

Critique of leading SA economics official “utterly inaccurate and misleading” – or?

After publishing an article critical of Pretoria’s fetish for large-scale, highly-subsidised, capital-intensive, energy-guzzling projects, Patrick Bond was confronted by denials from one of the most eloquent SA government economic policymakers, Alan Hirsch, Deputy Director-General in the Presidency.

The correspondence below was drafted for publication on the *AfricaFiles* website. It consists of:

- * letter of complaint from Alan Hirsch (28 January 2011, “AH”);
- * rebuttal intertwined with the above letter, by Bond (“PB”, italics);
- * follow-up letter by Hirsch (7 February 2011, “AH”);
- * another rebuttal by Bond (“PB”, italics); and
- * the original article by Bond (October 2010 *AfricaFiles*, reprinted in the March 2011 *Review of African Political Economy*).

Comments are warmly welcomed, to bondp@ukzn.ac.za

From: Alan Hirsch
Sent: January-28-11 8:34 AM
To: info@afriaffaires.org
Subject: Patrick Bond Article

AH: Dear Africafiles

AH: I object strongly to the utterly inaccurate and misleading reference to my work by Patrick Bond in your October Ezine issue as cited below:

<http://www.africafiles.org/atissueezine.asp?issue=issue12#art6>

“The other major public infrastructure under construction – a few big dams, the Medupi power plant (whose electricity would be disproportionately channeled to large mining/smelting operations), a huge boondoggle industrial project featuring an unnecessary \$8 billion heavy-petroleum refinery (Coega), a new Durban-Johannesburg oil pipeline, some road upgrades, and the Johannesburg fast train for elite customers – received occasional praise from ANC ideologues (e.g. Alan Hirsch, 2006) for conjoining social-democratic and industrialist potentials associated with a “developmental state.” But this was merely dishonest posturing, given the underdevelopmental nature of so much of the state spending, such as the world’s cheapest electricity gift to BHP Billiton and Anglo American Corporation (\$0.015/kWh, compared to prices three times that high for most businesses and seven times that high for residents).”

PB: Yes, the date's incorrect. But if more detail is needed, one could omit (e.g. Alan Hirsch, 2006) above, and instead add these six paragraphs after residents).”:

Thus for Alan Hirsch (2005), “the growth of the metals-processing sector, mostly steel and aluminium, is in no small part attributable to government involvement,

through encouraging Eskom to offer cheap electricity or supporting the Industrial Development Corporation taking a major stake in the metals beneficiation sector... Since 2001, government and public corporation infrastructure spending has increased at a rate of about 6% per year, and this is expected to continue at least until 2006." Yet in his oft-cited book Season of Hype, Hirsch never mentions that Eskom's expansion of cheap electricity for smelting increasingly valuable base metals entailed vast increases in the price of electricity to poor people, starting in 2000 in Soweto when power disconnections and pre-payment meter installation became the cause of community fury and the rise of the Soweto Electricity Crisis Committee alongside other new urban social movements. For Hirsch, restructuring the parastatals - e.g. Eskom was always slated for 30 percent private ownership - would somehow solve the problem: "The new services or infrastructure were generally aimed at the poor – the redistribution of services and infrastructure being the second goal of privatisation." A greater distortion of reality in the electricity sector - and indeed across water, transport and other state services - could hardly be identified, in both clauses of his sentence.

All evidence to the contrary notwithstanding (such as the post-apartheid doubling of unemployment and rising inequality), Hirsch's (2005) view is that the post-apartheid state features "a Northern European approach to social development combined with elements of Asian approaches to economic growth, within conservative macroeconomic parameters", so that, specifically when it comes to microeconomic policy,

AH: "The Strategic Investment Programme is an investment allowance provided to large investments that meet a certain set of criteria. So far it seems to be more effective than the tax holiday programme. The Critical Infrastructure Programme provides a subsidy to businesses or public agencies that invest in infrastructure related to a planned private investment project; a railway siding, a harbour terminal or a power line, for example. Perhaps the most original investment programme launched by the first democratic South African government became known as the Spatial Development Programme. In economic terms, the objective of the programme was to internalise the externalities of public and private investments in targeted regions. Public and private investments could reap higher social and economic returns if they were co-ordinated."

Yet as if to demonstrate the impossibility of pursuing the economic harmony model he claims, it is revealing that Coega aluminium-smelter subsidies (and later oil refinery subsidies) were the largest public investment promise within the Fish River Spatial Development Initiative project, which in turn was the first-announced and the single largest of the SDIs within South Africa. The giganticism of Coega was witnessed in not only channelling promised state subsidies to multinational capital at the highest-ever levels in Africa's history, with no consideration to the world-leading CO2 rates that the new coal-fired power plants required for Coega would emit, but also in the project's 2008 crash when RioTinto pulled out and an oil refinery had to be urgently conjured up as an anchor tenant. Coega is now called 'The Ghost on the Coast', and is striking proof of the need for an alternative to the export-led growth mantra that Hirsch endorses. He quickly dismisses the alternative approach, namely to pursue inward industrialisation by reversing subsidies: e.g. ending them for BHP Billiton/Anglo's cut-rate power and instead expanding free basic electricity for household consumption which in turn would fuel local appliance consumption and micro-economic activity. As he claims,

AH: "The 'inward-industrialisation' argument had little initial support in the economic policy community. It was widely accepted that growth in South Africa normally led to imports growing more rapidly than exports. In the absence of sufficient South African savings, it was far-fetched for South Africans to believe that investors would underwrite inward industrialisation, which would reach its limits as a cheap programme after existing industrial capacity was fully used, and manufacturers needed to buy new equipment, mainly from abroad. Inward industrialisation could not sustain growth for any significant period of time, except on the basis of huge multilateral loans, which the ANC would not consider because of fears of threats to South Africa's sovereignty. Left-wing critics of government sometimes still draw on the 'inward industrialisation' or 'basic needs' approach in criticising government, sometimes even extending it to an argument for resurrecting trade barriers. COSATU, the SACP and left-wing community organisations occasionally fall back on this approach as an alternative to the ANC's approach."

"Occasionally?" While such a qualifier might, in the mid-2000s, have justified ignoring the logic of basic needs and reindustrialisation during Mbeki's head-in-the-sand era, the failure of Zuma to reverse course is not because of merely 'occasional' advocacy of a U-turn in both macro- and micro-economic policy. This demand is a drum-beat that should also force policy-makers like Hirsch (2011) to urgently deny his prior analysis and arguments.

(other notes below)

AH: You will not find a reference to any of these projects in my book,

PB: *But this is a ridiculous rebuttal, because Hirsch repeatedly promotes state infrastructure subsidies even if he doesn't name them. In the book's reference to Coega, amidst warmly-endorsed SDIs, for instance, he says: "In one case, as in the need to build a new port near Port Elizabeth, a bigger public commitment was required."*

AH: which is incorrectly dated 2006 in the references. It was published in 2005.

PB: *Yes, Alan's correct about the misdating - I picked it up from the IDRC website then (attached) and later, incorrectly assumed it had just been put up.*

AH: Nor will you find the sentiments insinuated.

PB: *Yes you will.*

AH: I have never supported large energy intensive industrial projects and especially not their subsidisation by the state. Several of these projects, including the Coega oil refinery which I did not support and went on, were not conceived at the time I wrote my book.

PB: *Coega was the main project undertaken by Hirsch's DTI colleagues through the early 2000s, and had the same electricity subsidies he endorses above. The oil refinery came later, true, but is entirely within the logic of the gargantuanism that characterises Coega (see attached for more on Coega, as emblematic).*

AH: The Gautrain commuter rail system, road improvement projects and oil pipelines are hardly irrelevant to job creation (though I did not discuss them in my book).

PB: There is a huge difference between capital-intensive Gautrain and oil pipelines (whose jobs per unit of capital subsidies are nearly as bad as Coega's), and road improvement projects (desperately needed in rural areas and townships). Conflating these is to revert to the muddiness we've seen in Zuma-era state policy statements, to confuse business-as-usual practices.

AH: I would ask you to ask Mr Bond to substantiate his allegations or withdraw them.

PB: Let me know if more substantiation is needed, and you're free to amend the material above along these lines, if it helps.

sincerely,
Alan Hirsch

-----Original Message-----

From: Alan Hirsch
Sent: February 7, 2011 23:11
To: hincks
Subject: Re: Patrick Bond Article
Dear Editors,

AH: While Patrick replies at great length, he does not substantiate his argument that I supported capital intensive projects such as aluminium smelters and a Coega oil refinery.

PB: I provided substantial Hirsch quotes about the post-apartheid government's 'effective industrial development strategies' below, and would add that there are significant silences when it would have been easy to criticize DTI from within as a principled whistleblower. The celebratory tone of Hirsch's analysis about the SA economy's post-1994 trajectory, and the failure to offer criticism of big electricity projects when he had many chances in his book and in public discourse (given the very fierce debates over the past decade), speak for themselves. If Hirsch is truly against the capital-intensive projects, why doesn't he now go public with these misgivings, since the state is constructing and financing Medupi and Kusile, the third and fourth largest coal-fired electricity generators in the world, using R280 bn+ of scarce funding (and providing the African National Congress a little corrupting payola in the process – the reason even Business Day condemned the financing of these power plants last year)? Others have publicly called for either shutting off electricity supply to the smelters (e.g. Derek Cooper, chair of Standard Bank in early 2008 during the load-shedding brown-outs) or more definitively 'phasing out' the aluminium smelters (e.g. Jeremy Cronin, deputy minister of transport). Will Hirsch finally speak out when it's desperately necessary to mobilize the widest possible opposition to this climatic-economic insanity? Or instead, will he simply keep searching for ways to deny the spin-doctoring role he has willfully played on behalf of Mbekism?

AH: He insinuates that because I worked at the DTI when they were conceived or implemented, that I supported them. Guilt by association.

PB: I criticized 'Hirsch's DTI colleagues' – so if Hirsch was indeed at DTI during this period, here's an opportunity for him to share some specific examples of how he worked inside-the-system to foil the post-1994 industrial development strategies that continued the sins of the apartheid era. Is there really zero evidence of his activities against industrial and energy policy during the early 2000s when so much was at stake? Instead, he terms DTI industrial development strategies 'effective' without any explicit critique of the way these projects sustained apartheid-era 'sins'.

AH: I explained their rationale in my book, as quoted, but I did not support them.

PB: In a court of law, this is termed 'silent accessory to a crime'. By not questioning the rationales so eloquently provided in the book, and by terming industrial development strategies 'effective', it is reasonable for any reader to assume Hirsch supported these projects. The specific references below are evidence enough.

AH: Similarly, there are many on the left who support an export-oriented growth path--it is not obligatory on the left in SA to support inward industrialisation. How else could one explain the strong calls in COSATU and other left institutions for a more competitive currency.

*PB: There's a much easier explanation for the union movement's hatred of an excessively strong rand, and it's surprising that it seems to have escaped Hirsch's attention. For while it's true that there are a few export-led growth advocates in the Cosatu circuits, amongst whom was Economic Development Minister Ebrahim Patel whose New Growth Path contains competitiveness jargon, the main reason to lower the value of the currency is obviously to halt the wave after wave of East Asian imports that have wiped out so much local manufacturing, especially clothing, textiles, footwear, appliances and electronics. This explanation is consistently present in all Cosatu and left institutions' advocacy for a weaker rand, and such advocacy is generally **not** aimed at fueling the ecologically-destructive global-competitiveness agenda of the Washington Consensus. Such sophistry is what characterized Mbekism.*

AH: Supporting exports for job creation does not necessarily mean supporting large capital intensive projects, by the way.

PB: This is a non sequitor. The capital-intensive projects are more destructive of jobs – by siphoning away cheap electricity – than they are job-creating (only 1500 jobs can be found in the Richard's Bay smelters that chew up nearly a tenth of the country's electricity).

AH: My book is freely available as an e-book from the IDRC.

PB: Bravo, this is an important contribution of the Canadian taxpayer, and I'm pleased. In it we find it the most serious attempt to explain Mbekism, and it is testament to the lack of such books or even extended articles by other strategists and spin-doctors (Mbeki, Netshitenzhe, Manuel, Erwin, Pahad) that this is a very difficult task. But in doing so, Hirsch makes the most untenable arguments, e.g. on p.9 in the IDRC .doc version:

AH: In broad terms, the argument of this book is that the ANC government followed a consistent economic philosophy that had the following elements: at the centre is a social democratic approach to social reform – it is the state's job to underwrite the improvement in the quality of life of the poor and to reduce inequalities, but with a

*firmly entrenched fear of the risks of personal dependency on the state and of the emergence of entitlement attitudes. The state exists within a market economy that depends on private investment, and therefore a successful state creates an environment that supports high levels of private investment. This does not require the state simply to step aside for business, but rather that it should work with business and labour to develop growth-oriented strategies. The expectation was that because of the limitations of the domestic and regional markets, much of the growth would be driven by exports to major foreign markets. This required both measured trade liberalisation and **effective industrial development strategies**. (emphasis added)*

It's hard not to come away reading a paragraph like this without assuming Hirsch is in favour of SA's largest provision of industrial development subsidies, namely extraordinary wealth and income transfers (including Coega infrastructure and the world's cheapest electricity) to the world's largest mining/metals houses for capital-intensive projects like the aluminium smelters.

AH: Readers are free to form your own opinion on the rights and wrongs of this issue. You will see, for example, that on page 143 I criticize the Industrial Development Corporation for its cosy relationship with big conglomerates when it supported investment in steel mills and aluminium smelters. I even referred to such actions as sinful, using poetic license, of course. In footnote 3 of the relevant chapter (4) I associate myself with critics of the supporters of investment in the "minerals energy complex", and in support of more labour absorbing exports. Unfortunately, I do not have the time to reply in as great length as Patrick, but I would encourage you and readers to dip into my free book.

*PB: While Hirsch does indeed criticize **pre-1994** IDC arrangements, no one in their right mind would have endorsed the apartheid crony-capitalist relationship inherited from the National Party, which did indeed set up 'cozy' relations with two Afrikaner-run companies, Gencor and Sanlam. (Actually given these cozy sins, it's quite odd that Hirsch applauds the IDC with these words on the same page he references: "With its assets worth close to US\$3 billion in 1994, and its culture of professional competence..." so really, how 'sinful' can the IDC be if it's still 'professionally competent'?) But this is not what we are mainly arguing about, it's whether ongoing subsidies arranged through Eskom before 1994 and maintained post-apartheid (and even dramatically extended – e.g. in the early 2000s offers to Rio Tinto/Alcan for ultra-cheap Coega electricity) are appropriate. It's very easy for a post-hoc critic to say something was sinful under apartheid, and then ignore all the evidence of the continuing sin after apartheid, given how very little really changed in policy terms during the 1990s. After all, as Hirsch admits of the IDC, "Since the early 1950s it has operated successfully without any further injection of state funds", so in that sense the most fundamental policy debate is not over 'new' state-subsidized capital investments. It's over the new' post-1994 subsidies typically termed Operations & Maintenance. And we're especially debating whether the single most readily-changeable policy – electricity prices – could have been redirected to the masses (as Ben Fine and Zav Rustomjee advocated at the end of their book on the Minerals Energy Complex), or whether instead over the period in question (late 1990s and early 2000s) Eskom did the opposite: gave ever-cheaper power to the world's biggest mining/metals houses, and raised the price (often prohibitively) to the masses. It seems that amongst all the writings Hirsch has provided on industrial policy both internally and externally, he is unable to provide anything to backtrack from his endorsing the 'effective' (sic) post-apartheid industrial development strategy which not only deindustrialised vast swathes of SA manufacturing (through chaotic trade*

liberalization even more fanatical than the WTO demanded in 1994-95) , but that also made life socio-economically miserable for so many victims of apartheid, via millions of electricity disconnections. Apologies that I've taken the time to explain this in so much detail – but any historian of why post-apartheid South Africa has failed to live up to liberation promises will have to grapple with the propaganda of Mbekism, and it's a tribute to Hirsch that he's provided us the exemplary account, even if he is in fast retreat (as are all Mbekites) at this point in the whimsical political cycle.

AH: You are also free to decide whether or not to publish this debate.

AH: Thank you for responding to my concerns, and best wishes for your valuable project,

Alan Hirsch

South African splinters: From 'elite transition' to 'small-a alliances'

By Patrick Bond

The struggle for full liberation in South Africa was truncated by a nationalist, neoliberal bloc led first by Nelson Mandela and then, more rapidly degenerating during the early 2000s, by Thabo Mbeki, both under the influence of global capital. The backlash by trade unions and communists, once Jacob Zuma was fired as deputy president in 2005, reverberated through the ruling African National Congress. With Mbeki tossed out in late 2008, a shift was anticipated under Zuma, but didn't occur. However, the independent left failed to construct a clear alternative and began to fade, while ubiquitous populist insurgencies were rudderless. This left merely a distant hope for a union-community fusion, on some future occasion.

Since the freeing of Nelson Mandela in February 1990, the South African liberation struggle has witnessed the truncation, hijacking and reversal of its fabled 'second stage': the National Democratic Revolution ('NDR'), which aims to transform the state and address class inequality. Instead, the state has become an even more blatant vehicle for crony capitalism and merely tokenistic welfarism than under the Afrikaners' Nationalist Party rule. By mid-2010, the contradictions had become unbearable, and a spate of labour unrest suddenly brought home the obvious point: Alliance politics must urgently restructure – along with national socio-economic policies - or face an historic breaking point.

Society divides

The whole society began splintering, just a few weeks after the World Cup provided a show of nation-building, broad-based excitement and unity. But the structural cracks had been widening during a long era of neoliberalism, for as the University of Cape Town's SA Labour and Development Research Unit recently reported, "income inequality increased between 1993 and 2008" (from a 0.66 Gini coefficient to 0.70) as South Africa raced ahead of Brazil to become the world's leader among major countries. The income of the average black (African) person actually fell as a percentage of the

average white's from 1995 (13.5 percent) to 2008 (13 percent), and "poverty in urban areas has increased" (Leibbrandt et al, 2010).

How could a democratic government actually amplify apartheid-era race-class inequality? It's stunning, but Mandela (1994-99) and his successor Thabo Mbeki (1999-2008), long-serving former Finance Minister Trevor Manuel, former Trade Minister Alec Erwin, former Reserve Bank Governor Tito Mboweni and current President Jacob Zuma, deserve recognition for constructing a 'class apartheid' system that not even the most extreme pessimist would have predicted when the African National Congress (ANC) was unbanned.

According to the University of Cape Town researchers, inequality is "due both to rising unemployment and rising earnings inequality" which is in turn partly due to labour broking, i.e., the outsourcing of formerly secure employment at much lower wages with no benefits to around half a million workers. Yet in his 2010 State of the Nation speech and more recently in the midst of a strike in which he threatened to fire the entire civil service, Zuma displayed "no appreciation of the full extent of the massive crisis of unemployment, poverty and inequality," according to the Congress of South African Trade Unions (Cosatu).

Indeed the two loudest anti-labour voices in Zuma's cabinet – Defense Minister Lindiwe Sisulu and Public Service Minister Richard Baloyi – provided a burst of neoliberal-nationalist political rhetoric and strident discord so loud, in late August, that it drowned even the sweet memory of World Cup vuvuzelas a few weeks earlier. Zuma's Treasury was most to blame, for refusing to spend an extra \$700 million per year to quickly halt the public sector strike.

For those supportive of more genuine liberation traditions, the good news amidst the political and socio-economic rancour is that the centre of power, and associated neoliberal policies, may not hold. The extreme political divisions and ideological distortions associated with the ruling party's 'big-A Alliance' with labour and the Communist Party may not permit the ANC's big tent to stay open to all, no matter Zuma's personal charisma and good-times inclusiveness. It may well be necessary, finally, to construct a 'small-a alliance' – as John Saul (2005) named the idea – of organized workers, poor people, NGOs, environmentalists and other organized progressives.

The reason is simple: the neoliberal ruling clique is making the rich richer and the poor poorer. As one of the most prescient observers of South African politics, William Gumede, pointed out just after the 1997 ANC leadership putsch of Thabo Mbeki at the Polokwane congress, "For all the doubts that hang over Zuma's character, many argue that he offers a critical conduit for the poor's grievances. These people are going to be disappointed."

Indeed the personal has become political. Asked in early September 2010 about the lucrative and extremely dubious deal that global steelmaker ArcelorMittal (formerly SA's state-owned Iscor) cut with a consortium including his son, Duduzane, as well as his nephew Khulubuse's role in hotly-contested oil prospecting claims in the Democratic Republic of the Congo, Zuma replied, "Nobody has said, Here is corruption. I think for people to think that if you are a Zuma you can't do business is a very funny thing, I tell you."

Not everyone is amused, and communist youth leader David Masondo has a frank rebuttal: 'ZEE' – Zuma Economic Empowerment. For Masondo, writing in *CityPress* newspaper (5 September 2010), 'ZEE is not only an assault on the Young Communist League and South African Communist Party resolutions – which called for the nationalisation of monopoly industries – it amounts to a burial of the Freedom Charter. Only a few can be misled to believe that there is no link between Zuma's rise to the presidency and his family's rise to riches.'

But this isn't only about a family of fat-cats, in which the first B, 'broad', in Broad-Based Black Economic Empowerment (promised as the antidote to Mbeki's elite-oriented Black Economic Empowerment), has apparently been replaced with a new B: belt-size (given the vast girth of several Zuma beneficiaries). More substantially, at war we now find the three main ruling-party power blocs: first, the group bent on personal accumulation projects willing to associate (mostly privately) with ANC Youth League leader Julius Malema's ascendant crew; second, those of the centre-left intent on gaining more influence on policy decisions (albeit with virtually nothing to show for their efforts to date); and third, the president's KwaZulu-Natal regional allies, who are now under extreme stress because of corruption probes that seemed to have emanated from Zuma's office. The ANC's late-September National General Council in Durban will feature such a bloody battle that in trying to keep peace, Zuma decided to withdraw from the United Nation's annual (this time decennial) summit celebration of the world's failure to keep pace with the mainly meaningless Millennium Development Goals. Zuma's retreat to Durban is significant because in August, he was – apparently without irony - named by Ban Ki-moon to co-chair a UN commission on world sustainability.

The roots of the cracks

We have to go back at least to the early 1990s to explain the degeneration. The secretly-negotiated terms of the elite transition provided benefits mainly for a few hundred at the top of the three divergent interest groups – white Afrikaners, white English-speaking business and the liberation movement – within the framework of neoliberalism. Increasingly shifting from white to black allies in South Africa, the 'international community' - the World Bank, International Monetary Fund, other global-scale bankers, Northern 'donor' governments and associated thinktanks - together ensured that post-apartheid policies would deepen the country's vulnerability and destroy any residual self-reliance.

This entailed several economic sabotage techniques: agreeing to repay illegitimate apartheid-era debt in part by taking on an unnecessary IMF loan of \$750 million (1993), dropping trade tariffs even beyond what the World Trade Organisation required (1994), liberalizing exchange controls (1995) and then permitting the delisting of the largest SA firms (Anglo, DeBeers, Old Mutual, SABMiller, Investec, Mondi, etc) from the Johannesburg Stock Exchange (1999-2001), raising the foreign debt from \$25 billion in 1994 to \$85 billion today, adopting a bound-to-fail neoliberal economic policy and insulating the Reserve Bank from democracy so as to raise interest rates to SA's highest real levels ever (late 1990s), privatizing state assets destructively, and lowering primary corporate taxes from 48% in 1994 to less than 30% at present.

Many of us who anticipated opportunities for 'structural reforms' (Saul, 2001) in the 1994 Reconstruction and Development Programme were foiled. Personally, of 15 policy papers I was asked to draft or edit from 1994-2000 in a dozen ministries (which I

believe to be a record of repeated reformist mistakes worse than anyone else's in post-apartheid government), not a one truly converted the era's developmentalist rhetoric into actual progressive change. Indeed the type-left shift-right process I participated in convinced me by 2000 that an NDR process within the government and even the Alliance was futile. A better perspective was that of the emerging independent left (e.g. Marais, 2000; Alexander, 2002; Hart, 2002; Desai, 2002; Bell and Ntsebeza, 2003; Bond, 2006; Ntsebeza and Hall, 2007; Legassick 2007; Maharaj, Desai and Bond, 2010), which soon concluded that the elite transition to a failing neoliberalism required ever more desperate nationalist rhetoric to disguise ever more unpatriotic economic practices and ever more destructive national social and environmental policies.

One crucial problem during the entire post-apartheid period was labour's 'corporatist' strategy, or what Carolyn Bassett and Marlea Clarke (2000) called the 'class snuggle' that for a while replaced class struggle. This was especially evident in the National Economic Development and Labour Council, and in sites such as the Seattle World Trade Organisation summit in 1999 when Cosatu leaders found themselves in the 'Green Room' with leading neoliberals like Erwin negotiating the next trade deal, instead of with the youth and environmentalists blocking the entrance.

However, with class snuggle's main proponent (textile union leader Ebrahim Patel) chosen by Zuma to head what soon became an impotent new economic development ministry in 2009, more militancy soon emerged in Cosatu, as witnessed in highly successful strikes or strike threats by transport and electricity workers in parastatals before and during the World Cup, and in the subsequent fight for wage and housing allowance increases against a state determined to draw the line at 7% and US\$97, not the 8.6% and \$140 demanded. (The potential settlement, to be agreed upon by the end of September, is 7.5% and \$110.)

It was inevitable, this wedge between nationalists and proletarians. Tracing backwards to the 1980s and early 1990s, the old 'Mass Democratic Movement' carried such enormous potential that its distraction into what Neville Alexander (2002) describes as an 'ordinary country' was only temporary. In mid-2010, it did appear an extraordinary society, one whose ruling crew had shifted in the region of \$5 billion of state funding away from social needs and into a surreal soccer tournament. Unemployment had skyrocketed by 1.1 million over the prior year and a half, rising from 26.7% of the workforce to 32.8%.

This wasn't a function merely of 'the world crisis', but of the way the local economy had been mismanaged, with fake growth in the 2000s – reaching 5% per annum for a few years – based on real estate speculation, construction mainly of white elephant infrastructure, consumer credit and exports of base metals. It necessarily crashed of its own account, not only because of declining world materials demand and the 50% fall in world stock market prices (although those contributed), with the consequent outflow of portfolio capital.

The supposed economic boost from the World Cup meant that, though a formal 'recovery' was underway, nearly a fifth of those retrenchments were still taking place during the first half of 2010, as GDP increased (at a 3% annual rate). Blame for the tens of thousands of new job losses was not only due to the end of stadium building in nine of the country's major cities, but also to an ongoing shift away from an economy based on manufacturing employment in which unions won a variety of perks and a living wage, to

one characterized by even more extreme labour casualisation.

(This was a phenomenon that Zuma and his labour team had vowed to Cosatu allies they would end: 'labour broking'. Not only did they not end it, but the most globally-embarrassing example of worker militancy, the Stallion Security workers wildcat strike during the first week of the World Cup, affecting half the stadiums, occurred because of abuse associated with outsourced work. And Finance Minister Pravin Gordhan's first budget speech, in February, threatened Cosatu with even more pressure in the form of subminimum wages paid by corporations to young workers through a forthcoming state subsidy scheme.)

The other major public infrastructure under construction – a few big dams, the Medupi power plant (whose electricity would be disproportionately channeled to large mining/smelting operations), a huge boondoggle industrial project featuring an unnecessary \$8 billion heavy-petroleum refinery (Coega), a new Durban-Johannesburg oil pipeline, some road upgrades, and the Johannesburg fast train for elite customers – received occasional praise from ANC ideologues (e.g. Alan Hirsch, 2006) for conjoining social-democratic and industrialist potentials associated with a 'developmental state'. But this was merely dishonest posturing, given the underdevelopmental nature of so much of the state spending, such as the world's cheapest electricity gift to BHP Billiton and Anglo American Corporation (\$0.015/kWh compared to prices three times that for most businesses and seven times that for residents).

The war on poverty and the poor

Likewise, a package of minor interventions aimed at bandaging the poverty rift became, under Mbeki in early 2008, the "War on Poverty" (WoP) (for more see Mahraj, Desai and Bond 2010). The self-help approach was yet another of the Zuma government's neoliberal continuities, because, as the SABC reported, Deputy President Kgalema Motlanthe says "the state believes such a project is the only way to fight poverty. He is of the opinion that such an approach will force people to help themselves out of poverty." Unfortunately, most people didn't 'help themselves' and join the state in the WoP, but instead continued to harbour the enemy (poverty) in their houses. The masses refused to fight dependency, but instead continued to nurture this psychological thug deep within their hearts, minds and homesteads.

To illustrate the problem, Eastern Cape Premier Noxolo Kiviet confessed in April that "lack of coordination and integration of government services" meant that in the village of Lubala, where the WoP had been formally launched in 2008, "only 30 percent of the households surveyed received all the services needed.", Kiviet didn't mention the lack of national-local resource transfers or the neoliberal character of SA social policy as structural causes with structural solutions. Instead, he relied on scattershot state services which, no matter how bravely bureaucrat-warriors endeavoured to hit the enemy, were obviously too few and far between to genuinely defeat poverty on home turf:

- the Departments of Agriculture and Rural Development assisted families with seedlings, and provided fencing "in more than 19 households";
- the Department of Water Affairs had "undertaken" to provide water and sanitation to Lubala Primary School, and to give water tanks to 15 households; and
- there was skills upgrading: "about 15 young people have been trained in areas such as

First Aid, chain saw operat[ion], health and safety, personal finance and accounting.”

Putting aside such small incursions at the first pilot site, this tiny Protected Village, the rest of the country was going up in flames and poverty was clearly winning the WoP. Of course in any such war, those waging the Good Fight will suffer faulty intelligence and troops will be lost to friendly fire. The most obvious cases would be the seemingly ubiquitous ‘service delivery protests’ that turn the state’s attention from attacking poverty, to attacking the poor themselves. The poor in turn react by burning down state buildings and councillors’ houses in townships ranging from small Mpumalanga dorpiess in the mountainous East, to the big-city ghettos and highways on the plains of the Western Cape.

To be sure, these have been called ‘popcorn protests’ because with the application of intense heat, the leading grains explode high into the air, but the wind or an unknowable physics formula may take them leftwards or rightwards, up or down, with no pre-set ideological strategic landing, and no discernable pattern that would merit the description ‘urban social movement’. Still, what the popcorn protests showed was that the state’s enemy, poverty, was by now bunkered in and heavily fortified. From time to time the enemy would suddenly emerge in the form of toyi-toying youth, who could manoeuvre with seeming ease around the desperately outnumbered local police forces and even the SA National Defence Force.

Amid thousands of battles in the WoP, one was especially illustrative. Among the state’s most feared symbols is an armoured vehicle, the Casspir, and on the auspicious date of 21 March 2010, Sharpeville Day, one found itself surrounded in the township of an Mpumalanga dorpie, Ogies. The SA Press Association’s courageous reporter filed this story:

Captain Leonard Hlathi, spokesperson for the Mpumalanga police said the Casspir was irreparably damaged when it was “outrageously attacked” by a mob who petrol bombed it several times. The protesters apparently led the Casspir into an ambush, by leading it over an improvised spike strip to puncture its tyres. Three of the heavy vehicles’ puncture-proof tyres were blown out when it drove over the spikes, that were camouflaged with branches. “Nothing working remained in the vehicle,” said Hlathi. “Only the steel hull remained.”

Hlathi said the protesters were targeting the 10 police members that were in the vehicle. The trapped police officers were forced to fight their way out, using live sharp point ammunition. “They had to get out of the vehicle. By that time it had been bombed several times,” said Hlathi. “If they didn’t fight back and if they weren’t assisted by reinforcements who came to help, we would have been talking about a different matter entirely.”

Hlathi said it wasn’t clear how many times the vehicles, which w[ere] used extensively by police during unrest before the 1994 elections, were bombed. He also couldn’t say how long the spikes that were used to blow out the tyres were, or what they were made of. “They do have puncture proof tyres, but the spikes were too long,” said Hlathi.

One protester was injured during the violence, but Hlathi said there may have been more. “They [the protesters] carried the wounded away,” he said. Sixty-one

people have been arrested for public violence during service delivery protests in Mpumalanga over the long weekend. Twenty-nine of these were in Leslie near Secunda after a municipal building and other property were burnt down. Another 32 were arrested in the Ogies protest. "Several cars were pelted with stones and 20 complaints have already been registered for malicious damage to property cases." Four civilian Toyota Quantum minibus taxis, a Condo, and two bakkies were also burnt down.

The Ogies protest started on Thursday, when a march was held to hand over a memorandum to representatives of the provincial government. "It is alleged the authorities did not turn up as requested. The people went on rampage, barricading the roads with burning tyres and burning down property." – Sapa

Encountering these sorts of minefields across the country, the state had a choice: either rapidly move from the ongoing war of position (nice-sounding rhetorical speeches) to a serious war of movement against poverty, or simply retreat. The latter was easier, and in 2010 the WoP was relocated to the rural development ministry. Back in the Pretoria War Room, it must have appeared that the WoP was now a fully-fledged class war, unwinnable under the country's prevailing economic conditions, given the motley coalition of power brokers in the Alliance and the continuing grip of neoliberal Treasury and Reserve Bank officials. The poor were advancing relentlessly, and the WoP looked like a US-in-Vietnam or Soviets/US-in-Afghanistan story-line.

The state's forces were obviously confused and confounded. The older anti-poverty strategies were comparable to pre-1942 Maginot lines, easily broken through by a clever enemy. In this new terrain, trickle-down grants were simply not good enough to stem the broken dike. Poverty – and especially the poor themselves – fought back tirelessly, with sticks, stones and Molotov cocktails, retreating into the shack settlements and township alleyways before sallying forth for yet more outrageous attacks. Newer military techniques, such as aerial bombings or even US-style drones were either too high profile (an embarrassment when the state needed legitimation during its other war – to carry off a World Cup in the face of international elite scepticism) or simply ineffectual.

A small-a alliance?

The only good that can come from this chaos of warring nationalist factions and class conflict is a restructured political landscape. The only way that will happen, in the view of many political activists, is the formal departure from the ANC of its most oppressed subjects, from trade union proletarians to the poor lumpen-protesters, and everyone inbetween. But that in turn awaits either a conclusive victory or defeat in the ages-old struggle for the hearts and minds of the ANC base. That base surprised many by voting out Mbeki in December 2007, which makes more serious the threat from Malema's rambunctious Youth League on August 25 that the next national leader to be targeted is the party's General Secretary (and former mineworker leader) Gwede Mantashe, who is also the Chair of the Communist Party. And not only is Party Secretary (and Higher Education Minister) Blade Nzimande feeling pressure from Malema's faction, a near-rift between the SACP and Cosatu emerged during the public sector strike, given the weak support the unions were receiving. With more strike threats being made for the last third of 2010, the Alliance may well be in danger of 'imploding', as a Cosatu statement expressed it in late August.

The Alliance has stuck together through thick and thin for two decades, and is likely to outlast this latest conflagration, at least a few more years. But meanwhile, fearing another bout of Mbeki-style control of the airwaves, Cosatu has reemphasized its progressive values, defending media freedom and access to information, against ANC paranoia and secrecy.

The time is not yet ripe for much more. However, because the only formal political opposition not in disarray is the neoliberal Democratic Alliance – the next largest parties, Congress of the People and Inkatha, are imploding with internecine leadership wars – the most important medium-term dilemma for trade unions and genuine communists is whether a small-a alliance might be the basis of a new Workers Party. Municipal elections are scheduled for April 2011 and it is impossible that any substantive radical electoral opposition to the ANC would emerge by then. (The only political party to the ANC's left in parliament, the Independent Democrats, was consumed by the Democratic Alliance in August.) There are two overlapping independent left unifying initiatives – *Amandla!* magazine and the Conference for a Democratic Left – which are supporting the most logical means of outreach to the left forces in Cosatu: a nascent South African Social Forum, so far joined by forward-thinking public sector unions but, again, not likely to solidify as more than a small group prior to the Dakar meeting of the World Social Forum next February 5-11.

The situation is too fluid to predict with confidence, but the sense of disappointment on the left about Cosatu's 'paradox of victory' (Buhlungu 2010) in backing not only the liberation movement in general but Zuma in particular, and winning – hence putting off these debates for some years – may yet, one day before the next national elections in 2014, lift. The prerequisite is that labour endeavours to force the splinters of South African socialism together, in the first instance as a wedge to split the Alliance. Then a firmly anchored political movement able to withstand the inevitable future rounds of splits can form. As Gumede concluded in 2007, "The ragbag collection of groups that back Zuma ranges from socialists and trade unionists to supporters of virginity testing and the death penalty. Dashed expectations may be the catalyst for a breakup of the ANC - a breakup which is debatably overdue and can only be good for democracy."

Rebuilding a serious South African left will be a long, halting process. Along the way, extraordinary victories have already been won, such as the Treatment Action Campaign's reversal of Mbeki's AIDS policies and opening up of pharmaceutical corporate patent monopolies (Geffen 2010). And one of the coming issues of the age, climate change, will motivate a strong environmental justice movement, for South Africa will host the Kyoto Protocol Conference of the Parties global climate summit in late 2011 (Cock, 2008; Bond, 2011). As well, South Africa's impressive (but today beleaguered) feminist tradition (Hassim, 2006; Britton, Meintjes and Fish, 2008) will continue battling the resurgent patriarchy represented by Zuma at his 2006 rape trial.

On the terrain of ubiquitous community, student and labour protests that began in the late 1990s (Ballard, Habib and Valodia, 2006), the more visionary activists acknowledge that they have so far lacked capacity to educate and also to influence the direction and intensity of the uprisings (Ngwane 2010). Although the critique many independent leftists offer rings increasingly true, the post-World Cup fracturing shows how impotent radicals are, and how much effort it will take to finally organise a united labour-community front. As Cosatu's (2010) own most recent Central Executive Committee

political discussion paper warned, "If we don't act decisively, we are heading rapidly in the direction of a full-blown predator state, in which a powerful, corrupt elite increasingly controls the state as a vehicle for accumulation."

But on the other hand, as a potential 'opportunity' under such a scenario, the labour leaders openly remarked that the movement "could become stronger by drawing on its militant tradition to organise the resistance of workers; could broaden its perspective to take up living conditions and political issues as well as wages; and could play a central role in forging a new popular alliance, and in building a new socialist movement in opposition to government."

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