

A Half-Century of Competing Political Economic Traditions in South Africa

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1. Introduction

I am grateful to be able to present (at long distance) ideas about the way SA political economy has developed over the last half-century, and how recent strategies of looking at the national-scale economy – as a ‘system of accumulation’ and through ‘crisis theory’ – are advanced and contested. Martin Legassick’s work has contributed to this project for at least four decades. His historical and contemporary ideas have stood up well, although a long period of more explicitly political work meant we were denied many of the insights I think Legassick can continue providing our political-economic analysis.

After reviewing the early legacy of Trotskyist writing about South African and finding it wanting, I will then briefly outline roughly a half-century of theoretical developments, locating Legassick within a tradition stretching to the early 1960s, when structuralist arguments by the SA Communist Party about the country’s political economy both set off debates between radicals and liberals, and began a fierce contestation over race and class within competing radical, neoMarxian schools. A great deal of this debate occurred over how to interpret the flows (and costs) of migrant labour from SA Bantustans and the Southern African region, and in the process over the relationship between capitalist and non-capitalist spheres. This is a perpetual problem, and even more important today as capitalist crisis unfolds and new forms of superexploitation are evident. In the final section, dealing with the contemporary challenge of analyzing South African capitalism, I will place a recent statement by Legassick about political economic processes – from his *Towards Socialist Democracy* – in context of both crisis tendencies and crisis displacements via superexploitation, in ways that link historical and contemporary times.

2. The limits of early revolutionary analysis

Why begin a half-century ago? Prior to the early 1960s, there were many political analyses of the South African economy, but I have not encountered any with the explanatory ambition and theoretical insights that characterized the subsequent decades. Although beginning in the 1930s, Johannesburg and Cape Town activist intellectuals established a long tradition of debating the merits of permanent revolution – contrasted to the stageist theory of the Communist Party – 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 (for more on this literature, see Mokgatle, 1971; Roux and Roux, 1972; Fine and Davis 1990; Hirson, 1990; Alexander, 1991; *Revolutionary History*, 1993; and especially Drew 1996). 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 (1934):

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 (1935) – was that 'the point of first importance is *smite English imperialism*; all other questions are subordinate questions.' Trotsky (1971) then warned her against 'polemical exaggerations arising from the struggle with the pernicious national policy of the Stalinists'. In a later position paper, Berlak (1936: 157) also addressed the question, 'How does the grip and rule of imperialism manifest itself?' He answered,

Directly 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 was 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 (1936: 131-33), 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.

This arrangement was functional not just to blunt class struggle but also for accumulation's sake, for the Chamber of Mines recorded how the migrant labour

system was crucial to corporate profitability (in official testimony to a 1944 state commission): 'the mines are able to obtain unskilled labour at a rate less than ordinarily paid in industry... otherwise the subsidiary means of subsistence would disappear and the labourer would tend to become a permanent resident upon the Witwatersrand, with increased requirements' (cited in Wolpe, 1972).

Labourers also began generating their own analysis of this kind of political economy. Amongst urban black African workers, intellectual and political figures, there were exceptional speakers in the revolutionary tradition – e.g., C.B.I. Dladla, Dan Koza, Isaac Bongani Tabata, T.W. Thibedi – whose arguments have only sporadically been recorded. (Govan Mbeki may be an exception, but partly because his tradition was Congress and he had such a high profile in the SACP and ANC.) But given this very incomplete reading of the South African social formation during the 1930s, especially, it was only after the SACP made more ambitious conceptual claims from the early 1960s that the debate amongst professional intellectuals, mostly based at South African and British universities, began in earnest.

3. A half-century of competing political-economic traditions

Study of South African political economy has an extraordinary set of lineages. There remains in political economic research an excellent potential for praxis-based scholarship and for revitalizing what was once a world-leading intellectual tradition, even if there is not a single program in a tertiary educational institution that carries the name, 'political economy'.

Taking a longer view of economic and social relations, the various South African traditions of radical political economy were always infused with concern about race, geography and also, increasingly, gender and environment. All came together in studies of superexploitative capital-labour relations that underpinned apartheid. While fierce debates between radicals and liberals (whether Weberian or modernisationists) motivated 1960s-70s political economic studies, these matters go much further back as research problems, as they draw upon longstanding concerns within Marxism about superexploitation.

The origins of British capitalism, after all, were in 'primitive accumulation', the initial capitalist strategy of dispossessing non-capitalist spheres of social life, most famously in land enclosures which forced peasants into the proletarianisation process. But in South Africa the use of political power to dispossess black people of their livelihoods, so as to compel them into wage labour relations, entailed durable extraeconomic, crudely racist methods which were not just a once-off initial condition for primitive accumulation.

For researchers of South African political economy during the 20th Century, the idea of superexploitation was helpful to explaining an ongoing 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 not solely on the basis of exploitation (surplus value extraction) at the point of production – the essence of capitalism as articulated in Marx's *Das Kapital* – but instead in relations between market and non-market activities. It is here that enhanced 'accumulation by dispossession' (Harvey 2003), between capitalism and

non-capitalist systems, is also of great relevance on the world stage today. But to come to these understandings requires us to back-track, to the point in the early 1960s when the debate was properly joined in South Africa.

Was the Colonialism of a Special Type (CST) argument a watershed? It is here we begin to find a systematized understanding of race and class – with implicit gender and environmental considerations. According to Colin Bundy's (1989, 3) account,

The theory of CST was fully enunciated, and adopted as official policy, in 1962, but its central tenets were arrived at 'by the end of the 1940s', and adumbrated in the Central Committee report to the 1950 CPSA conference. That report argued that 'the distinguishing feature of South Africa is that it combines the characteristics of both an imperialist state and a colony within a single, indivisible geographical, political and economic entity'

During the 1960s and early 1970s, varieties of African colonialism and neocolonialism were being explored, e.g. by Samir Amin who developed a typology based upon extraction and plantation systems, relatively undisturbed pre-capitalist tributary relations and settler-colonial systems, by Giovanni Arrighi and John Saul who emphasised local class formation and associated political processes, and by Walter Rodney who mainly described the global range of capitalist extraction techniques. But in a relatively simplistic sense, CST 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. In later years, Joe Slovo would argue 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 – in any fully-formed, theoretically grounded way - what socialist content is appropriate.

Because the CST framework implicitly denied that the underlying dynamic of South African political economy was capitalist, it came under repeated questioning

from left intellectuals. New generations of political economists added several other branches of Marxian analysis: Harold 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; French regulation theory (and 'Racial Fordism') during the late 1980s; and the 'Minerals Energy Complex' from the mid-1990s.

The central concern remained race/class at the points of production and reproduction, with a focus on migrant labour. From 1948 through the 1970s, 3.5 million people were forcibly removed to Bantustans, which struggled to cope with the environmental demands placed on them. Further flows of labour – many hundreds of thousands of men – were recruited from Lesotho, Botswana, Swaziland, Mozambique, Zimbabwe, Zambia and Malawi.

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, not a pension that allowed the elderly to survive in dignity. From youth through to illness to old age, the subsidy covering child-rearing, recuperation and old age was provided by rural African women.

The economic functionality of apartheid was, for Wolpe, a logical and necessary outcome of the post-war development of South African capitalism, in part because the system entailed deepening repression so as to ensure reliable labour flows. But there was ample room for contesting Wolpe's chronology and understanding of the dynamics of capitalism (as did not only liberals but also Deborah Posel in 1980), and indeed in a subsequent book, Wolpe (1988) backtracked substantially from the earlier position that apartheid was *necessary* to capitalist development, and instead agreed with critics that central aspects of their mutual evolution were *contingent*.

Meanwhile, Legassick's work on industrialization and the cost of labour reproduction offered a more fertile direction of inquiry. In part this was because of his attention to 'class differentiation and uneven development generated by the domination of the capitalist mode of production', and his sensitivity to class fractions:

The rapid emergence of the mining industry, generating capitalist forces and relations of production which impinged on every aspect of the Southern African economic system, created a new situation. The domination of the capitalist mode accelerated class differentiation and forms of uneven development. The rise of a hegemonic fraction of capital based on production led to the creation of the South African state in which this fraction dominated the power bloc.

Legassick does not further develop the idea of 'uneven development', as far as I can tell, and it is an easy phrase to drop in. Yet the radicals' problem of chronology was becoming evident: there were, after all, reverse remittance flows from urban to rural areas (contrary to the cheap-labour reproduction thesis) and indeed black

wages were increasing in absolute and relative terms. Legassick's (1979, 73-74) corrective was the contention that 'institutions of racial discrimination and/or extra-economic coercion' lowered wages further than what they would have been in the absence of apartheid, and that apartheid exacerbated 'the relative gap in incomes and in wealth between the rich and the poor in the society', but after labour organized more powerfully in 1973, inter-racial inequality began a brief, moderate decline. Answering such charges in 'Race, Industrialization and Social Change in South Africa', Legassick observed that 'the trend of black income (as opposed to wages) over time must take into account the contributions from non-capitalist production in the reserves: does not the decline in this income from non-capitalist production vastly exceed any wage increases?'

This compelled Legassick to begin to question whether capitalism would dissolve or conserve what he termed 'the non-capitalist redistributive mode or production', a durable problem for political economy first raised systematically by Rosa Luxemburg (1913) and one that is still crucial to our understanding of imperialism's dynamics today. Legassick's arguments were recalled by Giovanni Arrighi in a 2009 interview with David Harvey:

As long as proletarianization was partial, it created conditions in which the African peasants subsidized capital accumulation, because they produced part of their own subsistence; but the more proletarianized the peasantry became, the more these mechanisms began to break down. Fully proletarianized labour could be exploited only if it was paid a full living wage. Thus, instead of making it easier to exploit labour, proletarianization was actually making it more difficult, and often required the regime to become more repressive. Martin Legassick and Harold Wolpe, for example, maintained that South African Apartheid was primarily due to the fact that the regime had to become more repressive of the African labour force because it was fully proletarianized, and could no longer subsidize capital accumulation as it had done in the past.

This sounds like an excessively reductionist reading of Legassick on violence, in the spirit that Naomi Klein (2007) was accused of with her book *Shock Doctrine*. But even if the way to understand the relationship between capitalist crisis and state repression/reform was ultimately contingent, and even if the African labour force was *not* 'fully proletarianized' insofar as its reproduction was still subsidized in many ways by non-capitalist relations, the argument does drive us forward to the present.

For the meantime, from the mid-1970s, international trends in historical materialism – especially the success of Althusserian and Poulantzian structuralism – began having a larger impact on South African political economy research, via the University of Sussex. 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; 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 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. (There has been little or no subsequent work in the Poulantzian tradition, although a sophisticated use of Poulantzian ideas not as fractions but as *circuits* of capital can be found in van der Pijl, 1984.)

With an upsurge in protest beginning when the Durban labour movement emerged 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 (1981, 1986) 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.

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, noted 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 very 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 decimated – 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 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 (1991) 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 (Meth 1991, Bond 2005), 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 (e.g. van Onselen 1993, 1996). 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,

Such 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 was generalisable for the purpose of answering the larger questions of capitalist development (see 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 (1976), 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 full-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 US 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) 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 called '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 – begun to emerge. Meanwhile, as with earlier approaches to neo-Marxist analysis, an historical materialist critique of regulation theory became widespread internationally (Brenner and Glick 1990) and in South Africa (Meth 1991, Callinicos 1992).

What is most remarkable about this search for theoretical explanation of race and class, the trajectory of political economy, the macro-micro relations and 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, it evaporated. 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) 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.'

Like Regulation Theory, Fine and Rustomjee's approach was institutionalist, identifying the nexus of a 'Minerals-Energy Complex' (MEC) around which accumulation, state, labour relations and other economic phenomena could be understood. Later, we consider the appropriateness and durability of the phrase, but within a decade, Fine (2008) also addressed the post-apartheid political economic nexus in terms of 'financialisation', in part because the ANC's 'macroeconomic policy has been designed to manage the capacity of the South African conglomerates to disinvest'.

In contrast, leading ANC intellectuals - such as Thabo Mbeki (2003) and Joel Netshitenzhe - justified the neoliberal economic policies they inherited and amplified, arguing that South Africa was suffering from 'two economies', and as for

those left out, 'Of central and strategic importance is the fact that they are structurally disconnected from our country's 'first world economy'.' Yet there remain many structural *connections* still reminiscent of older labour migration systems, as SACP youth leader David Masedo (2007) observed:

A combination of unreconstructed vulgar Marxism and modernization theory have provided conceptual basis for contemporary neoliberalism, which is dressed up as the 'first economy' drawing in the 'second economy' to a successful market process... The CST and its National Democratic Revolution (NDR) strategy is also used by some in the ANC to justify the current neoliberal incorporation of the emerging black bourgeoisie into the structure of capital accumulation.

With growing SACP and Cosatu critiques of Two Economies political economy, Netshitenzhe (2006) became aggrieved by 'the ideological bloodletting that sometimes accompanies policy making. It would be better if we could leave all our 'isms' at home when rethinking policy.' The SA Communist Party (2006) replied,

The point is to reflect critically upon our reality and our engagement with it, in order to unify ourselves around the most effective strategic and programmatic interventions. We need to be practical, but being practical does not mean being merely pragmatic, still less anti-intellectualist. Theory does matter, and we do need to constantly re-visit our 'isms'.

It is here, in the flailing that has occurred against the tired version of official modernization theory, that we may again need to forcefully deploy the theory of uneven and combined development, especially as the process becomes amplified during times of capitalist crisis.

4. Accumulation crisis and amplified uneven and combined development

The crucial question for the period since the 1970s race-class debate, we have seen, is how to interpret the problems that led white capital in Johannesburg and Cape Town to abandon the apartheid political class in Pretoria, especially after mid-August 1985. In his article 'Flaws in South Africa's 'first' economy' (drawn from *Towards Socialist Democracy*), Legassick (2007) cites a deeper process than merely PW Botha's Rubicon Speech:

the exhaustion of the strategy of import-substitution, because of the limits of the racially-structured market, and *crisis* began to develop in the South African economy. Economic growth, which had averaged 6% a year in the 1960s, slowed to average 1.9% from 1973 to 1984, 1.5% for the remainder of 1980s, and fell by 1.1 per cent in the early 1990s. Fixed investment fell by 18,6% in 1986 and stayed negative from 1990 to 1993. Plant capacity utilisation fell to 78% in 1993. Unemployment rose – from about 12% in 1970 to 25% in the early 1990s. That the crisis was fundamentally economic

– a crisis of profitability -- and not merely political – fear of mass revolt -- is shown by the fact that even *before* the Soweto uprising foreign capital was flowing outwards.

There is an enormous amount more in this rich, 26,000-word article, fusing theory and statistics to make a clear case that crisis is the best way to understand SA political economy, even in the midst of the 5%/year 'growth' spurt.

He begins by considering whether the crisis that ended apartheid ever really passed. Return to the early 1990s when neoliberalism as an overarching philosophy was adopted by the late apartheid regime. The period was marked by several policy shifts away from 1980s-era sanctions-induced dirigisme carried out by 'verligte' (enlightened) Afrikaner 'econocrats' in Pretoria, once the influence of 'securocrats' faded and the power of white English-speaking business rose during the 1990-94 negotiations. That period included South Africa's longest depression (1989-93). Finally in late 1993, the last touches were put on what might be termed the 'elite transition' to democracy (Bond 2005).

The transition assisted 'elite' (white and black) accumulation, as long-standing African National Congress promises to nationalize the banks, mines and monopoly capital were dropped; Nelson Mandela agreed to repay \$25 billion of inherited apartheid-era foreign debt; the central bank was granted formal independence in an interim constitution; South Africa joined the General Agreement on Tariffs and Trade on disadvantageous terms; and the International Monetary Fund provided a \$850 million loan with standard Washington Consensus conditionality. Soon after the first free and fair democratic elections, won overwhelmingly by the ANC, privatization began in earnest; financial liberalization took the form of relaxed exchange controls; and interest rates were raised to a record high (often double-digit after inflation is discounted). By 1996 a neoliberal macroeconomic policy was formally adopted and from 1998-2001, the ANC government granted permission to South Africa's biggest companies to move their financial headquarters and primary stock market listings to London (Bond 2005).

But returning to Legassick's long-term perspective, it was here that the extremely uneven forms of development – for in South Africa they have been as extreme as anywhere on earth – could have been better specified (by all of us working in the field, to be sure). Drawing on the 1905-06 origins of uneven development theory, Legassick took a rare wrong turn:

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.

This was the trap into which *dependencia* fell, as suggested by the rise of East Asia, so it would have been far preferable to view uneven development as a see-saw of accumulation (Smith 1984) rather than a top-down process of permanent North-South economic advantage. If uneven development can be rescued from dependency theory (as did Ernest Mandel in 1961 in *Marxist Economic Theory* and David Harvey in his *Limits to Capital* in 1982), then it is in the theoretical restoration of the

capitalist-noncapitalist relationship – the ‘combined’ - that Legassick found Trotsky helpful:

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 worsened by it. In South Africa since colonial occupation, race has been the main form of division and oppression in society, and in the twentieth century it has been 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.

In addition to race, the broader set of combined relations between capital and noncapitalist activities – Luxemburg’s ‘natural economy’ of mutual aid, families (with obvious gender implications), communities, social processes not yet commodified, and we’d also add nature itself – provide another way to consider how not only ‘burdens of the past’ but also strong indigenous customs and environmental integrity are used and abused by capital as it expands.

While this area is fertile for future radical scholarship, the central point to make today is that this process of unevenness and combination becomes amplified in times of economic crisis. It’s here that the work of Legassick in the 2000s added to our broader sense of South African political economy. His article, ‘Flaws in South Africa’s first economy’ (Legassick 2007), is probably the single strongest short statement of post-apartheid political-economic contradictions.

But an update may also be useful, given how much the period since 1994 relied upon parasitical forms of ‘growth’ which came undone starting in 2009. South Africa hosted the world’s largest property and financial bubbles, for example, for two reasons: residual exchange controls which limit institutional investors to 15% offshore investments and which still restrict offshore wealth transfers by local elites; and a false sense of confidence in macroeconomic management. The oft-repeated notion is that under Finance Minister Trevor Manuel, ‘macroeconomic stability’ was achieved. Yet no emerging market had as many currency crashes (15% in nominal terms) over that period: SA’s were in early 1996, mid-1998, late 2001, late 2006 and late 2008.

By early 2009, *The Economist* magazine (25 February 2009) ranked South Africa as the most ‘risky’ of seventeen emerging markets. A key reason was that corporate/white power had generated an enormous balance of payments deficit thanks to outflows of profits/dividends to London/Melbourne financial headquarters. To cover the current account deficit, a vast new borrowing spree began, with foreign debt rising from \$25 billion in 1994 to nearly \$80 billion by late 2008. Moreover, consumer credit had drawn in East Asian imports at a rate greater than SA exports even during the 2002-08 commodity price bubble. If there was a factor most responsible for the 5% GDP growth recorded during most of the 2000s, by all accounts, it was consumer credit expansion, with household debt to disposable income ratios soaring from 50% to 80% from 2005-08, while at the same time overall bank lending rose from 100% to 135% of GDP.

Credit overexposure began to become an albatross, however, with non-performing loans rising from 2007 by 80% on credit cards and 100% on bonds compared to the year before, and full credit defaults as a ratio of bank net interest income rising from 30% at the outset of 2008 to 55% by year's end (SARB 2009). The South African financial-speculative bubble has not fully burst, because after the late 2004 peak year-on-year 30% increase in the most cited House Price Index (Amalgamated Banks of South Africa 2009), five years later there were steady declines in the year-on-year average house price at more than 10% each month during 2009 (there is insufficient data available on the distributional impact of a worsening real estate crisis).

Moreover, although the decline in corporate tax revenue drove the budget deficit to a near-record 7.6% of GDP estimated for 2009 and a bit less for 2010, South Africa was not pursuing a classical Keynesian strategy. The state was simply carrying through massive construction projects contracted earlier. Anticipated increases in state spending based upon ruling party promises – especially for job creation (500,000 new jobs were promised but in reality 2009 would see a million job losses) and the launch of a National Health Insurance (NHI) – were deferred by the new finance minister, Pravin Gordhan, in his 2009 and 2010 budget speeches. The October 2010 budget speech did provide for the possibility of NHI, but it was craftily worded so as to represent merely an increase in funding to raise state healthcare capacity, with no genuine commitment to NHI yet evident from the Treasury. The post-apartheid share of social spending in the total budget only rose from around 50% during the mid-1990s to 57% in 2009 in any case, boosted only by social grant transfer payments.

The huge bubble in commodities - petroleum, minerals, cash crops, land - disguised how much countries like South Africa stood exposed, and indeed the early 2000s witnessed increasing optimism that the late 1990s emerging markets currency crises could be overcome within the context of the system. Moreover, even before the resources boom, by 2001 the rate of profit for large South African capital was restored from an earlier downturn from the 1970s-90s, to ninth highest amongst the world's major national economies (far ahead of the US and China) (Citron and Walton 2002). But high corporate profits were not a harbinger of sustainable economic development in South Africa, as a result of persistent deep-rooted contradictions (Bond 2009, Republic of South Africa Department of Trade and Industry 2009, Legassick 2009, Loewald 2009):

- as noted, with respect to stability, the value of the rand in fact crashed (against a basket of trading currencies) five times, the worst record of any major economy, which in turn reflects how vulnerable SA became to international financial markets thanks to steady exchange control liberalisation (26 separate loosening of currency controls) starting in 1995;
- SA witnessed GDP growth during the 2000s, but this does not take into account the depletion of non-renewable resources - if this factor plus pollution were considered, SA would have a net negative per person rate of

- national wealth accumulation (of at least US\$ 2 per year), according to even the World Bank (2006, 66);
- SA's economy became much more oriented to profit-taking from financial markets than production of real products, in part because of extremely high real interest rates, especially from 1995-2002 and 2006-09;
 - the two most successful major sectors from 1994-2004 were communications (12.2 per cent growth per year) and finance (7.6 per cent) while labour-intensive sectors such as textiles, footwear and gold mining shrunk by 1-5 per cent per year, and overall, manufacturing as a percentage of GDP also declined;
 - the Gini coefficient measuring inequality rose during the post-apartheid period, with the Institute for Democracy in South Africa (2009 citing Statistics South Africa) measuring the increase from 0.56 in 1995 to 0.73 in 2006, while Borat, van der Westhuizen and Jacobs (2009, 80) calculated a rise from 0.64 to 0.69, and the SA Presidency (2008, 96) conceded an increase from 0.67 to 0.70 over nearly the same period;
 - black households lost 1.8% of their income from 1995-2005, while white households gained 40.5% (Bhorat et al 2009, 8);
 - unemployment doubled to a rate of around 40% at peak (if those who have given up looking for work are counted, around 25% otherwise) - but state figures underestimate the problem, given that the official definition of employment includes such work as 'begging' and 'hunting wild animals for food' and 'growing own food';
 - overall, the problem of 'capital strike' - large-scale firms' failure to invest - continues, as gross fixed capital formation hovered around 15-17 per cent from 1994-2004, hardly enough to cover wear-and-tear on equipment;
 - businesses did invest their SA profits, but not mainly in SA: dating from the time of political and economic liberalisation, most of the largest Johannesburg Stock Exchange firms - Anglo American, DeBeers, Old Mutual, Investec, SA Breweries, Liberty Life, Gencor (now the core of BHP Billiton), Didata, Mondi and others - shifted their funding flows and even their primary share listings to overseas stock markets mainly in 2000-01;
 - the outflow of profits and dividends due these firms is one of two crucial reasons SA's current account deficit has soared to amongst the highest in the world (in mid-2008 exceeded only by New Zealand) and is hence a major danger in the event of currency instability, as was Thailand's (around 5 per cent) in mid-1997;
 - the other cause of the current account deficit is the negative trade balance during most of the recent period, which can be blamed upon a vast inflow of imports after trade liberalisation, which export growth could not keep up with;
 - another reason for capital strike is SA's sustained overproduction problem in existing (highly-monopolised) industry, as manufacturing capacity utilisation fell substantially from the 1970s to the early 2000s; and

- corporate profits avoided reinvestment in plant, equipment and factories, and instead sought returns from speculative real estate and the Johannesburg Stock Exchange: there was a 50 per cent increase in share prices during the first half of the 2000s, and the property boom was unprecedented.

With this sort of fragile economic growth, subject to extreme capital flight, it is no surprise that in the second week of October 2008, the Johannesburg stock market crashed 10 per cent (on the worst day, shares worth US\$35 billion went up in smoke) and the currency declined by 9 per cent, while the second week witnessed a further 10 per cent crash.

By way of reaction, the SA Reserve Bank came under heavy pressure to reduce interest rates - by 5% from late 2008 through mid-2009 - and the real prime rate fell to the 2% range, down from a peak of 15% a decade earlier. But it didn't work, as manufacturing, mining and retail continued to crash. Although as late as February 2009, Manuel claimed such moves would prevent a recession, he was proven badly wrong in May when government data showed a 6.4% quarterly GDP decline, the worst since 1984 during anti-apartheid protests, the gold price's plummet and the tightening of sanctions.

Evidence of the weakness of South Africa's economy is especially poignant in the sector that was the fastest growing during the false boom: construction. From 2003-2009, the economy's two main growth engines were construction and finance. The 2009 crash was, indeed, mitigated by the construction industry, which grew 9.4% in early 2009 thanks to infrastructural investments of rather dubious medium-term merits: 2010 World Cup stadiums (hugely overbudget and, as the left predicted, not able to cover operating costs after the soccer matches), an elite rapid train service for Johannesburg-Pretoria (costing a prohibitive amount for workers), the persistently failing (albeit generously subsidized) industrial complex at Coega, the world's fourth-largest coal-fired electricity generator (Medupi, with Kusile to follow), mega-dams, and expansions to airports, ports, roads and pipelines. But these big projects aside, the number of building plans registered in 2008 was already 40% lower than in 2007, and the overall property market continued downhill from there.

We quite obviously are seeing such extreme unevenness that a full theorization dealing with this phenomenon will be the subject of much future radical analysis, it is easy to predict. The most recent major statement of these themes – a chapter entitled 'The Crisis in South Africa, Neoliberalism, Financialization and Uneven and Combined Development' – in the *Socialist Register 2011*, just launched, is not fully satisfactory, however. The authors – Samantha Ashman, Ben Fine and Susan Newman (2010) – rely for their analytical groundings on Fine and Rustomjee's (1996) book-length treatment of mining, energy and associated industries as a distinct power bloc:

Global accumulation and its shifts and restructuring are necessarily mediated by the structure of particular economies and forms of class rule. We characterize the system of accumulation in South Africa as a 'Minerals-

Energy Complex' (MEC) where accumulation has been and remains dominated by and dependent upon a cluster of industries, heavily promoted by the state, around mining and energy - raw and semi-processed mineral products, gold, diamond, platinum and steel, coal, iron and aluminium. In the context of South African production, financialization has produced a particular combination of short-term capital inflows (accompanied by rising consumer debt largely spent on luxury items) and a massive long-term outflow of capital as major 'domestic' corporations have chosen offshore listing and to internationalize their operations while concentrating within South Africa on core profitable MEC sectors. The result, even before the impact of the current crisis, was a jobless form of growth and the persistence of mass poverty for the majority alongside rising living standards for a small minority, including new black elites.

What worries me about a 'system of accumulation' as a way to comprehend uneven and combined development analysis, is an overemphasis on institutional durability of mining, energy and related sectors. In fact, the MEC concept will have to deal with several challenges in the contemporary period:

- the danger that all such intermediate-level analysis overestimates the *institutional form* of accumulation (similar to other mistaken mid-range intermediate concepts, such as Rudolf Hilferding's *Finanz Kapital*, Paul Sweezy's and Tony Cliffe's attention to the military-industrial complex and 'permanent arms economy', and even Hardt/Negri's 'Empire'), and in turn distracts us from the deeper-rooted tendencies to capitalist crisis from which uneven and combined development are then so explicitly amplified;
- a better route to considering the current conjuncture of South Africa's long-term overaccumulation crisis is probably the 'Resource Curse';
- the MEC's largest corporate institutions deconglomerated from 1994 onwards, unbundling and moving out of South Africa as fast as they could, to London, Melbourne and New York;
- there are race/ecology matters to factor in, such as rise of BEE and the huge ecodisasters (water on Rand, climate, cheap energy lock-ins), with their potential liabilities for MEC firms; and
- the 2002-08 boom of mining left South African mining/GDP in decline, perhaps because of extreme capital flight arranged by the major mining houses, a point Fine and his colleagues regularly return to when analyzing South Africa.

In the decade after 2000, roughly sixty books by or about the South African independent left were produced (see Appendix). But no overarching theoretical approach – e.g. uneven and combined development - has been chosen to bring the strands together. In search of unity amongst the various left analysts of South African political economy, another factor which is crucial to work through is political strategy, something I will defer to another occasion. This is not the space to

specify 'solutions' to uneven and combined capitalist development (only socialism qualifies), or even which Keynesian-capitalist reforms would permit accumulation to resume in a sustained manner. There is, however, a precedent worth mentioning: the 1930s era of selective 'deglobalisation', during which South Africa's growth per capita was the highest in its modern history. At that time, import-substitution industrialisation occurred in South Africa (as well as Latin America) along its most balanced trajectory, with much of our manufacturing industry established during the 1930s, as well as national assets such as Eskom and Iscor. The years of high growth were not reserved for whites, and indeed the rate of increase of black wages to white wages occurred at their fastest ever during this period.

In other words, a somewhat less uneven form of capitalist development could be promoted, and there are many examples – especially the Treatment Action Campaign's deglobalisation of pharmaceutical capital's intellectual property rights and the Anti-Privatisation Forum's repulsion of Johannesburg's Parisian water privatisers, both by pursuing decommodification and 'commoning' strategies and tactics – that suggest South African social movements also have this kind of experiential and political sensibility. The National Union of Metalworkers of South Africa also call for disruptions to the world economy's transmission of uneven development, via exchange controls and lower interest rates, amongst other ideas.

That leads us, finally, to the matter of how to fight worsened combined capitalist-noncapitalist relations, in which the former loots the latter, destroys whatever mutual aid and social solidarity might offer resistance, and strengthens the conservative elements (such as patriarchy) that are useful for continuing precapitalist oppression. It is here that we learn so much from the tenacious way that Legassick grappled with the earlier combination of capitalist and noncapitalist societies, and it is a tribute to his historical *and* political instincts that he is reviving that work in newly-published studies of the Cape's extraordinary history. We have a great deal of wisdom to gather from Martin Legassick, and inspiration to follow through into contemporary critique of South African capitalism.

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APPENDIX: Books by or about South Africa's contemporary independent left (English language since 2000)

- S. Buhlungu, *A Paradox of Victory* (Pietermaritzburg, University of KwaZulu-Natal Press, 2010).
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