledi 2004). It has become considerably more capital intensive: output per worker in 2000 was 32% larger than in 1990 and capital-intensity 63% higher in 2000. Per capita output has declined in textiles, electrical machinery, glass products, printing and publishing, fabricated metal products, machinery and equipment, furniture, clothing, beverages, field crops and animal products (Bond 2005).

In September 2003, Dave Kaplan, the 'regulationist', major advocate of the ISP's manufacturing export-led growth strategy, and subsequently chief economist at the Department of Trade and Industry, admitted that South Africa's manufacturing performance since the 1990s had been below par and that the Department's incentive strategies to boost the sector had not been effective. Growth in manufacturing value added in the 1990s (1.2% a year) was only marginally higher than in the 1980s (1.1%). Labour-intensive sectors such as food and beverages and cloth-



ing and textiles had the worst average growth. Controversially, he also questioned the success of the car industry – in which productivity, he claimed, was not much higher than other sectors of manufacturing (*Business Day* 9 September 2003).

Manufacturing performance, writes another economist (McCarthy 2003), is 'still far below the expectation for a sector that should remain a force for growth in a developing economy ... the volume of production has shown no clear signs of developing a new upward-sloping trend line'. Economists have spoken to parliament's finance committee of de-industrialisation, of a low level of value-added performance and high household spending on imports (*Business Day* 2 March 2005).

Instead it is 'financial and business services' – i.e. finance capital – which has increased its share – from 14.8% in 1991 and 16.3% in 1994 to 19.5% in 2005 (Bond 2005, *Sunday Independent* 25 February 2001, *Business Day* 2 March 2005, 30 November 2005). Bell and Madula (2000:125) regard this rise in finance, insurance and real estate as a 'natural and beneficial transition from the old to the new economy'. In reality, it is the consequence of neoliberal restructuring, of the change from investment in production to investment in forms of speculation, a consequence of 'chronic overaccumulation of capital and the persistently uncompetitive standing that South Africa as a stagnant, massively unequal site of production and consumption maintained in the world rankings' (Bond 2005:98). Almost certainly, though as Bond (2005) points out it has not been thoroughly researched, there is excess capacity in many industrial sectors.

'The government strategy for growth centres on invigorating an export-oriented manufacturing sector,' wrote Marais (1998:126). The expansion of exports is necessary for government strategy to avoid falling into balance of payments difficulties when importing the needed capital goods for investment in expanded production. Moreover, the expansion of manufacturing exports is necessary to upgrade the economy from being a mere dependent raw materials (agricultural and mineral) exporter, as has been its history. Thus the expansion both of exports and of manufacturing exports, is central to job creation in South Africa. Let us examine (a) the question of exports as a whole and (b) their sectoral composition, and (c) their consequences for jobs.

Exports have expanded since 1994. However, their expansion has been meager in comparison to what is required. At constant 1995 prices, exports apparently doubled between 1995 and 2000 – from R100 billion to R200 billion – equivalent to an increase of 20% a year (*Business Report* 15 March 2000). According to a recent academic study (Jones 2003:336–337), exports grew at 6.1% a year between 1994 and 2000 at constant prices. From 1995 to 2002 exports rose 30% in volume terms. Between 2002 and 2004, however, the strengthening of the rand has led to virtual stagnation in exports, which have grown by less than 3% (*Business Day* 8 April 2005). In January 2005, in fact, exports plunged by 28.6%. A survey in 2004 by the Bureau for Economic Research showed that 40% of local manufacturers had stopped exporting due to the strength of the rand (*Business Report* 8 March 2005).



Despite the general trend of a growth in exports, however, the ANC government has not been able to reverse the economy's steadily decline (since the 1970s) in its share of world trade, which was 1.43% from 1965 to 1969, 1.3% in 1980, 0.72% from 1985 to 1999, 0.7% in 1989, 0.60% from 1990 to 1994, 0.53% in 1995 to 1999 and 0.44% in 2000 to 2003 (*Business Report* 2 November 2005). This is because South African exports have not been 'market-dynamic'. In 1998 the 20 most market-dynamic product groups grew at average rate of 12.9% and accounted for 22.6% of total world exports (28.7% of developing country exports). In South Africa these products contributed a mere 3% of total exports (Kaplan 2004:623–624).

What about the sectoral distribution of exports? South Africa historically has been an exporter of minerals (gold and diamonds) and agricultural products. From the early 1970s, government commissions recommended an expansion of manufacturing exports – but in fact they fell from 31% of exports in 1970 to 12% in 1988 (Marais 1998:121). In 1990 South Africa's first two exports (by value) were still gold and diamonds, together with platinum, followed in order by iron and steel, coal, ores, and copper goods. (Iron and steel and coal exports had expanded rapidly in the 1980s.) Edible fruit and nuts was 7th on the list. Export of machinery (R973.2 million) was a new development, the only real 'manufacture' in the top 10 exports. The second tier (10–20) of exports in 1990 included three mineral products, plus (SASOL-based) inorganic chemicals, and motor vehicles and parts. Jones (2003:358, 361) concludes that South Africa remained 'a resource-based economy heavily dependent upon the products of its mines and fields'.

Hirsch, working in the presidency, claims that since 1994 'exports have diversified far beyond raw and semi-processed mineral products' – and gives as examples the automobile sector (now up to 120 000 to 180 000 vehicles a year), wine, and tourism (Hirsch 2006:236). What are the realities? Firstly, gold production and export has dropped off considerably. In 1991 the mines produced 562 metric tonnes of gold. From then onwards, output has fallen roughly 10% every year, and the value by an average of 4.6% a year. Production by 2004 was down to 282 tonnes, a mere 14% of world production (*Sunday Times* 2 October 2003, *Financial Mail* 15 April 2005). Platinum exports overtook gold in value in 2000 and were R33.2 billion in 2004 (a rise of 15.6% over 2003) whereas gold was only R29.3 billion (a drop of 11.5% from 2003). In 2000, however, gold and 'precious metals and stones' (platinum and diamonds) remained the top 2 exports by value (*Sunday Times Business Times* 22 May 2005).

In 2000, 4 manufactured products had moved into the top 10, and 2 processed metals. Iron and steel and coal remained respectively 3rd and 4th, but automobiles and parts had moved into 5th place, machinery from 8th to 6th place, and ores had dropped to 7th place. Aluminium had moved into 8th place (with a 7-fold increase since 1990) as the result of the ALUSAF refinery. Electrical machinery and inorganic chemicals were 9th and 10th respectively. Lower down the table, aircraft and parts, rubber products had shown big growth, though from a small base (Jones 2003:358, 361). The machinery, aircraft, and even vehicles appear to



have been predominantly destined for the opened up African market. Exports to Africa increased from 4% of total exports in the early 1990s to 16% in 2003, which appears to be a ceiling (*Business Report* 2 November 2005). In 2003 precious metals remained top with 23.9% of exports and iron and steel second with 12%. Automobiles were in 3rd place with 9.8%, nuclear reactors (surprisingly) in 4th with 6.5%. There followed: minerals and fuel oils (6.2%), fruits and nuts (3.4%), ores, slag and ash (3.3%), aluminium products (3.0%), beverages (2.2%) and electrical machinery (2.0%) (Naledi 2004).

Formally, therefore, there was substantial increase in 'manufactured' exports. Between 1988 and 1996 they rose from 5% to 20% of total exports (Black and Kahn 2004:175). Between 1990 and 1995 they increased in real terms by 5.4% per year and then by 11.6% per year between 1995 and 2000 – exceeding GEAR's projection of 10.8%, though largely, according to Terreblanche, because of the fall of the rand. The contribution of manufacturing to total non-gold exports rose from 39.5% in 1990 to 56.2% in 2000 (McCarthy 2003:180, Terreblanche 2002:117).

But there are qualifications to be made. The automobile industry, flagship of the government's export strategy and heavily subsidised by government, has undoubtedly done well. It moved from 5th in 2000 into 3rd position in 2001, comprising 8.6% of total exports in that year and 9.8% in 2003 (Naledi 2004:10). According to the Economist Intelligence Unit (2004), the volume of vehicle exports increased at an average rate of 41% between 1996 and 2003. But the auto industry depends on imported inputs and has only a limited multiplier effect on the economy (*Business Day* 8 April 2005). Moreover, despite the increase in exports, there has been no increase in jobs in the car industry. Moreover again, the strengthening of the rand in recent years threatens these exports.

Secondly, South Africa's share of world manufacturing exports declined from 0.5% in 1980 to 0.3% in 1999 (*Business Report* 2 November 2005). The third qualification relates to the composition of the 'manufactured' exports. A study in 1998 noted that the majority of 'manufactured' exports (62%) were still material-intensive products such as beneficiated iron and steel, processed chemicals, processed foods, paper and paper products and non-ferrous metals (Black and Kahn 2004, Hirsch 2006:117).

Moreover, very capital-intensive metal beneficiation (especially steel and aluminium) continues to account for a high proportion of 'manufactured' exports. At the R7.2 billion ALUSAF refinery (supported by at least R700 million of taxpayer's money, as well as cheap electricity) each job was created at the cost of R3 million. The R3 billion Columbus stainless steel refinery generated no new net jobs. (In each case the 'movers and shakers' were South African conglomerates: Anglo American, Sanlam, GENCOR etc.). Thus minerals and metals contribute 66% of exports, but only about 10% of GDP and employment (Makgetla 2004:272, Bond 2005:37, Gelb 2005:395). It seems that this was a consequence of the policies of the Director-General of the Department of Trade and Industry, Zaverah Rus-



tomjee, who believed that South Africa should exploit its 'proven strengths' in the minerals/energy complex as a alternative (or at least a preliminary) to promoting labour-intensive manufacturing (Hirsch 2006:119–125).

According to a recent study of trade, growth in non-gold exports accelerated in the mid-90s but fell away sharply thereafter, even contracting in 2002 and 2003 – displaying an average annual growth rate of 6.1% between 1994 and 2003 (*Business Report* 2 November 2005). Attempts at promoting manufacturing exports have been weak, with their performance only marginally better than that of total exports. Gelb confirms that the main increase in exports has been in basic processed goods (Gelb 2005:396).

In the recent past the share of refined metals in total exports has risen: from 34% in 2002 to 48% in 2004 in current dollars and excluding gold sales (*Business Day* 8 April 2005). At the start of 2005 it was bulk commodities – coal, iron ore, base-metal copper, together with nickel, zinc, manganese – that were doing well in exports to China (*Sunday Times Business Times* 20 February 2005). These are the commodities that the government intends to try to boost through investment growth of 10% a year for next decade to China (*Business Day* 8 September 2005). This, moreover, is the basis behind many of the most-heavily financed infrastructural projects in AsgiSA, for example the stimulation of mining in Sekhukuniland, and even the upgrading of the Gauteng-Durban transport corridor (*Business Day* 7 February 2006). What is the difference from the re-direction of the RDP Fund under GEAR to the Maputo corridor, the Fish River, Saldanha and Coega, mainly to benefit capital-intensive industry (Bond 2005:36–37)? Neva Makgetla points out the risks of a crash of commodity prices, and opposes this to an industrialisation strategy to create new jobs with a bias towards labour-intensive industry and services (*Business Day* 9 September 2005).

The government has thus far failed in its efforts to base growth on export-led developments in manufacturing industry. In 1995 the ISP maintained that the economy remained 'strongly dependent upon our natural resource base for our foreign exchange, manufacturing remains a net user of foreign exchange' (Joffe *et al* 1995). It would seem that is still the case today.

7 BALANCE OF PAYMENTS PROBLEMS

Between 1994 and 2003 the average deficit in the current account of the balance of payments was small, never rising above 2% of GDP (Gelb 2005:390). This is because, on the whole, imports were relatively low because of a lack of capital investment. Indeed in 1999 there was a surplus on the trade balance of R18.94 billion, and of R22.09 billion in 2000 and R18.94 billion in 1999 (*Business Day* 1 February 2001). From 1995 to 2002 imports rose only 18% in volume terms. Between 2002 and 2004, however, imports rose by 23% in volume terms. The fastest growth was in transport equipment, as well as in appliances and other consumer



goods. Capital goods (machinery and equipment) stayed static at about 20% of total imports – down from 25% in mid-1990s (*Business Day* 8 April 2005).

South Africa's recent GDP growth has been due mostly to consumer spending, based on the lowering of interest rates, not to investment. Hirsch (2006:259–260) writes of it as South Africa's first boom based on a 'broad-based' expansion of consumption. But it is among the white and black upper class and middle-class, spending on credit, importing luxury and hardware goods (digital cameras, DVDs, etc.) which leaves the poor completely out. Hirsch says that domestic producers can take advantage of it by competing with Korean refrigerators or European cars, but the cost structures do not allow this.

As a result, the current account of balance of payments turned from surplus in 2002 to record deficits – annualised at R22.1 billion (2.84% of GDP) in the fourth quarter of 2003 and at R47 billion (3.7% of GDP) in the second quarter of 2004. For 2004 as a whole, the current account deficit was R44 billion, or 3.2% of GDP – a 23 year record (*Financial Mail* 13 May 2005). In the first quarter of 2005 the deficit rose to 3.8% of GDP, fell to 3.4% in the second quarter, and rose to 4.7% of GDP in the 3rd quarter. It was projected to increase to 5% for the year as a whole (*Business Report* 3 October 2005, *Business Day* 12 December 2005, 30 December 2005, 6 January 2006). This was due to increased imports combined with a fall-off of exports because of the strength of the rand (see above under exports).

So far, capital inflows – though mainly through 'hot' portfolio investment that can be rapidly withdrawn, leading to rand depreciation and rising inflation – have meant a surplus in the overall balance of payments. Thus up to July 2005, there was a flood of foreign portfolio investment – over R40 billion, with R33 billion into equities and the balance into bonds (*Financial Mail* 26 August 2005). Foreign exchange reserves towards the end of 2005 were some \$20.6 billion – about 4 months' worth of import cover. Though they have more than doubled since the start of 2003, they are not yet at the conventional measure of adequacy: 6 months of export cover, and would provide feeble protection against a run on the rand (*Financial Mail* 15 April 2005, 13 January 2006).

If state infrastructural investment takes off, as is envisaged with AsgiSA, and even more if this stimulates private investment, it will perhaps draw in more hot money at first, but then tend towards depreciation of the rand, withdrawal of hot money, leading to rising interest rates, the choking off of growth, and renewed crisis. Questioned in late 2005 about obstacles to growth in connection with AsgiSA, deputy president Phumzile Mlambo-Ngcuka said that the volatility of the currency was one but the government's options were limited beyond building up foreign reserves (*Sunday Times Business Times* 27 November 2005). She did not even mention the possibility of reintroducing exchange controls to stabilise the currency.

All this, moreover, is predicated on the world economy continuing to grow. If, for example, China stops financing the increasing debt of the United States of Amer-



ica, the prospects for world economic recession would dramatically increase, and South Africa would not escape.

8 POST-GEAR?

According to spokespeople for government, the neoliberalism of GEAR was abandoned in 2001, with the signal coming in Mbeki's February 2001 State of the Nation address to parliament, which spoke of greater government intervention to spur growth and to reduce poverty. Hirsch (2006:259) goes so far as to write that from 2001 'the South African state slipped into Keynesian mode'. Even Naledi (2004) has argued that the budgets from 2000/2001 represent 'a major shift in the government's policy and one that has been applauded by Cosatu' and that the growth of government capital investment by 4.6% in 2002 was 'reversing a long-term government investment decline tolerated by the apartheid government'. Cronin (2005), as already mentioned above, dates the turn to state-investment as the catalyst of growth to 2002.

This 'turn' away from neoliberalism is supposed to be reflected in the growth of the budget deficit – from 1.4% (2001/2) to 2.1% (2002/3), to 2.4% (2003/4) to 3.1% (2004/5) and to 3.1% in 2005/6. However, the 2002/3 budget deficit was in the end reduced to 1.1%, the 2004/5 budget deficit was reduced to 1.5%, and the 2005/6 budget deficit announced this week was 0.5% – because of a revenue over-run of R41 billion (*Business Day* 6 April 2005, 26 October 2005, 10 February 2006).

Rather than spending the excess on increasing social delivery, Manuel chose to hand out some R19.1 billion in tax cuts, and to maintain the 2006/7 and future deficits around 1.5% or less. Gelb (200:374), in general a defender of government policy, admitted that 'the primary surplus (revenue less non-interest spending) has actually declined since 2001, suggesting policy has remained contractionary, rather than becoming expansionary as advertised'.

This is because the South African Revenue Service has been consistently collecting more tax than is budgeted for, some R18.2 billion in 2004/5 and some R30 billion in 2005/6 for example (*Business Day* 6 April 2005, *Sunday Times Business Times* 30 October 2005, *Business Day* 1 November 2005). But rather than channel this into extra social spending, Finance Minister Manuel, with the support of the cabinet, has consistently doled it out in tax cuts. Over the last five years, in fact, there have been tax cuts of R70 billion, much of it benefiting companies and the rich (*Business Report* 29 June 2005). Presenting the Medium-Term Budget Policy Statement in October 2005 Manuel made the incredible remark that the government would allow the budget deficit to rise – if there were enough plans for infrastructure projects that warranted funding. He said 'South Africa has bundles of cash available to ramp up the development of infrastructure, but doesn't have the imaginative and detailed plans needed to make the necessary upgrades to its urban and rural areas a reality' (*Sunday Times Business Times* 30 October 2005).



Now the government has launched AsgiSA. Phumzile Mlambo-Ngcuka, presenting AsgiSA in February 2006, said it aimed to shift the economy away from commodity dependence' so as to limit the impact of (volatile) commodity prices on the economy. But 'shift' the base of the economy to – what? The biggest single allocation in the 3-year R372 billion package of infrastructure spending (R19.7 billion) goes to water in Limpopo province, to 'stimulate mining in Sekhukuneland'. Another big chunk is to go to improve the Gauteng-Durban transport corridor (which could also benefit commodity producers). Other big chunks will go not to consumer-goods manufacturing but to service industries: to tourism (supposedly creating 400 000 jobs by 2014) and to call centres (100 000 jobs by 2009). So the job-creating aspects consist in becoming a playground for people from richer countries, as well as servicing the multi-nationals by answering their customers' phone calls. Transnet and Eskom are expected to spend 40% of their total of R131 billion capital spending on foreign procurement, which will require the generation of huge amounts of foreign exchange (*Business Day* 7 February 2006, *Financial Mail* 10 February 2006). In addition there is a sort of shopping-bag of 'add-ons' for small and micro-enterprises, co-operatives and low-cost housing – but these are not prioritised.

Apparently, the National Union of Metalworkers of South Africa and the SA Communist Party have broadly welcomed AsgiSA. Cosatu qualified this by saying that AsgiSA 'only pays lip service to the issues of redistribution and inequality'. Moreover, Mlambo-Ngcuka herself is quoted by the *Mail and Guardian* as saying that 'AsgiSA is neither a new policy nor replaces GEAR' – it was merely a set of limited interventions intended to identify and unblock 'binding constraints' on achieving a 6% economic growth rate by 2014 (*Mail and Guardian* 10–16 February 2006). Small wonder that the *Financial Mail* (10 February 2006) headlines its article on AsgiSA 'Old policy, new package'. Or that Terry Bell headlines his article 'GEAR was a reversal of RDP: AsgiSA is more of the same' – and quotes SAMWU general secretary Roger Ronnie that AsgiSA, like GEAR, says that growth comes before distribution, and Sampie Terreblanche as a 'growth strategy to enrich the rich further' (*Business Report* 10 February 2006). Or that Neva Makgetla's is headlined 'Is growth plan the main course or just a starter?' – and that she points out, with substantial understatement, that AsgiSA 'seems inadequate to reach its targets of halving unemployment and poverty by 2014' (*Business Day* 10 February 2006). How can the mining industry, she asks rhetorically, contribute to shared growth? 'The proposed infrastructure investments support the traditional capital-intensive economic centres, especially mineral exports.'

Let us not forget also that last November Mlambo-Ngcuka warned that she would present a proposal for 'independent labour market review to determine the scale of the unemployment crisis and assess the unintended consequences of labour legislation' – a euphemism for a new attempt to undermine the Labour Relations Act and the Basic Conditions of Employment Act by introducing what business wants – a two-tier labour market (*Sunday Times Business Times* 27 November 2005).



9 CONCLUSION: THE LIMITS OF ANC CRISIS MANAGEMENT

Hirsch (2006:259) and Gelb (2005:373) mostly regard GEAR as a 'success' – at least in the achievement of 'macroeconomic stability', and in 'fiscal policy'. But (as Bond 2005:193, 2004, among others has pointed out) far from 'stability', the volatility of the rand – depreciating by 25% in 4 months in 1996, depreciating by 30% in 2 months in 1998, depreciating by 25% in 5 months in 2001, and then appreciating by 45% to mid-2003 – and, with this, the volatility of capital inflows and outflows has created serious instability. In fact, a survey conducted by Kaplan (2004:41) as to the reasons why businessmen were not investing found that 'fluctuations in the exchange rate' was the most important constraint (some 6 percentage points above 'labour regulations'). Indeed even Gelb (2005:372) is forced to admit that the 'inconsistent signals to producers provided by interest rate and exchange rate fluctuations have undermined any positive growth impact of successful stabilisation of the fiscal deficit and inflation rate'. In 1998 Malaysia, Chile, China and India imposed exchange controls and survived the financial crisis far better than those who did not.

It reveals the distance of the ANC government from the people of South Africa that it should regard fiscal policy as a 'success' when it involved cutting back social spending at a time when there were massive increases in unemployment and inequality around the country. In 1991 Gelb (1991:30) had written that a neoliberal export-oriented strategy (which was taken to its extremes in GEAR) would 'reinforce and extend the dualistic structure of South African society ... income inequalities amongst blacks, and indeed overall, would probably widen' – yet by 2003 he could applaud the 'successes' of GEAR.

The same spokespeople for government tend to ignore or explain away the manifest failure of GEAR to reach its other targets (Hirsch 2006:108 tends to blame the failures of GEAR on the Reserve Bank and the 'Asian etc. crises'). GEAR promised that 1.3 million jobs would be created between 1996 and 2000 – in fact at least half a million formal jobs were lost in that period. GEAR predicted 6.1% growth in 2001: in fact growth in that year was a mere 2.2%. Real government investment grew at 1.8% instead of the projected 7.1% and real private sector investment at 1.2% instead of the projected 11.7% (Terreblanche 2002:117). Manufacturing and mining have gone into decline, in terms of jobs and of output, and the pattern of South Africa's exports has not been transformed (see above).

In fact, the austere measures of government under GEAR – low spending and high interest rates – inevitably cut demand and thus discouraged productive private investment, because there were no profits to be made through it (Natrass 2003, Terreblanche 2002:118, Marais 1998:163–164). Even Hirsch (2006:106) has to admit that cuts in government spending slowed growth. As a result of the crisis of the economy which emerged in the 1970s and which has not been resolved by GEAR, the per capita GNP, for example, was lower in real terms in 2001 than it was in 1972 (Natrass 2003:143–144). As Neva Makgetla (2004:264) has written: 'The strategies adopted by key sections of capital in response to the opening of the economy and the end of apartheid have deepened dualism and inequality'.



Since then, growth has increased, to perhaps 5% a year in 2005 – largely based on consumer spending and consumer debt – but this has not led to substantial increases in employment, nor to the recovery of manufacturing industry, nor to big increases in investment, nor to a substantially improved trade performance. In 1995 the industrial strategy project wrote that the aims of an industrial strategy were to create employment, to increase investment, to improve trade performance, and to raise productivity (Joffe *et al* 1995). In respect of at least the first three of these, the economy has failed.

Hirsch (2006) and other spokespeople for government have written that the fruits of GEAR were only reaped after its formal ending, in 2000. Cronin (2005) on the other hand, while identifying the three phases of post-apartheid economic policy as a 'progressive modernising project', concludes that, 'relative to the transformational potential of the 1994 conjuncture, this project represents a serious strategic setback for the working class (and the national democratic revolution)'.

We can put this more bluntly. The last ten years and more have seen an economic counter-revolution in democratic guise – a counter-revolution in subordinating the needs of the majority of South Africans to the dictates of capitalist profit. Despite GEAR, the government has found no solution to the contradictions of the crisis of overaccumulation – with its correlates of increasing unemployment and inequality – that has beset the economy since the 1970s.

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ENDNOTES

1. I deal with regulation theory here as the most serious 'alternative' explanation of the crisis. Other explanations are identified by Bond (2000:219): 'It is widely accepted that South Africa has experienced a structural slowdown in economic growth since around 1974, the exact causes of which are subject to debate. Business economists (e.g. Aubrey Dickman) typically attribute the crisis to government policies ranging from apartheid to ineffectual monetary and fiscal policy, and seek remedies in free markets and a non-interventionist state. Progressive economists point to increased labor militancy and wage struggles beginning in the early 1970s (Nicoli Nattrass); the transmission of international crisis (Terrence Moll) ...' The more recently published book by Hirsch (2006) gives no serious consideration to the capital goods/ balance of payments problems.



In search of South Africa's 'second economy'

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ABSTRACT

Since 2003, South African policy discourse about persistent poverty has been dominated by the notion that poor people stay poor because they are trapped in a 'second economy', disconnected from the mainstream 'first world economy'. Based on research conducted in Mount Frere in the rural Eastern Cape, and in Cape Town's African suburbs, we argue that a process of simultaneous monetisation, de-agrarianisation *and* de-industrialisation has created a heavy reliance on a formal sector in which employment is becoming increasingly elusive and fragile. Fieldwork suggested high levels of economic integration, corporate penetration and monetisation even in the remote rural Eastern Cape. Within this context, survival relies on complex practices of reciprocity in spatially extended urban-rural networks, and on widespread, elusive, economically crucial but fragile forms of informal economic activity and selfemployment. Rather than being structurally disconnected from the 'formal economy', formal and informal, 'mainstream' and marginal activities are often thoroughly interdependent, supplementing or subsidising one another in complex ways. Instead of imagining a separate economic realm, 'structurally disconnected' from the 'first economy', it is more helpful to grasp that the South African economy is both unitary and heterogeneous. Rather than 'bringing people into' the mainstream economy policymakers would do better to consider ways of counteracting disadvantageous power and supporting the livelihood strategies that are found at the margins of the formal economy.

1 INTRODUCTION¹

Few notions in South African policy discourse have been simultaneously as influential and as undefined as the notion of the 'second economy'. First introduced by President Thabo Mbeki in his now-famous August 2003 Letter from the President, the term has become central to the way that the causes of persistent poverty are conceptualised in public discourse in South Africa.

Conferences are launched to 'empower', 'develop' or 'bring information to the second economy' – government websites speak authoritatively both of its problems and its potential, while the term has become a stock in trade of public discourse. But precisely what is *meant* by this term – what constitutes the second economy, and what the characteristics are that make it 'second' – is generally not very clearly spelled out, and what is to be *done* about the 'second economy' is even more unclear.

In this article, we engage with the ambiguous potential of 'second economy' talk by comparing its underlying assumptions with the findings of a period of research into the structured dynamics of persistent poverty in two South African contexts: 'rural' villages in the North-East of the former Transkei in the Eastern Cape, and 'urban' townships on the periphery of greater Cape Town. We argue that while the introduction of the idea of a 'second economy' constitutes an important shift in official discourse it is not a satisfying or adequate account of the real dynamics of economic marginalisation – moreover, it perpetuates some problematic misapprehensions about the supposed relationships between 'margins' and the 'centre' in South Africa. Understanding these dynamics, we argue, requires a much more careful look at the actual ways in which particular people are caught up in the networks and circuits of a *single* internally differentiated and segmented economy. This reveals a very different picture and highlights some issues that are usually disregarded. To search for the second economy, we argue, is to look for something that is not there – and to miss much of what is.

Our argument here is part of a continuing theoretical exploration of the intellectual resources that are available for the work of understanding and exploring poverty and inequality in South Africa and beyond. One of our key aims is to broaden the intellectual and political space for looking at South African society in ways that are not predetermined by the teleological meta-narratives of *either* neoliberal *or* Marxist determinism. And although the problematic we address here is very much a South African one, rooted in local policy debates and realities, we believe it has international echoes: second economy talk draws on habits of thought and unreflectively held assumptions that are more broadly shared within the discourses of development and globalisation, and a critique of those assumptions has implications for other important debates – not only those about the New Partnership for Economic Development, but those about globalisation and the relationship between persistent poverty and international trade as well.

We first review the two economies debate, and then provide a brief overview of research about poverty, migrancy and 'adverse incorporation' in the Eastern Cape



and in Cape Town's African townships. The article next considers what these realities mean for informal sector activity and self employment. We close by drawing some interpretive theoretical conclusions, and by highlighting some of the challenges facing propoor and social policy in South Africa.

2 THE RISE OF 'SECOND ECONOMY' TALK

Some of the importance of the concept of the second economy is undoubtedly related to the manner and timing of its introduction. By 2003, it was becoming increasingly evident that GEAR, however successful it had been in guiding fiscal policy, had failed as a job creation and redistribution strategy (see Gelb 2006). National surveys seemed at the time to tell at best an ambiguous story about what was happening to poverty (Fedderke, Manga and Pirouz 2004): even the most optimistic analyses were suggesting that poverty had remained more or less constant, while others seemed to indicate that it had worsened (Meth and Dias 2003, Hoogeveen and Özler 2005).

Government's nose had been put even further out of joint by an unexpectedly critical UNDP report on development in South Africa (UNDP 2003). Policy debates about a variety of issues, from the RDP to GEAR to the Basic Income Grant, seemed to have reached an impasse, and tensions between conservative and radical elements within the tripartite alliance between the governing African National Congress (ANC), the Congress of South African Trade Unions (Cosatu) and the South African Communist Party (SACP) were growing.

In this context, Mbeki's letter played an important role in reframing the terms of official thinking about growth, poverty, race and national identity. Hitherto, Mbeki had tended to describe the poverty exclusively as residual: as a legacy of apartheid and the policies of the past. While his interventions often showed a lively appreciation of the reality of deep inequality in South Africa, he had tended to portray it as an inequality between two *nations* – language that framed the problem as essentially one of national reconciliation, not macro-economic strategy (Faull 2005). The letter marked an important break.

While it still bore the title 'Bold steps to end the "two nations" divide', it now depicted the key division in different terms: inequality and poverty were portrayed as the result of a 'disjuncture' within the structure of the economy itself. Perhaps borrowing from Allister Sparks's argument earlier that year that South Africa suffered from having a 'double-decker economy,' (Sparks 2003, SARPN 2006) he postulated the existence, 'side by side with the modern "first world economy"', of a 'third world economy' that contained most of the poor people in the country. Crucially, Mbeki argued that 'the interventions we make with regard to [the first world economy] do not necessarily impact on these areas, the "third world economy", in a beneficial manner'. Explicitly questioning predictions that the benefits of growth would 'trickle down' to poor people, he argued that 'the reality is that those who would be affected positively, as projected by these theories, would be those who ... can be



defined as already belonging to the “first world economy”. What is needed, the letter argued, are interventions that could benefit those in the ‘third world economy’ directly.

This was not a radical about-turn, but it was a significant shift. It indicated a move away from a narrowly orthodox assumption that GEAR on its own could serve to eradicate poverty (Faull 2005) and cleared the way for a much greater emphasis on the role of the developmental state. At the same time, there were some ambiguities in the way in which Mbeki framed these possibilities. First, although the letter explicitly suggested the existence of a ‘structural disjuncture’ in the South African economy it was very sketchy about the nature of this disjuncture. It referred concretely only to the fact that many unemployed people lacked the skills that would render them employable in the ‘first world’ economy, and to the absence of appropriate forms of credit, a lack which supposedly delivers poor people into the hands of unscrupulous and extortionate money-lenders. Secondly, while the letter clearly acknowledged the possibility that poverty was not simply a disappearing legacy from the past but might be perpetuated by features of the *post-transition* order, the functioning of the ‘first world economy’ *itself* was not problematised.

Mbeki’s intervention was followed by some other important policy documents. The Presidency’s Policy Co-ordination and Advisory Service’s *Towards a ten year review* replicated Mbeki’s analysis in many ways (PCAS 2005:97), and appears to be the moment at which the term ‘the second economy’ itself entered government discourse (those words, interestingly enough, were not used at all in Mbeki’s letter). After this, it swiftly became a key organising concept in government thinking about policy and implementation. As Jonathan Faull pointed out, it is remarkable how in less than two years, reference to these notions ‘has become stump material for politicians, journalists, activists and academics alike and an integral component of contemporary political jargon’ – key elements of a rhetoric that now informs ‘a substantive framework of policy and programme of action with tangible effects on the roll-out of services and societal interventions’ (Faull 2005:9).

Although these shifts have been lauded as helping to create more space for analysis and policy debate, the notion of the second economy itself has met with a mixed reception. At one end of the spectrum, conservative policy thinktanks like the Centre for Development and Enterprise were quick to appropriate this language and use it to ram home essentially neoliberal policy lessons: in a document entitled *Accelerating shared growth: Making markets work for the poor in South Africa*, CDE’s Anne Bernstein provided a rather selective overview of a number of case studies (many of which, on the facts, appear to point to the very opposite conclusions from those drawn in her report) to suggest that the main way of making markets work for the poor is simply to quit thinking that the poor had to be protected from them (in other words, to wake up to the efficiency of markets *per se* rather than planning and government intervention), and to suggest an essentially De Sotetan package of measures that would supposedly liberate the entrepreneurial potential waiting to be tapped in the informal sector (CDE for ComMark Trust 2006).



At the other extreme Naledi's Isobel Frye, in a think piece written in her personal capacity, roundly rejected the notion of the second economy, suggesting that it was simply a sleight of hand intended to deflect critical attention away from the failings of the mainstream economy: rather than flowing from 'structural disconnection', she argued, large-scale unemployment and impoverishment is a byproduct of the normal workings of the capitalist economy – which, indeed, is served by the existence of a large pool of reserve labour. For her the 'third world economy' is not a separate realm which should develop till it could be absorbed in the first economy, but rather a historical trash can for human flotsam 'extraneous to the needs of the sleek, lean and mean formal economy' (Frye 2006:10).

Others have adopted a more nuanced position, warning against simplistic or literal interpretations of the notion of the second economy while affirming some of its key assumptions. This is probably partly because the imagery of exclusion powerfully captures the way large scale unemployment seems to prevent poor people from partaking in the benefits of economic growth, and partly also because the term seems to be a way of naming and spotlighting the existence of 'structural underdevelopment' in South African society. Thus Nzimande, while warning that government should 'resist the temptation of advancing new (unclear) theoretical concepts through the media', and while emphasising that in the final analysis there is only one, unitary South African economy, appeared to welcome the way in which the second economy concept highlighted historical inequalities (Nzimande 2005).

Baumann has argued that the failure of Khula's plans for rolling out micro-credit lay in its inability to see that many potential users of micro-credit existed in the second economy, an economic realm of small scale activities that is excluded and disconnected from the first economy because it could not provide that first economy with any of the resources (skills or products) that it needed (Baumann 2004). The ANC's own documents have tended to insist on the unity of the South African economy, using the language of the two economies even while drawing attention to the many connections between them (ANC 2005).

This is one of the more interesting aspects of second economy discourse in policy debates. Perhaps its power and importance does not lie in the literal accuracy of what it says about the South African economy – clearly the notion of the second economy as an entirely separate economic realm with its own internal flows, boundaries and central institutions is rather easy to discount – but in its ability to provide a powerful and suggestive *shorthand* that can serve to name or frame the deeply segmented nature of South African society. As the South African presidency's Alan Hirsch has argued, the notion of the second economy is simply a 'metaphor', a way of opening a debate on structural determinants of poverty in South African society.

Frye's (2006:2) response to this, 'Policies should not be built on metaphors', seems rather misplaced. Insofar as they need to interpret, simplify, and make sweeping sense of reality, policies arguably *always* have a metaphorical dimension. A more



searching response to Hirsch might be to say that one should never say *simply* a metaphor. Metaphors are lenses – they play a crucial role in organising the way the world is interpreted, and for that very reason they always have consequences. While they may sometimes help us grasp a complex reality in powerful and intuitive ways, they can also give rise to misunderstanding, and direct attention away from what matters. The question, therefore, is not only whether second economy discourse offers an accurate analysis, but also what conceptual baggage and unstated assumptions it can import into analytical and policy discussions.

One important effect of second economy discourse, for instance, is that it sets up an elementary dichotomy between ‘integration’ and ‘disconnection’. As one of us has argued elsewhere, proposing that the problem lies simply in ‘exclusion’ leads almost inevitably to the unreflective and automatic assumption of the need for ‘inclusion’ (Du Toit 2004, see also Hickey and Du Toit 2007). Proponents of second economy discourse do not deny that links exist between the economic mainstream and poor and marginalised people and regions – indeed, given the abundant evidence of a long history of incorporation and integration, they would be hard-pressed to do so. Rather, they seem to argue either that *where disconnection exists*, it is intrinsically disadvantageous, or that disadvantage, where it exists, *must be due to some form of disconnection*. So although the existence of connections is not denied, second economy discourse predisposes policymakers to seek a ‘better integration’ – which is almost universally understood to be a tighter, closer one – and leaves untouched the underlying assumption that this larger system into which people need to be integrated will necessarily function to their advantage.

Furthermore, the notion that poor people are poor because they are trapped in a parallel, structurally disconnected realm is linked to another important discourse about poverty – one which links poverty alleviation centrally to service delivery. As Bank, Kamman and Meyer have pointed out this discourse approaches poor South Africans in the first place as passive citizen-consumers, constructs poverty essentially as a matter of inadequate delivery of social services, and thus imagines poverty reduction to be essentially a matter of the delivery of these services – and, especially, their rolling-out to ‘deep rural’, ‘remote’, ‘disadvantaged’ or ‘lagging’ areas quite independently of whether these services can be used, afforded or are even locally necessary (Bank, Kamman and Meyer 2006).

Thus, whether the notion of the second economy is merely metaphorical or not is not the point. The issue is whether it is a *helpful* metaphor; whether the way in which it orients analysis and policy is useful or not. This is the challenge we seek to address. To what extent does the two economies metaphor help us get a grip on the complex realities facing those who seem to have been unable to benefit in post-transition South Africa? Does it orient attention in a useful direction, and does it allow us to ask the right questions? And, if it is not a useful or appropriate way of thinking about the structural factors that keep poor people poor, what is?



Interestingly enough, even critics of the two economies discourse have not gone very far in trying to develop an alternative account in very much detail – though they have argued, like Nzimande and Frye, that poverty and unemployment may be a structural byproduct of the normal operations of the mainstream economy, or that first economy growth may exacerbate inequality (Gelb 2006) their attention too has mostly been focussed *on this mainstream*. It seems, in fact, as if exclusion is assumed to be self-explanatory: as if not much of interest or worth knowing happens in that excluded, disconnected, shadow-world. For all the currency of second economy talk, the paradoxical fact is that in the national debates about poverty and 'underdevelopment' not much attention has been directed to exploring in detail the livelihoods of the marginalised poor themselves, the precise nature of their links with the mainstream economy, and what this means for their social and economic (dis)empowerment.

In fact, one of the interesting difficulties in engaging with second economy discourse is that it is not always very clear exactly what the term actually denotes. As Devey, Skinner and Valodia have pointed out (2006:2) it is not simply another name for the informal economy, because it clearly also includes the unemployed and those who are not economically active. But what *is* it then?

In some ways, the term seems to have a somewhat racialised logic – not merely because in South Africa it goes without saying that everyone 'in' the second economy is black, but also because (like the notion of the 'traditional sector' in previous discourses about 'developing' economies) it is a way of naming those areas or formations of economic and social life which are understood to be different from or other than the 'modern' (i.e. Western-oriented and globally integrated) parts.² Other than that, it seems most of the time merely to be a residual term: the second economy is defined *negatively* as consisting simply of those phenomena and activities which are not in the first economy. This means that second economy discourse can have a distinctly circular aspect: it is used in causal explanations (poverty and marginalisation are the result of being 'stuck in the second economy'), but at the same time any business or activity which does well and which has transcended survivalism – a better-off spaza owner, for instance, or a successful farmer in the former homelands – would be almost by definition assumed no longer to be 'trapped' in the second economy, and to have succeeded in becoming part of the 'first'.

This circularity brings a danger that the distinction has simply become tautologous: the notion of second economy becomes reified as a kind of self-perpetuating, self-explanatory concept. What is lost from view if this happens, as Henry Bernstein pointed out in an earlier and parallel discussion about the need to discuss markets as they actually function, and not simply in terms of their deviation from a theoretical abstraction (Bernstein 1996), is the need to look carefully at the *actual* relationships and connections by which particular people and their activities are linked into the broader networks, processes and formations that together constitute 'the mainstream economy'.



3 STRUCTURAL AND CHRONIC POVERTY IN THE RURAL EASTERN CAPE

In the following pages, we consider some in-depth case studies drawn from a period of research in two key sites of impoverishment and economic marginalisation in South Africa (Du Toit and Neves 2006). Our analysis is not merely meant to disprove or to show up the weaknesses in the second economy argument, but to suggest some alternative ways in which economic marginality and structural disadvantage can be conceptualised.

PLAAS's research into the social dynamics of economic marginalisation is part of a broader concern with the political economy of chronic poverty and responses to it, and forms the subject matter of its partnership with the Chronic Poverty Research Centre, an international network of poverty researchers centred in the UK. As one of us has pointed out elsewhere, understanding chronic poverty requires a careful analysis of *structural* poverty; and that this in turn cannot simply be reduced to the quantitative analysis of asset endowments, but should also involve a theorised exploration of the way in which livelihoods are shaped and mediated by the broader political and social contexts within which they are pursued, and of the key role played by social process and social relations (Du Toit 2005a, 2005b).

These concerns led to a period of research into the structured dynamics of vulnerability and social protection at the margins of the South African economy, conducted on behalf of the South African Treasury. This research built on an earlier livelihoods survey conducted in 2002 in the export fruit growing town of Ceres, in Mount Frere district in the Eastern Cape, and in Cape Town's African suburbs (Du Toit 2005a, 2005b, De Swardt *et al* 2005).

For the purposes of the more recent 2005–2006 project, 48 households were selected from the 1st and 5th income quintiles in selected urban sites around Cape Town, and in Mount Frere the Eastern Cape – two sites which are geographically distant, but which are closely connected in many ways – nodes in the complex pathways of post-apartheid migrancy. In-depth interviews were held with 'household heads' and primary caregivers in each of these households. These interviews focussed on exploring the wide range of often quite marginal economic activities on which people depended, as well as the key ways in which they were sustained by wider social networks.

From these households, 10 were selected for a second, more in-depth round that looked in more detail at key household members' life histories, and that mapped broader social networks in more detail: here, research 'snowballed' out from the case study households to include interviews not only with primary household members, but also with the people in other households upon whom they depended or who were dependent upon them. Research also focussed on building up a clearer understanding of the 'local political economies' within which individuals and households made their choices and constituted their livelihoods (for a more detailed discussion of the project and its findings see Du Toit and Neves 2006).



We begin our analysis in the bleak hillsides around the town of Mount Frere in what these days is known as the 'former Transkei'. The dry, un-irrigated grassland terrain and the stray livestock grazing perilously on the road verges make a clear contrast with the green fields, planted windbreaks, erect fences and scattered farmhouses on the KZN side of the provincial border only a hundred or so kilometres away. Even the tarmac of the national road becomes frayed at the edges and punctuated by pot holes here. A little more than midway between Mthatha and Kokstad, on the busy arterial route of the N2, is the town of Mount Frere. The town is a local commercial hub in the district – although the district municipality has its head quarters in nearby Mount Ayliff.

Research was conducted in the scattered villages in the Umzimvubu and Thabankulu areas in the Alfred Nzo District Municipality around Mount Frere. The villages are accessed by bumpy dirt roads which snake through the largely treeless landscape, and often become impassable in the summer rains. The surrounding countryside everywhere bears the imprint of agriculture in decline: ranging from the overgrown terraces of abandoned ploughing fields (*insimbi*), the collapsed, rusting fences and the scrawny, listless livestock. The tell-tale green patches of cultivation that are visible are for the most part only the garden plots that tightly encircle clusters of homesteads.

This pastoral landscape is characterised by a strange paradox: it appears at one and the same time a neglected hinterland *and* a crossroads shaped by tight connections with other places. Buses, minibuses and the battered pickup trucks known locally as *quqas* (dung beetles) carry a ceaseless stream of human traffic between the isolated villages, the local town of Mount Frere and more distant urban centres. The busy N2 bisects the town, and freight-hauling juggernauts and cars rumble endlessly through town. Everywhere present along the bustling main drag is the branding of corporate South Africa: Vodacom, Shoprite, Vicks, FNB, Cell C, Pep Stores, KFC, Castle Lager, Oxo and Boxer. Stalls line both sides of the main road, sometimes two deep, selling consumer goods, clothes, food and public cellphone access.

The cosmopolitan make-up of this informal retail fringe gives the lie to the notion of Mount Frere as a far-flung rural outpost unconnected to the globalising world: business is conducted here by local people as well as Ghanaian, Senegalese, Zimbabwean, Chinese and Pakistani traders. Some of the latter – they mostly peddle cellphone chargers and sunglasses – explain they first left their native villages in Pakistan only six months before. On Fridays, pension payout days and month-ends town overflows with even more people and activity than usual, as the crowds spill out onto the streets. The passing traffic of lumbering trucks, sales reps in sedans, heavily laden minibus taxis and holiday makers in four wheel drives are compelled to pick their way carefully through the throng.

None of this, of course, should be surprising. Even a cursory glance at South African history shows that 'structural disconnection' is a poor way of understanding



the real relationship between the 'former homelands' and the mainstream economy. Nowhere is this more evident than in the rural Eastern Cape, a region the present-day configuration of which has been thoroughly shaped by centuries of forcible, differential and uneven *integration* and connection with *other* places and economies. We do not need more research to tell us this: several generations of anthropologists, historians and sociologists have traced in detail the complex ways in which colonial and apartheid policy worked to disrupt the agrarian economy of Xhosa society, how this helped make workers available to labour in the mines and factories of Johannesburg, East London and Cape Town, how policy aimed to subjugate and co-opt local elites and structures of traditional authority to serve the needs of settler society; how redundant workers were dumped back into the rural economy when the decline of mining and manufacturing meant that 'unskilled' and manual workers were no longer needed (Bundy 1988, Bank 2002, Bank and Minkley 2005, Southhall 1994).

This history has created a very particular kind of landscape: one simultaneously characterised by a profound lack of local economic activity and investment, and pervasive, historically sedimented relationships of dependency on other regions and economies. This seems to be driven by four interlocking dynamics:

- (1) First, rural poverty has been exacerbated by under-investment in agriculture and an uneven but significant process of de-agrarianisation (Bryceson, 1996). Bank *et al* show how in the former homeland areas the slow collapse of agrarian production has led to a high degree of intra-regional migrancy: as the restrictions on 'squatting' enforced by the apartheid regime were lifted, large numbers of people abandoned the more remote villages and settled around secondary towns (Bank Kamman and Meyer 2006).
- (2) Secondly, the industries that sustained generations of unaccompanied male circular migration (and that enabled some investment in cattle and local agrarian capacity) no longer require vast numbers of unskilled, cheap black labourers: surveys seem to indicate that remittances are dwindling, that migration to urban centres is becoming less certain and riskier (Binns and Nel 2003, Bank, Kamman and Meyer 2006).
- (3) Thirdly, de-agrarianisation, local urbanisation and the repatriation of surplus workers have not led to the greater development of local service delivery. Local services and industry are strikingly thin and limited to a few, often over-traded sectors predominantly in retail and low end services. This has led to the development of spatial poverty traps around smaller Eastern Cape Towns, with migrants neither finding jobs nor being able to migrate onwards to the larger urban centres.
- (4) Fourthly, the growing HIV/Aids pandemic is felt amongst the working-age population of the province, leaving children and elders to cope with the demands of survival and the escalating care burden of looking after orphans



and dying relatives. Clearly – and most proponents of the second economy thesis would presumably not deny this – the society and economy of the rural Eastern Cape cannot be characterised simply in terms of inclusion and disconnection. It seems fairly evident that the rural Eastern Cape should be seen as a case of what has elsewhere been called 'adverse' or dependent incorporation (Murray 2001, Bracking 2003, Du Toit 2004). In itself, this however is not to say anything new: the research and analytical challenge that remains is that of coming to a better understanding the *nature* of this adverse incorporation, and to look at the exact ways in which connections to the urban metropolises shape livelihoods either positively or negatively.

In-depth interviews with a small number of selected households cannot offer up a detailed or comprehensive analysis of an entire region and all of its overarching social and economic dynamics. Case studies, however, can cast light on some of the key livelihoods processes at work, highlight interconnections and links between apparently disparate processes, and suggest the ways in which these processes are shaped by modes of incorporation into the broader South African and global economy. An exploration of what is revealed by an investigation of dynamics at the level of individual histories, along with inter- and intra-household dynamics, can illustrate much about how these elements are shaped by circuits of interconnection to distant systems, places, markets and economies.

One important dynamic illuminated by this work is the complex role played by agriculture and the intricate social and economic dynamics of de-agrarianisation. Agriculture and various land based activities play an important role in household well-being, yet households were clearly variable in the extent to which they could participate and benefit from it. Significant investment in land-based activities was usually the prerogative of wealthier households that had money to pay for inputs such as ploughing or the acquisition of livestock. Households that seemed to be poorer, and that did not have access to pensions or remittances from members or kin with formal jobs were unable to invest much in agriculture.

But the divergence between better and worse-off households is not simply a result of being 'connected' or 'disconnected'. Rather it relates to an underlying social and economic process that has shaped the possibilities open to *both* households that had strong connections into the urban economy and those that did not. *Both* the ability of some households to participate effectively in agriculture, *and* the difficulties faced by those that could not, are the outcome of a broader and more complex restructuring of the local agrarian economy.

One key dynamic here is related to a deepening monetisation. Within the focal research area, there were strong indications that the role of agriculture has declined in the district. With many of the large cultivated fields (*intsimi*) falling into disuse, householder agriculture had retreated to the garden plots adjacent to homesteads. Evidence from elsewhere in the former Transkei suggests an 'intensification' in the cultivation of the smaller homestead garden plots, in an effort to maintain output in



the face of declining resources (Andrews and Fox 2004). Informants readily relate the abandonment of the cultivated fields to the fact that ploughing increasingly relies on mechanical rather than animal traction. Poorer householders have neither the money required to hire tractors to plough, nor do they have access to animal traction. This is in part to changes in the nature of cattle ownership. Some research suggests that while overall numbers of livestock in the rural Eastern Cape have remained more or less constant, cattle ownership has become highly concentrated (Heron 1991). Indeed, PLAAS's 2002 survey suggested a very unequal distribution of cattle: while 80% of households owned less than 5 head of cattle; about half owned none, while 5% owned 10 head of cattle or more (Du Toit and Neves 2006). Moreover, cattle ownership is frequently correlated with non-rural income sources, and tends to be concentrated in the hands of local elites such as traditional leaders, bureaucrats and businessmen (Cousins 1996). The ability to partake effectively in agriculture is not so much a direct function of 'connection' or 'disconnection' as it is part of a broader dynamic of deepening local inequality.

The vicious cycle of de-agrarianisation is not merely a direct outcome of the local economics of ploughing – rather it seems to be linked to the complex re-articulation of the social relations that sustained a particular kind of local agriculture in the past. The abandonment of the planting fields unchains a further dynamic: with fewer people cultivating there is little incentive for the entire village to keep stray animals out of the poorly fenced fields. With the introduction of schooling and changing intra-household relations of power, children are less available to control livestock. Consequently, many research respondents report crop losses due to stray livestock, or express a reluctance to cultivate in anticipation of these large losses. In addition, interviewees also reported a process that might be called 'bovine deskilling': even where people have livestock, oxen are no longer being trained to the plough, further increasing people's dependency on mechanical traction. The decline of agriculture in this region is further compounded by the dissipation of whatever homeland-era agricultural extension services (such as cattle dipping) existed in the past.

Deepening rural inequality, furthermore, has its own consequences for the social arrangements that sustained local agriculture. Sharper economic differentiation between households undermines the cooperative work arrangements, such as the *ilima* (work parties constituted for weeding fields) and the collective ploughing companies that traditionally were a mainstay of agricultural labour. Better resourced households are inclined to withdraw from these groupings when they receive fewer benefits than they contribute, hence poorer households are further undermined in their ability to engage in agrarian production (Spiegel and Mehlwana 1997).

De-agrarianisation is not merely a process that can be understood in terms of the economics of cattle husbandry, agrarian cultivation and communal labour. It is also connected to the intricate links people make 'between food production, rural life and social identity' (Minkley and Bank 2005). Successful agrarian production and



the cooperative work arrangements embodied in the *ilima* depended on a certain articulation of social and gender relations within and between households, and on an underlying set of social and moral precepts: a conservative, patriarchal rural cultural ideology that enforced a collective commitment to an agrarian, Xhosa way of being.

While these social forms can still flourish in some maize growing districts in the former Transkei – areas characterised, interestingly, not merely by a location in the high rainfall coastal belt, but also by *remoteness*, by the *lack* of disruption by markets (McAllister 2001) – changes in large parts of the Eastern Cape have served to undermine the social relations and gendered power relations that underpinned the extraction of labour from women and children (Nngwane 2003, Bank 2005). This interplay between social identity and agrarian production is even evident in the changing nature of the household formation. In the past, cash remittances enabled young men to pay dowry (*lobola*) and thereby 'build' the homesteads (in both social and economic terms). The resultant normative cycle of household development (Spiegel 1996) rendered agricultural work the preserve of either middle aged men who had retired from urban labour, or women. There is some anecdotal evidence to suggest that local agrarian labour continues to be regarded as an inappropriate vocation for a young man.

Finally, at this point, it is useful to think of the place of agriculture in relation to larger debates concerning the dynamics of economic marginalisation. The smallholder agriculture described above does not fit neatly into either the 'second economy' or the 'first' as it is traditionally conceptualised. On the one hand, agrarian production around Mount Frere is far from an autochthonous, traditionalist activity, untouched by modernity and engaged in by those who are not part of the first economy: on the contrary it is crucially dependent on the first economy. Yet neither does agriculture, where it is productive, succeed because it is thoroughly integrated and oriented towards the market economy. Even in the wealthiest and most agriculturally productive households, farming it played a mostly economically supplementary role. This is not first economy agriculture by any stretch of the imagination, and farming activities are not succeeding because they are plugged into efficient markets in the way in which the proponents of the two economies posit. Rather, farming makes sense, and succeeds, as part of the complex portfolio of livelihood activities and practices of reciprocal exchange that characterise pluri-active rural livelihoods in the Eastern Cape more generally.

If a relative dearth of agricultural activity is a feature of the Mount Frere district, a further striking feature of the region is the absence of a thriving secondary economic sector (particularly light manufacturing or industry). Part of this is due to the collapse, alongside in the decline in mining and manufacturing employment in South Africa's urban centres, of the regional textile and garment industries created as part of apartheid's policies of 'deconcentration' (Nel and Temple 1992, Bank and Minkley 2005). By 1998 Butterworth alone had lost 80% of its industrial jobs, each supporting scores of rural dependents (Bank and Minkley 2005).



The overarching forces of economic change, market liberalisation and globalisation therefore confer the overarching context and represent some of the factors driving the decline of both agrarian and industrial activity in this region, and much of sub-Saharan Africa generally. However, there are linkages and synergies between these two activities: for instance the Asian development literature is replete with accounts of rural industry. Moreover livelihood diversification (through non-farm employment, petty commerce and urban migration) now contributes to roughly half of all rural incomes in low income countries (Ellis and Allison 2004). This diversification, however, serves to reproduce and reinforce the social differentiation described above. Better off households usually diversify into non-farm business activities (such as business, transport services, construction), while the poor, with fewer opportunities, tend to diversify into casual work, much of it in agriculture and subject to the shocks and seasonality of smallholder agrarian production (Ellis 2006).

Bryceson and Jamal (1997) argue that activities such as weaving, pottery, beer brewing, carpentry and (perhaps) auto mechanics and transport services generally represent a small scale, sporadic, risk-mitigation strategy tailored to household subsistence – not proto-professional occupations and business stretching their tentacles into the formal, first economy.

The general paucity of the secondary economic sector in this region is arguably not related to the lack of linkages with the formal economy, but to its very nature and ubiquity. Systematically deprived of development for decades, the sudden retail deregulation of the former Transkei in the 1990s saw the local retail economy rapidly dominated by large national supermarket chains that swiftly moved into the small rural service centres such as Mount Frere. While these supermarkets have succeeded in supplying local areas with cheaper food, they have also in other ways been part of a far-reaching transfiguration of the rural economy.

Crucially, they have undermined the economic base of the network of rural trading stores that in many ways constituted local hubs in the region's agrarian economy. Although these stores enjoyed a statutory protection from competition that saw their white traders, and later the homeland elite, benefiting from a captive market, they were also important centres of local exchange. Rural trading stores were where migrant labours took 'the join' (labour recruitment), stores milled local farmers' maize, bought and sold local agricultural surpluses, and were hubs of postal and telephonic communication. The local credit economy on which these stores depended has made way for a cash economy in which supermarkets are central. These stores are in part what gives Mount Frere its centrality in the district: its limited importance as a centre of local government is of far less significance than the five large wholesalers and supermarkets it is home to. The national supermarket chains of Shoprite, Spar, and Boxer (a subsidiary of the Pick 'n Pay group) have shop frontage within a few hundred metres of the town's main road.

Although these supermarket chains supply cheaper food, their supply lines invariably bypass local production. All the milk, meat and other perishables for sale



Mount Frere supermarkets are sourced not from local producers, but rather the more distant commodity markets of Kokstad, Durban and East London. Of the five largest retailers in Mount Frere, only a single store is in any sense locally owned (by a long-resident Cypriot Greek family). Only they are willing (and able to) purchase products locally. The store's owner will buy from local producers on one very simple condition: that the producers do not attempt to sell the remainder of their produce locally. The store's enterprising owners turn their local expertise and decentralised management into a competitive advantage, surplus or bruised fruit and vegetables are peddled directly on the pavement. Thus this store – a franchise of a major global supermarket chain, with 14 500 stores in 33 countries – competes head-to-head with the informal vendors on the dusty sidewalks of Mount Frere.

Perhaps nothing speaks as eloquently of the new configuration of the local economy than the material geography and institutional underpinnings of the town's cash economy. In less than a kilometre of main street there are three automated teller machines (ATMs) – and the way they are positioned says much about cash flows in the local economy. Each one is positioned in close proximity to one of the three major supermarkets: the Standard Bank ATM is in a new facebrick edifice across the road from the local Spar, Mount Frere's oldest supermarket. The ABSA ATM is grafted onto the side of a steel shipping container, on the pavement alongside the local Shoprite. One of the FNB machines illustrates the symbiosis between retail banking and food retail even more dramatically. A compact device no larger than a modest television set it sits *within* the lobby of the local Boxer supermarket – and contains no money. Instead, the machine dispenses printed slips which can be redeemed for cash or goods from the store cashiers, thereby eliminating the need for superfluous duplication of the cash infrastructure. A similar arrangement exists in respect of the pension pay-out machine situated inside the local Spar. The machine bears a handwritten sign indicating that pensions can be drawn from the machine – on condition that they spend 10% of their payout, immediately, in the shop.

Follow the money, as the saying goes: cash comes into Mount Frere in armoured transit vans, is deposited into the ATMs, is drawn by local people – often against funds deposited there by distant relatives or drawn down as social grants – it typically moves five or ten metres across the street or lobby of a store, and then leaves again: repatriated as profits to South Africa's retail giants. Mount Frere is neither a local economic hub nor a neglected, economically irrelevant hinterland: rather, it is a small node in a larger network. Although the links into the national and mainstream economy appear direct and strong, what is lacking is a network of *internal* interconnections and meaningful local multipliers to constitute a functioning *local* economy.

4 THE POLITICAL ECONOMY OF RACE AND SPACE IN GREATER CAPE TOWN

While poverty in Mount Frere is shaped by the key facts of remoteness, underdevelopment, de-agrarianisation and adverse incorporation, poverty in the Afri-



can township of Khayelitsha seems to be patterned most above all by the political economy of racialised urban space. Established in the mid 1980s, removal to which was fiercely resisted (Cook 1985), Khayelitsha is inhabited mostly of recent migrants into Cape Town. From this perspective perhaps the most salient fact about Khayelitsha is that while it is populated mostly by those who have left the rural Eastern Cape to seek jobs in Cape Town, they remain in a very large measure economically, spatially and racially marginalised from the city.

In the first place, the urban economy has not succeeded in creating many formal employment opportunities for Cape Town's impoverished, landless, and under educated African population. Since the early 1980s increasing capital intensity in the economy as a whole has driven a decline in manufacturing employment, with 200 000 jobs being lost between 1980 and 1996 nationally. While Cape Town initially bucked this trend, the period after 1996 saw significant manufacturing job losses driven mostly by the decline in the clothing industry. In addition, there has been a decline in the numbers of people employed in private households (SACN 2004:52). On the whole then, employment opportunities for unskilled workers have been diminishing. This is unlikely to be addressed in the future by the growth path taken by the city: like many other South African cities Cape Town has emphasised an outward looking, globally integrated growth path, emphasising financial services, tourism and export-led manufacture (SACN 2004:66ff).

This has not created many jobs for unskilled workers – and even where 'unskilled' jobs do become available, a range of cultural, racial and linguistic factors continue to marginalise Khayelitsha's residents. *Half* of the urban respondents to the 2002 survey reported that they were unable to speak either Afrikaans or English, a figure that was relatively independent of whether they were recent immigrants or not; even among those who had had between 11 and 12 years of schooling, 28% reported themselves unable to speak Afrikaans or English. This is a substantial disadvantage, given that Cape Town is the only South African metropolitan area with a majority non-African population (Cousins Skuse and Parnell 2005)

The social disadvantage many Eastern Cape migrants face when competing in Cape Town's labour markets is exacerbated by the politics of race and space. In an important sense, Khayelitsha is in, but not of Cape Town. It is situated more than 30 kilometres from the city centre and remote from the shopping and manufacturing sectors where most of the jobs are to be found. Travel to and from these centres is expensive, time consuming and unsafe. In many ways, then, Khayelitsha is something of an economic, racial and cultural enclave. Many people travel thousands of kilometres from the Eastern Cape to come to the urban areas – and indeed shuttle back and forth between their rural homesteads and their dwellings in Sites B, C or Kuyasa – but rarely venture the last 15 or 30 kilometres into the economic hub.

Economically, culturally and socially, Khayelitsha is therefore a paradoxical place. Thoroughly metropolitan and part of the urban economy, it is also in some ways the Eastern Cape's westernmost village. Although perched right on the urban pe-



rimeter of Greater Cape town, its denizens often speak as if Encobo is closer than Claremont, and visit Qumbu more often than they do Kraaifontein. Created as an apartheid dormitory township it has acquired a community character in its own right – while characterised by high levels of poverty and unemployment, it is also humming with informal activity.

Does Khayelitsha, then, constitute a second economy disconnected from the urban economy of the rest of the city? The notion does not seem appropriate. Although we have said that Khayelitsha is 'in' but not 'of' Greater Cape Town, *both* sides of that paradox – *both* its connections with urban economic life *and* its spatial separation (originally conceived through apartheid spatial planning, now perpetuated through the calculus of land values and practices of urban planning) are parts of the overarching political logic of the township's racially differentiated spatial and social incorporation into Cape Town.

Khayelitsha's residents are (largely) redundant as unskilled workers, yet they are valued as consumers. They are isolated from the cities economic epicentre, yet are decisively present as citizens and voters. They are constructed through racialised discourse of crime and fear as a potential threat to Cape Town's lucrative tourist industry, yet they are themselves objects of tourism. (Khayelitsha, like many other South African ghettos, now boast carefully managed township tours. There is even a tourist panopticon: a lookout point on a hillock at the edge of the township, through which visitors can peer out at the matchbox houses and ramshackle dwellings that stretch out below.)

Together, these factors – accumulated social and educational disadvantage, the perpetuation of spatial and racial segregation, an internecine local politics of linguistic and cultural exclusion, and estrangement from many of the circuits of economic prosperity and accumulation – have important consequences for what in development-speak would be called the 'vulnerability context' for Khayelitsha's residents.

- (1) The first key factor is the simultaneous centrality and fragility of paid employment in or on the margins of the formal sector. In the 2002 survey, 85% of the households in Cape Town's African suburbs with an income of more than R1 500 contained at least one adult with access to permanent, stable employment. But the data also highlights the insecurity of employment in the usually unskilled sectors of the economy: 31% of 622 urban households reported in 2002 that the breadwinner has suffered the loss of work in the previous year, and 30% reported the loss of a permanent job in the previous five years. Even formal employment is tenuous.
- (2) Secondly, as with the urban poor elsewhere in the world, urbanisation and integration into the urban economy is a double-edged sword. On the one hand, closeness to the urban sector assures greater chances of employment and a better income, while in Cape Town, unemployment has been significantly



lower than the national rate outside cities (Boraine *et al* 2006:270). But at the same time, the local economy is far more thoroughly monetised, and there is no agrarian economy to potentially cushion monetary shortfalls.

This is an important point to be borne in mind by those who dismiss the role of so-called 'subsistence' agriculture in the Eastern Cape. While in the 2002 survey households appeared monetarily much better off than in Mount Frere (mean expenditure per adult in the urban sample was R250, as opposed to R160 in the rural areas), the proportion of households that reported spending more than 40% of household expenditure on food was almost the same (Du Toit and Neves 2006). While cash is more plentiful, the effects of cash shortfalls are more dire, and while closer integration into the urban economy brings increased opportunities, it also means that urban livelihoods are more sensitive to fluctuations and changes in that economy. This parallels the experience of the urban poor elsewhere in the world: in Latin America, for instance the elasticity of poverty with respect to growth is significantly higher in the urban than in the rural areas (see Faye 2004).

- (3) This increased vulnerability to fluctuations in the formal economy is made even more significant by the limited scope for informal economic activity that can cushion these shocks and supplement formal sector income. So although qualitative research was able to reveal much broader participation in informal economic activity than the 2002 survey (see below), these activities have to be undertaken under very difficult circumstances. The distance to the town centres mean that residents are far, not only from formal jobs, but for markets for informal economic activities. Unemployed African migrants in Khayelitsha trying to make a living from informal economic activities are essentially pinned down in the poorest parts of Cape Town.
- (4) As in the Eastern Cape, another problem is the fact that some of the linkages that do exist between the township economy and the formal economy are of a problematic kind. A key issue here is the central and dominating role of large supermarket chains, which must necessarily crowd out informal retail activity. Again, it is not clear whether, in the context of economic vulnerability and fragile employment, the economic benefits of cheaper food outweigh the lost opportunities for self employment. It is however clear that one of the key asymmetries facing those involved in informal sector activity is that while households in poorer communities are denied access to markets in the wealthy, white parts of town, where the lead corporations of the so-called first economy have untrammelled access to township markets. This must significantly reduce the potential for local multiplier effects and economic growth within these communities.
- (5) Another important factor limiting and constraining informal economic activity flows from the character of social relations in Khayelitsha. For a variety



of reasons – extreme poverty and deprivation, a population of relatively recent and transient migrants, and the historical lack of effective policing on the Cape Flats in the 1980s and 1990s, crime and violence is a central fact of life in Khayelitsha. Some current research indicates that fear of crime and criminality may play an important role inhibiting plans for informal economic activity (Cichello 2005). In more than one case, informants corroborated this, indicating that crime, violence and the fear of violence was an obstacle in their informal economic activities.

5 SURVIVALIST 'BUSINESS' REACTIONS

Meanwhile, SMME (Small, Medium and Micro-Enterprise) activities often seemed simultaneously vital to survival and perilously marginal and fragile. In several cases, informants appeared to rely heavily for their very survival on economic activities that, even after careful probing, seemed to offer only vanishingly small economic rewards: selling cooked sheep's heads – which require hours of arduous, dirty and unpleasant work – for R10 profit a head; selling, by the cupful, paraffin carried kilometres in the hot sun at a profit of a few cents a sale; selling individual pieces of chewing gum or single cigarettes or biscuits for 10c each; helping run a crèche all day, every day, for R200 a month; being paid R10 or R15 for a day's work plastering a mud hut in the Eastern Cape (Du Toit and Neves 2006). All these activities seemed barely sustainable or profitable, yet they seemed to be the household's only means of getting their hands on some cash.

This last point is worth bearing in mind when considering the nature of much writing and research about SMME's in South Africa. Indeed, some of the most important policy treatments of SMME sector suffer from a strange kind of misdirection. On the one hand, they acknowledge the diversity of the informal sector, and recognise that by far the greatest share of self employment and informal sector activity is 'survivalist' in nature (Rogerson 1996). But having done this, many studies then proceed to concentrate almost entirely on the tiny minority of medium- to micro-enterprises that are *not* survivalist, that have some potential of growing and employing people beside the operator him/herself (Chandra *et al* 2001, Berry *et al* 2002 and Ligthelm 2005). Even studies that are explicitly concerned with 'township businesses' such as spaza shops still concentrate on those that are large and formal enough to have significant credit needs and to be formally plugged into national supply networks (Ligthelm 2004).

This is probably understandable: the intellectual frameworks that are suitable for understanding micro-enterprises have little traction on the realities facing those in the so-called survivalist sector.

A good example of what happens when this kind of perspective is used to try to assess the nature of informal enterprise and self employment is provided by Gideon Maas and Mike Herrington, authors of the Global Entrepreneurship Monitor 2006 Report for South Africa (Maas and Herrington 2006). In findings accorded high



prominence by South Africa's business press, the report unfavourably compares South Africa's levels of early stage entrepreneurial activities with international levels and argue that this is because South Africans do not have the 'right mindset' to be entrepreneurs. Noting that most of those involved in the 'survivalist' sector are women, Maas and Herrington argue that one important 'determinant' which 'influences women entrepreneurs negatively' is 'culture/tradition', which predisposed women to 'look after their families' and to choose 'businesses' that were either flexible or undemanding enough to allow this. This, for Maas and Herrington, is just not good enough: noting that these activities were characterised by the 'lack of the use of new technologies' and that most of them were what they called 'me too' businesses, they do not pause to consider the constraints and conditions that might enforce such characteristics. They observe only that 'these types of businesses can really challenge and stimulate women to become better entrepreneurs and as such make a better contribution to the socio-economic development of the country' (Maas and Herrington 2006:37).

The problem with this kind of analysis is that though it tells us a lot about the authors' assumptions about how a township business *should* look, and about how informal employment activity diverges from this ideal type, they fail to consider the particular ways in which these activities might be adapted to the realities and challenges faced by their protagonists.

In this research project we did not attempt to assess the profitability or sustainability of any 'informal businesses' or investigate in depth the micro-economics of informal economic activity. Such an investigation would require a detailed research project in its own right. At the same time, in-depth interviews produced many insights into the nature of the informal economic activities, their place in people's livelihood strategies, and some of the constraints and difficulties that they faced. Here, we highlight three other crucial features all of which have profound constraining implications on their ability to contribute to livelihoods.

The first is the narrow range, the differential nature, and the concentration of benefit for informal economic activities. A very small number of households had been involved in some kind of craft production or manufacture, or were involved in a fairly lucrative businesses (a well-established shebeen, a spaza on a main road, a small builders' business, and two dressmakers). Two households, interestingly, obviously gained somewhat from being strategically involved in community work of some kind (this category includes a household that ran an independent Zionist church and an individual involved in 'farming NGOs' by situating herself as a key gatekeeper for development and community outreach work). Most of the other activities relate either to small-scale retail and low value services.

The overtraded, overcrowded nature of the sectors populated by 'survivalist' business may be due to the relatively low costs of entry to these activities. Some of the more remunerative businesses reported by informants required the possession of significant levels of skill or some other strategic advantage: making traditional



dresses, for instance, required not only sewing skills and a sewing machine, but also relied on the ways in which the 'stretched' households produced by migrancy allowed a kind of spatially distributed production system in which rural kin took orders and collected deposits for dresses made in Cape Town; a successful shebeen depended on the infrastructure provided by a pickup truck paid out of formal sector wages and on the social networks built over 20 years of local residency; a small building business in the Eastern Cape was run from the local headman's compound. For the rest, the activities listed do not require high levels of skill or very extensive capital outlay: as Cichello points out, this means that capital or skill thresholds should not count as a major obstacle (Cichello 2005). But for exactly that reason, these sectors are also very crowded and competitive, which decreases their potential for bringing in significant income and makes it quite difficult for them to be viable.

Here, the limitations of an analysis of 'survivalist' business that focusses mostly on the extent to which they converge with or diverge from the supposed characteristics of a 'proper' formal sector business becomes particularly evident. As we have seen, the marginal and survivalist nature of informal economic activity sometimes gives rise to the notion that the problem with 'self employment' and 'micro enterprises' among poor people is that they somehow lack entrepreneurial ability, do not understand markets or, as Maas and Herrington put it, lack the required 'mindset' (Maas and Herrington 2006). The problem with this notion is not only in its veiled racism, but that it also fails to recognise the significant amount of ingenuity, strategic knowledge and effort that is required to sustain informal economic activity under the difficult conditions that exist at the margins of the formal economy.

One important requirement for survival, as we have noted, appears to be the willingness to invest huge amounts of labour and time for vanishingly small margins. Another appears to be the ability to negotiate the 'politics of intimacy' constituted by the complex networks of reciprocity and the creation and exchange of obligations, debts and duties within social networks. These networks are vital to the systems of 'private social protection' that allow poor South Africans to mitigate poverty and the effects of vulnerability; but they can also be the epicentre of serious conflict, tension and highly unequal forms of exchange (Spiegel *et al* 1994, Spiegel and Mehlwana 1997, Bracking and Sachikonye 2006, Sagner and Mtati 1999, Du Toit and Neves 2006, see also Du Toit and Neves 2007b, 2007c).

This is a key issue: the viability of businesses did not appear to be based simply on their ability to compete on market factors like price and quality. Rather than existing in the anonymity of an open market where the social relationships between buyers and sellers were unimportant, these businesses often had their being entirely within the network of acquaintances, household members and kin.

A linked feature of these activities is that, very often, they are not clearly distinguished from the domestic economy of the households within which they are pursued. Purchases for own consumption and for businesses purposes could not be



neatly separated, and often stock bought for the purposes of retail would be used to tide over household members during difficult periods, or would be subject to competing claims.

Were such households selling their groceries – or eating their stock? The answer seems to be ‘both’. The lack of distinction between the household economy and the ‘business’ should not be seen as evidence that informants did not understand ‘business principles’. For one thing, their difficulties in creating a ‘business’ separate from the economy of the household stem simply from the harsh realities of poverty. For another, if economic shocks sometimes meant that household members ‘ate the spaza’ this does not mean their business strategy failed – it simply means that informal economic activity should not be seen *exclusively* in terms of its potential to become the seed of a formal, profitable business, but also in the way it allowed participants to leverage and supplement scanty domestic resources and cope with shocks.

This is related to a key feature of the ‘survivalist’ informal economic activities revealed through research: their supplementary and complementary role within a portfolio of other activities to which they were linked in complex ways. Most of the informal economic activities in the study were not self sustaining, but depended for their continuation on people’s ability to leverage one activity through another, or to create complex synergies between activities. In some cases, a single person or a single household engaged in a wide range of activities that supplemented, complemented and fed each other – cash from looking after neighbours’ children or doing their washing providing resources to buy stock for the shop. In other cases, funds from formal employment or from a social grant supplied the cash that enabled informal economic activity to keep going.

What is true ‘inside the household’ is also true in relation to the markets in which informal economic activity was conducted. This is most obviously true for the selling of meat and *umqhombothi*, which often is very strongly conducted within the context of local face-to-face networks, and linked to the local perceptions of the reputation of particular women and their households. Another important way in which social relationships shaped the prospects for and conduct of informal economic activities was through the dynamics of credit. Here, we are not talking about the need *for* credit on the part of people involved in informal economic business. Indeed – rather surprisingly, given the huge importance accorded to micro-credit by much of the literature on informal enterprises – very few informants at all mentioned the need for credit as a major constraining factor. But quite often informants did, without prompting mention the the difficulties posed by the fact that they needed to *give* credit.

In a context where informal economic activity is pinned to impoverished areas, and where supermarket chains easily ‘suck’ large amounts of money out of the local economy, staying in business often depends on one’s willingness to *give and recover* credit. Sustaining informal economic activities therefore required careful and



astute credit management strategies. This has important implications. Quite obviously, this reliance on credit is another factor that means that even for very low level marginal activities, business is mostly conducted between people who know one another. But beyond this, one's ability to pursue a business is also crucially affected by social identity and social relations. More than one informant, for example, highlighted that gender played a major role in one's ability to collect credit, holding that 'a man can't "collect" a woman' or, inversely, that 'a woman could not "collect" a man'. This has important implications particularly for the ability of single female household heads to participate in informal economic activities. All these factors illustrate the importance of understanding in detail the nature of the social relationships that constitute the context of informal economic activities of whatever kind.

These considerations emphasise the ambiguous and complex implications of dependency on social networks for small business activity. To the extent that social networks enable people to make strong claims from family or household members, it plays a key role *both* in enabling informal economic activity (for example by allowing pressure on family members to contribute free labour to informal enterprises) *and* limiting it (by allowing strong claims on the proceeds or even the stock of such 'businesses').

It is important that an awareness of these ambiguities does not lead to pat, formulaic or reductive analyses. In recent years, some analyses of the risk mitigation strategies of poor people have tended to cast these difficult compromises as 'Faustian bargains' in which long-term prospects are sacrificed for short-term security (Wood 2003). Quite aside from the availability of such metaphors for appropriation in narratives in which the risk-averse poor are blamed for their own poverty, we found little evidence for such clear and instrumental trade-offs. We could not find cases in which viable paths to long-term wealth had been eschewed through timidity or caution. The rather more dispiriting reality seems to be that for many informants, social and economic agency *as such* was very often circumscribed, and dependent on shifting and perilous foundations. Some – partly because of other forms of positional advantage and resource access – can act powerfully within their social networks, commanding significant favours and driving hard bargains; others transact at a disadvantage, consigned to social 'thin ice' by the vagaries, for example, of social status, age, gender or resource access (Du Toit and Neves 2006, Du Toit and Neves 2007a, 2007b).

Successful self-employment in Khayelitsha and Mount Frere, then, is not simply a function of whether one has 'the skills' that are required by 'the first world economy'. Neither is it a matter of a suitable 'mindset', or one's 'entrepreneurial ability' backed up by suitable sources of microcredit. Ability to participate economically is linked to one's social positioning in the complex networks whereby township and rural society is constituted.

Those who already have resources, and those who occupy powerful positions within their social networks (who, to use current development-speak, have more



'social capital') are better positioned, have more heft and leverage in the pursuit informal *and* formal economic activities, than those who do not.

6 CONCLUSION: UNEQUAL CONTESTS ON A FRACTURED TERRAIN

Where does this leave second economy talk, and what are the alternatives? The point of our argument so far is not simply that poor people and poor areas are linked to the broader economy – a point that would be readily conceded by many who have used the notion of the second economy. Nor is it simply that the wealth of some depend on the poverty of many – though that is worth remembering, it is hardly a new observation, and does not require the close-grained analysis of livelihood activities. Rather, it is to complicate the neat stories and compelling meta-narratives that underpin the apparent self evidence of dominant stories about poverty, growth and inequality.

One key aspect of second economy discourse, for example, is that both the ways in which it depicts disconnection and the ways in which it renders integration suffer from an underlying functionalism.

'Integration' presupposes a rational, functional whole in which every part 'makes sense' in terms of its relationships to other parts. Proposing that people should be 'integrated' in the first economy imagines that they can find a functional place in which their transactions are both efficient and optimal to themselves and other actors in the 'system'. It is a highly normative lens through which to view the nature of links and connections: one is either well integrated into the system or not, and the existence of problems (unequal power relations, unequal or exploitative exchanges) are imagined simply to be imperfections, distortions of a system that *in itself*, in principle, should work to everyone's advantage. The same functionalism, of course, can be found in reductive explanations that simply explain the existence of the 'margins' in terms of the deprivations of a monolithic centre, explanations that are content to point out how the economic system produces poverty and marginality, and that sees everyone 'at the margins' as equally being the victims of unequal power relationships.

As we have seen, neither Khayelitsha nor Mount Freire are undifferentiated wastelands of 'surplus people', and neither are the commanding heights of the economy monolithic simple geographic centres. Although the notion of the 'margins' and the 'centre' might still have some imaginary force, they need to be imagined as part of a fractal topography, a shape in which both the centre and the margins are present *everywhere*. And the crucial issue is the highly differentiated nature of social and economic agency everywhere on this terrain. In spite of the temptation to consider all those in underdeveloped spaces as what Zygmunt Bauman called 'human waste' (Bauman 2004), even within the 'margin' there are 'winners' and 'losers', power holders and disempowered people – and everyone in between.



Is the whole concept, then, to be discarded? How else to frame the possibility of systematic structural disjuncture or segmentation? One very important aspect of second economy discourse – and one of the reasons for its powerful hold on our imaginations – is that it asks us to imagine the South African economy as a larger, *spatially articulated whole*, to explore the ways in which it might be systematically segmented, and in particular to consider the ways in which poor people might be systematically disadvantaged by the way they are inserted into this broader economy. In this way, its role is similar to that of the notion of 'social exclusion' explored in other papers (Du Toit 2004, Hickey and Du Toit 2007): that term's 'value-added' arguably lies in its ability to focus attention on complex ways in which particular individuals, groups, or livelihoods are situated in relation to larger, more complex, spatially and institutionally elaborate social and economic formations: countries, markets, economies, communities, and so on.

Although our arguments above tend to complicate the simplistic binary dyads of 'first economy/second economy' or 'well integrated/disconnected', our findings do reinforce the notion that *connections matter*. A rural household's connections with the urban outposts are a vital resource not only because they may be the source of remittances, but also because they are vital beach-heads in its own member's migrant strategies and their 'struggle for the cities' (Mabin 1989, 1990). Similarly, these connections are crucial to the spatially extended care chains that allow urban households to rely on older rural kin for child and sick care; that allow 'distributed' forms of economic activity; and that support the household reproduction and maintenance arrangements that allow urban households to 'invest back' into rural homesteads.

Again and again, analysis of the configuration of livelihoods and economic activity highlights the importance of complex, *spatially* extended and distributed social and institutional frameworks: the 'many rooted', 'rhizomic' (Du Toit, Skuse and Cousins 2007) structure of extended kin networks; the social and family associations that allow Pakistani and Chinese traders to bring cheap manufactured goods to distant Eastern Cape Towns; the roads that either allow easy passage or make distance impassable; the complex articulation between the systems of local government, delivery, traditional leadership and local elite networks; and the complex institutional architecture of the monetised South African economy (the electric grid, cell-phone telephony, supermarket distribution systems, complex and vertically integrated commodity chains). All these phenomena, at one level completely diverse, are also and importantly elaborate *spatial connective frameworks* that play a key role in the process of social ordering – and confer advantage and disadvantage in highly differential and uneven ways.

This is related to a theoretical issue: the social and economic agency of any individual person, and their ability to benefit from that agency is mediated and shaped, not only by the particular resources upon which they can draw (the familiar 'capitals' or 'assets' of the 'livelihood framework' that dominates much of development research) but also on their positionality in respect of these larger, spatially articu-



lated formations: their relationship to the circuits and connections through which resources and burdens, shocks and windfalls are transmitted across space, and their access to what we might call social technologies of spatialised power. These constitute the 'actant networks', as actor network theory puts it, that allows particular people to 'act at a distance', to make their influence felt in distant places, and that in turn transmit the effects of far off events and processes into local contexts.

Paying attention to such circuits, systems and connections and how they work allows us consider South African society as an overlay of more or less power-laden, unevenly functioning, tangled and interpenetrated networks. This helps us to focus on the nodes everywhere in society – in the formal and informal sectors, in urban and rural spaces, in 'traditional' and 'modern' institutions – where power and advantage congeal, and explore the factors that allocate people their positionality in these networks. In such a framework, the key issue is not whether or not people are connected; but the always complex consequences of particular forms of integration. Supermarkets and roads can bring cheaper food; but they can also eviscerate local agrarian systems. Migrancy may benefit some, but if some rural households benefit from migration, rural prices can rise even for those who have not. Connections between urban and rural kin can bring access to resources and can cushion shocks – but by that very token they are the conduit for counter claims and the *transmission* of shocks as well.

What is revealed is not a vision of an economy that is comprised out of two distinct and disconnected realms, nor the simple contrast between the powerful urban centres and their scrap-heaps of discarded human lives. Rather, what emerges is the messy map of unequally constituted, differentially positioned and closely related spaces described by James Ferguson in his analysis of the spatial and institutional workings of 'globalisation' (Ferguson 2006): enclaves of power and peripheralised zones; circuits, routes and 'wormholes' that connect distant realms in surprisingly direct ways; spatial traps and buffer zones; rural outposts and urban beach-heads.

It would be arrogant and presumptuous to spell out a whole alternative package of measures that would do away with persistent poverty. For now, the main contribution made by the more complex picture we paint is that it might help liberate analysis from the teleological, evolutionary assumptions that assume that what exists in the 'third world' economy needs to be understood normatively through the lens of how it falls short from the 'first': an approach to life at the margins of the formal economy that fails to see how the livelihood strategies that are found there are appropriate adaptations to the realities of the terrain on which they survive, and that can only positively value those aspects of self employment that can be read as being at least in principle 'proper' western-style businesses.

Though many government initiatives aimed at strengthening the second economy are laudable, what is immediately striking is that they are open to the same charge formulated by Mbeki in his own critique of the limitations of classic trickle-down, for



though they are purportedly focussed on the second economy it is hard to see how they can be of benefit to any of the 'survivalist' businesses described here. Like so much of SMME policy, many of the proposals lack any kind of traction on the difficult realities faced by those at the margins of the formal economy, and appear to be aimed at 'businesses' and 'enterprises' that are already much more advantageously positioned. And though existing tenure arrangements in the communal areas do render many people subject to the authority of local gatekeepers, it is far from clear that a De Sotoean package of tenure formalisation would 'unlock' much 'dead value' at all.

Rather than aim at 'eliminating' the second economy or hoping that it can somehow be transfigured into the first, policymakers would do better to look carefully at measures that can ameliorate existing power imbalances and reduce inequality. Looking at 'what is found there' by a less pathologising, less normative gaze, and abandoning the naïve belief that 'integration' on its own will confer the benefits of modernity on those who unaccountably remain outside it may help crafting policies that are better at addressing the adverse nature of some of the power relations between poor South Africans and the larger economic formations to which they are connected – policies which value and support the fragile survival strategies that take shape on this hostile and difficult terrain.

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ENDNOTES

- 1 This article is a reworking and elaboration of material that has appeared elsewhere (du Toit and Neves 2006). The 2002 PLAAS livelihood survey to which this article refers was funded by DFID through the Chronic Poverty Research Centre (CPRC); the qualitative research referred to was commissioned with funds from USAID for the South African National Treasury via SIPP: a research programme aimed at 'Strengthening the Impact of Pro-Poor Programmes' in the Budget, and was co-funded by the CPRC. Thanks are offered to Armando Barrientos, Colleen Crawford Cousins, Thomas Cousins, Yazir Henry and Uma Kothari, each of whom offered insights that were crucial in shaping our arguments.
- 2 As such, the notion of the 'second economy' has much in common with the way in which the notion of the 'shadow' economy works in Western discourse about 'Africa' (Ferguson 2006).



The 'second economy' as intellectual sleight of hand

Isobel Frye



ABSTRACT

South Africa's economic growth has disguised the worsening of structural problems which generate poverty and inequality. It is no surprise that a new trickle-down economic policy discourse has been adopted which distinguishes the successful first from the unsuccessful second economy. The systematic marginalisation of poor people is thus sanitised, with no attempt to counteract the way an increasingly casualised and vulnerable labour pool is kept that way because of the system's reproduction of cheap labour. In short, policymakers seem unwilling or unable to acknowledge that economic and social division and inequality in South Africa represent a carefully constructed structural fault.

1 INTRODUCTION

South Africa is an upper middle country, and yet as a result of a deeply skewed allocation of income and resources¹, many millions of people live in chronic poverty. The eradication of poverty remains the official priority of the state and the ruling party, but we have seen levels of unemployment almost double since 1994², and the broad consensus is that levels of poverty and inequality have risen correspondingly. All of this in spite of the fact that the country has experienced a steady rate of economic growth and development since 1995, with GDP growth in 2004 being at its highest since 1984 (Brait 2005).

Poor people are beginning to run out of patience waiting for the promised delivery of government services, houses, jobs and a 'better life for all', as shown by the increasing

number of demonstrations in poor communities, and an increase in both sectoral and national strikes. Yet government appears to continue to flounder about looking for any definitive reasons for these continuing trends of poverty and unemployment.

For many others, however, the rise in levels of unemployment and poverty, and the low levels of state capacity to deliver can be directly traced to the impact of the conservative macro-economic policies adopted by the state under the Growth, Employment and Redistribution (GEAR) programme between 1996 and 2000. Despite the fact that the GEAR failed to meet its targets on most of its goals – including increased levels of local and foreign investment, as well as employment creation – government for its part continues to hail the success of GEAR based solely on the attainment of two indicators, namely the reduction of the budget deficit, and the reduction in inflation.

We believe that this myopia is symptomatic of an inability or unwillingness by the state to view the economy as a unitary system. In this article we argue that the continued use of the phrases first and second economies are informed by the same inability or unwillingness. The presidency has said that this phrase could be seen as a metaphor, a shorthand, for all of those who do not fall into the formal economy of South Africa.

Policies should not be built on metaphors. Is it a conjuror's sleight of hand, an attempt to persuade people both internally and internationally that we have contained and isolated the causes of poverty in society. The continued use of this phrase should be seen as a deliberate and underhand attempt to deny the true roots of the crisis at hand – which is that the processes that impoverish people are the same that enrich the formal economy and encourage increased investment, and that the process of marginalisation of many millions of people is an integral part of the equation that has and continues to drive formal economic growth.

The ubiquitous use by policy makers of the two economies divide we see as reflecting a perceived need by the state to accommodate both the demand of big business for a non-interventionist³ state, with the clear need for state-led intervention to address the growing needs of the poor and unemployed. The result is the sleight of hand of the first and second parallel economies theory.

This article begins with an outline of how the state uses the concept of the second economy in government policy discourse. We then trace the historical processes by which black South Africans have been marginalised from the mainstream capitalist economy since colonial times. Thereafter we consider how Mbeki introduced the concept of an economic dualism into South Africa discourse, and see how that has developed from two nations, to a first and third world discourse, and finally to the first and second economy. Hereafter we consider where the term second economy originated from internationally, and we explore the characteristics of a mainstream economy with a true parallel economy co-existing alongside it, to demonstrate that this is not what we experience in South Africa.



Finally we revisit Wolpe's critique of the development of Bantustans and the policies of segregation and apartheid, and his underlying thesis that the rationale for the development of Reserves was informed not just by racial ideology, but by compelling needs of capitalism. The conclusion of the article brings together these different sections, and suggests that there are similar compelling dynamics of capital at work that result in an ongoing loss of employment, and the consequent increase in poverty and social atomisation. The conclusion suggests that we will not be able to identify successful solutions if we fail to see the interconnected causes and effects within this economy. We dismiss the use of two economies as an attempt to legitimise the favouring of the needs of business and to promote separate and unequal development of the rich and the poor.

2 THE 'TWO ECONOMIES' THEORY

Government is finalising a new growth plan, entitled the Accelerated and Shared Growth Initiative of South Africa (AsgiSA). The details of the growth plan have not been publicly communicated, but many who have engaged with it have expressed concern that this plan fails to introduce anything new that could substantively address the deepening levels of poverty and unemployment in South Africa.

In the 2006 State of the Nation address, Mbeki tried to (unsuccessfully) reconcile these two contradictions:

The Honourable Members and the country at large are aware that, under the leadership of Deputy President Phumzile Mlambo-Ngcuka, the three spheres of government have been working together for some months to elaborate the specific interventions that will ensure that AsgiSA, the Accelerated and Shared Growth Initiative of South Africa, succeeds in its purposes, which include the reduction of the unemployment levels ... I must also take advantage of this occasion to explain that AsgiSA is not intended to cover all elements of a comprehensive development plan. Rather it consists of a limited set of interventions that are intended to serve as catalysts to accelerated and shared growth and development.

These contrary views of AsgiSA are reflective of the paralyzing malaise with which government is struck when faced with the challenge of developing an appropriate and effective development path for South Africa. We shall argue throughout this article that this is due to an unwillingness to critically engage with the structure of the South African economy in its entirety, as this can logically only lead to an acknowledgement that poverty and unemployment are *a direct result* of the current growth path patterns of ownership of the means of production, and the methods of production favoured by business.

This is why government cannot design a single development plan for the country, but instead must perform contortions to accommodate both a so-called lean, first world market economy and an interventionist, developmental state within one coun-



try. This is what informs the need of the state to introduce the dualism of the first and the second economies which we are to believe operate as two separate parallel economies. If, however, government continues to believe its own propaganda, accommodating this dualism will only result in deepening poverty and destitution as the formal economy continues to spew out those surplus to its requirements.

3 DEFINING THE 'FIRST' AND THE 'SECOND' ECONOMIES

According to government discourse, the first economy is strong, robust and internationally competitive. We are advised that the only limits to its exponential growth lie in restrictive state regulations involving bureaucratic red tape (including around the importation of skills) and labour legislation, which obstacles government has undertaken to review and where possible, remove. This then should allegedly free the formal economy to forge ahead and attain the magical 6% growth rate by 2010⁴. This first economy is set to realise the rainbow nation's goal of true racial and economic integration, as any advertising billboard will show you, with be-suited young men and women of all hues seated behind one boardroom table.

The second economy does not feature much on billboards, but is present in most government papers and speeches, generally in a short paragraph towards the end entitled 'Second economy interventions' representing in effect, the surplus people, the *lumpen proletariat*. The term second economy was defined in government's *Towards a ten year review* as follows: 'The second (economy) is a mainly informal, marginalised, unskilled economy, populated by the unemployed and those unemployable in the formal economy' (The Presidency 2003).

This characterisation of two economies diverts what government should really be asking, which is why we have such high numbers of people who are 'unemployable in the formal economy'. While the new democratic government inherited a society with deep structural divisions resulting from apartheid policies, we argue that these divides are now exacerbated by new dynamics that further marginalise poor people and have resulted in a doubling in levels of unemployment since 1994. However, until government acknowledges that the effect of marginalisation of workers and people from the formal economy is caused by the method of operating by the formal economy, sanctioned and sometimes sponsored by government itself, the nature of the destabilising social and economic exclusion will continue. By appealing to a structural disjuncture between two parallel economies, government is not able to do this, but instead traps itself into a perpetual propagation of these dynamics.

4 THE MARGINALISATION OF BLACK PEOPLE FROM THE MAINSTREAM

In his 1998 speech during a debate on national reconciliation, then deputy president Mbeki famously said:



South Africa is a country of two nations. One of these nations is white, relatively prosperous, regardless of gender or geographic dispersal. It has ready access to a developed economic, physical, educational, communication and other infrastructure ... The second and larger nation of South Africa is black and poor, with the worst affected being women in the rural areas, the black rural population in general and the disabled. This nation lives under conditions of a grossly underdeveloped economic, physical, educational, communication and other infrastructure ... This reality of two nations, underwritten by the perpetuation of the racial, gender and spatial disparities born of a very long period of colonial and apartheid white minority domination, constitutes the material base which reinforces the notion that, indeed, we are not one nation, but two nations. And neither are we becoming one nation.

South Africa's industrialisation was fuelled by the discovery of diamonds and gold in the 1860s and 1880s respectively. The realisation of profits for imperial capital from these mineral resources was maximised by the exploitation of cheap black African labour.

In order to ensure optimal reproduction of labour, the former colonial government, and later white governments of the Republic of South Africa introduced a legislated strangulating latticework of repressive policies and legislation that systematically dispossessed black South Africans of the right to own land except in Reserves, the right to operate businesses, to accumulate surplus, as well as the right to adequate human capital development. The foundation of these laws was the 1894 Glen Grey Act, the 'predecessor of the native reserves and thus also the later Bantustans' (DBSA 2005). The subsequent 1913 Native Land Act and the 1936 Native Trust and Land Act restricted the black African majority to 13% of the total area of land in South Africa (DBSA 2005). These Acts restricted black Africans' rights to live and move to various reserves, located in regions far from the industrial developments, which despite stated policies to decentralise industrialisation, remained underdeveloped with low levels of employment.

This configuration was observed in a secretariat report to the plenary session of the central committee of the South African Communist Party, in October 1973:

The planned reduction of Black presence in White areas was to be accompanied by the creation of job opportunities in and near the so-called Bantu homelands by a process of industrial decentralisation. The efforts in this direction have produced results which can only be described as farcical. In the 'border' regions, a grand total of 78 451 jobs were created for Africans in the eleven and a half years from June 1960 to December 1972. Inside the homelands themselves, the figures are even more pathetic. According to the Government-supporting Afrikaanse Handels-instituut, only 8 000 new jobs have been created in all the Bantustans in the last ten years.



Black Africans were allowed into other areas on extremely restricted passes. The system of Reserves, which outlawed the rights of black Africans to accumulate surplus and to build up wealth on the Reserves (later, 'Bantustans' or 'homelands') which was deliberately prohibited through regulations on the right of ownership and tenure of land rights of ownership of livestock and access to grazing (Wolpe, 1972), and dealt the final fatal blow to the black African pre-capitalist peasantry (Farred 2000).

What is the link that we see between historical policies of racial dispossession and current policies that result in retrenchments despite steady economic growth growth?

Writing in 1972, Wolpe argued that in addition to the basis of racial ideology, the more compelling logic in the development and continued enforcement of the Reserves was that the economy required the establishment of Reserves in order to provide for the very reproduction of the exploitable labour necessary for the capitalist industrialisation and economic development of South Africa⁵.

Today, despite constitutional imperatives (that operate both vertically and horizontally) which guarantee the rights of dignity and equality, the formal economy continues unsanctioned to operate in a manner that exploits the poor and working class and exacerbates unemployment. To avoid having to admit this, government has conceptually separated the poor and unemployed into a discrete, parallel economy. Sanitised, the formal economy continues to make use of cheap and increasingly casualised and vulnerable labour as it wishes, without any need to address the sustainability of the reproduction of labour.

What we have seen is an unanticipated deepening of the crisis of unemployment – a doubling of the rate of unemployed people in this country, and yet we have also seen an increase in the rate of GDP growth and an increase in the share of national income of profits at the cost of wages. This is not sustainable; the state will not be able to both allow business free rein, and have enough resources required to really impact on growing levels of destitution. *Only if we acknowledge the fatal flaw of the two economies discourse will we be able to begin to address this.*

5 FROM TWO NATIONS TO FIRST AND THIRD WORLDS TO TWO ECONOMIES

Analytically, how did matters degenerate to this point? The president's introduction in 1998 of the concept of a nation divided by race and economic interests (the 'two nations' speech) was quoted above. In August 2003, writing in his weekly *ANC Today* letter, Mbeki described the South African economy as including both a first and a parallel third world economy in one country. The first world economy was 'modern industrial, mining, agricultural, financial, and services sector of our economy that, everyday, become ever more integrated in the global economy'.



This economy had directly benefited from state intervention:

Many of the major interventions made by our government over the years have sought to address this 'first world economy', to ensure that it develops in the right direction, at the right pace. It is clear that this sector of our economy has responded and continues to respond very well to all these interventions. This is very important because it is this sector of our economy that produces the wealth we need to address the many challenges we face as a country.

According to Mbeki, the first and third world economies are 'structurally disconnected' from each other, to the extent that we should not assume that any wealth produced in the first world economy will naturally trickle down to the third world economy. Growth of the formal economy will not transform the lives of the poor and marginalised. Instead, this will be done by directed government programmes which will direct necessary resources into the non-formal economy in order to grow it up to a level that it can be integrated into the formal economy. A clear case of separate development.

It is important to note a couple of points. First, there is *no expectation that the formal sector should alter in any way its practices* and try to direct its resources to those marginalised from it. Hence the slogan used by many that we are 'waiting for business to come to the party' should not be entertained, since as far as poverty reduction goes, the state in any event does not recognise this as desirable, plausible, nor possible.

Secondly, this leads us to the argument that for marginalised people, the role of the state should be interventionist and developmental. The state should direct resources through its programmes to the poor, but at the same time achieving a reduction in 'numbers of those dependent on social grants, by enabling them to pull themselves out of poverty by engaging in gainful economic activity and exercising their right to human dignity' (*ANC Today*, August 2003). (This is despite the fact that social grants are directed at those who fall *outside* of the labour market, namely children, elderly people and people living with disabilities.)

Thus, as Faull (2005) concludes, the growth path for the first economy is to continue as it is set. Government's role in this will be to increase investment, to reduce the costs of 'doing business' by auditing red tape and labour protection, and to provide the skills needed for growing the economy (not by creating more affordable tertiary education, but by easing the policies around importing skills). As an interventionist, developmental state for the second economy, the government shall seek to transfer targeted resources, and to provide work opportunities, skills, development and information, specifically through the roll out of social grants, the extension of the Extended Public Works Programme and small-scale agriculture. Through these interventions, government expects that the informally employed, the under- and the unemployed will be developed sufficiently to enter the formal, first economy.



But before being beguiled by the allure of this clean and clinical approach to addressing the stench and hunger that characterises life for those waiting to be developed, we need to answer whether we do have two separate, parallel economies in South Africa, or whether we have a single economy in which the formal economy is allowed to profit at the cost of the poor. To answer this we consider an analysis of the operation of a parallel second economy as it existed under a communist-controlled economy, using the case of Hungary.

6 A DIGRESSION INTO THE SEMIOTICS OF ECONOMIC DUALISM

According to Theodor Shanin (1988), the term second economy was coined by Hungarian social scientists to refer to the 'part-time or contractual work outside the mainstream of waged labour' in Hungary during the period of communist state control of enterprises. It was a way, in one's own time and outside of one's designated work, to make extra money. The second economy did not include illegal activities – these were collectively referred to as the 'black economy', but was a self-referential invisible economy that existed as a separate entity from the formal, state controlled economy. It was not illegal, it was just not recognised, and so existed as an economy structurally distinct from the formal economy in which the same actors performed very different functions. Thus the term second economy referred not to those operating at the margins of the formal economy, but to a distinct peripheral parallel economy with its own dynamics.

Shanin refers to the dynamics of interaction between 'core' and 'peripheral' economies. According to him, a core economy can operate with separate, peripheral economies. These peripheral economies are pushed to the margins due to their differential structures. Parallel peripheral economies usually initially reproduce themselves, but ultimately disappear.

We can use this theoretical lens to interrogate whether the poor and unemployed in South Africa really do constitute a second, peripheral alternative economy to the main, formal economy. In government's *Towards a ten year review* we are advised that we have 'two economies' that 'persist in one country' (The Presidency 2003). The foregrounding to this statement, however, does not describe two distinct economies, but describes instead how we have seen 'notable shifts in the sectoral allocation of employment', resulting in increasing unemployment in sectors that provided employment for unskilled and semi-skilled people (mining) as well as in the public sector, and an increase in jobs have been created in the services sector – reflecting the imperatives of GEAR.

These 'notable shifts', do not, in our view, warrant the review's conclusion that '[O]ne of the major consequences of the change in the structure of the economy is that "two economies" exist in one country' (The Presidency 2003). Instead, they represent the effect of macro-economic policies chosen deliberately.



Again, in an article published in *ANC Today* in November 2004, we find a reiteration of a structural fault dividing the second economy from the first. The comment repeats with approval the description of the second economy found in the *Ten year review*, namely that the second economy is a 'mainly informal, marginalised, unskilled economy, populated by the unemployed and those unemployable in the formal economy' which is caught in a poverty trap, unable to accumulate enough resources to break out, and thus in need state intervention. This does not sound like a complete, parallel economy, but a rubbish can of people extraneous to the needs of the sleek, lean and mean formal economy.

Again we find an inherent contradiction in the article's internal logic. While stating that the two economies are separated by a structural disjoint, the article then states that this second economy is actually linked to the first economy as follows:

It is linked to the first economy by the extent to which it can still supply the cheap, unskilled labour this economy may require. It survives on money transfers sent by family members who have been able to secure regular or occasional employment within the first economy, as well as social grants and elements of the social wage provided by the democratic state.

So even in the ANC writers' formulation, it is impossible to identify a separate internal dynamic of the second economy. It consists of poor people, unemployed people and informally employed people who are dependent on aspects of the formal economy, whether on state grants, or remittances from people who are formally employed. These are people existing at the margins of the economy, not in peripheral economies.

The logic in the last quotation begins to steer in the direction of our argument in the final section of this article, namely that the existence of peripheral people is not an accident. The existence of these peripheral people continues the logic that informed the development of the reserves and Bantustans, namely the ready supply of cheap 'regular or occasional' labour for the formal economy. First, however, in conclusion of our examination of the formal/second economy discussion, we shall consider in what ways the formal economy continues to impoverish and marginalise people.

7 DYNAMICS OF THE FORMAL ECONOMY

Since 2000, South Africa's national budgets have shown a mildly expansionary fiscal policy, notwithstanding a budget surplus announced in 2007, but retained a conservative monetary policy, with high real interest rates and a focus on keeping inflation below 6%. There has been no unequivocal announcement from the state that the principles informing the conservative and restrictive GEAR plan have been retracted. Again we see this as being indicative of the state's reluctance to commit to a single and clear development path, assuming to itself the right to develop policies in an *ad hoc* manner. Despite this lack of clarity about current macro-economy



conomic policies, we are assured by both the 2005 and 2006 State of the Nation addresses by Mbeki that is well with South Africa's economy. Is this true, and is this true of the formal economy as a whole?

Under GEAR, poverty and unemployment grew. *ANC Today* (2004) referred to the poverty trap of the second economy that prevents this economy from being able to 'generate the internal savings that would enable it to achieve the high rates of investment it needs end its condition of underdevelopment'. This view sees the 'underdevelopment' and poverty of the poor and working poor as being caused solely by past pauperisation, that would be set aside should poor people be able to save enough. But is this feasible?

The racialised dynamics of impoverishment did not end with the demise of the apartheid regime, according to Terreblanche (2005). He argues that the challenge of dealing with apartheid underdevelopment backlogs was exacerbated by GEAR's further 'pauperisation' of the poor through new poverty traps. These new poverty traps include the commercialisation of basic services, the drop of the worker's share in national income from 60% in 1992 to 51% in 2002⁶, and an increase in unemployment as the business sector has been allowed to increase its capital intensive production, which has led to an increase in casualised workers outside the protection of labour legislation (Terreblanche 2005).

Interestingly, the drop in share of worker's income has taken place against an increase in labour productivity. Between 1982 and 1993, labour productivity grew by a mere 1% per year, while between 1994 and 2002, labour productivity grew by 3.47% per year (UNDP 2003). Thus the formal economy has been encouraged to make bigger profits, while the percentage of turnover allocated to wages has fallen.

Mbeki stated that one can not expect the formal/first world economy to spread its resources to the poor/third world, and that there we should not expect any trickle down effect given the structural disjoints. We do not believe that this inability of economic benefits to improve the lives of the poor is due to the 'structural disjoint' as much as complicit and conscious policies of both business and government. On the one hand, business is intent on reducing the proportion of wealth flowing to workers, while at the same time government has reduced income taxes by R72.7 billion since 1995 (Brait 2006). Income tax is a clear method for redistribution of income from people who earn sufficient income to rate for taxation, to the poor and unemployed through state spending of collected revenue.

One way in which economic growth is meant to benefit the poor according to trickle down theory is through an increase in employment and hence, in income into poor households and poor communities. However flawed this assumption may be, the inverse is true. An increase in unemployment impacts not only on an individual, but also his or her household, and community.



As a secondary impact of rising unemployment, according to Meth (2004), the total number of workerless households receiving no remittances from employed family or friends rose from 1.3 million in 1997 to 2 million in 2002, which represents an increase in number of people living in households receiving no remittances from 5.8 million in 1997 to 7.4 million in 2002. These are poor people who benefit neither from wage income nor from state spending on social grants.

Terreblanche concludes:

What is perhaps of greater importance, is that it will be counter productive to intervene in the second economy while the 'structure', the macroeconomic policy and the neoliberal privileges granted to the corporate sector remain intact in the 'first economy'. It is highly necessary to move towards a truly developmental state system in South Africa. But this system cannot be created in the second economy. It will have to be created in the South Africa economy as an undivided entity.

8 THE SECOND ECONOMY – THE NEW BANTUSTAN?

As mentioned above, for many political commentators up until the early 1970s, the compelling rationale for the removal of black African people to Reserves was explained as being one of racial ideology, which required black African people to be removed from visible 'mainstream' white society, and allowed through a restrictive system of pass laws to engage with this economy as cheap, invisible workers.

Wolpe (1972), however, advanced this position by analysing the economic necessity of the Bantustans for South Africa's industrial and economic development, for the advancement of capital. According to Wolpe, the establishment of Reserves for workers was necessary in order to subsidise the very low wages that were paid to black African workers. No worker would be able to support a family on these wages, and so the Reserves were required to house and feed the families of workers, and thereby guarantee the reproduction of the labour force.

The prevailing economic structure for many black Africans was predominantly a pre-capitalist peasant system which people initially sought to reproduce in the Reserves (Wolpe 1972, Farred 2000). This was, however, thrown into conflict with the conditions that mainstream racial capitalism imposed on workers and directly on life on the Reserves, and eventually the latter destroyed the former. Farred (2000) describes this process:

Capitalist relations of production, properly introduced at the time of the discovery of diamonds, expanded and magnified by the discovery of gold, relentlessly set about destroying pre-colonial agrarian production. It firstly brought *all* agriculture under the sway of capital. It systematically, if unconsciously at first, removed the material requirements for an independent black peasantry – land. Beside the semi-feudal dispossessions conducted



in the Boer Republics, the colonies of the Cape and Natal, reduced the African masses to the status of migrant labourers as early as the 1880s. The Land Act of 1913 formalised a pre-existing condition of landlessness, only adding to it greater restrictions and further limitations, not only on access to land but the use of black agrarian labour. The small and lingering peasantry survived here and there but soon as agricultural workers (share croppers) and then only those who managed to evade the various apparatus of the state, migrant labour and starvation.

The resultant conditions on the Reserves have been described thus:

In all the homelands unemployment, land and cattle shortages, starvation, regular famines, horrifying levels of infant mortality, etc. are creating conditions of crisis proportions. These discarded people will be on permanent standby to meet the labour need of white farms and industry. It is migrant labour of a new sort with the bulk of this reserve army of unemployed having no visible means of subsistence until they are conscripted by a recruiting officer. This is the reality for the overwhelming majority of people in the Bantustans (South African Communist Party 1973).

Wolpe posits that the very nascent industrialising economy which we now see as the actively marginalising mainstream core of the South African economy required the act of marginalisation of black Africans to feed its own development. This parasitic development always contained the seeds of its own destruction within it. Given the deliberate underdevelopment of the Reserves required to keep households dependent on the meagre cash wages of migrant workers, the Reserves failed to provide the infrastructure required to perpetuate the pre-capitalist African economic existence. This pauperisation of people living in the Reserves, in turn, led workers to protest against their low wages, and fed into a spiral of protest and repression that eventually led to the downfall of apartheid, but not necessarily of the dynamic driving the need to pauperise and marginalise people from the formal economy.

According to Slovo (1976), there was eventually a realisation by the apartheid government, due to both internal and external pressure, that these conditions could not continue, and there followed a process of 'reforms' which included the establishment of 'self-government' of the Bantustans. This attempt to sanitise the system of Reserves is described in a statement quoted by Slovo, attributed to the former deputy minister of Bantu Administration (Jansen), who said people should move away from the notion that Bantustans are 'dumping grounds for people we don't want in South Africa'. Slovo condemned these reforms to promote self-government as being an attempt to 'legitimise a monstrous historical swindle'.

Slovo notes that every oppressive system needs a legitimising ideology which deflects opposition to it into channels that bypass the main issues. For Slovo, the notion of self-government within the Bantustans was the attempt of the apartheid



government both internally and externally to provide the ideological legitimisation for apartheid, but it was clearly an attempt that was exposed for the sham that it was. Bearing striking parallels to the theory that one could attain redistribution through higher levels of economic growth was the view held by 'liberal gradualists' who espoused that the policies of segregation and apartheid would eventually be undermined by economic growth. This was a view that failed to understand the economic interests of the system of Reserves (Wolpe 1972).

How does this detour into history relate to this article's argument against the use of the two economies divide? As noted above, Mbeki acknowledged that people in the second economy are linked to the 'first economy ... by the extent to which they can still supply the cheap, unskilled labour this economy may require' (*ANC Today* 2005). In other words, the surplus people in the second economy are still required as a resource to be drawn on by the formal economy to the extent that it needs their labour power, but by the same token, these people – the unemployed, the underemployed and those involved in informal economy activities – are seen as having an existence structurally disjoined from the mainstream. They do not even inhabit the same 'world', but are citizens of a 'third world', where they must stay until they have, as a result of the specific separate interventions of government, developed to a state at which they can integrate with the 'first world'.

Slovo's 'No middle way' (1976) is clear that the racial supremacy of apartheid was essentially about the monopolistic control over all the 'essential means of production'. According to the ANC (quoted in Slovo 1976), '[T]o allow the existing economic forces to retain their interests is to feed the root of racial supremacy and does not represent even a shadow of liberation'. What we need to ask is whether these economic interests have indeed structurally moved from the hands of the few to serve the needs of the majority, or are these interests still being maintained and supported by the state with the exception of a few equity deals. While the formal laws that kept the majority of black South Africans in the Bantustans have been removed from the statute books, what else has changed?

The experience of Zwelinzima Vavi in his home village is illustrative:

There is a belief amongst the folks that Sada was cursed. So they blame this for the neglect under the apartheid system and their total neglect by the Sebe sons and Brigadier Oupa Gqozo. Now they blame the same curse for being neglected by the democratic government. How could people be subjected to this humiliation ten years after their freedom?

9 CONCLUSION

This article does not argue that there is no desire on behalf of the democratic government to address the huge legacies of apartheid and racially-based dispossession and oppression. Our concern, however, lies in the fact that government policymakers seem unwilling or unable to acknowledge that economic and social



division and inequality in South Africa represent a carefully constructed structural fault, and as such needs structural revisioning to address.

This cannot be served through the perpetuation of a dual notion of our society and our people, as we have seen that what this encourages is the notion of separate development initiatives, with large amounts of money being poured into first economy interventions such as the Gautrain, and second economy initiatives based on government's flagship of Extended Public Works, and that provides between 3 and 6 months' 'job opportunities' to poor and unemployed people, which is not sufficient to break out of the dynamics that continue to bind people in poverty.

We have witnessed an increase in semantic spins that obscure the real issues, that channel us into asking the wrong questions. We do not oppose the roll-out of EPWP's, but we do believe that the cost/benefit equation raises serious questions about their sustainability and possible structural impact on enabling people to break out of poverty. Likewise we think that the AsgiSA-driven sectoral analysis of informal trading conditions are very necessary to ensure that local governments develop appropriate infrastructure and trader-friendly by-laws.

We believe that the decision by Statistics South Africa to reclassify 'discouraged work seekers' as not being unemployed is an underhand attempt at sleight of hand. In the face of year-on-year tax cuts, the notion that levels of social spending could be unsustainable is also underhand, although it satisfies the concerns of international credit rating institutions that worry about run away 'populist' expansionary government spending. We also think it unfortunate for Mbeki to be quoted⁷ as stating that people should stop abusing the social grant system and start to earn a living.

It is at these times that we need to be asking the pertinent questions – if Mbeki is correct – why would people give up their children to their relatives to qualify for a slightly higher grant; what are the circumstances in which these people live that they would make these choices? We need to ask what unintended consequences government's policies are creating, such as the means test that creates a poverty trap, discouraging people from earning small incomes. And we need to ask where these jobs are that poor people are meant to engage in to move themselves off this so-called dependency on social grants, to move out of the second economy and graduate to the first economy.

It is when we ask these questions that we begin to see the links between the first and the second economies. Many who are now unemployed used to have work as miners, but were retrenched due to the exchange rate, when certain veins were no longer profitable to mine – they are now deemed 'not useful' in an economy that is seeking to compete internationally with high technology export-driven production.

Policies made on a macro-economic level and private sector responses to such policies impact directly and are inextricably linked to the lives of the poor. Essen-



tially, we need to pack in the attempt to legitimise an economic system that continues and/ or exacerbates the conditions of economic oppression. We need to turn away from trying to accommodate an apparently self-regulating market economy and an interventionalist developmental state in one nation, and with a sober assessment of what space we have, what space we can contest in our carefully chosen open, globalised economy, and move to close the gap.

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ENDNOTES

- 1 South Africa has one the highest Gini coefficients internationally. According to the UNDP Human Development Report of 2003 (quoting work by Fedderke in 2003), the Gini coefficient for an individual (rather than household) based on income was 0.69 and based on expenditure was 0.67 in 2000. This was up from a measure of 0.66 for both in 1995.
- 2 The official unemployment rate virtually doubled from 15.9% in 1995 to 30.5 % in 2002, while the expanded rate of unemployment rose from 29.4% in 1995 to 42.5% in 2002 (DBSA 2005).
- 3 While the state has limited interventions with regard to black economic empowerment endeavors, what we refer to here is intervention in the nature and structure of the economy itself.
- 4 Why the state has decided upon the 6% growth rate is not known. It is the same growth rate that was included in the GEAR plans. What alchemy this figure should effect on poverty and unemployment remains however unknown.
- 5 This is discussed at greater length in section 8 below.
- 6 Which he compares to levels of about 70% in 'normal' countries.
- 7 As cited in *City Press* (26 February 2006), 'Mbeki also conceded that some government policies meant to help the poor have had an adverse, disempowering effect in that some now fold their arms in the false belief that government would provide all they needed. "It is incorrect to sit and say we will wait for government to do everything for us. It is a worrying thing for us. It is clearly wrong to take away a sense of initiative from people," he said.'



South Africa as developmental state?

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ABSTRACT

Much analysis of contemporary South Africa depends on a view of the ANC which emphasises its failures and what it is not. This preliminary essay suggests that its nationalist priorities are the most critical ones but that we need in general to understand its nature in a positive sense. Recently, the ANC has tried to package its concerns in governance in terms of being a developmental state. Amongst the models of such a state derived from Asia, Malaysia, with its emphasis on ethnic social engineering, takes priority. In some respects, the model is being adapted for South Africa where promoting the interests of the 'previously disadvantaged' is currently coupled with a reasonably high growth rate in the economy. Asian developmental states are not necessarily democratic or entirely socially desirable but their very real achievements are, however, only being superficially imitated in South Africa. Especially telling is the failure of deeper social intervention that would take on poverty beyond redistributive payments. Thus, despite its superficial appeal, the developmental state model explains only a limited number of features of the post-1994 regime; indeed, examining its features actually helps to reveal critical shortcomings in the South African case.

1 INTRODUCTION

In a series of short articles, I have tried to suggest new ways of characterising contemporary post-apartheid South Africa (Freund 2004, 2007). My starting point has been dissatisfaction at describing the ANC and its administration in terms of

negatives. It clearly is not a socialist organisation, it is not suffused with the concerns with the RDP, its central concern is not poverty or inequality in South Africa. What then is it?

Historically I would emphasise the centrality of united African nationalism transcending tribal or class distinctions as its main unifying thread. Its success in promoting that ensures overwhelming electoral success despite a variety of dissatisfactions. Favouring the 'previously disadvantaged' as a *totality* is a central strategy – recovering the dignity of the black man (and in recent discourse, woman) and his (her) empowerment as the dominant force in the country is absolutely central. It is hard to imagine a supporter of the ANC who is not committed to that goal getting anywhere. Other discourses, such as inclusive non-racialism of citizenship and the alleviation of poor living conditions are not unimportant – one could say even critical parts of the total picture – but they are certainly secondary.

The ANC has bought into what it sees as a viable means of inserting South Africa into international capitalist trends. I am indebted to William Gumede's insightful book for stressing and confirming that this has been the intention of Thabo Mbeki and indeed much of his generation, and the one following, amongst the exile elite for a long time, certainly before 1990. There simply never was a socialist agenda for Mbeki nor was there one for Tambo (Callinicos 2004, Gumede 2005). The failure to articulate a vision of a socialist South Africa beyond the words of the Freedom Charter from the 1950s was not merely a useful way of keeping the ANC united – it also blocked the possibility of such a vision attaining any reality beyond pious hopes.

The 1994 Reconstruction and Development Programme (RDP) did have such a vision, but it lacked any coherent plan for attaining it. Far from challenging the ANC, it was devised as an election manifesto. I suggest that the RDP was adopted late and uncritically and indeed, cynically, by the ANC as an election ploy – its proponents were typically United Democratic Front radicals rather than exiles close to the power engine of the party, radicals who could mostly be held in line through the largesse and connections of this very effectively centralised political machine. The RDP was, of course, unceremoniously dropped in 1996 as a major government strategy. Its minister, Jay Naidoo, a former trade unionist, was first redeployed to the posts/telecommunications ministry (where he privatised a part of Telkom) and then made a seamless transition into the world of big business deals not long afterwards.

If we follow the recent work of Michael Macdonald (2005), the result has been to stabilise the ANC in power, able to win so far all elections by increasing majorities with its continuous commitment to black unity and black leadership and the very numerous carrots it can offer to leaders, present and future, while *simultaneously stabilising* South African capitalism, which the ANC endorses (even with its white captains being forced to swallow the corruption and to them rather unpalatable racial vision that goes with Black Economic Empowerment initiatives).¹ Thus a



small-scale land reform programme largely targeting the so-called emerging (i.e. black commercial) farmers, a small minority, is rhetorically continuously held up as a means of holding at bay the danger of a Zimbabwean-type landgrab.

This stability is, in turn, recognised and appreciated internationally, especially in the wake of the many doubts that hung over South Africa's future in the 1980s. I was part of a group of radical scholars who followed through on the ideas of John Saul and Stephen Gelb and promoted the notion of an 'organic crisis' of South African capitalism before 1990. Today it looks as though business has disengaged itself quite successfully from the social crisis and engaged fairly well with international business trends.

Gelb and others have built on the thesis of Harold Wolpe (1972), who in his most distinguished work tried to see how segregation/apartheid had in an earlier period stabilised and enabled South African capitalism. He concluded that it had done so at a crucial time, but that this process was failing from the 1940s and that apartheid was an attempt – in his view ultimately an unsuccessful one – to shore things up. In that sense, this analysis can be compared to what he wrote a generation ago.

In the rest of this presentation, I want to suggest that rather than bemoaning aspects, or all, of this picture, it might in 2006 be more useful to consider what we do have on our plates rather than socialism or radicalism *manqué*. It may be useful to start by using the paradigm of the *developmental state* which I think the regime itself finds very attractive.

2 DEFINING THE DEVELOPMENTAL STATE

The developmental state idea follows directly from the view that while *laissez-faire* was a dominant ideological element in the classic formation of capitalism in Britain and perhaps its first relatively successful competitors, thereafter, a successful transition to capitalism required far more direct state intervention where local conditions did not allow for competitive factors to come to the fore and where so-called market failure was relatively prevalent. With the extinction of Soviet communism (although of course its inheritance is a very real one in Russia and surrounding countries), the developmental state has been associated especially with the rising capitalist dynamos of eastern and increasingly southern Asia, and with the ambitions of the most successful so-called third world countries to change the international balance of economic forces.

Japan, in fact, was extremely critical of the prevalent right wing neoliberal anti-interventionist ideas of the 1980s. An authoritarian imperial state was fundamental in quickly transforming feudal barriers to modernisation and transforming Japan into a capitalist power and the Japanese model has certainly been important in its ex-colonies, South Korea and Taiwan. In the 1980s, all that was left of this model that was seen as useful to the IFIs of the Washington consensus was the emphasis on exports and the international market. The Japanese intervened vigorously



to develop a critique of the stilted viewpoint of the World Bank at a time when their economic strength was poorly represented in the bank and other key institutions, despite attracting so much capitalist admiration.

So what *are* the elements of the East Asian success story that feed into a developmental state idea? Possibly the following could be stressed: legitimising the role of state agencies, including financial forces in promoting trade, rationalising and modernising industry, perhaps direct ownership of many important facilitative economic structures, successful intervention in the transformation of the social structure and a general commitment to empowerment *vis-à-vis* the West. In this way, the rising power of China and its communist inheritance can be assimilated in this picture.

While the successful states of Asia are certainly all interested in the global market and in export opportunities, they are generally also interested in the expansion of their internal markets as well. In the case of Japan, it is possible to argue that historically, consumption levels were held down, the Japanese remained poor, and traditional tastes that could hardly be met by foreign businesses. At the same time the state was busy organising and developing heavy industry, educational and social infrastructure and constructing a formidable military machine, at first for defensive, but then also for offensive purposes. According to Alice Amsden, the Republic of Korea offered women in industry the worst conditions and wages in the world *vis-à-vis* men. After the second World War, however, Japan has created a huge and ultimately affluent internal market, Korean women today on average enormously benefit from the general enrichment of the country and other Asian countries have had their own focus and systems of regulation.

The appeal of all this to South Africa is considerable, at least in the Mbeki era. Mbeki has rejected privatisation and accepted that the parastatals particularly must retain a key role in the economy. His commitment to a new international order globally is palpable and he has chosen to try and align South Africa with countries such as India and Brazil to this end. The African vocation of South Africa is a political as much as an economic one, but the growing South African presence in Africa in every sense, its role as peacemaker, investor and weighty advisor is a remarkable feature, tied in to the much criticised arms deal of 1999. The demonstration of South Africa as a well-run efficient participant in the global economy that plays by the rules, but is managed by the 'previously disadvantaged' is extremely important to Mbeki and his team (privately despised by the internationally powerful). At the heart of their vision is the emergence of a new nationally-defining elite that transcends the boundaries of private and public, a new power elite.

I argue elsewhere that the ANC has in particular made use of the 'Malaysian model' in trying to harness SA capitalism through BEE to create a black business elite in tandem with government. In Malaysia, the politically dominant Malays found the dominance of the large Chinese minority in the business world intolerable. A series of policies were enacted from the end of the 1960s to harness the rapid growth



of the economy of this middle-sized country to the growing wealth and power of a Malay elite without creating a crisis that would imperil that growth. An equivalent way of thinking is very important to the ANC and if a sustained growth pattern in GDP of 4% per year and up (as we are currently seeing) proves sustainable, the model will be said to be operating successfully in South Africa.

The reality of the Asian model and the developmental state, however, is considerably more complex. To begin with, the growth strategies of different countries actually varies greatly. There are big differences between India and China, for instance, and both are not very close to the classic Japanese model, which has its roots back to the 19th century. Obviously the options for small countries are different to that of the giants. It is important to realise too that developmentalism often does not work (as it did not work well in post-independence Africa if one traces the modern history of, say Kenya or the Ivory Coast). Even Asia has had its relative or total failures.

The work of Gill Hart (2002) has reminded us that a key element in historic success in many parts of Asia was an exploitative partnership of the state with the very powerful family system, paternalistic, male chauvinist, but also quite stable and acting as an engine for micro-growth under favourable conditions. Moreover, land reform and agrarian policies that moored families to the countryside, not as recipients of welfare packages but as small-scale producers with a rich culture of intermediate technology that went back for centuries, had and continues to have a number of benefits for regimes. The balance between city and countryside has been controlled in important ways, while the impetus for accumulation touches layers far removed from the state and the traditional ruling strata. Material systems allowing for inexpensive biological and social reproduction of the working class have enormously aided competitiveness.

Another key element has often been the virtual worship of technology, computation and applied science widely diffused in the population. States have promoted especially the teaching of basic numeracy and scientific ideas and the wide diffusion of an acceptable quality of primary education, rather than allowing a status-rich but largely literary concept of social mobility to become too dominant in the educational systems, at least during the developmental phases. This process has been complex and full of contradictions. India was once a laughing-stock in imperial Britain for its phoney half-degree graduates, but today it leads the world in its production of engineers and has a surfeit of good statisticians and applied mathematicians that has brought about the emergence of huge capacity for the expansion of computer-related careers.

3 SOUTH AFRICA AS DEVELOPMENTAL STATE?

In other words, I want to suggest that the developmental state model so far is a *superficial* one in South Africa, in which the deep social interventions typical of the Taiwans and the Koreas, the Israels and the Turkeys is so far missing. Since 1994



we have consistently experienced effective and efficient macro-management. Exports – largely of beneficiated natural products – are doing fine and we have avoided the debt trap. Our integration into so-called globalisation is taking place under relatively favourable conditions (compared with the rest of Africa!).

However, there is a superficiality to this record. At its base, the government has failed to substantially increase skill levels, to create jobs or to tackle poverty in a substantial way. Large sums of money are devoted to aspects of what is called delivery, the poor do benefit from enhanced transfer payments, but the basic conditions of life for much of the population resemble those further north in various much poorer African countries. It is sobering to note that according to the best statistics available, the science and mathematics knowledge of young South Africans ranks on average below that of many other African countries with dramatically lower GNP's, even without distinguishing by race or quality of school. The reality is an educational system where budgets go towards a parasitic, relatively incompetent bureaucracy that creams off resources and is spectacularly inefficient by comparative standards.

Moreover, the poor live in a world of terrible health conditions, incredibly high levels of un- and underemployment, crime and violence and with so much unpredictability and irregularity that is it difficult to talk about effective planning for them. Even the 'orderly urbanisation' of the apartheid era has been abandoned for a fantasy of regulated greenfields building construction that will somehow be affordable and available to all by a date that is likely to keep being changed (Huchzermeyer 2004). Social reproduction is rendered relatively expensive by the basic cost of living.

Here we are very far from the world of the developmental state. In the end, the more successful of such states – even if they lack the generous socialist vision of individual empowerment and collective security – have realised that deep social interventions have been necessary because they have critical knock-on effects even in terms of global competition and national empowerment. Development from this perspective is a far more holistic and comprehensive road than simply success with exports or narrowly economic factors taken in isolation. South Africa's prospects as a developmental state rest on overcoming its historic backwardness in terms of education and skills, and its ability to offer a way ahead to many of the people who are now fairly desperate and whose circumstances drag everyone down, indirectly if not directly.

4 CONCLUSION

I would therefore like to conclude this argument by suggesting that perhaps this is the level at which we need increasingly to criticise and intervene, not merely to scorn the toilets in the veld in terms of unfulfilled election promises and frustrated radical insurgent moments from below. I don't myself believe that the ANC really knows *how* to meet such promises² and it is profoundly uncomfortable with surges that challenge its capacity to permanently invest the state from top to bottom.³



The problem in South Africa today is not so much that the vision of a developmental state is such a poor one. But it remains far too narrowly based and its implications have barely begun to be thought out by our governors. Its limitations make its progress fragile and uncertain. In my view, universities and other knowledge institutions need to start focussing on how effective interventions can begin to transform South Africa, to bring a range of important ideas to a wider public, and to allow an interplay between popular forces, the state and autonomous institutions that will place the possibility of a broader vision of a developmental state on the agenda.

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ENDNOTES

- 1 This is not a relationship without problems. South Africa still suffers from low internal investment which in turn affects the appeal of foreign investment, for instance. On BEE, see Southall 2006.
- 2 I think Gumede's (2005) point that Mbeki lacks any kind of model for tackling unemployment in the sort of best practice that comes from the likes of the World Bank (and is quite aware of this as a problem) is really telling here.
- 3 The failure of local government to act as an effective way of channelling and serving voices from below is a remarkable feature of contemporary South Africa. The systematic exclusion of empowerment from the grassroots by the ANC and the tendency for officials to be mostly concerned with the forces on high that can potentially redeploy them to something better as well as the generous licit offerings available is of course accompanied by the relative absence of autonomous bossism and all the dubious elements of local patronage creation that can plague a more democratic system. See Freund, 2005.



The stunted growth of South Africa's developmental state discourse

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ABSTRACT

The failure of neoliberal macro-economic policies to address poverty and inequality has seen the revival of working class assertions within the African National Congress (ANC) and its alliances partners the Congress of SA Trade Unions (Cosatu) and the SA Communist (SACP), as well as through the rise of new social movements. This has opened up space for debate around a 'democratic developmental state' that is primarily embedded with the rural and urban working classes (broadly defined). The ANC, however, has confined the discussion to the East Asian experience, where the state was embedded with a rising industrial bourgeoisie, and social and environmental justice was subordinated to economic growth. Cosatu, in its responses thus far, has not broadened the debate to include alternative, substantive-democratic conceptions of the 'developmental state', where growth is specifically oriented towards addressing the social deficit. These include the local state of Porto Alegre, Brazil, the sub-national developmental state in Kerala, India, or possibly recent developments in Venezuela. Instead, it is argued that Cosatu and the SACP have, through their support for ANC deputy president Jacob Zuma, spurned an opportunity to galvanise a coherent counter-hegemonic alternative.

1 INTRODUCTION

The 1980s ended with the expectation of a national democratic revolution against apartheid led by the working class, pregnant with anti-capitalist, substantive-democratic content. For many, the 'seizure of power' was in the air (Wolpe 1988, SACP



1989). However, the 1990 release of Nelson Mandela, and the unbanning of the African Nationalist Congress (ANC) and the South African Communist Party (SACP), set in motion a chain of events that culminated in the 1994 election of the ANC into office. By 1996 it was clear that the ANC in government was determined to pursue a neoliberal path to economic development. This spectacular 'counter-revolution' was allowed to happen because the working class had been substantially demobilised, and its leadership, from exile and within the civic and trade union movement, had largely been co-opted into the ruling elite to manage the transition from racial to 'non-racial' capitalism.

The failure of neoliberal policies (globally and in South Africa) to address poverty and inequality has seen the revival of working class assertions in the country, both within the Congress of South African Trade Unions (Cosatu) and its ally the SACP, as well as through the rise of new social movements (see Ballard *et al* 2006). This has opened up space for debate around a 'developmental state' that intervenes in the economy in the interests of the working class (broadly defined).¹

The ANC, however, has thus far confined the discussion to the East Asian experience, where redistribution is subordinated to economic growth (to the exclusion of environmental justice). The main expression of working class power, Cosatu, has in its responses remained on the terrain of the East Asian experience, and not broadened the debate to include alternative, substantive-democratic conceptions of the 'developmental state', where growth is subordinated to social (and environmental) justice. These include the local state of Porto Alegre, Brazil, the sub-national developmental state focussed on redistribution in Kerala, India, or possibly recent developments in Venezuela.² Instead, it is argued that, in the articulation of a Weberian state struggling to be born and patrimonial, predatory relations that refuse to die, Cosatu and the SACP have, through their support for ANC deputy president Jacob Zuma, spurned an opportunity to galvanise a coherent counter-hegemonic alternative.

2 WOLPE, ARTICULATION AND WORKING CLASS LEADERSHIP

In his earlier work that was critical of the 'internal colonialism' thesis, which saw a dysfunctionality between apartheid and capitalism, Harold Wolpe (1972) argued that there was an articulation between the capitalist mode of production and pre-capitalist modes, which produced a complex articulation between white domination (race) and capitalist exploitation (class). This meant that an assault on racial domination was *necessarily* an assault on capitalism. This, of course, did not mean, as some in the black consciousness movement argued, that race was the same as class, but it suggested such a conflation of categories.³ Later Wolpe (1988), drawing on Stuart Hall, saw the mutual 'interiorisation' of race and class as a 'conjunctural' phenomenon which occurred at a particular moment in history, under very specific conditions. This implied an incomplete overlap between race and class,



recognising the existence of a substantial if compromised white working class, on the one hand, and on the other hand a nascent or aspirant black capitalist class that began to grow under the post-1970s reform strategy of the apartheid regime. As such, Wolpe envisaged the possibility of the unravelling of the race/class inter-connection, in the form of a deracialised capitalism (or, alternatively, a deracialised socialism). In other words, unlike his earlier position, his later work saw this as a highly *contingent* phenomenon.

Gill Hart (2007), in her appreciation of Wolpe's nuanced approach, nevertheless quotes Neville Alexander's criticism that Wolpe's supposed defence of the SACP's 'two-stage theory' helped pave the way for the ANC middle class to lead the national democratic struggle. Indeed, Hart quotes Michael Burawoy's observation that Wolpe did not see 'two very different, opposed projects that existed side by side within the liberation movement'. A footnote quotes at length a passage from Wolpe (1988:33–34) which states that 'the two-stage revolution ... envisages the first stage as merely a stage in which the conditions are established which will permit the inauguration of a process of further social transformation'.

What is missing from this implicit critique of Hart's is, firstly, Wolpe's relative marginalisation within the SACP for his earlier critique of the internal colonialism thesis; and secondly, his continued criticism of a '*particular* representation of the notion of a two-stage revolution' (my emphasis) within the SACP, which 'presents the national liberation struggle as if it were free of class implications' (Wolpe 1988:32). In other words, to defer the struggle against capitalism to a stage after national liberation. Wolpe was part of the debates within the SACP, where he put forward the perspective, later adopted by SACP leader Joe Slovo, that there was no 'Chinese wall' between the struggle for national liberation and the struggle for socialism – the seeds of the latter had to be sown in the former. In order to enter that debate Wolpe had to accept the form of a 'two-stage' perspective, but succeeded in giving it a different, more nuanced content.⁴

And thirdly, Wolpe's understanding of contingency spells out very specific conditions that have to be met for the seeds of socialism to be sown, namely the *working class leadership* of the National Democratic Revolution (NDR), and adherence to the Freedom Charter – including public ownership of the commanding heights of the economy and radical agrarian reform – as a minimum programme.⁵ Wolpe (1988:34) quotes Pallo Jordan as saying that 'the pre-condition for all of this is the revolutionary overthrow of the Pretoria-racist regime'.

Wolpe did not envisage a negotiated settlement which would see the relative marginalisation and demobilisation of a working class that was, by the late 1980s, leading the liberation struggle inside the country. The settlement was designed to neuter this growing leadership, through the co-option of its leadership into the ranks of the ANC middle class and aspirant bourgeoisie. In other words, the middle class 'hijacking' of the liberation struggle cannot be seen as an *inevitable* outcome of Wolpe's fluid 'two-stage' or 'two-phase' conception of the national democratic



revolution, as Alexander argues and Hart implies. Had the nascent working class leadership been allowed to mature, a much more radical outcome to the NDR might have been possible.

Nevertheless, despite its relative marginalisation, possibilities for a re-assertion of working class leadership remain. The two main organisations of the working class, Cosatu and the SACP, have in recent years begun to assert a more independent, critical profile within the triple alliance with the ruling ANC. This criticism has intensified as poverty persists and inequality worsens (Cosatu 2006, SACP 2006), notwithstanding ANC assertions, in response to Left critics, that it remains a 'social democratic' party (ANC Political Education Unit 2002, Mbeki 2002).

3 'NEOLIBERALISM' WITH A 'SOCIAL-DEMOCRATIC' HEART?

The ANC-SACP-Cosatu Alliance's 1994 Reconstruction and Development Programme (RDP), which originated in the labour movement, placed emphasis on a mobilised civil society that participated in all spheres of public policy formulation and implementation. Originally located in Cosatu's 'growth through redistribution' perspective, the final draft was infected by a degree of fiscal conservatism (see Marais 1998). Nevertheless, it retained a critique of the orthodox 'redistribution through growth' perspective, stressing that:

Growth – the measurable increase in the output of the modern industrial economy – is commonly seen as the priority that must precede development. Development is portrayed as a marginal effort of redistribution to areas of urban and rural poverty. In this view development is a deduction from growth. The RDP breaks decisively with this approach (ANC 1994:6).

In 1996, the ANC in government's Growth, Employment and Redistribution (GEAR) policy reversed direction, leaving the country in schizophrenic limbo between two conceptions of the state: on the one hand, a neoliberal conception, where a procedurally democratic state is reduced to a facilitator of market-driven 'development', and obsessed with the fiscal deficit, and on the other, a substantively democratic developmental state that intervenes decisively to eliminate the social deficit.

Alan Hirsch (2005:3) argues that while GEAR was necessary for macro-economic stability at a particularly vulnerable moment, 'at the centre is a social democratic approach to social reform'. GEAR, argues Hirsch, was necessary during 1996–1999, but once the macro-economic conditions had stabilised there has been a 'rapid growth of the social security system after 1999' (2005:4).

Was GEAR a result of conjunctural factors, as Hirsch argues, or part of a dominant global 'best practice' ideological discourse at the time, which the ANC uncritically



(or forcibly) adopted? Indeed, as Bond (2005) argues, a deal was struck with the International Monetary Fund (IMF) in 1993–1994, whereby in exchange for a loan (ostensibly for drought relief), conditions were attached ensuring adherence to an orthodox economic trajectory. The way had previously been paved through various scenario planning exercises involving key business leaders, to rid ANC and Cosatu leaders of any socialist or social-democratic ‘illusions’. The World Bank and associated advisors followed, by providing intellectual resources and training ANC officials in orthodox economics, thus ensuring an acceptance of the dominant discourse and practice ruling much of the world.⁶

Moeletsi Mbeki⁷ suggested recently that there was a secret ‘Codesa 2’⁸ involving ANC leaders and captains of the minerals-energy complex (*Business Report* 14 May 2006). A deal was struck between old (white) capital, and the new aspirant (black⁹) bourgeoisie. As long as the interests of the former were protected, the aspirations of the latter would be accommodated. According to Moeletsi Mbeki, this deal excluded manufacturing capital and of course labour.

Whatever view one takes of the ANC’s policy trajectory, the key is whether the lives of the majority, who are poor and working class, have improved. Firstly, South Africa has not been exempted from the global trend (see ILO 2004) of increased unemployment (now approximately 38% of the economically active population), and the increased informalisation of work, both within the formal sector (up to one third) and within a growing informal sector (Altman 2005, Makgetla 2006, Von Holdt and Webster 2005). While the country’s post-apartheid labour legislation provide a range of protections for workers, a desperate attempt to create employment to meet Millenium Development Goals targets could accelerate the trend towards increased informalisation – especially if government gives in to demands by employers and opposition politicians for greater ‘labour market flexibility’.

Secondly, the question arises: if an increasing number of South Africans are no longer protected as *workers*, are they being protected as *people*? In other words, are citizens’ basic needs being met through adequate social security, even if they do not have a job, or have a bad-paying, insecure job? Recent statistics indicate that poverty and social inequality have not improved, even though government has delivered impressively on a number of social needs, such as housing, water and electricity.

A 2003 study by the United Nations Development Programme showed persistent inequality and only a marginal decrease in poverty (UNDP 2003). The *2004/05 South Africa survey* published by the South African Institute of Race Relations (SAIRR) points to ‘significant service-delivery progress’ between 1995 and 2004 (Cronje 2006:20).¹⁰ These improvements, however, have not kept up with population increases, and fall far short of the targets set by the president in his 2004 State of the Nation address, and the UN’s Millennium Development Goal of halving poverty by 2015 (Hemson and O’Donovan 2006). According to the SAIRR survey, the number of black african households, for example, increased by 37% (2.4 million)



during this period. This means that the percentage of black african households in formal housing only increased from 54% in 1995 to 58% in 2004; electricity provision only increased from 42% to 49%, while the provision of running water decreased from 33% to 23%, and toilets from 22% to 21% during this period.

While the SAIRR survey points to increased incomes for black african people, inequality has also increased, as a significant number of black people have moved into higher income brackets. The trend is towards a de-racialisation of class, as more white households fall into the lower income bracket. This, however, is a very slow trend, as most high-income households are overwhelmingly white (75%) and most low-income households remain overwhelmingly black african (75%).

Significantly, according to the SAIRR survey, most white incomes are derived from salaries and wages (75%), with the remaining coming from pensions and other sources. For black african households, however, only a half of their income comes from formal employment, while the rest come from state grants and remittances. However, despite child grants, pensions and disability grants, growing unemployment has meant an overall increase in poverty, according to the SAIRR survey. Defined as R3 000 per household, income poverty increased among whites from 2% in 1996 to 4% in 2004, and for black africans from 50.3% to 60.6%.

Former Cosatu economist Neva Makgetla (2006), using a lower poverty line (\$2 per person a day, or R1 500 per month) and taking into account free basic services (such as education, water and electricity) which are not reflected in household expenditure statistics, notes from the 2005 official Labour Force survey a slight decrease in poverty between 2002 (74% of all households) and 2005 (70%). This is despite an economic growth rate of 4%. The survey also shows that inequality remains virtually unchanged from 2002, namely that the poorest 50% of those with jobs received 12% of income, while the richest 5% received 42%.

Bhorat and Kanbur (2006:33), while acknowledging disputes regarding the measurement of poverty and inequality, nevertheless conclude that 'there is an increase in income inequality' and 'an increase in both absolute and relative income poverty'. Hemson and O'Donovan's detailed study of progress towards meeting the presidential targets of 2004 arrives at a telling conclusion:

While progress in many sectors is being made, in others (water, sanitation, and school infrastructure) the targets set out in 2004 are unlikely to be met. The cost of meeting fundamental social objectives is substantial and is not acknowledged in budgetary reviews. Clearly, many of the social goals will not be met unless there is substantial change in budgetary allocations in infrastructure delivery (2006:39).

In other words, despite official discourses of poverty reduction, detailed promises and even progressive policies in some cases, state incapacity and the political will to provide the necessary resources to substantively reduce and eventually



eliminate poverty – which means shifting resources away from the rich towards the poor – has thus far been absent.

The failure of neoliberalism, in South Africa and throughout the world, to address poverty and growing social inequality, as well as pressures from within the country, has seen the ANC increasingly embracing the idea of a 'developmental state'. Government in early 2006 unveiled its Accelerated Shared Growth Initiative for South Africa (AsgiSA), which promises more decisive state intervention to boost growth and employment (Mbeki 2006). Its vision is that of a state-centric developmental path that subordinates social redistribution and environmental protection to economic growth.

Cosatu leaders, engaging the ANC and much of the recent commentary on the developmental state, do not go much beyond the relatively vanguardist East Asian models (Southall 2006, 2007, Fine 2007, Naidoo 2006 and Freund 2006). Where the unions do give a nod to civil society participation (Edigheji 2006, ANC 2007) a thin 'social compact' conception of institutionalised participation of mainly labour elites is envisaged, and not the substantive democratic model – i.e. mobilised civil society participation plus extensive redistribution – offered by other development experiences. Before looking more closely at the developmental state debate in South Africa, it is necessary to first clear the conceptual maze surrounding this concept.

4 DEVELOPMENTAL, PREDATORY AND INTERMEDIATE STATES

Sociologist Peter Evans, in his seminal 1995 study *Embedded autonomy: States and industrial transformation*, argues that a 'development state' needs to be both autonomous from society, as well as deeply embedded with key interests in society that have a 'developmental agenda'. He calls this 'embedded autonomy'.

This is in contrast to a patrimonial, predatory or clientilistic state, which is characterised by personalised, informal relations reminiscent of the pre-capitalist absolutist state in Europe. The state is 'captured' by particular elites and used to advance their own narrow interests – a key feature of the state in post-colonial societies, including much of Africa. Evans refers to Zaire under Mobutu as a classical example of a predatory state. Predatory behaviour, however, is not absent from modern developed states. The awarding of contracts to American companies such as Halliburton in Iraq testifies to this. However, the key point is that while most states do not fit the ideal type, their *dominant* characteristics are what defines them.

For Evans, a key feature of a modern developmental state is the existence of a Weberian depersonalised, impartial and rules-driven bureaucracy that has a high degree of autonomy from competing interests in society. Unlike Weber, however, Evans argues that a developmental state is not insulated from society, but is em-



bedded with key social classes. A developmental state is by definition interventionist, and goes against the idea of a neoliberal minimalist state that leaves 'development' in the hands of market forces. A 'developmental state', however, can be authoritarian and narrowly focussed on economic growth, and easily degenerate into a patrimonial state, or it can be democratic and accountable to the needs of the poor and marginalised.

Evans suggests that many developing countries, such as India and Brazil, are neither predatory nor developmental, but 'intermediate'. This means that they display predatory features, where parts of the state bureaucracy are captured by local elites, and largely dysfunctional; but also have developmental features, where particular sectors or institutions function efficiently and in the general interest.

5 AUTHORITARIAN DEVELOPMENTAL STATES: THE FOCUS ON GROWTH

In the East Asian experience developmental states, apart from Japan and to some extent Hong Kong, were extremely authoritarian. In their pursuit of rapid industrialisation, the state was embedded with a rising industrial capitalist class. 'Development' was focussed on economic growth, where physical infrastructure and the accumulation of capital were the primary objectives, and redistribution secondary (Johnson 1982, Castells 1992).

Such rapid growth rested on encouraging rampant consumerism, a squeeze on labour and other human rights, and environmental degradation. Democratisation came to countries like South Korea only after massive labour unrest and the growth of democracy movements during the 1980s. While much can be learnt about how the East Asian developmental states intervened to promote economic development, including an industrial policy oriented towards nurturing infant industries, directing investment flows and subsidising labour costs in various ways (including subsidised transport, food and housing), the costs of a narrow unbalanced focus on economic growth can be high (Evans 1995).

'Development' according to orthodox economists such as those found in the World Bank and IMF, is measured primarily by GDP per capita. While this is of great interest to investors, who seek to maximise the returns on their investments, it says little about the distribution of wealth and the development of human beings. Increased growth in India and China, for example, obscures the fact while a small section of society is getting rich, the vast majority remain poor. Indeed, the poor are being moved off their land in the name of 'development', forcing them to eke out a living in urban slums. Evidence is emerging that, contrary to World Bank claims, at least some of the poor are in fact getting poorer in India and China. In the process the natural environment has suffered severely (Kamdar 2007, Pal and Ghosh 2007, Sengupta and Ghosh 2007).



6 DEMOCRATIC DEVELOPMENTAL STATES: BALANCED, HOLISTIC DEVELOPMENT

The United Nations Development Programme (UNDP) has for a long time promoted the Human Development Index as a measure of development. In other words, the physical and emotional well-being of *human beings* in harmony with the natural environment, and not the growth of capital and physical infrastructure, should be the focus of development. Besides the European social democracies that achieved high levels of redistribution along with economic growth, there are examples of redistributive, democratic developmental states in the post-colonial world, where growth is subordinated to development.

Cuba can be regarded as a developmental state that intervened decisively on behalf of the subordinate classes to achieve impressive results in terms human development. Since the revolution of 1959, inequality has been reduced drastically, and despite limited resources the state has developed impressive education and health systems. However, despite strong evidence of mass mobilisation and participation in decision-making at various levels of society, and the massive popularity of Cuban leader Fidel Castro (Eckstein 1994, Saney 2004) the Cuban state does not allow for competitive multi-party elections, and certain freedoms, such as of speech and movement, are limited (Dilla 1999, Farber 2003). Cuba's state socialism therefore contains features of both the authoritarian and democratic developmental state.

The state of Kerala, in south-west India, is one of the best examples of a democratic developmental state. There has been widespread distribution of resources within a context of low economic growth. Patrick Heller, drawing on the work of Peter Evans, shows in his book *The labor of development: Workers and the transformation of capitalism in Kerala, India* how a different form of 'embedded autonomy' can be achieved, where the state develops strong links with subordinated classes in society, in particular the working class and peasantry. The Communist Party of India (Marxist), or CPM, played a critical role forging a unique synergy between the centralising power of the political leadership and the state, and the decentralising power of a mobilised civil society.

The fine balance of power between the CPM and the Congress party allowed for a democratic renewal of the CPM each time it was voted out of office, with a progressive fine-tuning of its participatory practices. A basic substantive-democratic consensus was established, however, such that redistributive policies continued to be pursued when the Congress party was in power. In the last elections the CPM-led coalition returned to power with one of its largest majorities. Kerala has been widely praised for its high human development indices, particularly in health, education and nutrition (Williams 2002, 2006, Parayil 2000).

The city of Porto Alegre in southern Brazil, under Workers' party rule since 1989, has developed an impressive participatory budgeting process, where a significant



portion of the city's budget is opened up to public debate. Local communities are encouraged to determine spending priorities for their areas, and this has resulted in major improvements in the quality of life of the city's poor (Wainright 2004, Goldfrank 2003, Baiocchi 2003).

Another nascent democratic 'developmental state' that places emphasis on building links with the poor and marginalised is Venezuela. After Hugo Chavez won the presidential election in 1998, the country adopted one of the most democratic constitutions in the world. His government proceeded to redistribute the country's vast nationalised oil wealth to the poor, and earned the wrath of the US-backed elite who ruled the country for centuries. An attempted coup in 2002 saw the people rushing to the defence of Chavez, and restored him to power. In 2004 he won an internationally monitored referendum on his rule, with almost 60% of the vote, and was re-elected president with a similar margin in 2006. Chavez has used the state to actively promote the interests of the poor, and recently declared that was pursuing '21st century socialism' (Weisbrot 2006). Despite glowing accounts of the achievements of Venezuela under Chavez (Gott 2005)¹¹, others point to signs of authoritarian practice in an attempt to curtail the virulent rightwing opposition (Guilmoprieto 2005). It is, therefore, perhaps too early to make definite judgements about the extent to which Venezuela has become a democratic developmental state.

Drawing from the discussion above, Table 1 is a representation of the key features of an 'ideal' predatory state, and the different forms of developmental states. Between these, of course, are the many variations of 'intermediate' states that display features of both predation and development.

Table 1 Typology of predatory and developmental states

	Predatory	Developmental (state-capitalist)	Developmental (state-socialist)	Developmental (substantive-democratic)¹²
State Bureaucracy	Dysfunctional, based on patron-client relations (corruption),	Functional, serves general interest, meritocratic recruitment, rules-driven, efficient. Close synergy with political leadership: shared development vision	Functional, serves general interest, meritocratic recruitment, rules-driven, efficient. Close synergy with political leadership: Shared development ideology	Functional, serves general interest, meritocratic recruitment, rules-driven, efficient. Close synergy with political leadership: shared development vision



State-society relations	State captured by particular sets of urban elites	Embedded autonomy: state acts autonomously, but embedded in dense networks with rising industrial capitalist class (state centric)	Embedded autonomy: state acts autonomously, but embedded in dense networks with subordinate classes (state-centric)	Embedded autonomy: state acts autonomously, but embedded in dense networks with mobilised and organised subordinate classes (society-centric)
Development vision	None	High economic growth, diversified economy, redistribution subordinate to growth	Balanced, sustainable development, economic growth subordinate to human development, protection of natural environment	Balanced, sustainable development, economic growth subordinate to human development, protection of natural environment
System of government	Personalised Dictatorship	Authoritarian (military rule or multi-party)	Limited participation within restricted one-party state	Participatory multi-party democracy
Key agents of development	None	Dominant leaders	Working class Party (Dominant leader)	Working class party and a mobilised civil society
Examples	Zaire	South Korea, Taiwan	Cuba	Kerala (India), Porto Alegre (Brazil), Venezuela?

As Patrick Heller (2001) observes, unlike Kerala and Porto Alegre, the potential for participation from below in South Africa rapidly diminished under the post-apartheid regime, as the ANC adopted a state-centric, neoliberal developmental path, albeit within the formal wrapping of a Constitution that entrenches many democratic freedoms.



7 SOUTH AFRICA: AN INTERMEDIATE STATE

The debate around the developmental state (Southall 2006), as well as the turmoil within the ANC over the dismissal of Jacob Zuma as the country's deputy president in June 2005, is revealing. The South African state, like Brazil and India, can be classified as an 'intermediate' state, with predatory, clientilistic features as well as Weberian features. The country has well-developed bureaucratic administrations, especially at national level, and since 1994 has developed a constitutional state that entrenches regular, competitive elections, a Bill of Rights and a range of institutions that seek to protect the rights of ordinary citizens. However, at the same time the state is dysfunctional at various levels, particularly local and provincial government (Southall 2007). Many public institutions, including the police force, are beset by corruption and incompetent management, and fail to service the public adequately. This dysfunctionality is compounded by authoritarian management styles inherited from the past, as well as budget constraints imposed by the country's fiscal conservatism.¹³

The Scorpions – the independent prosecuting authority that brought charges against the former deputy president – is held up as representing the highest ideals of the modern Weberian state. Many argue that it has lived up to its mandate of targeting organised crime and corruption in an impartial, efficient manner (*Business Day* 30 June 2006). If it means going after the deputy president of the country on suspicion of corruption, then so be it. This is unprecedented in most countries, let alone developing countries.

However, the counter-charge by Zuma supporters, that the Scorpions are mere pawns in the hands of Mbeki or other elites vying for power, paints a picture of dysfunctional, clientilistic behaviour. Apart from the indiscretions of former Scorpions head Bulelani Ngcuka, however, no evidence has been brought forward to convincingly counter the image of the Scorpions as a substantially impartial body fulfilling its mandate – a view upheld by independent bodies such as the Centre for the Study of Violence and Reconciliation and the Institute of Security Studies (*Business Day* 30 June 2006).

In the absence of such evidence, the conclusion must be that the attack on the Scorpions (and indeed the entire judiciary) reveals a clash between a Weberian state struggling to be born, and patrimonial, clientilistic relations that refuse to die. This view is strengthened by the demand by some, including Cosatu, that Zuma be reinstated as deputy president of the country, without it being established by a court of law whether or not he is indeed guilty of corruption (Cosatu 2005).

This is perhaps to be expected from quarters such as the ANC Youth League who, despite their occasional resort to Marxist rhetoric, exemplify the post-colonial elites who seek to capture the state and use it for their own narrow purposes. They mask their aspirations by claiming to fight the 'capitalist agenda' of Mbeki and others associated with him, although a cursory inspection reveals that they merely belong to one aspirant bourgeois faction pitted against another within the ANC. Their re-



relationship with the slain, tainted mining magnate Brett Kebble (*Business Day* 29 June 2006), their support for the pseudo-Marxist Zimbabwean president Robert Mugabe and his disregard for the rule of law, and their various black empowerment deals, among other things, bear testimony to their aspirations.

What is more difficult to understand is why the champions of democratic accountability and the developmental state, Cosatu and the SACP, find themselves associated with one set of aspirant bourgeois elites against another. It is one thing to uphold the rule of law and the justice system – a key pillar of a democratic developmental state – and demand a fair trial for Zuma. However, it is quite another to seek to undermine the justice system through careless and unproven accusations, in the belief that Zuma represents the best hope for the Left within the alliance.

8 CONCLUSION

During the 1980s, through his writings and activism in the ANC and SACP (including his influence over SACP leader Joe Slovo), Harold Wolpe played an important role in shifting the SACP away from a rigid, mechanical conception of a ‘two-stage’ national democratic revolution, to a more fluid and nuanced inter-connection between the democratic and anti-capitalist phases of the revolution. A key to this is working class leadership of the liberation movement, in order to shift the balance of power within the state and society towards the interests of the poor and marginalised. This implies the construction of a substantive-democratic developmental state that articulates mobilised power within civil society (power from below) with a relatively autonomous, rules-driven and efficient state apparatus at all levels of governance, in tandem with an ideologically coherent, pro-development political leadership (power from above).

Given the failure of neoliberal policies to reduce the social deficit after 12 years of democracy, space has opened up for the working class to assert its power. However, Cosatu and the SACP, by tying their project for Left renewal within the ANC to Zuma’s fortunes, are in danger of reducing the demand for a democratic developmental state to that of a typical patrimonial state that acts in the interests of a few elites. Such a ‘captured’ state will use revolutionary or even socialist rhetoric to legitimise its rent-seeking behaviour, as in Mugabe’s Zimbabwe – thus delaying the prospects of true democratic Left renewal even further.

SACP deputy secretary-general Jeremy Cronin recently distanced himself from such support. He told the Cape Town Press Club:

We’re deeply concerned about some of the things that have been said by him, or his supporters ... But it’s no secret that many communists, and particularly lots of young communists, are supporting Zuma. Not just in some broad, general humane kind of way, but politically and presidentially. I think it’s wrong (*Mail and Guardian online*, 27 June 2006).¹⁴



Zuma and Mbeki are two sides of the same coin – Zuma is merely a spin-off from what the SACP (2006) calls the 1996 class project of the ANC, instituted by Mbeki. The failure to realise this is perhaps indicative of the compromised position the SACP and Cosatu find themselves in as Alliance partners (see Pillay 2007). This is reflected in the timid nature of Cosatu's response to the ANC's recent flirtation with the 'developmental state'.

The ANC, despite more recent nods towards elements of a democratic developmental state model in the form of a 'social compact' (ANC 2007), has in essence confined the discussion to the East Asian models of the developmental state, and Cosatu, in its response, has remained on that terrain. This is perhaps a reflection of Cosatu's distance from NGOs and social movements that are more assertively pursuing alternative sustainable development paths.¹⁵

Indeed, one can pose the questions: Why has Cosatu simply followed dominant 'international best practice' and looked only to the Far East, and not other, more democratic examples of redistributive development? Is Porto Alegre's example of participatory budgeting too 'community focussed' for organised labour? Is Kerala's holistic development path too radical for a relatively urbanised South African society, including members of Cosatu, who are oriented towards mimicking individualist, western consumption patterns? Is Venezuela's example of taking on vested interests, and inviting the wrath of American imperialism, too risky for our delicate, post-conflict democratic transition?

Cosatu's relative conservatism may be a function of the changing nature of its membership and relations of patronage within the Alliance,¹⁶ which has forced it to remain within the limiting embrace of Alliance politics. It, however, also resonates with the corporatist tendencies found in trade union movements generally. Indeed, in Kerala, the CPM-aligned trade unions (what Heller calls the state-centric 'corporatist faction' in the CPM) were resistant to the society-centric proposals of CPM's 'social movement' faction. The latter placed more emphasis on 'the nurturing of democratic practices, both through institutional reform (making the state more responsive) and nurturing democratic capacities (participation and empowerment at all levels of governance)' (Heller 2001:162). That the latter perspective became dominant may be due to the party having to continually renew itself in order to win the confidence of the working class through the ballot box.

Cosatu and the SACP's state-centric vision of power obliges it to see Zuma (or another ANC leader) as the best hope for the working class. An alternative, society-centric vision will see Cosatu and the SACP more focussed on mobilisation within civil society, in partnership with other social movements locally and internationally. Only then will more radical, participatory-democratic development options rise to the surface.



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ENDNOTES

1. This includes all those dependent on wage labour in the spheres of production and consumption, as well as the self employed that eke out a living at the margins of the economy, in rural and urban areas. 'Worker' refers to those who are employed, while 'working class' (singular) is an expression in the abstract of highly differentiated concrete working classes or working class fractions.
2. SACP and Cosatu general secretaries Blade Nzimande and Zwelinzima Vavi recently visited Bolivia and Venezuela, and returned enthused by what they saw. Exactly what lessons they learnt, however, is unclear.
3. The most crude expression of this view was that of the Azanian Peoples Organisation, which in the late 1970s declared, in a bizarre amalgam of vulgarised Marxist and Nationalist discourses, that all blacks were workers, and all whites were capitalists.
4. Discussion with Wolpe during 1988, while acting as my PhD supervisor.
5. The Freedom Charter's rather statist vision of transformation was re-examined by Slovo's critique of Soviet practice (Slovo 1990), which Wolpe agreed with, and his view that state ownership (nationalisation) did not guarantee worker's power – rather, the socialisation of the means of production, a much more democratic conception involving various forms of social power (workers and



- citizen's power in the process of production, distribution and exchange) was favoured after 1990. Unfortunately, in the rush to stabilise the political situation through the sunset clauses, this radical substantive-democratic idea, which had been promoted through the mass movements as the struggle progressed during the 1980s, was not vigorously promoted during the 1990s (apart from its muted expression in the RDP). Slovo himself, as housing minister, instead allowed the critique of public ownership to pave the way for public-private partnerships, a short step away from privatisation.
6. See Peet (2003) on how the World Bank and IMF secure the hegemony of neoliberal ideas in developing countries around the world.
 7. The president's brother, businessman and Deputy Chairperson of the SA Institute of International Relations. During the early 1990s he worked for Cosatu.
 8. Codesa stands for the Conference on a Democratic South Africa, which met during the early 1990s to seek a political settlement between the apartheid regime and the liberation movements led by the ANC.
 9. 'Race' terminology in South African can be confusing and is used here in lower case to signify discomfort in having to use them. Official statistics still refer to the apartheid divisions ('white', 'black/african', 'coloured' and 'indian/asian'), with the difference being that while under apartheid this was imposed by the state, it is now a matter of self designation (with some people refusing to designate themselves racially). 'Black' is used here in the generic Black Consciousness sense to identify all 'population groups' oppressed by apartheid, namely 'african', 'indian' and 'coloured'. This is also the sense used in Affirmative Action and Black Economic Empowerment legislation in post-apartheid South Africa (although in common discourse the term 'black' often refers to indigenous 'african' people only – usually excluding indigenous 'coloured' people). South Africans across the spectrum, however, increasingly identify themselves as 'African', and this term also refers to all citizens of the African continent. To avoid confusion, many researchers use the term 'black african' when referring to indigenous South Africans (excluding indigenous 'coloured' people) and this is the convention followed here.
 10. All subsequent references to the SAIRR survey are sourced from Cronje, one of the SAIRR researchers .
 11. See also the special edition on Venezuela of the *New Internationalist* No 391, June 2006.
 12. Heller (1999) refers to the Kerala experience as 'social-democratic', while Williams (2006) insists that the aim of the CPM is 'socialist democracy'. Others might use the term democratic socialist. To avoid this terminological confusion, and to capture a broad range of experiences, the more general term substantive-democratic is used here, to capture both the participatory and the redistributive dimensions of democracy.
 13. See Von Holdt (2005) for a case study of Baragwanath Hospital which highlights these problems.
 14. See also the critique of then Young Communist League deputy general secretary Mazibuko Jara (2005).
 15. Indeed, a 2005 discussion document asks: 'Is there a contradiction in the short run between the democratic state's welfare orientation and a rigorous prioritisation of economic development?' (Cosatu 2005a:11). This contradicts Cosatu's support for a basic income grant, and reflects the influence of Neva Makgetla, Cosatu economist at the time. Cosatu has supported participatory democratic initiatives, such as the People's Budget campaign, but these have not been linked to its conception of a developmental state.
 16. Cosatu's membership remains primarily that of relatively better paid, better educated, permanent workers in a sea of informalised and unemployed labour (see Buhlungu 2006), leading some to characterise organised labour as a 'labour aristocracy' and as such is no longer a transformative actor (see Lehulelere 2005). Cosatu on the other hand insists that it primarily represents the working poor, although much more needs to be done to organise the informalised and the unemployed (see Pillay 2007).



Two economies, microcredit and the Accelerated and Shared Growth Initiative for South Africa



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ABSTRACT

The microcredit fad is more than a passing fancy, it has been around for decades in Southern Africa. Microcredit appears, in theory, as a sturdy ladder between the supposed second and first economies, alongside improved property rights (over 'dead capital') and extended marketing opportunities. Credit is seen in government policy as a crucial lubricant for poor people's successful entry to capitalism. But the awarding of the 2006 Nobel Peace Prize to Muhammad Yunus, founder of the Grameen Bank, provides an opportunity to consider the use and abuse of microfinancing. Not only is the Grameen diagnosis of poverty dubious, but many structural problems also plague the model, ranging from financial accounting to market failures. A critical reading of political economy posits an organic linkage between the 'developed' and 'underdeveloped' economies that is typically not mitigated by capitalist financial markets, but instead is often exacerbated.

1 INTRODUCTION

When Muhammad Yunus, founder of the Grameen Bank, won the 2006 Nobel Peace Prize, a renewed evangelical wave of support for microcredit swept the world. Yunus soon declared himself a candidate for the Bangladesh presidency.

In South Africa, the hype provided an opportunity to reassess the way the Accelerated and Shared Growth Initiative for South Africa (AsgiSA) conceptualised financial market access. AsgiSA unveiled the state's commitment to the two economies



thesis in several ways, but none was more explicit than the citation of credit as a ladder between the two economies.

Before addressing these, consider the backdrop. Whereas Thabo Mbeki may claim that 'the modern industrial, mining, agricultural, financial, and services sector of our economy ... has responded and continues to respond very well to all these interventions', we should first show how deepened integration into the world economy has left South Africa much more vulnerable, volatile and unevenly developed than Mbeki would concede. That in turn will permit us to interrogate whether, as Mbeki (2003) claims:

The successes we have scored with regard to the 'first world economy' also give us the possibility to attend to the problems posed by the 'third world economy', which exists side by side with the modern 'first world economy' ... Of central and strategic importance is the fact that they are structurally disconnected from our country's 'first world economy'.

It is not difficult to rebut Mbeki's claim that South Africa's advanced capitalist economy has responded well to neoliberal policies (introduced, in fact, not by the ANC in 1994, but instead by the Nationalist Party in the early 1990s late-apartheid era). In six ways, rebuttals can be suggested:

- Can SA brag about macroeconomic stability? In reality, the currency has fallen by more than a quarter on four occasions (the most of any currency), and indeed the crash from R6/US\$ to R8/US\$ in mid-2006 was the world's worst performance of major countries that year. The volatility is due to the relaxation of exchange controls beginning in 1995.
- Does the interest rate allow for real growth and development? Beginning in 1995, South Africa's real interest rose to the highest levels in the country's modern history.
- Are the trade deficit and current account deficit being resolved? As interest rates rose, the currency periodically strengthened to the point exports were uncompetitive and imports cheap. Added to the outflow of profits and dividends, the trade and current account balances were dangerously out of kilter with the world financial system, reaching -5% of GDP by the mid-2000s, as high a deficit as Thailand suffered just prior to its 1997 meltdown.
- Can South Africa solve de-industrialisation, and limit financial speculation? Given the inflow of both relatively inexpensive East Asian goods and the much higher rates of return to be found in financial sector investments, the productive sector appears set to continue shrinking, while finance, insurance and real estate speculation earn far higher profits.
- Will private investment play a positive role? The 'capital strike' underway by big business continues to beggar the country's investment rate.
- Can job losses be stemmed? Given the import tsunami as well as the import of far more capital-intensive manufacturing goods (that replace workers), there are far fewer formal sector jobs today than in 1994.



Given that these (and many other) problems in South Africa's first economy are typically ignored, the following pages document that microcredit is an attractive palliative, a lubricant for ongoing superexploitation.

2 THE MICROFINANCE PROMISE

Returning to AsgiSA, consider just a few of the ways credit is invoked in the document (Republic of South Africa 2006):

One key mechanism is to use the leverage of the First Economy to address the Second Economy. There are two key examples in AsgiSA. The first is to leverage the increased levels of public expenditure, especially investment expenditure, to promote small businesses and broad-based empowerment addressing such issues as access to finance ...

Expanding women's access to economic opportunities ... Ensuring they have access to finance (micro to mega bucks); fast-tracking them out of the Second Economy ... Leveraging components of BBBEE: Provisions for access to finance for women and youths; Funding commitments for housing and small business loans ...

The National African Chamber of Commerce has committed to establish 100 000 new small and medium enterprises per year, and government will support these efforts. A key challenge in this regard is to address the gap in loans between R10 000 and R250 000. One such effort is a new partnership between Khula and Business Partners in a R150 million fund for business loans of this size. Another is a planned fund for women entrepreneurs, which is the result of a collaboration between the DTI, Eskom, Umsobomvu and the Women's Development Bank ...

A commitment in the Financial Services Charter of R5 billion to small business loans is still to be finalised as a programme, but we expect progress shortly under the new leadership of the Charter. We also plan to accelerate the roll-out of the Apex (SAMAF) and Mafisa programmes of loans under R10 000 ...

A final set of Second Economy interventions is centred on the challenge of realising the value of dead assets – land, houses, livestock, skills, indigenous knowledge and other assets that have intrinsic value not currently realised.

Hernando de Soto's oft-cited idea is that for poor people, property rights can bring to life this 'dead capital', but microcredit is required to translate assets into collateral, and then into finance, and then into investment capital, and finally into a successful entry to the market economy.



A great deal of the faith in microcredit expressed in AsgiSA and similar two economy strategies is based upon the experience of Grameen Bank, which specialises in group loans to low-income Bangladeshi women. Grameen was founded in 1976 by Yunus, a Vanderbilt University-trained economist. Yunus was celebrated for having built his bank's customer base to 2.5 million borrowers, with bank assets of \$3 billion, serviced by 1 200 branches in 41 000 villages (Mainsah, Heuer, Kalra and Zhang 2004:22). Grameen's profile is so high that not only have Bill and Hillary Clinton feted him (while president of the United States, Clinton advocated he receive the Swedish central bank's Nobel Economics prize). In addition, Venezuelan President Hugo Chavez has called Yunus an 'example in the fight against poverty' (Associated Press 2006).

But behind and beyond the Peace prize lie a complicated and contradictory set of political motives and implications. The Norwegian elite – who awarded the prize – have important ideological and practical interests that bear consideration. For those promoting grassroots capitalist entrepreneurialism, dangers arise, given the way Grameen has structured its banking services. South Africa, for example, has embarrassed anyone claiming microcredit via group credit can solve poverty.

Yunus's own reaction to the awarding of the Nobel Peace prize was telling, at a Dhaka press conference: 'Now the war against poverty will be further intensified across the world. It will consolidate the struggle against poverty through microcredit in most of the countries' (Reuters 2006). On the contrary, this seemingly benign, three-decade old attempt to foster entrepreneurship among impoverished women has attracted intense grassroots – and also professional – criticism.

3 GRAMEEN CRITIQUES

On the one hand, when the *Wall Street Journal* profiled Yunus on its front page 5 years ago it started in a celebratory manner: 'To many, Grameen proves that capitalism can work for the poor as well as the rich,' having 'helped inspire an estimated 7 000 so-called microlenders with 25 million poor clients worldwide' (Pearl and Phillips 2001:1). Yet looking more closely, the *Journal's* reporters conceded the prevalence of Enron-style accounting. A fifth of the bank's loans in late 2001 were more than a year past-due: 'Grameen would be showing steep losses if the bank followed the accounting practices recommended by institutions that help finance microlenders through low-interest loans and private investments'. Indeed, by 2001 Grameen itself conceded a 6.9% default rate, up from 0.1% in 1997 (Mainsah, Heuer, Kalra and Zhang 2004:22).

According to the *Journal*, a typical Grameen gimmick was to reschedule short-term loans that were unpaid after as long as 2 years, instead of writing them off, letting borrowers accumulate interest through new loans simply to keep alive the fiction of repayments on the old loans. Not even extreme pressure techniques – such as removing tin roofs from delinquent women's houses, the *Journal* reported (Peral and Phillips 2001:1) – improved repayment rates in the most crucial areas, where



Grameen had earlier won its global reputation amongst neoliberals who consider credit and entrepreneurship as central prerequisites for development. (Yunus later adjusted his loan products to establish a 'flexible' loan to cover those with poor repayment records, and penalised them by reducing their ability to borrow in future.)

At that point, in late 2001, leaders of the microfinance industry expressed their sense of betrayal. 'Grameen Bank had been at best lax, and more likely at worst, deceptive in reporting its financial performance', wrote World Bank microfinance promoter J.D. von Pischke (2001). 'Most of us in the trade probably had long suspected that something was fishy'. Agreed Ross Croulet (2001) of the African Development Bank: 'I myself have been suspicious for a long time about the true situation of Grameen so often disguised by Dr. Yunus's global stellar status'.

The true situation was a function of both exogenous and endogenous factors. Several years earlier, Yunus lost the bulk of his international donor support, reportedly \$5 million a year (Jackelen and Rhyne 1991), which had until then reduced the interest rate he needed to charge borrowers and still make a profit. Grameen had become 'sustainable', self-financing, with costs to be fully borne by borrowers. Yunus had also battled backward patriarchal and religious attitudes, including a 1995 loan repayment boycott by Bangladeshi men opposed to women's rights (Mainsah, Heuer, Kara and Zhang 2004). To be sure, his hard work extended credit to millions of people, mainly women. The secret was that poor women were typically arranged in groups of at least five: two got the first tranche of credit, leaving the next three or more as 'chasers' to pressure repayment, so that they could in turn get the next loans.

But new competitors, adverse weather conditions (especially the 1998 floods) and a backlash by borrowers who used collective power of nonpayment together coincided with Grameen's need to impose dramatic increases in the price of loans. It is here that Grameen Bank's main philosophical position – '[w]e consider credit as a human right' (Yunus and Jolis 1998) – was reduced merely to an argument for access, not affordability. In that regard, Yunus is entirely different from all the rights-based social movements which have demanded 'rights' in terms of *free* life-line access to healthcare, education, housing, land, water, electricity and the like.

Nevertheless, claims of Grameen's financial success are impressive:

- return on assets ranging from under 0.% to a peak of 0.5% in 1998 before Grameen's crisis;
- an early 2000s return on equity of 2% (compared to Citigroup's 19%);
- lending productivity of 200 members per employee;
- recovery of up to 20% of bad debts, which themselves were less than 5% of outstanding loans during the early 2000s (Mainsah, Heuer, Kara and Zhang 2004:21).

But critiques are frequent as well. In a review of the burgeoning literature on Grameen, Heloise Weber (2001:7) reports findings that 'cross-borrowing is a part of



survival strategies of the poor (i.e., where money is borrowed from one NGO to pay off the other)', that there are other 'adverse social implications as a result of the credit intervention, such as an increase in violence at the community level, particularly against women, an increase in child labour and further impoverishment resulting from a rising spiral of debt', and that, even according to a World Bank study, 'microcredit-induced self-employment is a complement to child labour and that self-employed activity financed by a microcredit program may facilitate child employment' (Khandker, n.d.:48).

Dodzi Tsikata and Joanna Kerr (2002:17) argue that the advent of widespread microcredit is consistent with the overall neoliberal attack on women's standards of living:

Evidence from around the world, and in particular from South Asia, indicates that credit does not necessarily have a positive impact on social relations. Evaluations of major credit programs indicate that a large proportion of loans to women are appropriated by their male family members. Loans may be targeted to women, but commonly taken and used by husbands – women then become the buffers between their spouse and the lending institution, with often stressful and violent results. Even where incomes have increased among women, research has found that women's workload, alongside a debt load has increased. Improved confidence, mobility, control over assets, or freedom from violence are by no means guaranteed outcomes of women's access to credit or even increased incomes.

It should also be stressed that micro-credit or loans for small businesses do not necessarily improve the lives of the poor. However, this anti-poverty approach is one that has been heralded by the international community as an important means to fight poverty. Within this so-called inherently benign new trade and investment agenda of privatisation and open markets, micro-credit is perceived as a complementary tool for the poor. By providing small amounts of capital, small businesses and entrepreneurs are supposed to be better able to compete in, or create, new markets and therefore benefit from globalising economies. From Hillary Clinton to Muhammad Yunus (the charismatic head of Bangladesh's Grameen Bank), advocates for micro-credit tout this strategy as poverty's magic bullet. However, lack of credit is not necessarily the cause of poverty nor is credit necessarily the ingredient for overcoming poverty.

As the earlier discussion on the gender dimensions of poverty illustrates, gender shapes the ways poverty is created and escaped from. Participatory research conducted in Ghana found that when rural female farmers had to prioritise between accessing credit or improving their health services, they overwhelmingly chose the latter. When these women ranked credit against increasing availability of time, more time was preferred. Ironically, prior to the ranking exercise, community members said that credit was the most im-



portant ingredient to improving their livelihoods. Yet when measured against other factors such as health and time, credit was much less important. From another perspective, credit is actually debt, and while on one hand it can improve opportunities, it is just as capable of reducing choices when one is faced with inflexible loan repayments and a failing business.

Although such criticism of Grameen 'is still a minority view' and Yunus performed 'miracles' in rolling out credit to the masses, according to Munir Quddus (2000), the hype needs more investigation: 'The very nature of setting up groups leaves out the very poor who would be perceived by fellow members to have no ability to generate income and therefore high risk'. Quddus continues: 'Others have pointed out that micro-credit simply deepens the exploitation of the women since the rates of interest charged by the bank in real [after inflation] terms are quite high; consequently, credit often worsens the debt situation and gives the husbands even more leverage'.

Gaining leverage over women – instead of giving them economic liberation – is a familiar accusation. In 1995, *New Internationalist* magazine probed Yunus about the 16 'resolutions' he required his borrowers to accept, including 'smaller families'. When *New Internationalist* suggested this 'smacked of population control', Yunus replied: 'No, it is very easy to convince people to have fewer children. Now that the women are earners, having more children means losing money' (Teara 1995). In the same spirit of commodifying everything under the sun, Yunus set up a relationship with Monsanto to promote biotech and agrochemical products in 1998, which, *New Internationalist* (1998) reported, 'was cancelled due to public pressure'. As Sarah Blackstock (1999) observed in the same magazine the following year: 'Away from their homes, husbands and the NGOs that disburse credit to them, the women feel safe to say the unmentionable in Bangladesh – microcredit isn't all it's cracked up to be ... What has really sold microcredit is Yunus's seductive oratorical skill'.

This skill I personally witnessed when Yunus visited Johannesburg and conferred with, among others, Women's Development Banking leader Zanele Mbeki (now South Africa's first lady) as well as grassroots activists in 1994. By then, decades of evidence had accumulated across Southern Africa of microcredit programmes, including those that adopted Grameen's 'joint and several liability' group credit strategy. Indeed, dating to the 1930s, there are records of colonial management of the mainly peasant economy of rural Zimbabwe using microcredit. From that point through the post-independence period, land reform and a generous social policy were often counterposed to microcredit, in the expectation that free markets would pull women and peasants out of poverty. With the aid of microcredit, the state could lower expectations on genuine citizens' rights.

4 SOUTH AFRICAN EXPERIENCES

In South Africa, microcredit has failed in part because a much more variegated financial system permitted a slight increase in formal sector banking facilities to



the black majority after the end of apartheid, hence truncating the ability of micro-lenders to establish economies of scale from the outset (Porteous and Hazelhurst 2004). But as deracialisation of finance ensued (Bond 2005), so too the state's deregulatory orientation created severe microfinance problems, as acknowledged even by the African National Congress Economic Transformation Committee (ANC ETC 2005):

Rather than promoting asset creation, an unregulated micro-lending industry can promote the liquidation of assets to support consumption. Rather than promoting employment and economic security it could promote unemployment and economic insecurity by thriving on the extension of unsustainable debt burdens among low-income workers, thus generating economic disempowerment ... The commercial micro-lending sector has rapidly reached the limit of its expansion. The nature of its business model is such that it can only extend financial services to the salaried workforce. The vast majority of the 'unbanked' fall outside this category. Furthermore, the objectives and institutional culture of the high street lender can hardly be considered appropriate for the implementation of an asset-based community development strategy.

By then it was clear that the gradual expansion of social policy to the black majority and the slight increase in state welfare transfers were not improving the country's exceptionally high inequality and poverty rates (ANC ETC 2005). As the ANC ETC conceded, 'remittances, grants and survival strategies do not necessarily lead to the accumulation of income generating assets, and it is this that micro-finance interventions need to address'. Yet microfinance organisations (MFOs) were simply unable to foster 'income generating assets' during the first decade of liberation:

Various models of MFO have been developed internationally, the most famous of which is the Grameen Bank in Bangladesh. Over the last ten years many of these models have been adapted to the South African context. However, few have yet attained a scale of operation that is required. Even fewer have succeeded in becoming financially sustainable. While there may have been regulatory impediments to achieving these ends, there are also some who argue that such institutions are inappropriate to the South African context.

There are two reasons usually given: one is that unlike Grameen, the South African microfinance organisations have extremely high staffing costs, for as Ted Baumann (2003) notes: 'Although their clients are drawn from the poor communities and microenterprises, their staffs are solidly emplaced in a middle-class material environment little different from developed countries'. The second reason, Baumann continues, is that the majority of rural people (as well as urban slum residents and shackdwellers) are unable to generate surpluses sufficient to make repayments on credit:



Unlike peasantries elsewhere in Africa, South Africa's rural poor lack access to basic means of production, such as land, because of unresolved issues of comprehensive settler dispossession. They live in crowded rural villages squeezed between commercial farmland (no longer exclusively white) and tourist-oriented game reserves. In the urban areas, opportunities for self-employment are severely constrained by South Africa's manufacturing and retail sectors, the most advanced in Africa, which relegate small-scale trading and manufacturing to the margins. Because of their lack of access to productive resources, South Africa's poor are almost totally dependent for their survival on the output of the formal economy. The things that sustain and enhance life are only available as *commodities*. The poor, however, are structurally excluded from access to the cash necessary to obtain these. One outcome of this situation is poor households' dependence on state transfer payments, such as pensions, disability and childcare grants, and inter- and intra-household transfers. This is especially marked in rural areas.

The result is a failing industry, a problem unveiled when in 1998 interest rates rose 7% over the course of two weeks during a run on the currency, leaving microcredit borrowers with serious repayment problems and bankrupting several schemes. Although in comparison to other third world and African microlenders, the South African Microfinance Institutions (MFI's) have more women borrowers, Baumann concedes these structural shortcomings:

- South African MFI's are at the bottom of the scale in terms of average number of clients and the number of offices serving them ...
- The South African group operates from a much lower asset base than all other categories, except their African peer group ...
- The South African group carries a much lower absolute loan portfolio on average than all categories of MFIs, except their African peer group, which is a little over half the size of the South African group ...
- The average loan balance per client for the South African MFI group is on the low end of the scale, even in African terms, except for their direct peer group of small African MFIs targeting the very poor ...
- There is enormous disparity in terms of average balance per client as a percentage of per capita GNI. The South African MFIs are the lowest of any category – the only group in single figures – and only one quarter of the level of their African peer group ...
- In every expense category, the South African MFI group is significantly out of line with other categories of MFI ...
- Financial expense as a percentage of total assets is also significantly higher than other MFI groupings, reflecting South Africa's high real interest rates ...
- Personnel expense as a percentage of total assets is the most seriously inflated ratio in the case of South Africa, being 5 times the world average, 3.4 times the African average, and nearly 3 times that of the African peer group ...
- Unsurprisingly, given their relatively small scale, their inflated staffing and



expense ratios, and the low average loan balances in proportion to per capita GNI, operating expense ratios in the South African MFI group are radically out of line with all other categories of MFI.

In short, even enthusiasts of microcredit (such as the ANC Economic Transformation Committee and Baumann) have had to acknowledge the structural constraints in a highly unequal society and dysfunctional economy such as South Africa's. Yet almost as a matter of faith, microcredit will continue to be pushed by neoliberals. Based on the Lesotho case, James Ferguson (1990:58) shows that:

In a Lesser Development Country (LDC), where the cash economy is on such a precarious basis, there must be [according to the Bank] 'a conspicuous lack of credit for the purchase of farm inputs,' and it is obvious that 'credit will play a critical role in all future major agricultural projects.' It is never explained exactly why the need for credit is so critical. It is true that most Basotho invest very little in agriculture probably due to their intelligent appreciation of the low potential and high risks of capital intensive farming in Lesotho but this is usually not a matter of being unable to obtain the cash to make such an investment. Most families have access to wage-earnings or remittances, and this money most commonly comes in large lumps which could easily be used for agricultural inputs, but for the most part is not. Yet in the 'development' picture, the need for credit is almost an axiom. Needing credit is part of what it means to be an LDC.

Simba Manyanya and I have found similar evidence in Zimbabwe's seven-decade long experiment with microfinance (Bond 1998, Bond and Manyanya 2003). Following surveys in several Southern African countries, Dani Nabudere (1989:22) concluded:

The argument which then holds that the rural poor need agrarian reform in order to improve their own lot, but on the basis of credit which will enable them to improve their productivity and modernise production, has to be repudiated for what it is: A BIG LIE! ... A correct policy must aim at *empowering* the people to use the land to produce food and other products for their *own needs* and those of the country. If such reform is to be tied to the *debt bondage* of foreign monopoly demands, even in the food sector, the land may be placed in the hands of the poor, but the benefits will accrue to the commodities markets, the banks and the petro-chemical industries which will maintain the credit channels to exploit the countryside.

As we will conclude now, when problems of structural disempowerment and malfunctioning markets that bedevil credit systems are added to the overall retreat of the third world welfare state, then the challenge of social policy becomes yet more formidable, the more that microcredit hype spreads.



5 CONCLUSION

The criticisms of microcredit drawn from diverse sources are not meant to discount the importance of financial markets in capitalist development, or to deny the prospect that some schemes are worthy and effective. The criticisms do, however, offer warning to economic development specialists and social policy advocates, against believing the hype associated with microcredit as an overarching strategy to end poverty, change power relations or stand in for decent social policy.

If these warnings are validated by experiences, e.g. from Southern Africa, what, then, explains the upsurge in microcredit evangelism? There are, naturally, a variety of incentives for individuals to evangelically promote microcredit, sometimes to disguise other agendas. The highest-profile South African proponent is probably Zanele Mbeki, but her Women's Development Banking not only finances rural women, according to the oil company BP, a supporter. It has also made 'investments in high-growth businesses' such as Ceasars Gauteng casino and 'Siza Water Company, the first privatised water company' in Kwa-Zulu-Natal Province (BP n.d.) – both of which are counter-examples of poverty eradication.

There are even more dangerous microcredit agendas which are macroeconomic and macrosocial in nature. As Weber (2001:8) argues,

microcredit may be motivated primarily by its capacity to perform a 'dual function' in global political economy. Firstly, as a financially steered targeted poverty reduction strategy, microcredit, via its implications for policy facilitates financial sector liberalisation as well as extends the policy of trade in financial services to the local level. Secondly, microcredit minimalism has a disciplinary potential that renders it particularly conducive to functioning as a political safety-net. In the latter case, it offsets 'income-insecurity' and absorbs surplus labour in growing informal sectors. Appropriated as a *political* safety-net, microcredit dampens or contains resistance to the implementation of neoliberal policies at the national and local levels.

Skill in substituting microcredit for genuine social policy, Blackstock (1999) explains, allows Yunus and leading imitators 'to ascribe poverty to a lack of inspiration and depoliticise it by refusing to look at its causes. Microcredit propagators are always the first to advocate that poor people need to be able to help themselves. The kind of microcredit they promote isn't really about gaining control, but ensuring the key beneficiaries of global capitalism aren't forced to take any responsibility for poverty'. As Doug Henwood (1998:314) concluded in his survey, 'the appeal of microcredit schemes like Grameen – which have been adopted enthusiastically by the likes of the World Bank, Hillary Clinton, and Citibank – is that they are a low-cost, non-threatening substitute for real self-organisation and for expensive public programs like education, health care, and infrastructure investment'.



In addition to their state-shrinking functions, including the new focus on microcredit for the health and water sectors, these programmes are also problematic because they are *perceived* (even if often incorrectly) as a means of lowering the cost of lending through economies of scale and group pressure substituting for the bank-client relationship. The World Bank's emphasis on group lending is partly based on the principles that risk can be reduced through peer pressure, and administrative costs of lending passed to the group of borrowers itself. This has been justified by the World Bank (1991:135) as an *efficiency* measure in historical context:

The letter of credit, a contract that emerged in the Middle Ages in Italy, increased the scope of exchange and contributed to the expansion of international trade. By better defining creditors' rights in regard to a firm's assets, public liability companies – an innovation in late eighteenth-century England – allowed firms to take risks and attract resources to activities that otherwise could not have developed. Since the 1970s, leasing contracts have allowed enterprises to reduce the risks associated with large investments in equipment. In Bangladesh, the Grameen Bank found innovative ways to lend to low-income groups while keeping defaults low. This was achieved by establishing contracts that made the community, not only the borrower, responsible for payments.

But as we have seen, the terms of these arrangements – especially the issue of subsidies – remain highly contested. Even group credit proponents Henry Jackelen and Elizabeth Rhyne (1991) concede that Grameen's group lending philosophy relied for many years upon subsidies of over \$5 million per year, since management 'sees itself in the role of transferring benefits from donors to the most disadvantaged sectors of society'. And yet even if that was the rhetoric at one point, and if Yunus was weaned off subsidies by the late 1990s, it was evident from the *Wall Street Journal* investigation in 2001 that sustainability was not easy to achieve, given high and durable poverty as well as exogenous shocks.

Yunus' diversification into many additional lines of business has, at least, been profitable. The expansion of cellphone services in Bangladesh no doubt had much to do with the impressive network of barefoot bankers Yunus had introduced across the countryside. But in this respect, too, his networks reached high up into the global elites, and the Nobel bid was strongly supported by friends in the Norwegian ruling class. These included a former top finance ministry bureaucrat and leading officials of Telenor, Norway's phone company. Telenor owns 62% of GrameenPhone, which controls 60% of Bangladesh's cellphone market.

However, matters of this profile cannot be reduced to narrow interests. At a time when the centre-left Norwegian government has a high profile for partially cancelling illegitimate third world debt and threatening to defund the World Bank, both of which have been pressed by an impressive activist community, the people who make these decisions were conscious of how important it is for Norway to project the possibility of capitalism with a human face.



Similarly, World Bank president Paul Wolfowitz went to Andhra Pradesh in mid-2006 to witness the 'transforming power' of microfinance and 'realised this program was opening opportunities for poor women and their families in an entire state of 75 million people'. As Walden Bellow rebutted that microcredit 'is not the key to development, which involves not only massive capital-intensive, state-directed investments to build industries but also an assault on the structures of inequality such as concentrated land ownership that systematically deprive the poor of resources to escape poverty. Microcredit schemes end up coexisting with these entrenched structures, serving as a safety net for people excluded and marginalised by them, but not transforming them' (Bello 2006). Hence, as Alexander Cockburn (2006) put it, Yunus won a Nobel Peace Prize 'for neoliberalism':

But in terms of hot air, any sentences linking 'peace' with 'Henry Kissinger' aren't immeasurably more vacuous than the notion that microloans can help – to use the language of the Nobel Committee's citation – 'large population groups find ways in which to break out of poverty' ... The microloan business is fast becoming a gigantic empire, bringing back into control the very banks and bureaucracies women have been trying to bypass. Microcredit is becoming a macro-racket ... The trouble with publicly-subsidised credit programmes is that they're public and they're large and run contrary to the neoliberal creed. That's why Yunus got his Nobel prize, whereas radical land reformers get a bullet in the back of the head.

It is indeed here, in the neoliberal realms of nominally apolitical poverty 'alleviation', self-help ideology and poor people's cost-cutting – by utilising women's ability to pressure each other to repay (and if that doesn't work, barefoot bankers tearing off their delinquent clients' roofs) – that microcredit is a serious threat to the general cause of social policy.

In short, the microcredit hype is not always a ladder between the mythologised two economies, it is, very often, a financial snake pulling people back down, first through debt peonage, and secondly as a substitute for social policy.

Indeed, no one has put the most maniacal-libertarian case for microcredit quite so clearly as Yunus (1998:214) himself: 'I believe that "government", as we know it today, should pull out of most things except for law enforcement and justice, national defense and foreign policy, and let the private sector, a "Grameenised private sector", a social-consciousness-driven private sector, take over their other functions'.

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Crises in social reproduction and home-based care

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ABSTRACT

In a context of severe pressure on the social policy role of the state in recent decades, the functional interaction between South Africa's two economies is obvious with respect to home-based care. With between a fifth and a quarter of adults suffering HIV infection, increased care responsibilities are a crucial component of most families' lives. Qualitative research in KwaZulu-Natal suggests enormous problems that shed light on the durable problem of labour power reproduction inherited from apartheid. Policy and much literature on home- and community based care do not adequately capture how capitalist relations factor in home-based care within expanded social welfare provision, a burden falling particularly on rural women.

1 INTRODUCTION

Assaults on those functions of the state which were intended to compensate for the inadequacies and injustices of the market have become evident over the last decades (De Angelis 2000). Indeed, Steven Gill and Issa Bakker (2003) point to a growing crisis of social reproduction, most acute in poor developing countries, and among the poorest, that is associated with the fiscal crisis of the state and the removal of state provisions.

In the South African context, this is not new. Referring to apartheid, Harold Wolpe (1972) argues that the crucial function performed by the policy of segregation was to maintain the productive capacity of the pre-capitalist economies and the social

system of the African societies in order to ensure that these societies provided a portion of the means of reproduction of the African labour power. The extended family in the reserves to which migrant labour returned in between periods of work was able to fulfill the social security functions necessary for the reproduction of the migrant work force. Therefore the capitalist sector and the state were relieved of the need to expend resources on these necessary functions, with the former able to secure an increased rate of surplus value.

Wolpe's analysis highlighted the functional interaction of the two economies, something that Mbeki (2003) seems to deny at present:

[The first] is the modern industrial, mining, agricultural, financial, and services sector of our economy that, everyday, become ever more integrated in the global economy ... it is this sector of our economy that produces the wealth we need to address the many challenges we face as a country ... The successes we have scored with regard to the 'first world economy' also give us the possibility to attend to the problems posed by the 'third world economy', which exists side by side with the modern 'first world economy' ... Of central and strategic importance is the fact that they are structurally disconnected from our country's 'first world economy'.

In a context of high HIV prevalence levels (19.2% to 26.5%, depending on the form of measurement used (Doherty and Colvin 2004:197)) large numbers of South Africa's citizens are in need of care. This article assesses the extent to which Mbeki's two economies are, in fact, structurally disconnected, by reviewing the government's approach to care provision through findings from qualitative research conducted in KwaZulu-Natal. Initially this policy approach is outlined, followed by a review of literature relating to home- and community based care, capitalism and social reproduction and social welfare provision in South Africa. Thereafter the research methodology is discussed, relevant findings reflected and conclusions drawn.

2 HOME- AND COMMUNITY-BASED CARE AT A TIME OF FISCAL RESTRAINT

The South African government notes that even if hospital or other institutional care may be the best response to an individual's condition, it may not be available due to a shortage of hospital beds, an inadequate number of health professionals, and the cost of institutional care. Home-based care is described as a cheap, cost-effective and flexible means of providing basic symptomatic and palliative care for people with HIV/Aids (Department of Health 2001a). The national guidelines on home- and community-based care (hereafter referred to as the home-based care guidelines) define such care as 'the provision of health services by formal and informal caregivers in the home, in order to promote, restore and maintain a person's maximum level of comfort, function and health, including care towards a dignified



death' (Department of Health 2001b:1). No clear definition is given of community-based care, but home-based care is defined as an integral part thereof.

Ogden *et al* (2004:3) note that up to 90% of illness care in developing countries is provided in the home by unpaid and untrained family members who are usually female, and that this care is not linked to any formal care and support service. Community care policies have been used in many countries as a means of cutting the high costs of caring for people in institutions (Dalley 1996, Means and Smith 1998). According to Means and Smith (1998), assumptions about the role of the family and of the state are rarely made explicit and widely accepted as given. Dalley (1996:xiv) believes that 'much of the debate about caring and the provision of care is still premised on the principle of familist ideology, and ... fails to examine the case that there is to be made for a collectivist approach to caring and an extension of state responsibility rather than a retrenchment'. Concern has also been expressed that the reduced reliance on hospitals will not be balanced by a major expansion of community-based services (Means and Smith 1998).

Gill and Bakker (2003) argue that the dominant framework of global economic and social governance is linked to the neoliberal project of reform and involves the wider privatisation of the state and the reprivatisation of institutions of social reproduction.² Social citizenship appears to be giving way to market citizenship, where citizens become responsible for helping themselves. Capitalist market forces penetrate into the spheres of society previously shielded from commodification, resulting in crises and transformations in social reproduction. The authors note that in a number of developing countries cutbacks in public provisions for social services resulting from a situation of fiscal crisis, have led to worsened human insecurity, with new struggles for survival evident among the poorest.

These changes are also evident in post-apartheid South Africa. The GEAR strategy adopted in 1996 prioritised targets of inflation reduction and deficit containment over the expansion of public spending and redistributive interventions (Barchiesi 2005). A new model of developmental social welfare, presented in the 1997 white paper on social welfare, emphasized a rights based, family-centred, community-based approach to social service delivery, with a community development focus (Patel 2005).

Sevenhuijsen *et al* (2003) describe how social practices of care are represented using gendered assumptions, and that the white paper inserts care principally into a familist framework which does not adequately address current South African social problems, nor correspond with social justice principles endorsed in the white paper. Franco Barchiesi (2005:340) describes how 'the rhetoric of individual empowerment and community development that link welfare and economic growth ... acts as legitimisation and rationalisation of spending constraints, coercive inducements to wage employment and policies of structural adjustment'. Disturbingly, he observes a similarity with discourses used by the present government and those used by the apartheid government to justify residualism, commodification and exclusion of the, especially rural, African majority from services.



In the next sections the findings from research on care provision in KwaZulu-Natal will be examined to assess the practical outworking of the home-based care policy for the ill and their family caregivers.³

3 RESEARCH METHODS

Between June 2004 and March 2005, 36 households across 6 research sites in KwaZulu-Natal province in South Africa were extensively visited by 3 fieldworkers as part of the qualitative component of the 2004 KwaZulu-Natal Income Dynamics Study (KIDS).⁴ Two urban and 4 rural KIDS clusters (within Ndaleni, KwaBrush, Umlazi L Section, KwaDunuse, Mpakama, Osisweni) were selected using a careful, purposive process. The clusters were stratified on the following variables: (a) rural/urban, (b) geographical spread within the province, (c) degree and types of activities (mainly presence, but also absence) pertaining to the research themes (described below), (d) whether they had been part of another qualitative study linked to KIDS in 2001 (the Socio-Economic Study of the Persistence of Poverty and Inequality), (e) whether they were a part of the Political Economy of Social Capital study (another qualitative study linked to KIDS 2004), and (f) whether the fieldworkers would be safe from a security standpoint. Telephone interview information obtained from local leaders in the KIDS clusters was used to provide information on (c) and (f).

Within each cluster 6 households were selected, a number which allowed data of sufficient depth to be collected on the research themes, which were as follows: 'care', 'orphans', 'livelihoods', 'the Child Support Grant', and 'changing household structure'. The first household selection criterion was that households be part of KIDS 2004, and the second was that households contain a pair of conditions to enable data collection on two of the above themes, apart from the 'changing household structure' theme, which was covered in all households.

To begin, a mini-survey that contained information on all themes was conducted in all KIDS households in each cluster. It was not always possible to select households with the 'care' theme through a mini-survey of KIDS households, since the criteria were not always met.⁵ Household selection was then purposive. One or more of the community caregivers or other key informants in the study area, were approached for assistance in identifying possible 'care' households.

Permission to conduct the research was obtained from local leaders for the 6 study clusters. After explaining the background and purpose of the study and assuring confidentiality, consent was obtained from the 6 case study households in each cluster.

A 'modified' extended case study method was chosen.⁶ Each fieldworker lived in 2 clusters for 2 one-month periods, and travelled between the 2 clusters at intervals.⁷ Repeated visits were carried out to study households, and formal and informal interviews and discussions were conducted with different household members. Interviewing, household events mapping, events mapping of illness periods, ob-



serving and participating in activities related to the topics of the research at the household and community level, were all undertaken.⁸

As a result of purposive sampling, 3 of the households in each cluster contained an adult who was ill and being cared for by at least 1 household member. Across the 6 study sites, in 18 households 22 family caregivers were undertaking care for 19 people – in 1 household 2 people were receiving care. In 7 of the 19 cases the HIV-positive status of the ill person was volunteered.⁹ Given the age range of the ill people (23 to 51 years), as well as the high HIV prevalence levels in KwaZulu-Natal (ranging between 22.1% and 36.5% of the population, according to Doherty and Colvin 2004:197), and since 9 of the ill people were known to have died non-accidentally by the time fieldwork was completed, it is likely that a number had HIV/Aids.

Key informant interviews with 5 community caregivers and 2 heads of rural clinics were also conducted in most of these study areas, where possible. Supplementary interviews with 3 medical managers at some of the regional and district public hospitals that serve these areas were completed by the researcher.

It should be emphasised that the information collected is not representative of the situation in KwaZulu-Natal. However, the study areas were scattered around the province, and there is no reason to think that care situations would be substantially different in other parts of the province.

4 FUNDING AND PROVISION OF HOME- AND COMMUNITY-BASED CARE

Although the provinces are advised to compile their own care policies, in KwaZulu-Natal the home-based care guidelines are used as the guiding policy document.¹⁰ An analysis of the 2004/2005 allocation and spending figures of the KwaZulu-Natal departments of health and welfare indicate that very little is allocated to home- and community-based care: respectively 0.2% and 0.3% of total allocations for all the groups it is provided to (including the elderly, the disabled, those with HIV/Aids). Furthermore, only a fraction of the little that is allocated is spent: 79% of the welfare allocation, and an alarming 31% of the health allocation (Hunter 2005:6).¹¹

These figures indicate that home-based care is not a priority on the provincial government's agenda, something that is of deep concern considering that it is provincial spending on home-based care that is the government's chief response to the care needs presented by the HIV/Aids epidemic. Clearly the move to this form of care provision is not being balanced by an expansion of financial support.

In the following sections, summarised findings relating to care provision from the perspectives of family caregivers for ill people and key informants involved in the provision of care are presented.¹²



Assistance from public hospitals

The experiences of ill people and their family caregivers in accessing hospital care point to admission as being relatively arbitrary. Nearly all ill people visited hospitals, and half were admitted at some point. Not one experience characterised hospital visits or stays.

Likewise, medical managers pointed to a range of approaches to admission. Some family caregivers described the condition of ill people as 'not improving' when they were in hospital. Medical managers believed that nursing care was needed for terminally ill patients, whose condition would ultimately not improve. However, a shortage of nurses and a lack of hospital resources were identified as a key problem in providing this care. Medical managers expressed a need for support at the community-level in caring for terminally ill people. Family caregivers expressed a need for professional care. In the case of some ill people there was relatively frequent admission, and in others no success, despite repeated attempts.

What is evident is the predicament that a lack of institutional provision throws up for family caregivers who have to provide care in the home environment, but are often ill-equipped to do so, as in the Madondo household:

During this month Malanga decided to move Zweni inside the main house. Malanga said Zweni was complaining about so many pains, always calling for help. That is why she had to share her bedroom with him. She said she let him use the bed and she slept on the floor. Zweni was not eating, only drinking liquids. His body was now like that of a 10 year child. Malanga now could not take it anymore. She decided to take him to hospital ... At the hospital Zweni was put onto a drip and was told that he must go back home with her. She said she was not angry about what they said. Anyone could see that he was dying. Malanga came back with him. In the early hours of [the morning] Zweni died.

Assistance from clinics

With regard to assistance provided by clinics, stigma was a barrier to care provision: many ill people did not want to be tested for HIV, and this made it difficult for clinic staff to provide the appropriate treatment. Poverty too emerged as a noteworthy barrier. Family caregivers were not always able to take the advice of clinic staff (with regard to healthy eating, for example) due to a lack of funds. At some clinics there were fundamental problems in the provision of essential items for care. A clinic sister in a rural area highlighted this:

There are also cases where the caregivers do not have soap, bandages and ointment and the people come and complain to them and the people think that the clinic is being unreasonable in not giving out the needed accessories.



Those caring for ill people at home were not always able to receive essential items for care from clinics, and presenting them with quandaries in terms of care provision. The home-based care guidelines state that these items should be obtained from the referral facility, but this appears not to be working in practice.

Other attempts at accessing care/assistance

Most ill people and their caregivers attempted to access assistance at both public and private health care facilities, as far as finance allowed. Moving from pillar to post in order to access treatment featured prominently in the stories of illness periods.

Only 1 ill person in the study was on medical aid, and therefore able to access private hospital care. Over half of all ill people visited private doctors, and nearly all had visited traditional healers for a consultation and/or medication. Traditional medication was usually used in conjunction with western medicine. Supermarkets, spazas and/or pharmacies were also visited in order to obtain over-the-counter medicines and immune boosters.

Importantly, finance is required to visit public and private health institutions, and in most cases transport costs added a noteworthy burden to the ill and their caregivers, and often constituted a barrier to accessing assistance. In some cases referrals were given by a public health institution to another public health facility, but a lack of funds for transport prevented the ill and their caregivers from getting there. In one case transport money was paid to visit a private doctor, but there was no additional money with which to purchase the prescription given, and the ill person had to return home without medication.

Assistance from community caregivers

Community caregivers are community-based health worker cadres who work in the communities in which they live, acting as agents for health promotion, care and health development (Friedman 2002, 2005). In the study areas the community caregivers identified were paid and unpaid community health workers – with generalist functions, and home-based caregivers – with specialised functions in providing home-based care. Only paid community caregivers were interviewed, since, unlike volunteers, it can be assumed that they have an obligation to do their work.

Community caregivers were present in 5 of the 6 research sites. Most had covered the basics of home-based care and healthcare in their training. Some had received basic counselling training. A number of community caregivers volunteered for a number of years – 1 for 7 years – before being paid. Each was responsible for more than 100 households, and nearly all stated that they worked full work days, 5 days a week – and sometimes on weekends if the need arose. About half were paid by the Department of Health, while the other half were funded by NGOs who were likely supported by the provincial departments of welfare or health. All



complained that they were receiving insufficient pay for their work. Earnings for community health workers were the equivalent of double the minimum wage for domestic workers in rural areas at the time (Department of Labour 2004), while home-based caregivers were paid substantially less.

A number of barriers to care provision by community caregivers were evident. Poverty meant that it was difficult for community caregivers to visit households in which there was an ill person, and that the needs of these households was magnified. The following quote illustrates how a lack of funds led to a lack of healthcare provision within the home, and how this added to human insecurity for the ill and their caregivers, and was disempowering for the community caregiver in this rural area:

She also visited a household that had a seriously ill person, and they needed medical assistance. She advised them to go to the clinic, but they had no money for transport. She started to counsel them and this created serious problems because they could not reconcile her counselling with the fact that they badly needed medical assistance. This created a serious problem and she realised that counselling was not a solution ... unless it is done together with medical assistance.

Clearly the community caregiver was not equipped to provide the healthcare assistance that was needed in this home. Those who could provide such assistance were located outside of the home in health institutions, but did not visit the home, and the ill person could not afford to visit them, resulting in a lack of healthcare provision. Moreover, basic care materials – such as gloves and soap – were not made available to community caregivers, making it difficult for them to properly undertake their work, and for the ill and their family caregivers to regard them as professionals. Stigma too emerged as a barrier to care provision: it meant that community caregivers were not wanted in some households, and that it was difficult for them to visit households. Finally, being part of the community in which they were called to provide care meant that these health workers were more aware of the needs of the community than an outsider, but this familiarity also made it difficult for them to provide care, and for ill people and their family caregivers to receive assistance.

Family caregivers

The 22 family caregivers in the study ranged in age from 16 to 74, with all but 1 female – the exception was a nephew who, along with the ill person's mother, cared for his uncle. Additional assistance was received relatively infrequently from other household and non-household members. The 19 cared-for ranged from age 23 to 51 – 8 were female, 11 were male. In 10 of the 19 households the mother of the ill person was the only family caregiver. In all but 1 case the family caregiver was related to the ill person: here the ill person's brother's girlfriend provided care. In 3 instances the caring task was shared. These findings on who provides care in the home are in line with the literature on caregiving in sub-Saharan Africa



(Chimwaza and Watkins 2004). In many of the study households, friends of the ill person and/or the family caregiver and neighbours visited, but did not provide care assistance.

In most cases the family caregiver was not working for an income. However, a number who were working gave up their work, or substantially reduced their work activities, in order to care for the ill person. Seven family caregivers were unemployed, 1 was studying and 7 were receiving an Old Age Pension – 1 of whom still works informally.

It should not be assumed that caregivers are healthy. One family caregiver indicated that she was HIV-positive and unwell; another was sick and died while fieldwork was underway; 1 was pregnant; a number were elderly and not physically strong. Moreover, some caregivers had to look after more than 1 person at a time: a 16-year old was caring for her mother and her aunt; another was caring for her ill son and a disabled granddaughter; another cared for her daughter and granddaughter, who were both HIV-positive. Evidently providing care within the home presents real predicaments for family caregivers.

In order to understand more about the lived experience of providing care within the home, a case study from the Ndaba household is presented. From a family caregiver's 24-hour activity diary, the sheer burden of care is evident (see Hunter 2005, for this information). The 28-year old ill person, Ntokozo, who volunteered his positive HIV status, required constant attention, on a 24-hour basis, allowing Virginia, the 67-year old caregiver and his mother only a few hours of sleep during this period. Virginia undertook nursing and domestic work: she administered medication, fed and turned Ntokozo, changed his bed linen, helped with toileting – in addition to other household chores. No running water was available, making it even more difficult to provide care.

Due to her caregiving duties, Virginia's economic and social activities were restricted. She could no longer cultivate, attend community meetings, go to the local shop or talk with local women. Her wattle trees burnt down, and she was not able to trace the culprit. In addition, it was physically and emotionally difficult to undertake this intensive care work. The following quote indicates how the introduction of caregiving presented the caregiver with a quandary:

When he came out of hospital seven months ago, she did not know how to address herself to the illness. She asked herself one question: if medical doctors, with their experience, can release or discharge him, who was she to handle him or his illness? She had no answer to this question and no-one could provide one. She told herself that this was a challenge to her as a parent and she needed to deal with it ... Her son looked emaciated and could not walk properly. He was coughing constantly and had no appetite for food. She started to pick advice from neighbours and friends ... Each time she went to sleep, she hoped that the following day her son would be



walking. But that was not to be. Each day passed with her son glued to his bed. She cried openly and her son said 'don't cry, I will be alright'. From then onwards she survived on hope and her son's confidence.

In about half of the study households no training or guidance in terms of care provision had been received by the family caregiver. In just over half of the households no guidance had been received from a clinic or a community caregiver or both. Three family caregivers had received formal training on various aspects relating to caring, but this was received prior to their being in, and not related to, the care situation. A number described care for a household member who had already died as their 'training'. Caregivers are in most cases ill-equipped to deal with the care burdens they face, as the following narrative outlines:

Without any basic training, she felt constrained in taking care of her ill son. She did not have gloves and used her bare hands. A neighbour who is a nursing sister gave her a few gloves and she had to use these all the time. The gloves have developed cracks and that means no protection ... She had the problem of not understanding how to massage properly until the sister who gave her the gloves showed her how to do it. The community health worker was not visiting at the time.

5 CONCLUSION

What have the findings indicated for the two economies thesis? Consider Hart's (2007:17) examination of Mbeki's perspective: 'What is significant about this discourse is the way it defines a segment of society that is superfluous to the "modern" economy, and in need of paternal guidance – those falling within this category are citizens, but second class'.

This article has shown that the citizens of the second economy are not superfluous to the first economy. Rather, women in the second economy are forming the backbone of home-based care provision with very little, if any, support from the first economy. The ultimate burden of care and therefore the costs of care are falling on female caregivers who are in most cases both ill equipped and not trained to deal with these new responsibilities.

Contrary to the home-based care guidelines, no formal caregivers were providing care within the home, rather where government support was received it was from community caregivers, and it was home visiting instead of home-based care. The government is contributing very little resources to its chosen approach to care provision. Cost-effectiveness for government appears to be defined as getting family caregivers to carry the bulk of care costs. This has resonance with the apartheid government's successful attempts at getting families in the 'reserves' to carry the social reproduction costs of migrant labour, as highlighted by Wolpe. Moreover, the findings show that the two economies to which Mbeki refers are not structurally disconnected. While the first economy is said to produce the wealth to address the



challenges the country faces, it is not being employed to this end. Instead, disturbingly, the poverty of the second economy is contributing to the wealth of the first economy.

Gill and Bakker (2003) note that there could be a profound crisis of social reproduction in the longer term for those who are poor, as a result of the reprivatization of social reproduction. The study findings show evidence of such crises as a result of having to provide care within the home. Additionally, the fact that care provision is gendered is of little surprise, since 'gender inequalities ... are constitutive of the very processes at the heart of intensified globalisation' (ibid:23). Clearly something needs to be done to alleviate the care burden from those being disproportionately saddled with it, most of whom are already disadvantaged.

Sevenhuijsen *et al* (2003) propose that care should be positioned in notions of citizenship rather than family or community, and that in this way the responsibility for care would be deprivatized and made a common concern. The possibility of the extension of state responsibility rather than its retrenchment, in line with Dalley's (1996) arguments, needs to urgently be examined. Finally, as Gill and Bakker assert, there is no reason why legal security for capital could not coexist with national security and better conditions for human security. Mbeki's description of the first economy using its wealth to address South Africa's challenges should indeed become reality, starting with citizens in the second economy who are saddled with the responsibilities of care provision within the home.

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ENDNOTES

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2. Social reproduction refers to biological reproduction, reproduction of the labour force and of provisioning and caring needs that may be completely privatised within families and/or socialised (Gill and Bakker 2003).
3. Hereafter any reference to 'family caregiver' will be to an unpaid household member responsible for providing care to an ill person within the home on a regular basis.



4. KIDS is a panel survey of about 1,100 households within 67 clusters in KwaZulu-Natal, South Africa, surveyed in 1993, 1998 and 2004. 'Clusters' or research sites refer to census units and are not communities *per se*.
5. Only households in which the ill person was over 10 and under 60 were selected, and households in which care was being received for those with chronic, non-HIV related conditions were not included, as the aim was to increase the likelihood of people with HIV/Aids being selected.
6. The term 'modified' was used because the period in the field and the period with each case study household was shorter than is most often the case using an 'extended case method' (Burawoy 1998). Fairly structured interview guides were developed, and fieldworkers were trained in their use.
7. The fieldworkers were first language Zulu speakers, who also undertook training in ethnographic methodology.
8. The interview material has been edited for clarity of reading, and all names have been changed for the sake of confidentiality.
9. Ethical clearance for the KIDS was obtained from the Research Ethics Committee of the University of KwaZulu-Natal, Durban.
10. Personal communication, Manager: Home Based Care, KwaZulu-Natal Provincial HIV/AIDS Action Unit, 15 August 2005.
11. The budget allocation for community health workers is not included here.
12. See Hunter (2005) for a complete account of these findings.



When public works programmes create 'second economy' conditions

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ABSTRACT

The Expanded Public Works Programme (EPWP) is touted as a key mechanism for bridging the gap between the so-called 'first' and 'second' economies. However, analysis of two waste management public works programmes reveals that these initiatives undermined the creation of new jobs in the formal waste management sector and created inferior jobs which bear characteristics associated with the so-called 'second' economy. They therefore contributed to the production of the very problem that they were meant to overcome, belying both the myth that the two economies are separated by a structural divide, and the policy claims that the EPWP will help bridge this divide. The framing of the EPWP as a mechanism to assist the 'unemployable' relegated to the 'second' economy is an attempt to discipline both those employed on the projects to accept their marginalised status and organised labour to accept the de facto creation of a two-tier labour market. If the EPWP is to be prevented from creating new forms of exclusion in the labour market, eroding labour conditions in the public sector and creating the conditions associated with the 'second' economy unions will need to overcome current exclusions within their own organising practices and find ways to organise and represent these workers.

1 INTRODUCTION

The Expanded Public Works Programme (EPWP) is frequently invoked as a critical mechanism for bridging the gap between the so-called first and second economies (see, for example, Mbeki 2004, 2006). Somewhat surprisingly, within the growing



debate on the concept of the two economies, scant attention has been paid to this initiative. Analysing the nature and effect of public works programmes can, however, illuminate key theoretical and political issues pertaining to this 'dual nature' of the South African economy.

Based on analysis of two public works programmes in the waste management sector, which served as precursors to the intended roll-out of 32 waste management EPWPs (EPWP Unit June 2004:24), this article argues that rather than forging a pathway from the second into the supposedly distinct first economy, *the public works projects minimised the need for the generation of new jobs within the formal waste management sector*, and created new, inferior jobs which bear characteristics associated with the so-called second economy. The public works projects therefore contributed to the production of the very problem that they were meant to overcome, belying both the myth that the two economies are separated by a structural divide, and the policy claims that the EPWP will be an effective way of bridging this divide.

In order to substantiate this argument the article begins with a brief overview of public works programmes in South Africa and the conceptualisation of the two economies. The following section analyses two waste management public works programmes – the 'premier's project' in Sol Plaatje municipality and the Zivuseni poverty alleviation project in Johannesburg. The concluding section draws out some key implications for the concept of the two economies.

2 PUBLIC WORKS PROGRAMMES

Public works programmes have featured as a critical part of government's job creation efforts since the Reconstruction and Development Programme, and various programmes which have been in put forward since 1994 (Phillips 2004:3–4). The Expanded Public Works Programme (EPWP), which consolidates and expands on preceding public works programmes, was announced in president Mbeki's February 2003 State of the Nation address, and subsequently agreed to by all parties at the June 2003 Growth and Development summit (www.epwp.gov.za).

The EPWP is intended to provide poverty and income relief, bring the unemployed into productive work, and provide participants with training to assist them in moving into productive employment (Phillips 2004:6–7). One million 'work opportunities' are to be created by the EPWP in its first 5 years (Mbeki 2004). It is repeatedly claimed within government documents and speeches that the work experience and training received in EPWPs will help workers move from the second to the first economy (McCord 2004b).

McCord (2004a) astutely observes that the prolonged negotiations between government, labour and the private sector on the EPWP had a profound effect on the form and nature of the programme. Government and business were ideologically opposed to increasing long-term public sector employment. For its part, the union



movement rejected the creation of 'second-class' public works employees with lower wages, benefits and labour protection, as they argued this would contribute to the development of a two-tier labour market. It was therefore agreed that minimum wages for EPWPs would be reduced, but that the employment would be short-term and workers would be given training as compensation (McCord 2004a:10). The training component, and the assumption that it will enable workers to find employment after the end of the EPWP are central to the casting of the EPWP as a mechanism to reduce unemployment. For, as McCord notes, the 'EPWP is fundamentally a supply-side intervention, since the direct labour market impact of the EPWP in terms of the number of jobs 'created' is extremely limited, and the average duration of employment on the programme is only 4 months' (McCord 2005:565).

To date the most penetrating critiques of the EPWP have been developed by McCord in a series of publications rooted in extensive empirical and documentary analysis (2004a, 2004b, 2005). McCord's primary intervention is to establish that there is a fundamental mismatch between the goals and rhetoric of the EPWP and the South African context within which it is being implemented. McCord highlights that while similar public works programmes have been effective in addressing transitional unemployment often encountered in developed countries, 'as a short-term policy instrument the EPWP is not an appropriate response to the chronic labour market crisis [in South Africa]' (McCord 2004b:8).

She further emphasises that while there is a need for intermediate and high level skills in the South African economy, the EPWP's will not provide workers with this level of skills. Learnerships remain the preserve of contractors and will only be accessible to a tiny fraction of EPWP workers. The 8 days of formal training planned for most workers on EPWPs focuses primarily on life skills, and McCord found that many workers who have participated in EPWP's did not know whether or not they had even received training (McCord 2005:568–572). Due to the structural nature of unemployment, so few workers have been successful in securing other employment after the EPWP's, that Working for Water and Working for Wetlands keep workers on for multiple years rather than returning them to unemployment (McCord 2005:576). As the training component is so limited, wages so low, and employment so brief, McCord concludes that while EPWP employment may temporarily decrease the depths of poverty experienced, it will have little impact on the number of people living below the poverty line, unemployment or future labour market participation (McCord 2004b:12).

McCord therefore persuasively and effectively disproves assertions that the EPWP as currently formulated will provide a bridge between the second and first economies and assist the unemployed in moving into secure, formal sector employment. However, she does not extend her analysis to explore whether the EPWP's which she evaluates shed any light on the theoretical conceptualisation of the two economies. Prior to reflecting on what analysis of public works programmes can reveal about the relationship between the so-called first and second economies it is useful to briefly review current critiques of this theoretical construct.



3 TWO ECONOMIES – SPLITTING AN ORGANIC WHOLE

The concept of the two economies first emerged in Mbeki's post-cabinet Lekgotla media briefing on 29 July 2003 (Hart 2006:24). Since then it has featured prominently in ANC and government discourse and policy including the ANC's 2003 *Towards a ten year review*, ASGISA and the 2004, 2005 and 2006 State of the Nation addresses (IDASA 2005, Hart 2006, Hart 2007, Skinner and Valodia 2007). The *Ten year review* summed up the conceptualisation of the two economies by stating that

'two economies' persist in one country. The first is an advanced, sophisticated economy, based on skilled labour, which is becoming more globally competitive. The second is a mainly informal, marginalised, unskilled economy, populated by the unemployed and those unemployable in the formal sector (cited in *ANC Today* 2004).

According to the two economy discourse, the first and second economies are structurally disconnected and, as a result, benefits will not automatically trickle down from the former to the latter. Because the second economy is unable to generate sufficient internal savings to engender its own growth, it is argued that government must intervene to boost development within this economy. This is not, however, a wholesale endorsement of government intervention in the economy. The ANC is clear that market-based policies have been successful in the first economy – so successful in fact that they have produced the resources necessary to finance developmentalist interventions in the second economy. Even within the second economy these interventions are to be limited to building bridges to the first economy, and, harking back to classic modernisation theory, helping the second economy to reach its 'takeoff point' (*ANC Today* 2004). Presumably once these interventions have been successfully implemented the second economy will be merged into the first, and no further government intervention will be required.

This conceptualisation of two distinct economies separated by a 'Chinese wall' (Habib 2004) has been widely critiqued (Daniel *et al* 2003, Habib 2004, Hart 2006, 2007, Skinner and Valodia 2007). Skinner and Valodia (2007) garner significant statistical and case material evidence to demonstrate substantial forward and backward supply chain linkages between the so-called first and second economies. Drawing on both Rosa Luxemburg's and Harold Wolpe's theorisations of the exploitative relationship between capitalist and non-capitalist economies they argue that that the dynamics in the first economy are dependent upon and help to create the conditions associated with the second economy. As they note, 'rather than being separate spheres lacking articulation, the so-called first and second economies are very much an integrated feature of the growth pattern in the post-1994 period' (Skinner and Valodia 2007:112).

In developing their argument Skinner and Valodia focus primarily on the numerous forward and backward supply chain linkages between the informal and formal sectors and the contribution of the informal sector to GDP. However, they also point to



an intimate relationship between labour standards within the supposedly distinct economies, noting the convergence of labour conditions in the first and second economies (Skinner and Valodia 2007:111) and highlighting the point made by Kenny and Webster (1999) that labour conditions in the informal sector contribute to an erosion of standards within formal employment.

If the first and second economies are not distinct, and if labour conditions in the one can affect those in the other, it becomes critical to evaluate the role that public works programmes play in shaping the relationship between these two parts of what must be seen as an organic whole. In order to do so the following section draws on research conducted in 2002 and 2003 on waste management public works programmes in Sol Plaatje and Johannesburg.¹

4 WASTE MANAGEMENT PUBLIC WORKS PROGRAMMES – BUILDING DIVISIONS VERSUS BRIDGING DIVIDES

Rather than being a special programme with its own budget the EPWP is primarily being financed by local, provincial and national government as part of their regular line budgeting. Each sphere of government is tasked with finding ways of transforming existing activities to meet EPWP objectives (Phillips 2004:7–9). South Africa's largest municipalities have already adopted a range of different approaches to plan and implement EPWP's. To date, most municipal level EPWP's have been in the infrastructure sector (SACN 2006:4–37). However, waste management has been prioritised as a key area for expansion due to high levels of service backlogs in townships and informal settlements. It is felt that jobs could be created to service these areas without affecting existing levels of municipal employment (Interview with S. Phillips 22 March 2007). The Environmental and Cultural Sector EPWP plan anticipates the implementation of 32 waste management EPWP's (EPWP Unit June 2004:24) and pilots are currently being planned in several municipalities (Interview with M. Nel 4 April 2007).

As noted above the EPWP builds on pre-existing public works programmes. Analysis of waste management public works programmes previously implemented in Sol Plaatje and Johannesburg can, therefore, shed light on the relationship between public works programmes and conceptualisations of the two economies.

Research conducted in 2002 and 2003 for the Municipal Services Project and the South African Municipal Workers Union as part of a broader research project on the restructuring of waste management services revealed that Public Works Programmes (PWP's) were used to provide street cleaning services in parts of both Galeshewe township in Sol Plaatje and Soweto township in Johannesburg.

As Public Works Programmes they were exempted from key labour law provisions and bargaining council agreements, and were therefore able to pay workers substantially lower wages than their counterparts employed by the municipality in Sol



Plaatje and the Pikitup waste management utility in Johannesburg. As is elaborated on below, these lower wages were rationalised by arguing that the PWP's were projects to provide short-term poverty alleviation or skills training programmes to help 'beneficiaries' develop their human capital, in order to be more successful on the job market. In both municipalities the PWP's were one of a number of strategies employed to reduce the costs of waste management service provision within the context of a shift to cost recovery and market based service provision (Samson 2007).

The PWP in Galeshewe stemmed from a campaign pledge made just prior to the 2000 local government elections by the ANC premier of the Northern Cape to commit R5.2 million for poverty alleviation and infrastructure development in Galeshewe. R5 million was allocated to the upgrading of gravel roads and construction of storm water drains in Redirile and Galeshewe Extension 5 (Wards 5 and 19). As Greater Galeshewe (Ward 15) already had sufficient road infrastructure, but the ANC didn't want to leave it out of the project, R450 000 was allocated to street sweeping in this area. Although the project was initially scheduled to last for 7 months, it was extended several times. Ultimately it lasted for a total of 18 months, and cost the provincial government more than R13 million.

Although the project was financed by the provincial government, it was implemented in collaboration with the Sol Plaatje municipality. A steering committee comprised of councillors, representatives from relevant ward committees and technical personnel from council and the provincial Department of Transport was established to oversee the project. RDP officers worked with ward councillors to recruit workers for the project. There was also strong involvement from the ANC branches. Priority was given to hiring people from households where no-one was employed.

The 'premier's project' (as it was popularly known) employed 681 people, 60% of whom were female. However, the majority of team leaders and key team leaders were men. Team leaders were paid R40 per day, key team leaders were paid R65 per day, and elementary workers were paid R31 per day. By contrast, waste management workers employed by the Sol Plaatje municipality were paid an average wage of R1 754 per month. While the worker employed by the municipality were unionised, the workers on the premier's project were not members of unions, and reported in interviews that they were afraid that if they tried to join a union that they would lose their jobs.

The workers on the premier's project were deployed to areas that black empowerment SMME entrepreneurs subcontracted by the municipality were being paid to clean. At times, they were also sent to assist in cleaning taxi ranks and other areas in the municipality, and for a period of 4 months 450 workers were deployed to assist in cleaning other parts of Kimberley. As such, the workers on the premier's project provided a large reserve of casual waste management labour which could be utilised at no cost by the municipality.



According to the speaker of the municipality, they 'were like a group of people who were on standby'. The workers on the premier's project therefore not only did the work that the entrepreneurs were paid to do in the township, but also compensated for labour shortages in the municipal department. Workers from the premier's project were acutely aware of the fact that they were doing the job of municipal workers. As one former worker noted, the 'premier's project was helping the council too much' Another argued that, '[i]t was our aim to be employed by the municipality ... because we were doing their jobs. It is their job to clean the streets'.

A similar dynamic existed between the Zivuseni poverty alleviation project in Soweto and the Pikitup waste management utility. Zivuseni was established by the Gauteng provincial government in April 2002, with the stated aims of alleviating poverty by providing short-term work opportunities for the poor and unemployed, promoting self reliance, and 'breaking the poverty cycle' by building local capacity through skills development. Zivuseni was also intended to have long-term community benefits by focusing on projects that renew community assets and infrastructure, and was categorised as a Special Public Works Programme (SPWP).

One of the Zivuseni projects focused on the provision of street cleaning services in the African township of Soweto. When the field work was conducted, 258 community members were contracted for a 3-month period to pick litter and clean illegal dumping sites. When their contracts finished, they were replaced by successive rounds of other workers employed for 3-month periods. All workers were drawn from the local community, were unemployed, and from households without any stable income. Zivuseni prioritised hiring women and had a target of 50% female employment. However, a relatively large number of men withdrew from the Soweto waste management project. Women workers attributed this to their unwillingness to do such dirty, 'female' work for low wages. As a result, 69% of the 258 workers were female.

Zivuseni was extensively integrated into the work of the Pikitup depot in Soweto – Pikitup had prioritised Soweto as the site for the project; the workers reported to work at the depot and were supervised by Pikitup workers; and depot management decided where to deploy them. At times the Zivuseni workers worked side by side with Pikitup employees. Zivuseni workers helped to compensate for an acute labour shortage in the Pikitup depot. Although they did not directly displace existing workers, they therefore ensured that Pikitup could continue to provide services without hiring new permanent, full-time employees.

By the time that Zivuseni was established a ministerial determination (RSA 2002a) and code of good conduct (RSA 2002b) were in place to govern employment conditions for SPWP's. Although the determination refers to people employed on SPWP's as workers, the code of good practice uses the words workers and beneficiaries interchangeably. The consultant contracted to manage the Zivuseni waste management SPWP in Gauteng was insistent when interviewed that the people employed on the project be referred to as beneficiaries, as opposed to workers.



The use of the word beneficiaries was intended both to limit expectations of longer-term employment among the workers, and indicate that their status was not comparable to that of regular workers in the sector. Indeed, the determination and code of good practice vary significantly from the BCEA. The workers on SPWP's have extremely limited job security, and generally have fewer rights and benefits than workers covered by the BCEA.

While the determination and code do not establish minimum wages, the code stipulates that the rate of pay should not be higher than the average local rate, so as not to recruit people away from other jobs with longer-term prospects. Zivuseni workers were paid R40 per day. Like the workers on the premier's project they were conscious of the fact that although they were doing exactly the same work as the Pikitup workers they earned significantly less. As one worker noted:

We know that the government gives us R800 which we get at R400 fortnightly. But those people [employed by Pikitup] are getting a thousand and a couple. Ordinary people are getting a thousand and a couple.

Most of the workers interviewed had been retrenched from permanent employment a number of years ago, and within the context of exceptionally high unemployment levels, had little hope of securing well-paid permanent jobs. As a result, despite believing it unfair that they were paid so much less than Pikitup workers, one worker noted that, 'we said we will accept it because we are suffering'.

Workers employed by the Zivuseni project were resigned to the fact that they were not unionised. In focus group interviews they reported that they believed that they were not allowed to unionise or strike because they were employed on a poverty alleviation project. A senior Zivuseni manager stated that the workers have the right to unionise. However, he argued that this would be of little relevance or value to the workers – because their terms and conditions of employment were based on the ministerial determination and code of good practice and the workers were employed for only 3-month periods, management would not be willing to negotiate with workers or unions on wages or conditions of employment. Although the workers were not happy with this situation they accepted it as they were desperate for an income of any sort.

As noted above, one of Zivuseni's stated aims was to help unemployed people break out of the cycle of poverty by providing them with skills and opportunities and the provision of training was used to rationalise lower wages. However, as with the EPWP workers studied by McCord (2005) the training did not materialise. Overall only 19.2% of Zivuseni beneficiaries in the province received skills training, and the waste management project at Pikitup did not involve any skills training component at all (Mthombeni 2003:3, Interview with Musame 23 July 2003).

Zivuseni workers, who were interviewed during their last week of employment, were acutely aware that the programme had not improved their chances of finding



permanent employment. When asked what they would do after the project ended one worker responded by saying,

[t]hat question is very hurting [painful]. It's hurting. Because we are going to do nothing. No income, no what. It's back to starvation. Simple as ABC.

As a result, a SAMWU shop steward working at the Pikitup depot argued that in the long-term Zivuseni was deepening rather than alleviating poverty:

It is destroying jobs because they're only employed for three months, after three months they terminate and they hire the other ones. So we think that they're perpetuating poverty more because you are not helping somebody by giving him or her a piece of bread for three months. After three months she or he must see how to get that piece of bread. Instead of solving the problem they're creating another problem.

This analysis of Zivuseni and the premier's project reveals that these public works programmes actually contributed to the creation of inferior, second economy working conditions for new layers of waste management workers relegated outside of the sphere of formal employment. Foreshadowing current arguments noted above that using EPWP workers to extend services to un/underserved areas would avoid undercutting the wages and benefits of municipal workers, the PWP workers were allocated primarily to work in underserved black working class areas in Sol Plaatje and Johannesburg. Therefore, PWP's created a deeply disturbing situation in which workers who serviced historically white, bourgeois areas retained the rights and benefits associated with the first economy, while those contracted to extend services to black working class areas as part of the PWP were stripped of rights and benefits. The resegmentation of the labour market effected by the PWP therefore contributed to the production of new spatialised, racialised hierarchies within the city.

Moreover, although workers were not retrenched from full-time permanent employment in Pikitup, the utilisation of PWP workers facilitated the maintenance of a hiring freeze, and allowed labour shortages in the Pikitup depot to be filled by cheaper, less well-protected, non-unionised, short-term PWP workers. Similarly, in Sol Plaatje the workers on the premier's project were used to compensate for labour shortages in the SMME's contracted to clean the townships, and, occasionally within the municipal workforce itself. Rather than building a bridge out of the second economy, the PWP's helped to minimise levels of first economy employment and create new types of workers labouring under second economy conditions.

The precise form which waste management EPWP's will take is still being finalised. However, given that the EPWP is underpinned by agreements which limit the employment security, labour rights and wages and benefits of EPWP workers, in the



absence of mobilisation and renegotiation of these agreements, they will most certainly create similar dynamics within the labour market as the premier's project and Zivuseni. The ways in which these two PWP's contributed to creating divisions and worsening conditions within the labour market clearly contradicts the rhetoric surrounding the contribution of PWP's to eradicating unemployment and shifting people into employment in the first economy. It also demonstrates how these supposedly distinct economies are connected through labour market conditions and not just supply chain relations.

5 CONCLUSION – THE POLITICAL WORK OF PUBLIC WORKS PROGRAMMES

In seeking to explain why the ANC government would deploy a two economy discourse that so clearly mischaracterises the nature of the South African economy Hart makes an extremely productive intervention by arguing that the 'operative question ... is not whether the first/second economy is an accurate portrayal of reality, but rather how it is being constructed to do political – or, perhaps more accurately, depoliticising – work' (Hart 2006:26). The Institute for Democracy in South Africa (IDASA) argues that the discourse of the two economies allows the ANC to cater to two constituencies with opposing interests by, 'locating the interests of those on the right (crudely: capital, the middle classes, and taxpayers) in the discourse of the first economy, while concurrently addressing the concerns of the left – government's constituency (predominantly working and unemployed poor) and their so-called 'social partners' (labour, civics, and to a lesser extent social movements) – in the second economy' (IDASA 2005:1–2). According to IDASA, government can then claim to be playing a developmentalist role in the second economy without swerving from market-based policies in the mainstream first economy.

Hart, however, argues that rather than being designed to meet the needs of supportive allies, the discourse of the second economy is an attempt to contain, discipline and reshape interests increasingly hostile to government's failures to deliver in spheres such as service delivery, land reform and economic transformation (Hart 2006:25–26, 2007:17). She astutely observes that:

What is significant about this discourse is the way it defines a segment of society that is superfluous to the 'modern' economy, and in need of paternal guidance ... those falling within this category are citizens, but second class. As such they are deserving of a modicum of social security, but on tightly disciplined and conditional terms. To qualify for a range of targeted programmes they must not only be identified and registered, but also defined as indigent' (Hart 2006:26).

Following on Hart, the central issue related to the role of PWP's in the labour market should, therefore, be to determine what political work is done by claiming that they help to move people out of the second and into the first economy. As noted



above, Cosatu has vociferously opposed the creation of a two-tier labour market and the lowering of labour standards for targeted groups of workers. Even within the ANC the proposal to establish a two-tier labour market made by Jabu Moleketi at the 2005 national general council was roundly rejected (Hart 2007:18–19).

However, this goal has been at least partially achieved by casting those employed on EPWP's as 'beneficiaries' in need of assistance to overcome their own skills deficiencies, hence justifying denying them labour rights, job security and sectoral minimum wages. The framing of the EPWP as a mechanism to assist the 'unemployable' relegated to the second economy disciplines those employed on the projects to accept their marginalised status as 'nonworkers'. Significantly it also disciplines organised labour by getting labour to accept the *de facto* creation of a two-tier labour market and defining the 'beneficiaries' as falling outside of organised labour's constituency. Once the EPWP workers with their minimal rights, wages and benefits become an entrenched reality, the EPWP will also limit and circumscribe labour's ability to negotiate wages and conditions of employment for full-time public employees.

Arguably, as the EPWP expands into a range of services traditionally provided by municipal and other spheres of government it potentially represents the thin edge of a fundamental transformation of the nature of public sector employment. As noted above, workers employed in both Zivuseni and the premier's project were acutely aware of the injustice of their lower wages and benefits compared to municipal/Pikitup workers doing exactly the same work for the municipality. They accepted the jobs as within the context of deep structural unemployment they had no other options. Yet despite their precarious status and lack of unionisation they had mobilised to improve their conditions. Workers on the premier's project, although too afraid to join a union, did lobby management for higher wages, and the round of Zivuseni workers that followed those interviewed caused so much disruption through mobilisation for better wages and conditions that management isolated them from the unionised, Pikitup workers. Unfortunately, neither set of workers received support or assistance from unions in the sector. Having agreed to the EPWP at the Growth and Development summit, unions have so far done nothing to try to organise and represent EPWP workers. If the EPWP is to be prevented from creating new forms of exclusion in the labour market, contributing to the erosion of conditions in the public sector and creating the conditions associated with the second economy unions will need to overcome current exclusions within their own organising practices and find ways to organise and represent these workers.

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ENDNOTES

1. This research was conducted as part of the SA Municipal Workers Union-Municipal Services Project Gender and Local Government Restructuring Research and Capacity Building Project. See <http://www.queensu.ca/msp>.



Ubuntu/botho, the workplace and 'two economies'

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ABSTRACT

Are the cultural values of ubuntu/botho culture relevant to the economic and business sphere and in particular to the world of work? Can their integration into the workplace activities and strategies help to enhance improvement in work performance? If so, what would be an appropriate and viable approach to such integration? How significant are the ubuntu values to the consolidation of democracy in South Africa? One critical area to democratic consolidation in South Africa is that of poverty eradication and finding long-term solution to unemployment. Can the ubuntu values help in this regard? If they can, what contribution can they make and how can that be realised? These questions are raised in the context of the debate in South Africa whereby claims are made that ubuntu culture, as an indigenous African value system, can be harnessed into a transformative and developmental force if South Africa is to effectively address and meet both its internal and external challenges. It is common today in South Africa to hear talk about moral regeneration, indigenisation, renewal and the volunteer spirit (vuk'zensele), people first (batho pele) and many other related concepts and principles linked to the ubuntu cultural values.

This article addresses the above questions through critical review and analysis of this debate, whereby the claims made in the debate on ubuntu in the post-apartheid era are assessed, with particular attention drawn to ubuntu's relevance and significance to both workplace strategies aimed at improving performance as well as to government's approach to delivery of basic services to the marginalised sectors of the population. The latter is examined in the context of the two economies discourse.



1 INTRODUCTION

Debate around the ubuntu/botho¹ culture and its potential developmental role in South African occurred in the context of the post-colonial, post-apartheid era and the subsequent challenges it presented for the African countries (Gyeke 1997). The debate gained even greater momentum at the beginning of the 21st century, as it marked the start of a new millenium. South Africa and most other African countries publicly declared it the century for renewal and advancement of the African continent, so that African countries would become competitive players on the global stage. Within this context lies the debate on the African indigenous culture and the widely-held view that the culture of ubuntu has a key role to play in the socio-economic growth and development of the post-apartheid democratic South Africa.

This article provides a critical review of these debates with the view to assessing the validity and strength of the above viewpoint. In doing so, specific attention will be given to the claims made about ubuntu's role in helping to improve (a) workplace performance and productivity in the post-1994 period, and (b) government's service delivery and interventions to uplift the material conditions of the poor and the marginalised. The latter, as will be noted, has featured strongly in the two economy discourse led by president Thabo Mbeki, in which he extensively employs the language of ubuntu as revealed, for instance, in his 2005 State of the Nation address.

2 UBUNTU/BOTHO CULTURE

The first intellectual attempt to define and explain the ubuntu culture, which brought to light those key defining, unique features and virtues, was made by Jordan K. Ngubane in the 1960s and 1970s. Ngubane (1963) defined ubuntu/botho as a philosophy of life and the practice of being humane which gave content to life for African people long before the arrival of white settlers, and that it rests on the supreme ethical code which attaches primacy to human personality as a sacred being (Ngubane 1979:65–66). Its core defining values are respect, group solidarity, conformity, compassion, human dignity and humaneness, collective unity and solidarity, sharing, universal brotherhood, communalism, interdependence, and hospitality (Mdluli 1987:66–71, Mbigi and Maree 1995:2, and Kamwangamalu 1999:25–26). These values center on the cardinal belief that '*motho ke motho ka batho*' (a seSotho language version) and '*umuntu ngumuntu ngabanye*' (an isiZulu language version). The English version would be 'I am because you are and you are because I am' (ibid:29, as well as Togni 1996:112). They thus promote communalism and interdependence.

Drawing from assertions that Africa is fundamentally 'communocratic' (Sekou Toure in Gyeke 1987) and that nobody lives for him- or herself, but for the community, it follows that communalism is one of the core ubuntu virtues, according to which the interest of the individual is subordinate to that of the group. Kamwangamalu, however, argues



that although communalism is the opposite of individualism, the ubuntu culture does not negate individualism. Instead, he argues, 'communalism is the recognition of the limited character of the possibilities of the individual, which limited possibilities whittle away the individual's self-sufficiency' (Kamwangamalu 1999:29).

According to Kamwangamalu, the practical living of the ubuntu values rests on language, and that like any other culture, its values 'are not innate, but are acquired in society and are transmitted from one generation to another by means of oral genres such as fables, proverbs, myths, riddles, and story-telling' (ibid. 1999:27, 31) Hence the acquisition, transmission and expression of the ubuntu values is achieved through, among others, the use of language.

This view is shared by Mogobo Nokaneng (1985), who cites proverbs or *direto* (in Northern Sotho language), as part of both language (similar to *izibongo* in Zulu or *praise poems* in English) and ubuntu culture. According to Nokaneng, *direto* are about the life of black people – the world in which they live, things with which they share existence on earth, things that they know, and those that they have seen and experienced. He argues that as a true reflection of African's life and existence, they constitute the word of ancestors and forefathers that is passed on to grandsons and great-grandsons in life. They teach about respect, strengthen families and extended family relationships, teach people on how to live peacefully with one another and/or good neighbourliness, and above all, place emphasis on ubuntu. Furthermore, they bring alert to and caution against bad habits and wrongdoings, criminal acts, social problems, and bad influences or spitefulness.²

What relevance does this person-oriented value system have to socio-economic growth and development and, in particular, to work performance?

3 UBUNTU/BOTHO CULTURE, THE WORKPLACE AND SOCIAL DEVELOPMENT

If strategically and innovatively tapped, most proponents argue, the ubuntu values could contribute positively to the socio-economic development of post-apartheid South Africa, and even give it a competitive edge in the world markets. Mbigi and Maree, who are among the main advocates this viewpoint, base it on their understanding of ubuntu as a 'metaphor that describes the significance of group solidarity on survival issues amongst African communities that are subjected to poverty as a result of deprivation, and which is effected through brotherly group care as opposed to individual self-reliance' (Mbigi and Maree 1995:4). They believe that for the democratic South Africa to meet the challenges of reconstruction and development, as well as to become economically competitive, its development structures, strategies and processes should harness the ubuntu values.

While these values are seen as having potential to contribute positively to all facets of life, two specific areas are distinctly identifiable within the debate. One is the



business sphere (the workplace) and the other is the area of government's basic service delivery. Below I outline and examine those claims and assertions.

Within the sphere of business and the workplace, the case for the ubuntu values is justified on the basis of diversity, as well as the challenges and opportunities it presents. This is particularly so in the light of the failure of western- and eastern-based techniques employed by management to overcome performance problems and challenges in the workplace. It could be argued that a failure to strategically fuse these foreign-based with the innovative African practices anchored in the ubuntu value system would only help industrial enterprises to achieve competitive parity, as opposed to competitive advantage (Mbigi and Maree 1995:2–4).

For Mbigi (1997), South Africa's diversity, which he calls 'triple cultural heritage' is a source of strength and needs to be tapped to not only reconcile the historical differences and conflicts, but also to enhance the achievement of improved efficiency, productivity, profitability and competitiveness. Similarly, Lessem and Nussbaum (1996:11) argue that 'while management principles are universal, the context in which they are implemented is critical to the form and shape they should take in any particular environment'. These assertions are strengthened by the phenomenon observed by Ray and Sayer (1999) of the cultural turn and also by Thompson and Findlay (1999) of what they term the cultural *return*.

Even more so, Ngubane's points to the significance of the botho culture to the African people in South Africa and its historical role in the liberation struggle. According to Ngubane, the botho culture proved itself to be resilient by surviving some of the harshest historical conditions. This view is shared by Nzimande (1988:4), who argues that in spite of the changes that the African traditional and cultural values and beliefs underwent – such as the explanation and conceptualisation of mental health and the approach to treating mental disorders – their core practices were maintained'. The botho culture, Ngubane (1963, 1979) argues, played an instrumental role in the historical struggle against white colonial control in South Africa. Its specific role was in unifying the African liberation front around a common goal – which he calls the 'ideal of nationhood' – in spite of *the* differences between African-led liberation structures concerning which strategies were needed to achieve this common goal.

Other studies conducted on black workers – although not necessarily about ubuntu culture *per se* – provide evidence that supports Ngubane's (1963 and 1979) accounts. They reveal the positive influence of the ubuntu culture's virtues on black workers' survival strategies under the harsh compound or hostels conditions, and their collective resistance to the apartheid-capitalist exploitation (Gordon 1977, Sitas 1994, Marks 2001). Gordon (1977) discovered a 'brotherhood' culture among black mineworkers in Namibia, whereby values such as mutual respect, support, sharing, and solidarity were observed and upheld. Moodie (1994:24) recorded what he calls a 'myriad brotherhoods' among black gold miners in South Africa, which were defined by social networks through which miners supported migrant



cultures rooted in rural practice. Sitas (1996) found 'diffusionary forms of control' among black metal workers living in hostels, which enabled these workers to challenge apartheid-created municipal, township or administration boards through collective action.

Claims that the botho culture has a role to play in the socio-economic development of the contemporary South African society are not only strengthened by the above evidence, but also by the historical failure by managements and successive governments under apartheid to successfully adopt and implement western- and eastern-based workplace strategies to improve working relations, work performance, efficiency and productivity (Davies and Lewis 1975, Maree 1985, Bethlehem 1991, Maller 1992, Barret 1993 and Mapadimeng 1998). Only in very rare instances were these strategies successful (Maree and Godfrey 1998). The failure of these strategies was mainly attributed to the system of apartheid capitalism, which politically and economically excluded and marginalised black people.

Research shows that under apartheid capitalism, concern with improving performance and productivity became a preoccupation for white managements and the privileged and co-opted white workers. Black workers were subjected to white oppression, domination and exploitation both in the workplace and beyond. Hence Von Holdt's (2003:27) concept of the 'apartheid workplace regime' by which he describes the racially structured nature of the workplace defined by racial allocation of skill and authority and racial insults and assaults. Referring to this regime, he uses the term of '*baaskap racial culture*' whereby factories were turned into places of white power and domination.

The 'apartheid workplace regime' should be understood within the broader context of the regulatory system of the industrial relations in pre-democratic South Africa, which has its roots in the 1924 Industrial Conciliation Act (ICA). This Act created a dual racial system of industrial relations whereby black workers were denied labour rights while their white, coloured and Indian counterparts enjoyed similar rights. This became an alienating environment for black workers, resulting in their refusal to cooperate with the white-owned and managed business sector.

Thus, rather than seeking to work together with management to forge cooperation towards common goals, their main preoccupation was with the struggle to bring down the illegitimate system of apartheid and attendant racial practices. Lambert and Webster (1988:31) explained this through the concept of 'social movement unionism' whereby the labour movement took workers' struggles beyond the workplace demands by linking them to the wider societal problems. Von Holdt (1996, 2003), for instance, discovered at Steelco, a South African steel factory, high levels of resistance to the racialised structure by members of the National Union of Metal Workers of South Africa (NUMSA). He calls this a 'war of resistance' which became an obstacle to workers-management co-operation on productivity matters.



The question that needs to be addressed is whether or not the political change from apartheid to democracy has had any positive influence on the practices and attitudes in the South African workplaces and the broader business sphere.

The post-apartheid era has been marked by South Africa's re-entry into the global world. This exposed most local businesses to outside pressures and competition, as protectionist import-substitution policies were replaced by neoliberal outward-orientated policies. Under the macro-economic policy Growth, Employment and Redistribution (GEAR) tariff reductions, free trade and limited state intervention was promoted. In a desperate attempt to respond to the competitive pressures associated with globalisation under this policy environment, most South African major business organisations adopted cost-cutting strategies through labour market flexibility (Macun 1987, Standing 1999, Bezuidenhout and Kenny 1999). This led to job losses, as well as a precarious labour market situation where secure permanent employment has declined, and insecure casual and contract work has increased (Webster and Von Holdt 2005, Klerck 2006).

As a result the gap between employers and trade unions has widened – which could remain a major obstacle to co-operation and joint decision-making in terms of working together to improve workplace performance.

Against this background of failed efforts it becomes imperative to explore alternative workplace interventions and strategies. Can the ubuntu values enhance and support such alternatives?

So far I have argued that there is indeed strong backing for claims that the botho culture could become a developmental and transformative force. Having discussed ubuntu and its possible role in the workplace, I will now focus on ubuntu its significance to government service delivery, as represented within the two economies discourse. While the case for botho in the workplace and business sphere is justified mainly on the basis of diversity, for government service delivery it is justified on the unique person-oriented nature values of this culture.

4 UBUNTU/BOTHO, TWO ECONOMIES DISCOURSE AND SERVICE DELIVERY

As mentioned in the introduction, the two economies discourse has been triggered by president Mbeki. In 2005, for example, during his address at the second joint sitting of parliament, he commented extensively on the government's programme of Action to achieve economic growth and development, improved quality of life and social cohesion. He drew distinctions between what he called the two economies in South Africa.

According to Mbeki, the first world economy consists of the modern industrial, mining, agricultural, financial, and services sector. He spoke of steps taken by govern-



ment to achieve the broad objectives set out for this economy – including efforts aimed at increasing investments, lowering the costs of doing business, improving economic inclusion and providing required skills. Then, there is also the third world economy, which is defined by the participation of the marginalised and the poor in both the rural and urban areas (Mbeki 2003). Government interventions for the latter economy include creation of short-term employment through the Expanded Public Works Programme for work experience, temporary income, skills development, provision of information on how to access economic opportunities, small and micro-credit facilities for the formerly excluded to access credit for productive purposes, farmer support programmes, provision of social grants as safety net for the indigent, as well as other key basic services such as healthcare, housing, and education (Mbeki 2005).

For those who subscribe to the two economies discourse, the link between these economies is characterised by dependency of the third world economy on the first world economy. Thus, the thriving of the latter economy – which, according to Mbeki has done well to consolidate itself in the last 12 years of democracy with government's support – is seen as a crucial source of government revenue for interventions in the second economy (Mbeki 2003). Mbeki, however, also sees the need to tap into the cultural values and principles of the ubuntu culture as important for the success and effectiveness of those interventions, especially for service delivery. In his national addresses he makes extensive reference to the language, principles and concepts of central to it. These include concepts such as *batho pele* or people first, *izimbiso*, *letsema*, and *vuk'uzenzela* (ibid:2005).

Notwithstanding the case for ubuntu's role in socio-economic growth and development in South Africa, some serious concerns have also been raised. These will be outlined in the next section, whereby implications for the integration of the ubuntu values into the workplace and business sphere, as well as for harnessing these values to enhance service delivery, will be examined.

5 CONSTRAINTS TO UBUNTU/BOTHO IN THE WORKPLACE

While there is general consensus that the ubuntu/botho has a role to play in the post-apartheid socio-economic development – especially in enhancing stability and performance in the workplace – some serious concerns have been raised by analysts. Particularly, that those in positions of power tend to manipulate and abuse ubuntu values to advance their narrow ends, for example to legitimise domination and unjust practices (Mdluli 1987, Gunner and Gwala 1991, Sitas 1997).

In 1987, Mdluli used the example of the Inkatha Freedom Party (IFP) under the former Bantustan and homeland system, to show how the 'African bureaucratic petty bourgeoisie' manipulated ubuntu values. He pointed out that the virtue of *ukuhlonipha* (or *respect* in English) has a major influence on social relations because it emphasises respect for people, including those that are unknown to each other, and stipulates the authority of the elderly over the young. This virtue, he argued,



sanctions and justifies superiority based on age, gender and social position. The IFP knew this, and thereby manipulated the so-called ubuntu/botho syllabus designed under apartheid for schools in the Zululand to discourage any questioning of authorities, and/or resistance to situations of domination (Mdluli 1987:67–9).

That such cultural abuses do occur can also be seen in Sitas (1997:102–103), where he argues that a 'peculiar colonial managerialism' existed and was practised in industrial enterprises in the region of Natal. This form of managerialism gave rise to 'benevolent dictatorship with a strict hierarchy of races' and was characterised by 'the coexistence of 'scientific management' and bureaucratic forms of control alongside such 'indirect rule', 'tribal', or 'traditional' forms of consent and coercion'.

That authorities tend to manipulate culture to justify and legitimise their authority and domination is also supported by the research findings of Liz Gunner and Mafika Gwala in their analysis of the Zulu praise poems, entitled *Izibongo*. Gunner and Gwala found that while *izibongo* (praise poems) have a broad social base, they have often been ideologically manipulated, together with the Zulu ethnic identity, by politicians. This exploitation is enhanced by the nature of *izibongo* – their function is to identify and praise a person, and embody their personality by naming and linking them with their community, lineage and origins. Therefore, such manipulation, as well as the fact that they are often performed by non-specialists at a range of social activities such as football matches – hence *izibongo zebhola* (translated in English as football praise poems) – and for weekend relaxation in cramped hostels and compounds by male migrants, tend to obscure *izibongo*'s broad social base nature (ibid. 1991:8).

Yet, this manipulation has also been challenged by ordinary people. According to Sitas (1990), the IFP's manipulation of *izibongo* in the 1970s to narrowly define the Zulu ethnic identity was challenged by black trade union poets who tried to reclaim them. As a result of the conflicting uses of *izibongo* by Inkatha and Zulu political elites, on the one hand, and the trade union movement, on the other hand, *izibongo* were suddenly in the centre of contested terrain (quoted in Gunner and Gwala 1991:12).

Another critic is Kamwangamalu (1999:35), who, while agreeing that ubuntu culture could add value economically, finds the approach used by managements to integrate ubuntu values into the business sphere problematic. He argues that their approach – which advocates the use of published literature, training manuals on ubuntu, seminars, workshops and conferences – does not achieve the desired outcomes and thereby risks that it remains 'a pie in the sky'. For him, ubuntu is first and foremost a *social*, and not a business concept. This view challenges claims such as Teffo's (1999) that ubuntu 'is a theory of business co-operation'. For Kamwangamalu, the biggest challenge lies in what he sees as the *historical erosion* of the ubuntu culture under the apartheid system, which erected walls between communities. Only once these social walls have been destroyed and ubuntu culture



has been revived through an awareness campaign, he argues, can the business sector begin to make efforts to integrate its values into the business sphere. Hence 'doing the opposite ... is tantamount to building a house without first laying a foundation' (Kamwangamalu 1999:31–32).

The need for such awareness was also raised by Memela (2003) in his criticism of the 'monied former township blacks' who have left black townships. He attributes this to their selfish individualism, lack of appreciation of the political and philosophical ethic of communalism promoted by the ubuntu culture, obsession with material success, as well as lack of interest in establishing structures that promote and preserve the African spirit, heritage and culture. He notes with disturbance the absence of communal living or co-operative black communities in which Africans come together not only to 'lift as they rise', but also to implement the philosophical meaning of ubuntu to build strong socio-cultural and economic blocks for self-help and empowerment. For Memela (2003) all of this is a signal of the tragic waning away of the spirit of ubuntu which has in the past united black people at the spiritual level and at the time when they should be consolidating their gains.

Writing in the 1960s, Van den Berghe (1961) too found some traces of the waning away of indigenous African culture. Through a case study of Caneville, a small town in KwaZulu-Natal, he discovered sizeable number of Africans who detached themselves from their traditional culture. These Africans, he argued, owing to the dominance of Western culture over Africa culture, and despite their lack of education, spoke a little of English and adopted Christianity as their religion as well as displaying a sense of *cultural shame* towards their own culture (my emphasis). He found that, to them, westernisation was a step towards cultural improvement (Van den Berghe 1961:44–49). This, he argues, was so in spite of the fact that some Africans in Caneville continued to practise traditional customs such as bride wealth or *lobola*, to speak Zulu language, and to observe 'stiff' formality during proceedings at community meetings, for example wearing coats and ties (which he saw as challenging the European stereotypes that Africans merely 'ape' whites).

Nzimande (1988) made similar observations in his advocacy for the 'progressive social services' and health services appropriate for the post-apartheid, democratic South Africa. Such services, he argued, would only be achieved through critical dialogue whereby progressive social service workers engage with African traditional discourses on health, and also when people freely and unashamedly express their beliefs and practices. His concern was also that some black African people tended to display 'cultural shame' (to borrow Van den Berghe's terminology). Note his remark in his call for critical dialogue:

The main reason why this should not be one way process also arises out of, particularly, the contradictory attitude of the youth and sections of the African middle classes towards traditional practices. The urban youth, for instance, is finding many of the African cultural formations problematic and display a certain measure of ambiguity towards them and yet have



not themselves resolved these into alternative formations ... The educated middle classes for instance would 'publicly' denounce much of traditional healing, and yet many of them when faced with personal crises would secretly go for help to both *izangoma* or *izinyanga*, and faith healers. So there is a dynamic of repression on taking place here (Nzimande 1988:9).

6 IMPLICATIONS FOR TWO ECONOMIES AND SERVICE DELIVERY

Notwithstanding concerns on the part of the government and Mbeki for the poor and the marginalised, there are serious clashes and contradictions between the ubuntu cultural values and the current system of economy, especially the version referred to as the first world economy. The contradictions are heightened by the approach used to enhance its competitiveness. It was noted in the earlier sections that this approach aggravated adversarialism in labour relations, as it led to job losses and increased vulnerability and poverty among workers under precarious labour market conditions. That government supports this approach by business despite its negative impact on employment and workers can be seen from Mbeki's statement in which he emphasised the need to create an environment in which business can operate at lowered costs (Mbeki 2005:9).

It is critical to recognise that profit maximisation and business competitiveness achieved through the suffering and misery of some is inconsistent with the person-oriented values and principles of the ubuntu culture. Given the overwhelming high levels of unemployment – due mainly to economic and labour market restructuring initiatives led by business – it is hard to see the current economic system as part of the solution to the socio-economic problems confronting the country.

Those in the so-called the third world economy are victims of the retrenchments and job cuts due to restructuring processes in the so-called first world economy. Also questionable is the discourse itself – is there really any such thing as two economies in South Africa? How convincing and feasible is this notion? As the problems encountered in the so-called third world economy are directly linked to the causes in the first world economy, such a discourse becomes problematic. It presents artificial and meaningless distinctions and fails to recognise the structural links between the benefits accruing to the owners and managers of the first world economy and the consequent sufferings of those in the third world economy. Thus, in effect, there is only one economy: the exploitative capitalist economic system.

In view of these problems, any continued use of the ubuntu culture and its related values and concepts within the two economies discourse in South Africa runs the risk of leading to abusive and exploitative rhetoric. It could legitimise the current untransformed capitalist economic order, albeit with slight modifications effected through the government's Black Economic Empowerment (BEE) programme, and the misery of those who fell victims to its restructuring processes. For instance,



the president's national appeal for the spirit of the volunteer, using the ubuntu concept of *vuk'uzenzele* (the direct English translation basically means 'wake up and do it yourself'), could simply create feelings of guilt in innocent people who might then blame their misery on their own laziness and lack of initiative. Therefore such concepts should be used within a context of socio-economic justice, whereby concerted efforts are made to ensure that the majority of the citizens enjoy equal opportunities, and benefit equally and justly from the democratic dispensation achieved over the last 12 years.

This can be achieved through a direct confrontation and transformation of the current exploitative economic system which leads to yet another problematic notion within the two economies discourse: Black Economic Empowerment (BEE). While the BEE programme and its expanded version (Broad-Based BEE) are needed for redress of past apartheid racial inequities and for deracialising of the economy, the approach used is clearly not helping towards realising this genuine objective. Rather, the BEE programme is seen as a way of accommodating the historically excluded black people into the current system of capitalism.

The government's efforts to deracialise the current system of capitalism – instead of transforming it into a much more humane system – defeats the purpose. Their current BEE approach also serves to legitimise the inherited system. It has created a black bourgeois elite defined by greed and individualism and with less or no concern about the poor. This has also been acknowledged and criticised by Archbishop Desmond Tutu during his 2004 Nelson Mandela Foundation annual lecture:

What is black empowerment when it seems to benefit not the vast majority but a small elite that tends to be recycled? Are we not building up much resentment that we may rue later? It will not do to say people did not complain when whites were enriched. When were the old regimes our standards? And remember some of the most influential values we spoke about: The people shall share. We were involved in the struggle because we believed we would evolve a new kind of society. A caring, a compassionate society. At the moment many, too many, of our people live in grueling demeaning, dehumanising poverty. We are sitting on a powder keg. We really must work like mad to eradicate poverty ... We cannot glibly on full stomachs speak about handouts to those who often go to bed hungry. It is cynical in the extreme to speak about handouts when people can become very rich at the stroke of a pen. (Tutu 2004) (my emphasis).

The president himself acknowledged the problems of greed and individualism created by the current economic system among its beneficiaries during his 2006 annual Nelson Mandela lecture at Wits University. Ironically, in doing so, he confirmed the concerns raised by Archbishop Tutu in 2004, despite his earlier defensive reaction to and criticism of the latter as seeking to discredit the African National Congress (ANC) and its government. During the lecture, he sounded warning bells against



what 'market fundamentalism' as a post-1994 inherited culture which places at its centre individual acquisition of wealth characterised by 'the dominance and precedence of the capitalist motive of private profit maximisation which has evolved into the central objective that informs the construction of modern human society in all its elements'. Condemning what he sees as the demons which every second advice with 'rhythmic and hypnotic regularity – Get rich! Get rich! Get rich!' he raised serious concerns about how obsession with pursuit for personal wealth 'is already beginning to corrode our social and national cohesion' (ibid. 2006).

7 CONCLUSION

The above evidence supports the view that the indigenous African culture of ubuntu could become a transformative, productive and developmental force for the socio-economic development of the post-apartheid South African society. The culture's values could be particularly instrumental to the improvement of performance and working/production relations in the workplace.

However, it could also be inhibited by a few serious constraints, such as the tendencies of manipulation and abuse by those in authority positions, and the signs of the gradual erosion and weakening of the ubuntu culture. The latter is due to both the past apartheid policies and the current exploitative system of capitalism, which the government is seeking to preserve in a deracialised form as represented by the BEE programme. The untransformed capitalist economic system and its motives – i.e. profit maximisation by any means necessary, including cost cuttings through retrenchment – strongly contradict the person-oriented values of ubuntu. The BEE programme, as part of this system, is worsening matters by creating a situation of pervasive greed and individualism among its beneficiaries, which goes in direct conflict with the ubuntu values such as sharing, caring, collective solidarity and communalism.

This presents a serious challenge to the government's two economies discourse, according to which the first world economy as a source of wealth is needed to address the challenges and problems within the third world economy. I argued that given the brutal and exploitative nature of this economic system cannot be seen as part of the solution to the problems of unemployment and poverty faced by the majority of South Africans. Therefore, invoking ubuntu culture in this discourse – however genuine and noble the motives are – amounts to nothing more than the same kind of manipulation and abuse that this culture has been subjected to in the past, and will only serve to use ubuntu culture to legitimise the current economic order.

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ENDNOTES

1. Note that in this article, I use the words botho (in Sotho language) and ubuntu (in Nguni languages) interchangeably to refer to the indigenous African culture, which Ngubane (1979:65–66) describes a person-oriented culture.
2. These are translations into English from Nokaneng's Northern Sotho text.



Taylorism and Mbekism

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ABSTRACT

The South African government yearns to solve its ‘two economies’ problem by marrying efficient managerialism at the microeconomic level and neoliberalism with a human face at the macroeconomic and social policy levels, exemplified in formalised property rights and microcredit, an expanded social wage and increased public works programmes. Only after demystifying state attempts to dress up the neoliberal trajectory can we propose alternatives – which in many cases emerge from a base – which in turn can become the basis for unifying the ‘militant particularisms’ of community movements at the forefront of decommodifying struggles. As a contribution to that task, this article considers the Taylor Committee, much heralded because of its recommendation of a Basic Income Grant (BIG), and attempts to show how the political orientation of the Committee gels with the project of Mbekism.

1 INTRODUCTION

If the state seeks to marry managerialism with neoliberalism with ‘developmental state’ discourses, do we have a competing policy discourse to push or pull the state forward? Or is the political and intellectual project to simply support those resistances which are involved in everyday struggles to combat the state’s drive to commodify basic services and use its repressive arm to bludgeon opposition? These are not mutually exclusive activities, of course. A crucial component of the radical political platform is debunking the various myths that have arisen about ‘two economies’ and a ‘developmental state’ solution. One of the big challenges comes from the Basic Income Grant (BIG) debate.

In 2000 the government appointed a Committee of Inquiry chaired by Vivian Taylor to recommend measures to streamline and rationalise the system of social assistance. The Taylor Committee advocated a BIG (at R100 a month) and helped spawn a coalition of forces in support, most notably the Congress of South African Trade Unions (Cosatu).

The ANC government rejected this. The ANC's 2002 National Policy Conference instead showed its preference for public works programmes to facilitate 'pride and self-reliance of communities'. Thabo Mbeki (2003), in his 2003 State of the Nation address, insisted that the task of his government was to 'reduce the number of people dependent on social welfare, increasing the numbers that rely for their livelihood on normal participation in the economy'. This trend has continued, with ANC MP Ben Turok (2004:7) writing that BIG 'contains the risk of fostering a culture of dependency and entitlement which could bring major social strains if the funding should not be available in future years'.

An argument quite popular among those with faith in the sturdy ladder between second and first economies is that R100 could act as a disincentive for people to look for work. In contrast, Charles Meth (2004:22) insists that R100 cannot act as a deterrent to the quest for self-improvement: 'What cannot be called into question is the welfare improvement in, for example, workerless households, among whom the slightest risk (for example, job search requiring some expenditure) threatens an already precarious existence. Their menu of choices could be considerably expanded by the existence of a secure income source, be it ever so small'.

Many in the ANC camp have countered BIG and social grants in general with the idea of public works programmes (PWP's) and the development of an entrepreneurial culture. A government spokesperson explained that the government's approach had a different philosophical bent from the Taylor Report: 'It is a kind of approach that motivates against an income grant. We would rather create work opportunities ... Job creation proposals to be considered include a "massive expanded public works programme", which would include partnerships with the private sector ... only people who were disabled or ill should get handouts' (*Sunday Times* 28 July 2002).

In 2004, the government allocated some R15 billion for public works programmes for the next 3 years, according to Anna Mcord (2004:69, 71): 'It is hoped that young work-seekers will gain experience of formal employment, and that older skilled men and women will have employment recourse in an economy where unskilled jobs are dwindling.' In general, she points out:

A public works programme cannot reduce the number of people living in poverty or ensure workers will find alternative formal-sector employment, but if designed sensitively, it can reduce the depth of poverty ... In the context of mass poverty and unemployment that characterise South Africa in 2004, public works programmes are of limited impact, since the scale of such programmes is modest in relation to the size of the problem.



A careful reading of the Taylor Report (Department of Social Development 2002:61), though, illustrates a language entirely compatible with the neoliberal trajectory of the government:

By providing ... a minimum level of income support people will be empowered to take the risks needed to break out of the poverty cycle. Rather than serving as a disincentive to engage in higher return activities, such a minimum (and irrevocable) grant could encourage risk taking and self-reliance. Such an income grant could thus become a springboard for development.

As James Ferguson (2006:14–16) puts it, ‘the BIG would provide not a “safety net” (the circus image of old-style welfare as protection against hazard) but a “springboard” – a means of risky (but presumably exciting) neoliberal flight’. Ferguson provides a thoughtful critique of the Taylor proposals from the Left. He points out that there are elements of traditional welfare-state arguments, including

themes of social solidarity and moral obligation; the advantages of social cohesion and dangers of class war; Keynesian arguments about stimulating demand; and labour-rights arguments about giving workers the security to say no to demeaning and dangerous work. But many other arguments are ... eerily similar to the neoliberal reasoning that we more usually associate with anti-welfare discourses.

Ferguson (2006:16) shows how ‘the social democratic theme of social obligation is largely replaced in BIG rhetoric by the theme of “investment in human capital”. The poor individual is explicitly conceptualised as a micro-enterprise’. This kind of thinking is drawn from writers who ‘restyle the unemployed as “micro-entrepreneurs”, who, perhaps with the aid of a little “micro-credit”, might use their inventive creativity to power a new kind of economic development strategy’.

The ideas of property-rights economist Hernando De Soto (2000) and microfinancier Muhammad Yunus have become increasingly popular among South African policy commentators. For De Soto, according to Ferguson (2006:5–6), the holy grail of ending poverty lies in the ‘very shacks that slum-dwellers live in ... if only they could be properly titled and registered. Simple reforms in property law, he imagines, have the potential to almost magically bridge the gap between capitalist rich and poor by even making the “poorest of the poor” into capitalists themselves’.

Yunus’s reputation, on the other hand, has grown since his winning the Nobel economics prize led to renewed interest in his work in South Africa. This is understandable, as his approach to poverty serves to depoliticise poverty and cut-off attempts to focus on the causes of poverty. This is exactly the approach of Mbekism with its mantra of not creating a ‘dependency culture’ and the ‘poor must help themselves’. It is ironic that this approach is tied to an orientation that sees the need for a leg-up for black business from white corporates – and that it is among



the top ANC leaders that a culture of entitlement and dependency on handouts is given legitimacy and legislative sanction.

At the dawn of the capitalist industrial enterprise, Taylorism was all the rage. It sought to measure the output of every worker scientifically. In this way the worker was also atomised and discouraged from attempts at collective organisation. The neoliberal South African Taylorism is to turn every unemployed person into a 'micro-enterprise', atomising each household and inculcating a sense of self-reliance if not self-failure, minus any reward for the kinds of social mobilisations that have characterised so many sites of struggle in post-apartheid South Africa.

It is exactly this theme that is picked up by Alan Hirsch (2006), the chief director of economic policy in the presidency. He tells us that the strategy to transcend the second economy includes 'four main themes, beyond the mechanisms of relief through social transfer payments: temporary work opportunities, human resource development, access to capital, and better information flows'.

In unpacking themes like 'access to capital', however, we quickly wonder how facilitating the poor to get mired in credit is a positive step. What these strategies do is absolve the state from support. Failure to progress is seen as an individual issue. As Hein Marais (2005:108) notes, 'microfinance schemes distil neoliberal ideology quite pithily, by presenting a household-level analogy of international finance institution emergency loans with deeper integration into the household economy and adherence to its strictures and conditions'.

Hirsch (2006:254) also advocates increased access to information for the

marginalised poor ... which is critical for managing their lives and strategising for the future ... Government is improving access to government information and services through the establishment of all-purpose community centres, the establishment of an all-purpose government website (the Batho Pele Gateway) and a toll free number linked to an all-purpose government call centre.

What kind of information will emanate from a government that has itself a hopeless track record of creating jobs and an industrial policy that has seen the retrenchment of tens of thousands of workers? Somehow by providing access to information the poor will be 'able to manage their lives and strategise for the future'. Once again one sees an effort to shift the onus for poverty onto the individual and absolve the state.

For Hirsch, the way out of poverty reads like what Charles Tilly (2005) has called the 'free enterprise morality tale: take risks, work hard, accumulate capital, invest wisely and you will escape from poverty'.

Taylorism was, of course, a management technique honed for the factory floor. It was here that 'new' workers had to be disciplined into 'work hours' and 'output' and



it was here that workers had to be cut-off from a collective challenge to the bosses for it was trade unions that were seen as central to resistance. In South Africa, with large scale unemployment and jobs that do not serve as a launch-pad out of poverty, a trade union movement that is caught in the quagmire of the 'Alliance' and corporatism, it is community movements that have become a militant challenge to the ANC government. They have been at the forefront of struggles to defend the elements of 'bare life' and the state's attempts to commodify basic services. And so it is here that the state has turned its attention, instituting policies that have the net effect of dividing the poor from the very poor and that takes place against an overarching ideology that places responsibility on the individual for their future. Policy prescriptions are received from on high as the 'scientific way' and the role of the citizen is to obey.

Providing credit as a launch-pad into entrepreneurship is one example. The other is the implementation of coercive techniques like prepaid meters for electricity and water. As Ahmed Veriava points out they are 'introduced as a way of circumventing the problems associated with a system in which the onus for delivery is still on the state or a service provider. With a prepaid meter, the onus of delivery is on the individual paying citizen and the individual is forced to cut her/himself off from supply or employ 'self-inflicted' punishment for 'poor budgeting'. Importantly, especially in the context of the renewed focus on the 'second economy', according to Ahmed Veriava (2006:58–59), the significance

of this refocus of cost recovery practices through prepaid technologies is that it points to the close relationship between cost recovery initiatives and community struggles...in which each successive twist in the state's strategy is aimed at addressing the creativity and tenacity of communities in struggle ... The introduction of prepaid meters firmly disciplines the household, and is accompanied by a plethora of brochures that 'advise' daily regimes for (conservative) water usage in the observance of every day practices (including alternative daily hygiene regimens).

The Taylorism of the factory has moved address. The household as commodity, as entrepreneur, as a site of discipline, a Taylorism for a 21st century. Neo-Taylorism if you like. And neo-Taylorism gels with the broader project of the South African version of neoliberalism, Mbekism.

2 MBEKISM

Let's back-track to Mbekism: understanding the essence of the first and second economies, as Thabo Mbeki would have it.

Mbeki likes dichotomies. He has already characterised South Africa as two nations: one white and privileged and the other black and poor. And politically, he has adopted an approach that says if you are not for me you are against me. No middle ground for our president even while he adopts a befuddled middle road of neoliberalism tied to a paranoid nationalism.



Mbeki's (2003) latest dichotomy is his characterisation of South African society as divided between the first world and third world components. This was introduced to the media on 29 July 2003. His words explaining this phenomenon bear close examination:

The former 'is the modern industrial, mining, agricultural, financial, and services sector of our economy that, everyday, become ever more integrated in the global economy. Many of the major interventions made by our government over the years have sought to address this 'first world economy', to ensure that it develops in the right direction, at the right pace ... the successes we have scored with regard to the 'first world economy' also give us the possibility to attend to the problems posed by the 'third world economy', which exists side by side with the modern 'first world economy' ... Of central and strategic importance is the fact that they are structurally disconnected from our country's 'first world economy'. Accordingly, the interventions we make with regard to this latter economy do not necessarily impact on these areas, the 'third world economy', in a beneficial manner.

Mbeki argues that the solution lies in a tweaking of the neoliberal approach. For Mbeki (2003),

those who benefit from the growth and development of the 'first world economy' will benefit even more from its expansion, resulting from the development of the 'third world economy' to the point that it loses its 'third world' character and becomes part of the 'first world economy'. To get to this point will require sustained government intervention.

This approach has now become the prevailing discourse in government circles, and is seen as the central plank in addressing poverty and inequality. This approach is, at times, even presented as being a radical divergence from classic neoliberal or trickle down economics in that it provides for substantial state intervention. This latter argument is gobbledygook, as we have come to know that neoliberalism relies on state intervention, especially its repressive apparatus. Indeed, the emphasis on the second economy is trespassed with an agenda of control, as it is from here that the most sustained confrontation against the country's neoliberal transition has taken root.

The first/second economy it will be shown attempts to 'naturalise' the language of technical and economic progress while concealing a much more complex process of capital accumulation and political control. To expose the poverty of Mbeki's approach one needs to first take cognizance of the how the very success of the first economy that Mbeki heralds is predicated on the progressive underdevelopment of the second economy that he now how to rescue. Andries du Toit's (2004a:29–30) research on shackdwellers and farm workers in the Western Cape shows graphically why the notion of 'structural disconnection' does not capture the complex



actual relationships that do exist between the wealthy core of the South African economy and its underdeveloped and impoverished periphery:

Shackdwellers in Khayelitsha, seasonal workers in Ceres and villagers in Mount Frere cannot be meaningfully described as being 'disconnected' from the South African economy. Their impoverishment, on the contrary, is directly related to the dynamics of 150 or more years of forcible incorporation into racialised capitalism; on disadvantageous terms. Indeed, it may well be that many of the obstacles to accumulation from below among poor people are at present linked to the depth of corporate penetration of the South African economy as a whole. The issue is not that there are 'not enough linkages' but the nature of those linkages, and the extent to which they serve either to empower poor people or simply to allow money to be squeezed out of them.

Du Toit's (2004b:994) research in the Ceres valley, the heart of wine and food production illustrates the consequences of new global competitive pressures and the effects of being all too well sutured into the first economy. Employers responded by restructuring the labour market:

For many, this meant the restructuring of their businesses to reduce their exposure to the risks, costs and administrative burden of employing permanent labour ... temporary and seasonal workers were supplanting permanent workers, and large numbers of farmers ... were opting to use third-party labour contractors. In addition, there was a significant move away from the provision of tied housing to farm workers.

Du Toit (2005) argues that labour on the farms of the Ceres Valley

are not people trapped in a second economy, unconnected from the first economy. Farm workers in Ceres, far from being excluded, are thoroughly incorporated into the first economy. Their poverty is produced and created by the normal operations of the market in that economy. This should give us cause to think twice about the simplistic notion that all South Africa needs to end poverty is growth. What matters is the kind of growth and the kinds of power relationships that shape the terms of economic exchange.

Inscribed in the idea of the second economy being absorbed by the first economy is, simply, old-fashioned modernisation theory, namely, to quote Mbeki (2003), that 'the "third world economy" ... loses its "third world" character and becomes part of the "first world economy"'. Instead of distributing social goods by means other than the market (or imposing the sort of serious social and regulatory constraints on the profit motive that even Adam Smith had in mind) so as to integrate the two economies, one gets the sense that the task for Mbeki is to complete the modernisation process.



Mbekism has had the ability, as Lazarus (2004:619) remarks, of 'remarketing of World Bank and IMF formulas about development, however shop-worn they might be, as brand spanking new ideas' and the first/second economy thesis is touted in the same way. But it is a version of the old Rostowian model in which Europe was what Africa should be judged by. Europe was the future. Now this Rostowian model has been repackaged so that we have an internal modernisation project of a special type in which the first economy (Europe) is the future *sans* any cognizance of how the first economy is predicated on the underdevelopment of the second. The old Wolpian language of (internal) colonialism of a special type with its attendant two stagism now mutating into two economies, has been dressed up for these neoliberal times.

The potential effects of the Rostowian project remain though. Writers on development have pointed to the 'unintended consequences' of Mbeki's approach to the informal economy, a large part of what is denoted by the second economy. As Serge Latouche (1993:151–158) warns:

The normalisation of the informal tends to destroy the social ties existing at intra-national levels, on which the informal's dynamism rests. It introduces, indeed, the most destructive ingredients of outdated modernity: egoism, individualism and unchecked competition, which actually eat away at the social underpinnings of endogenous creativity, the tissues of social solidarity and networks with clients ... the informal is already a synthesis of modernity and tradition. It becomes a question of somehow conserving the dynamic and original quality of this creative activity while simultaneously coming to take the form of mimetic development. These are rather long odds! ... Formalising the informal boils down to asphyxiating it.

South Africa has a long history of trying to make 'improvements' in the second economy. In the 1930s we had 'betterment schemes' whose aim was to ostensibly improve 'native agriculture' and reduce the pace of migration to urban areas. Betterment schemes under apartheid mutated into Bantustans and became a pillar of National Party policy under the rubric of separate development. As Ferguson (1990:261–262) reminds,

But, as the grim process of 'separate development' proceeded, it became more and more clear that 'betterment' was functioning less as a means for boosting agricultural production in the 'homelands' than as a device for regulating and controlling the process through which more and more people were being squeezed on to less and less land, and through which the dumped 'surplus people' relocated from 'white areas' could be accommodated and controlled. As the *bantustans* assumed their contemporary role as dumping grounds, 'betterment' schemes, as one source puts it, 'lost almost entirely any aspect of improvement or rationalisation of land use and became instead principally instruments of coercion'.



By the 1980s, as Deborah Posel (1987:421) has pointed out, 'large areas of state control are depoliticised by being depicted in technical terms which disclaim their political contestability. The legitimation of such policies devolves around "proving" their effectiveness, rather than demonstrating their "democratic" basis'.

Similarly, Gill Hart (2005:26) argues that Mbeki's shift should be seen as part of dealing with challenges from social movements protesting a myriad of issues from the non-provision of anti-retrovirals to the slow pace of land redistribution:

The operative question, then is not whether the first/second economy is an accurate portrayal of reality, but rather *how* it is being constructed and deployed to do political – or perhaps more accurately, depoliticising work. What is significant about this discourse is the way it defines a segment of society that is superfluous to the 'modern' economy, and in need of paternal guidance ... they are deserving of a modicum of social security, but on tightly disciplined and conditional terms. To qualify for a range of targeted programmes, they must not only be identified and registered, but also be defined as indigent. The role of a newly-defined cadre of Community Development Workers in tracking down 'the indigent' and tying them into structures of social security is of great significance here, as is the growing emphasis on public works.

This thesis can be bolstered by the work done by Prishani Naidoo on indigency. Naidoo (2006) has written of the 2005 decision of the Johannesburg municipality to write off all service arrears for the indigent:

In one move, the municipality seemed to give in to the demand that has been the focus of community movements since their inception. What was not reported in the news were the conditions attached to the writing off of the debts of the 'poorest of the poor'. In addition to introducing a detailed process for verification of individuals' status of indigency, the new policy stated that the indigent could have their arrears scrapped as long as they signed onto prepaid systems of delivery for water and electricity, and signed binding agreements to pay for services in the future ... Unlike the Masakhane approach which prioritised individual social responsibility, Reathusa ('we are helping') and the indigent management policy seem to want to placate those who have been resisting its logic of commodification. In a show of shared responsibility, the municipality undertakes to write off half an individual's debt in return for that person signing a binding agreement to pay the other half of the debt, and to sign onto prepaid systems of delivery for water and electricity within twelve months of entering the agreement. It is also striking that the income cut-off for this second phase of the indigent management policy has been raised to R6 500, an income more common of the lower to middle income groups rather than the traditionally indigent ...



A survey of recent newspaper archives shows how as community movements speaking in the radical voice of the poor/s have increased in influence and number, indigency has slowly started to re-emerge in the discourse of poverty eradication espoused by the ANC government ... some senior government officials are no longer referring to 'a culture of non-payment', but are at pains to show that they understand that people *cannot* pay rather than *will not* pay ... In recent campaigning by the ANC around the local government elections, indigent policies have again emerged as the solution to the needs of the poor. Cloaked in commitments to advancing the interests of 'the poorest of the poor', such policies hide their real aim – to draw individuals into binding agreements to pay for their basic services.

Through the use of the language and struggles of members of communities who have come to identify themselves as 'the poor/s', groups of people joined in their common exploitation by neoliberalism and their common struggles against it, recent indigency policies of the South African state have recognised the subversive potentiality of 'the poor/s' in their refusal of the logic of commodification and the market and sought to capture 'the poor/s' in homogenising categories through which individuals are promised the resources necessary for life in exchange for their buying into commodified systems of delivery.

And so, as Chris Tapscott (1995:179) notes, we are back to the language and ideology of the Bantu Investment Corporation: 'In this respect the RSA endorses what every real authority of the third world knows: the success of the development schemes in economically retarded communities is to a large extent dependent upon the capacity of these peoples to learn to help themselves'.

But 'helping themselves' is a matter for tight regulation. Tapscott (1995:181) quotes an apartheid development planner (H. Swart) of the mid-1980s: 'development assumes a conglomeration of differentiation and specialisation in a culture, and as a rule is achieved when members of a developed population actively control the process of cultural change in an underdeveloped population'.

At its base, then, the language of development wants to play precisely the role of what Ferguson (1990:255) calls an anti-politics machine: 'the "development apparatus" ... is not a machine for eliminating poverty that is incidentally involved with the state bureaucracy; it is the machine for reinforcing and expanding the exercise of bureaucratic state power, which incidentally takes "poverty" as its point of entry'.

Writing of the apartheid state's trajectory in the 1980s, Stanley Greenberg (1987:255) reflected on the attempt to diffuse protest by 'negating the racial character of the state, diminishing the direct and visible role of the state in the labour market and workplace and shifting the locus of prestige to the private sector'. Tap-



scott (1995:187) argues that this strategy 'rested heavily on discursive efforts to depoliticise the social order, to transmute the racial character of the state and to argue that social life should be governed by the market'.

Is this not the essence of Mbekism: to depoliticise the social order, to transmute the class character of the state and to spread the market into the very life of the poor through the commodification of basic services, and the turning the poor into micro-entrepreneurs relying on micro-credit.

In the face of the dominance of Mbekism and its handmaiden neo-Taylorism, to talk of the developmental state is as Orwellian as calling the war waged by the United States in Iraq a weapon of peace. It takes appearance for its essence and takes the changing language of Mbekism as genuine intent. The proponents of the development state present it as a revelation, but it obscures the main trajectory of the transition, the entrenching of a (crony) capitalism dressed up in the language of nationalism. The effects of the pincer of commodification and the abrogation of state responsibility for the promised massive investments in education, health and infrastructure alongside the push away from welfare has had catastrophic effects on the poorest of South African society.

Surely, the intellectual project is to undress Mbekism, to expose it, to render it naked. The proponents of the development state are albeit unconsciously its make-up artists, dressing it up even more, creating expectations where there can be done within the confines of Mbekism. In the present conjuncture in South Africa the development state is mysticism masquerading as theory because the proponents of the developmentalist state do not ask the simple question of the Mbeki project of developmentalism dressed up in the language of modernisation-what is its political function. If they asked this question they would see inscribed into the talk of developing the second economy is the quest for social control and this is attempted by a number of ways from the disciplining effects of the marketisation of basic services (neoliberalism) to the releasing of individual competitive entrepreneurial energies (neo-Taylorism).

The rationale of not dealing with the underlying causes of poverty and inequality, how 'development' can 'under-develop' (first and second economy), individualising and locking the problem of poverty into the present, objects of our paternalistic sympathies and whose neediness legitimates 'our' control over 'their' lives so remarkable of the South African transition (Mbekism and Taylorism) has its counterpart on the global stage.

3 CONCLUSION: 'MAKING POVERTY HISTORY'?

In the 21st century the answer to the holy grail has once again been found, or so we have been told. 'Make poverty history' is the new rallying cry. Abracadabra. The one thing that this approach does not do is factor in history and power. Ralph Miliband (1974:187) makes the point that in looking at the question of poverty one should focus



first and foremost on the respective strength of conflicting forces operating in society, some making for the persistence of poverty, and others working against its persistence; and the trouble, for the poor, is that the forces operating against them are very much stronger than those working in their favour. What is involved here is not recognition, or the discovery of the right policies, or the creation of the right administrative framework, or even the good will of the power-holders. The matter goes deeper than that, and concerns the distribution of power in society.

How can the proponents of this approach do so when the very terms of trade continue to disproportionately benefit *them*? It is like the Illuminati crying out for transparency. Like Crusaders flying the flag of religious tolerance and understanding. This colonial throwback is hidden in technical discussions at the WTO about *their* rights over patents and *our* lack of rights over subsidies.

On the other hand Gordon Brown wants us to 'forget' history. Britain must stop apologising for colonialism and the missionaries came to Africa out of a sense of duty he tells us (Ben-Ami 2005). This attempt to making poverty history by exorcising the history of poverty echoes the World Bank's Voices of the Poor (Narayan *et al* 2000). Here we saw a deliberate approach of refusing to take seriously historical forms of exploitation and dispossession, even when they structure and are entrenched in the present. And without history poverty is naturalised, as is, by implication, wealth. The antithesis of the approach to 'making poverty history' is to raise the evocative phrase of Paul Sweezy (1953) that we should view 'the present as history' and thereby building into our methodology the understanding of the present conjuncture as the outcome of historical processes and conflicts.

History has not simply been ignored. It has been re-written, creating the conditions for another round of under-development and a new rationale for missionaries coming to civilise the natives around issues of good governance, playing by the rules and corruption. Meanwhile the unfair trade rules, the subsidies to sugar farmers that allow them to sell sugar at 40% the production cost in Africa, the 'forced' privatisation of essential services as a condition of aid can continue. Brown's own government's illegal occupation of Iraq and the carnage that has resulted are issues that Africans must not raise, otherwise they lose their place in the feeding queue. The G8's to cancel the debt to poor nations is revealed by George Monbiot (2005) as 'little better than an extortion racket'. The lords giveth and the lords taketh away.

Lurking behind this is the triumphant (re)turn of de-politicising scientific professionals offering a new cocktail of potions. Embodying this approach is Jeffery Sachs (2005:75) the new poster-boy of economics who writes of

the similarities between good development economics and good clinical medicine. On numerous occasions during the past twenty years, I have been invited to take on an economics patient-a crisis-ridden economy- in order to prescribe a course of treatment. Over the years I have marvelled



at how the experience is akin to that of my wife Sonia's clinical practice of pediatrics. I have watched in awe, often in the middle of the night, how she approaches a medical emergency or complicated case with speed, efficacy, and amazing results. Development economics today is not like modern medicine, but it should strive to be so. It can improve dramatically if development economics take on some of the key lessons of modern medicine, both in the development of the underlying science and in the systematisation of clinical practice, the point where science is brought to bear on a particular patient.

I expect many of you could have a field day unpacking the language that denotes the arrival of western medicine (especially that part of medicine that deals with children) and clinical economics to help the sick but patient of Africa, many still recovering from global effects of shock therapy. To paraphrase Fanon (1952) in *Black skin, white masks*:

A white Northern economist addressing a Latin American or African country behaves exactly like an adult with a child and starts smirking, whispering, patronising, cozening. It is not one of these economists I have watched but hundreds.

Whatever the sickness of the 'children', whatever the causes of the sickness, there is only one royal road to science and Jeffrey Sachs and Bono (who writes the foreword to the book) hold the key to the secret sarcophagus where the grail is hidden. But this is the Frodian grail.

It was Arturo Escobar (2002:87–89) who warned about the professionalisation and institutionalisation of development through the filter of Western science:

[D]evelopment fostered a way of conceiving of social life as a technical problem, as a matter of rational decision and management to be entrusted to that group of people—the development professionals—whose specialised knowledge allegedly qualified them for the task. Instead of seeing change as a process rooted in the interpretation of each society's history and cultural tradition ... these societies sought to devise mechanisms and procedures to make societies fit a pre-existing model that embodied the structures of modernity ... The Third World witnessed a massive landing of experts, each in charge of investigating, measuring, and theorising about this or that little aspect of Third World societies ... At stake was a politics of knowledge that allowed experts to classify problems and formulate policies, to pass judgement on entire social groups and forecast their future—to produce, in short, a regime of truth and norms about them. The consequences for these groups cannot be emphasised enough.

Now, of course, the experts do not only come from afar, but are also among us. Should not the newly anointed 'sirs' of the 'empire' on their 'high horses' start by



invading the places where poverty and wealth is manufactured? There in those buildings where the terms of trade are skewed in favour of those who have already have, where the debts of the poor are multiplied but the amount borrowed is never subtracted, where economic policy for 'independent' countries are sub-contracted to western experts who arrive in terms reminiscent of the Second Coming catechism in hand exhorting us to commercialise, liberalise and privatise as western companies hover to buy at knock-down prices.

We stand at a time when truths once understood are in danger of being forgotten, history shaped into an instrument of power, the ground laid for efficient modes of domination and control, potential activism diverted (Chomsky 2001:100) and the suffering of people camouflaged in an abstracted empiricism and reliant on Band Aid every 20 years.

Most disturbing is a new trend by ex-left intellectuals who see increasing numbers and in that see success. Alan Hirsch (2006:250), for example, writes of the successes as the auto-industry and wine industries and tourism. In all of this one only needs to do a bit of digging to find the costs that are involved in these shining examples of the transition. In the auto-industry the increased export has created no new jobs, many of the gains made by workers during the 1970s and 1980s have been rolled back, and outsourcing and casualisation has become the norm. Similarly, as Du Toit has shown, the exports in the wine industry has come at tremendous costs to the workers with a small group of core workers while many have been driven off the farms. International tourism has been attracted to our game farms which have become ubiquitous on our landscape. People who lived on these farms for decades have been booted out, arriving with nothing in the city, a place where to be citizen you have to be a consumer. Hirsch is among a clutch of intellectuals who see their life's work as spin-doctors with footnotes, with analysis reading like a glossy brochure in praise of those who wield political power, a sycophancy that makes them look upwards in supplication and seemingly oblivious of the consequences of the transition at the 'bottom'.

There is a challenge here for Left intellectuals in steady retreat through the 1990s to build on sustained critique and to illuminate an alternative path. Maybe an old, but still relevant starting point, as J.B. Foster (1990:278) put it, is the

advocating of those kinds of fundamental reforms that while meaningful in the present-day context, in the sense that they represent class defences for the oppressed, are nonetheless clearly anti-capitalist in character, consistent with a strategy of long-term transformation. Such a strategy, moreover, demands a class struggle perspective rooted in the needs of the bottom of society-what Marx called the 'political economy of the working class' as opposed to the 'political economy of capital' – and not simply the drawing up of blueprints for better management designed to appeal to enlightened members of the dominant class ...



This project is a direct challenge to the Taylor's and Hirsch's and is part of a challenge to the neoliberal transition in South Africa.

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With compliments, from a recovered economist

Margaret Legum

Dear Patrick, you pulled off a coup:
a seminar filled to the brim
with discourses ancient and new,
and none of us out on a limb.

With capital accumulation –
not to mention its primitive form –
with narrative articulation,
we certainly talked up a storm.

We examined pre-capitalist construction –
its social formation to boot.
We concluded it's only a fraction
of capital's capacity to loot.

The national question's still with us.
Contestation of space still ensures.
And patriotic bourgeoisies plus
design sub-imperialist lures.

So, dear friend, please accept admiration
for your transformational wand
that triggers the rigours of chasin'
the intellectual adventures of Bond.

March 2006



