Explaining uneven and combined development in South Africa

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a version of this paper will be published in mid-2006 in:
Bill Dunn (Ed), Permanent Revolution: Results and Prospects 100 Years On, London, Pluto Press

ABSTRACT

In Results and Prospects, Leon Trotsky’s notion of ‘permanent revolution’ provided a profound critique of the Russian bourgeoisie, based on skepticism that genuine democracy and the land question could be solved through their leadership. How well does the argument travel to South Africa a century later, at a time of a marked void in political-economic reasoning by socialists? We argue below that the theory underlying the permanent revolution, namely uneven and combined development, is entirely appropriate for South Africa. Here, a mix of market and non-market coercion permitted a permanent system of racialised, gendered ‘primitive accumulation’ to emerge at the very moment Trotsky was analysing Russian social relations. Does a revival of his broader theory, and a comparison with a half-century of flawed neo-Marxist intellectual approaches, assist in clarifying the character of accumulation and class formation in South Africa? Does it help vanquish both the ‘two economies’ argument advanced in the African National Congress and the stageist theory – with its aspirational ‘developmental state’ - so popular in the official centre-left? The arguments below provide a preliminary case in the affirmative, without yet attempting to do more than flag the logical political conclusions.

The development of historically backward nations leads necessarily to a peculiar combination of different stages in the historic process. Their development as a whole acquires a planless, complex, combined character.

Leon Trotsky

Introduction

According to George Novack, ‘The law of uneven and combined development is a general law of the historical process of which the theory of permanent revolution is a particular expression limited to the period of transition from

the capitalist system to socialism.'

That transition is decades away in South Africa, leaving us with at least the present task of analytical review, for which we will rely extensively on insights associated with the words ‘uneven and combined development’.

We begin with a consideration of theoretical aspects of uneven and combined capitalist development, before moving to flawed neo-Marxist applications in South Africa since 1960. Even today, the idea of uneven and combined development is still far too risqué for polite political discussion, so instead, many South African intellectuals have become distracted by banal notions of ‘two economies’.

The conceptual problems associated with these theoretical meanderings compel us to return to root processes. Thus in Capital, Marx cited unevenness as intrinsic to capitalism:

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

This ‘general law of capitalist accumulation’, as Marx termed it, highlights capital-labour conflict, and is one way to ground a theory of uneven development. But thinking in this manner dates further back, at least to Marx’s Grundrisse (1857-58), where unevenness represents the condition for a transition from one declining mode of production to another rising, more progressive mode. In the same spirit, Trotsky wrote of countries and institutions as units of analysis in the tracts Permanent Revolution & Results and Prospects. As Colin Barker interprets, ‘The role of the “whip of external necessity” in compelling countries to attempt to adopt and assimilate elements of technique, organisation and ideas drawn from their more advanced rivals, and the contradictions of the “combinations” thus effected, would seem to play a real causal part."

More generally, though, the concept uneven development has been deployed to explain more than transitions in modes of production and countries’ economic activity. In addition, unevenness applies to the differential development.

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growth of sectors, geographical processes, classes and regions at the global, regional, national, sub-national and local level.

The differing conceptual emphases relating to units of analysis are paralleled by debate surrounding the origins and socioeconomic mechanisms of unevenness. Neil Smith roots the equalisation and differentiation of capital - the fundamental motions of uneven development - in the widespread emergence of the division of labour.\(^6\) In arguing for the ‘universal validity of the law of unequal and combined development’, Ernest Mandel searched even further back, to ‘private production’ among different producers within the same community, insisting that ‘differences of aptitude between individuals, the differences of fertility between animals or soils, innumerable accidents of human life or the cycle of nature,’ were responsible for uneven development in production.\(^7\)

Moreover, the phenomenon of uneven and combined development in specific (peripheral or semi-peripheral) settings was often explained - as in the South African case - as a process of ‘articulation of modes of production’. In these analyses, the capitalist mode of production depended upon earlier modes of production for an additional ‘superexploitative’ subsidy by virtue of reducing the costs of labour power’s reproduction. Evidence for the process of South African apartheid-era superexploitation – based upon simultaneous class/race/gender/ecological power - is offered below, and represents the crucial ongoing (not just initial) role of ‘primitive accumulation’ within uneven development.\(^8\) Smith insists, in this respect, that ‘it is the logic of uneven development which structures the context for this articulation’ of modes of production, rather than the reverse.\(^9\)

That logic entails not only the differential (or ‘disarticulated’)\(^10\) production and consumption of durable goods along class lines. It also embraces the disproportionalities that emerge between departments of production – especially between capital goods and consumer goods, and between circuits and fractions of capital.\(^11\) For example, the rise of financial markets during periods of capitalist overproduction crisis amplifies unevenness. As Michel Aglietta remarked, ‘Uneven development creates artificial differences in the

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apparent financial results of firms, which are realised only on credit. These differences favour speculative gains on the financial market.'

Tendencies towards sectoral unevenness are manifest periodically in financial crisis, when the intrinsic limits of a credit system or speculative market are reached. Uneven development can thus play the roles of both immediate cause and amplified effect of financial turbulence.

In spatial terms, unevenness has been associated with theories of unequal exchange and forms of core-periphery dominance. This is in part because of their grounding in progressive Third World nationalism. Such debates have had the effect of over-emphasising interstate relations and under-emphasising the flows of capital and social struggles that have more decisively shaped local ‘underdevelopment’. But as David Harvey has argued, historical-geographical materialism entails a consideration of the process of unevenness in more general ways. The fulcrum of geographical unevenness is the differentiated return on investment that creation and/or destruction of entire built environments - and the social structures that accompany them - offer to different kinds of investors with different time horizons. Meanwhile, different places compete endlessly with one another to attract investment. In the process they tend to amplify unevenness, allowing capital to play one local or regional or national class configuration off against others.

These considerations are especially important during periods of economic stagnation and volatility, when both the uneven and combined features of capitalist development are typically accentuated.

Uneven development and capitalist crisis

The basis for Marx’s theory of crisis is the unstable combination of technological change and intercapitalist competition associated with class society. Individual capitalists cannot afford to fall behind the industry norm, technologically, and this leads to a continual introduction of state-of-the-art production processes, especially labour-saving machinery. With intensified automation, the rate of profit tends to fall. Profit correlates to ‘surplus value’ which is only produced through the exploitation of labour. (Labour is paid a certain proportion of the value produced, but some surplus goes to capital.) Since capitalists cannot ‘cheat in exchange’ - i.e., consistently buy other inputs, especially capital goods, from each other at a cost less than their value - the increases in value that are the prerequisite for commodity production and exchange must emanate from workers. This simply means, in class terms, that capitalists can’t exploit other capitalists; but they can systematically exploit workers. Here arises the key contradiction: with automation, the labour input becomes an ever-smaller proportion of the total inputs into production. And as the labour content diminishes, so too do the opportunities for exploitation, for surplus value extraction and for profits. Automation thus engenders, in the

medium-term, productive capacity far beyond an expansion in what consumer markets can bear. The result, a permanent tendency under capitalism, is termed overaccumulation of capital. Failure to stave off overaccumulation is typically behind the business cycle downswing.

In sum, at the root of overaccumulation is the continual improvement of machinery and other productive forces. Too many goods are produced, workers are replaced by machines, and competition between capitalists becomes ruinous. Overaccumulation thus leads to a situation in which goods cannot be brought to market profitably, leaving capital to pile up without being put back into new productive investment. Other symptoms include unused plant and equipment; huge gluts of unsold commodities; an unusually large number of unemployed workers; and the rise of speculative financial markets, particularly in shares and real estate. When an economy reaches the stage of overaccumulation, it becomes difficult to bring together all these resources — surplus capital and labour — in a profitable way to meet social needs.

How, then, does an economy recover from the illness of overaccumulation? Capitalism is a system that must, to regenerate itself, always engage in creative forms of destruction of the overaccumulated capital, painful as these may be for the majority of people who are in the way. That process of destruction can be thought of as devaluation of capital. Economic deadwood is cleared away, inefficient and outmoded companies are weeded out through collapse or takeover, large firms often get much bigger in the process, and labour is sharply disciplined as workers’ living standards plummet. Unevenness is usually amplified, as inequalities and differentiation heighten, and resources flow even faster to sites of greatest power and profitability.

There are many examples of overaccumulation and devaluation throughout history. Measured as the world economy, capitalism has suffered sporadic eruptions during the periods 1815-48, 1873-96, 1917-48 and 1974-present. Moreover, the ebb and flow of overaccumulation and devaluation usually affects different parts of the economy in different ways. One important symptom is an imbalance in investment between consumer goods production and production of heavy machinery. In South Africa, this imbalance — or in Marx’s terms, ‘disproportion in production’ — was particularly extreme, and was evident through its class/racial/gendered/geographical form. Dating to the early 19th century, there were periods of local capitalist crisis characterised by excessive debt and financial speculation, geopolitical machinations and overaccumulation.¹⁴

¹⁴ Bond, P. (2003), Against Global Apartheid: South Africa meets the World Bank, IMF and International Finance, London, Zed Books, pp.252-271. The following were the crucial periods: early crises of the 1810s-60s; the turbulent emergence of the financial-mining nexus during the 1870s-80s; the centralisation of financial-mining capital during the 1880s; the relationship between financial speculation and politics during the 1890s-1900s; the reassertion of local control during the 1910s; financial restructuring of local economic geography during the 1910s-20s; international financial collapse during the 1930s; gold-related recovery of the 1930s-40s; the rise of Afrikaner finance during the 1930s-50s; the financing of post-war development; and the contemporary (1980s-2000s) rise of finance.
Indeed, when overaccumulation becomes widespread, extreme forms of devaluation are invariably resisted (or deflected) by whatever local, regional, national or international alliances exist or are formed in specific geographical areas under pressure. Hence overaccumulation has very important geopolitical implications in the uneven development of capitalism, as attempts are made to transfer the costs and burden of devaluation to different regions and nations or to push overaccumulated capital elsewhere as a last-ditch speculative venture (a ‘spatial fix’ to overaccumulation). As Harvey puts it, capitalism continually seeks ‘a means to visit the costs of devaluation of surplus capitals upon the weakest and most vulnerable territories and populations’.\(^\text{15}\) It is this process which forces people to organise defensively along lines of turf, and especially to take recourse in the most important unit of potential countervailing power, the national state. Likewise, the ability of capitalism to temporarily displace overaccumulation (and impose devaluation) through time occurs through the credit system, which allows consumption today on the basis of promised payment tomorrow (a ‘temporal fix’).

Hence the great importance of financial capital at the interface of overaccumulation crisis and uneven development.\(^\text{16}\) In his review of British economic history, Simon Clarke points out the contradictory roles of geography and finance:

In the initial phase of development of the credit system accumulation was frequently disrupted at an early stage by the failure of local banks. Although this was often put down to unsound banking practices, it was primarily a result of the geographical unevenness of accumulation which led to imbalances in the inter-regional flows of commodities and of capital, which resulted in an inflow of money into some regions and an outflow from others. Banks in some regions accumulated ample reserves of the money commodity, while banks elsewhere found themselves under increasing pressure.\(^\text{17}\)

In sum, across a variety of scales, uneven development is generally accentuated during those periods (such as at present) when financial institutions increase their range of movement, the velocity and intensity of their operations, and simultaneously, their power over debtors (whether companies, consumers or governments).

The tradition of classical Marxism which has taken such analysis furthest since Mandel’s 1960s revival of the theory of uneven development, emerged in the field of geography. Harvey, Smith, Michael Webber, David Rigby and others showed how the combination of space, time and the accumulation...


\(^{17}\) Clarke, *Keynesianism, Monetarism and the Crisis of the State*, p.110.
process shed light on the thorny political economic problems that were misleadingly characterised by dependency and ultra-Marxist (Warrenite) theorists in the past, and dismissed by post-Marxists in the present.\textsuperscript{18} For uneven development is, ultimately, ‘the geographical contradiction between development and underdevelopment where the overaccumulation of capital at one pole is matched by the overaccumulation of labour at the other,’ as Smith put it.\textsuperscript{19} The condition of overaccumulation heightens the more general process of uneven development caused, in Smith’s conception, by ‘continual, if never permanent, resolution of opposing tendencies toward the geographical equalisation and differentiation of the conditions and levels of production. The search for a spatial fix is continually frustrated, never realised, creating distinct patterns of geographical unevenness through the continued seesaw of capital.’\textsuperscript{20} The search for a temporal fix, likewise, is continually frustrated because although overaccumulation today can be mitigated by credit, this simply puts off the problem until payment is due at some future date, when surplus value must again be extracted.

**Combined development and accumulation by dispossession**

When, in lieu of sufficient profits from surplus value extraction and when the spatial and temporal fixes associated with crisis displacement (not resolution) also reach their limits, another reaction by capital emerges, namely the amplification of primitive accumulation. In this respect, Rosa Luxemburg’s analytical contribution is often undervalued, in part because of errors in sections of her work.\textsuperscript{21} But as Harvey has recently shown, her stress on primitive accumulation bears reconsideration today, in comparison to the more dated studies of imperialism by Lenin, Bukharin, Hilferding, Grossmann, Bernstein and Bauer.\textsuperscript{22} Luxemburg considered polarisation between the developed and developing worlds to be functional, not irrational, just as the apartheid polarisation between white cities and black rural areas was, functional to South African capitalism. This was the ultimately contradictory

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\textsuperscript{19} Smith, *Uneven Development*, p.149.


\textsuperscript{21} According to available empirical evidence, Smith’s ‘seesaw’ operates very clearly at the urban scale, somewhat actively within sub-national regions, and not yet self-evidently at the global scale, but this is not to say the theory is wrong, simply that it is too early in the cycles of global capitalist expansions and contractions to validate or invalidate the global seesaw effect.


logic behind uneven and combined development. In her book *Accumulation of Capital*, Luxemburg wrote of

the deep and fundamental antagonism between the capacity to consume and the capacity to produce in a capitalist society, a conflict resulting from the very accumulation of capital which periodically bursts out in crises and spurs capital on to a continual extension of the market. Capital cannot accumulate without the aid of non-capitalist organisations, nor … can it tolerate their continued existence side by side with itself. Only the continuous and progressive disintegration of non-capitalist organisations makes accumulation of capital possible… The relations between capitalism and the non-capitalist modes of production start making their appearance on the international stage. Its predominant methods are colonial policy, an international loan system - a policy of spheres of interest - and war. Force, fraud, oppression, looting, are openly displayed without any attempt at concealment, and it requires an effort to discover within this tangle of political violence and contests of power the stern laws of the economic process.\(^{23}\)

If diverse forms of underdevelopment are integrated within the mode of production and reproduction, how is this condition managed by international economic managers? Harvey reminds us that primitive accumulation remains one of capitalism’s persistent tactics:

A closer look at Marx’s description of primitive accumulation reveals a wide range of processes. These include the commodification and privatisation of land and the forceful expulsion of peasant populations; conversion of various forms of property rights (common, collective, state, etc.) into exclusive private property rights; suppression of rights to the commons; commodification of labour power and the suppression of alternative (indigenous) forms of production and consumption; colonial, neocolonial and imperial processes of appropriation of assets (including natural resources); monetisation of exchange and taxation (particularly of land); slave trade; and usury, the national debt and ultimately the credit system as radical means of primitive accumulation.\(^{24}\)

Moreover, Gill Hart has shown the crucial distinction ‘between primitive accumulation construed as an event that can be relegated to a precapitalist past, as opposed to an ongoing process.’ In the latter, we must also uncover ‘gendered relations and conditions of unwaged work through which the


labour force is produced and renewed on a daily basis. Likewise, given the racially constituted character of global and local relations in most settings (including post-apartheid South Africa), dimensions of racial and ethnic power also contribute to ongoing primitive accumulation as ‘combined’ development, whereby the market superexploits non-market conditions.

These concepts – unevenness as intrinsic to capital accumulation, capitalist crisis tendencies, partial spatial and temporal fixes, amplification of unevenness through the financial system, and ‘combined’ development in the form of accumulation by dispossession, in a variety of racial, gendered and environmental manifestations – are all vital tools for reestablishing political economic argumentation in South Africa. Because slavery, colonialism, apartheid and their residues evolved within a national state (with crucial regional spillovers), South Africa offers a crucial example of the systematised combination of market and non-market systems of exploitation. Still, Hart reminds us that ‘Accumulation through dispossession may be a useful first step in highlighting the depredations wrought by neoliberal forms of capital, but it needs to be infused with concrete understandings of specific histories, memories, meanings of dispossession. To be grasped as an ongoing process, dispossession also needs to be rendered historically and geographically specific, as well as interconnected – and these specificities and connections can do political as well as analytical work.’ In contrast, South Africa has witnessed various attempts to explain uneven and combined development first drawing upon Trotskyist descriptions (not theories) and second using unsatisfactory variations of neo-Marxist theory, which must be addressed before returning to contemporary problems.

Land, the national question and imperialism in early Trotskyist formulations

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. 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:

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.28

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 – was that ‘the point of first importance is smite English imperialism; all other questions are subordinate questions.’29 In a later position paper, Berlak 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

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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.30

Combining these two strands of argument – pro-land reform and
democratisation with anti-imperialism – another Trotskyist theorist, Moshe
Noah Averbach, 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…
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> 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 starvations 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.31

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, but which contributed to powerful critiques of the Stalinist strategy. However, rather than dwell upon analysis, Trotskyists used their energies to organise and forge links with labour movements in the major centres and establish small political parties, though this work ebbed and flowed depending upon the cycles of repression and nationalist hegemony over the broader progressive movement.

**Uneven development according to South African neo-Marxism**

In the void of political economy that resulted, new generations of radical South African scholars applied at least six different branches of Marxian analysis: from Colonialism-of-a-Special-Type theory during the 1960s; to the articulations of modes of production argument during the early 1970s; to the popularity of neo-Poulantian ‘fractions-of-capital’ analysis during the late 1970s; to the concept of ‘racial capitalism’ during the early 1980s; to the Social History school of the 1980s; to the introduction of French regulation theory (and ‘racial Fordism’) during the late 1980s.

The theory that still holds strongest sway amongst the left within the alliance of ANC, Cosatu and South African Communist Party (SACP) is ‘colonialism of a special type’ (CST). Drafted by Mick Harmel, the theory was officially adopted by the Communist Party during the early 1960s, and represents an internal version of dependency theory. According to the most widely-circulated CST analysis,

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

From this analysis, it was logical for the SACP to defend a vision of a revolution first of national liberation from internal colonialism, followed by the socialist struggle against capitalism. The SACP’s late intellectual leader Joe Slovo also suggested that the 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 (i.e., interventionist in the East Asian sense); without yet identifying what socialist content is appropriate.

The CST framework came under repeated questioning from left intellectuals. A version of CST was, during the early 1970s, rescued by SACP member Harold Wolpe’s application of ‘articulations of modes of production’ theory: the idea that South African capitalism required and nurtured the superexploitation that was available by harnessing colonial-style dominance of pre-capitalist modes of production. Evidence for the articulations thesis came from the Chamber of Mines, which in official testimony to a government commission in 1944, admitted that a subsidy drawn from pre-capitalist society was crucial to the maintenance their profits: ‘The ability of the mines to maintain their native labour force by means of tribal natives from the reserves at rates of pay which are adequate for this migratory class of native, but inadequate in practice for the detribalised urban native, is a fundamental factor of the economy of the gold mining industry.’

Wolpe went on to argue that as capitalism increasingly dominated pre-capitalist society, employers necessarily exploited the cheap labour pool ever more thoroughly, hence the formalisation of migrant labour through formal apartheid bantustans. Although more and more workers began living permanently in cities near manufacturing jobs, there was still a large supply of

migrant labour. From 1948 through the 1970s, 3.5 million people were forcibly removed onto the reserves, which could simply not handle the environmental demands placed on them. From the standpoint of capitalist managers, it was better that the families starve, rather than move to the workplace where the wage-earner would require – and demand and perhaps win – higher pay to support their women and children. In the face of political and economic protest in the 1940s and 1950s, Wolpe concluded, ‘Apartheid may be seen as the attempt of the capitalist state to maintain the system of cheap migrant-labour, by means of the erection of a “perfected” and “modernised” apparatus of political domination.’

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

The functionality of apartheid to capitalism was thus a logical outcome of the post-war development of South African capitalism. After apartheid controls were applied and the problems got worse, Wolpe concluded that it was here – in the ‘articulation’ between capitalism and pre-capitalism – that the dominant contradiction in South African society appeared. Moreover, the political implications of this argument were self-evident: the ANC, supported by the SACP, should struggle first for national liberation to overcome that contradiction. The second stage of the struggle would follow when capitalist relations were established and the end of the cheap labour subsidy would transfer the contradiction into South African capitalism directly. Yet as subsequent research and theoretical argumentation showed, there was ample room for contesting Wolpe’s chronology and understanding of the dynamics of capitalism.

35. In a subsequent book – Wolpe, H. (1988), Race, Class and the Apartheid State, Paris, UNESCO - Wolpe backtracked substantially from the earlier position that apartheid was necessary to capitalist development, and he came to suggest that central aspects of their mutual evolution were contingent.

36. The first, and perhaps most powerful critique (focusing on the tenuous link between the Bantustans and cheap labour), was Williams, M. (1975), ‘An Analysis of South African Capitalism: Neo-Ricardianism or Marxism?, Conference of Socialist Economists’ Bulletin, 4, 1. Martin Legassick’s work on the increasing capital intensity of manufacturing offered a different and in many ways more fertile direction of inquiry; Legassick, M. (1974), ‘South Africa: Capital
Meanwhile, international trends in historical materialism—especially the success of Althusserian and Poulantzian structuralism—were by the mid 1970s having a major impact on South African political economy. There emerged a fascination with which ‘fractions of capital’ controlled the state at particular moments of political change. Although the various fractions became increasingly blurred by the 1960s as South Africa’s big mining finance houses diversified into manufacturing, several leading neo-Marxist researchers identified prior distinctions between capitals in terms of their sector of production (mining, manufacturing or agricultural), their location within the circulation of capital (industrial, financial, commercial, landed), or their ‘nationality’ (Afrikaner, English-speaking, foreign).  

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).  

Before long, however, the Poulantzian analysis itself came under sharp attack, especially by Simon Clarke. 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.\textsuperscript{39} (There has been little or no subsequent work in the Poulantzian tradition.)

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

From the late 1960s, the growing saturation of the white consumer market limited not only sales but also the ability of the manufacturing industry to benefit from economies of scale. Since an expansion of the black consumer market was not then contemplated, this made more urgent the state’s often reiterated, yet difficult to realise, call for an increase in manufacturing exports.\textsuperscript{40}

The implications are morally satisfying: give black consumers more income, they’ll consume more, and that will spur the economy. At first blush, this sounds logical both as a way to explain economic stagnation and as a possible solution. But does it really get to the root of the way capitalism works? Marx commented that ‘It is sheer tautology to say that crises are caused by the scarcity of effective consumption.’ Moreover, notes Charles Meth, ‘Underconsumption, while always lurking, is not a theory of crisis, nor a permanent hindrance to capital accumulation.’\textsuperscript{41} Tellingly, perhaps, by the early 1990s Gelb 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.’\textsuperscript{42} 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

\textsuperscript{39} Criticism emerged from a variety of angles, most convincingly from Clarke, S. (1978), ‘Capital, Fractions of Capital and the State: ‘Neo-Marxist’ Analysis of the South African State,’ \textit{Capital & Class} 5. The most sophisticated use of Poulantzian ideas not as fractions but as circuits of capital can be found in van der Pijl, K. (1984), \textit{The Making of an Atlantic Ruling Class}, London, Verso.


\textsuperscript{42} Gelb, S. (Ed) (1991), \textit{South Africa’s Economic Crisis}, Cape Town, David Philip.
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 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 later argued the ‘need to lower costs and improve productivity in the existing productive sectors, especially mining and manufacturing. This will require increased investment in new technologies, and/or lower wages at least in real terms. In other words, capital in these sectors needs to be strengthened, that is, profitability restored.’

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

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

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43. Gelb, South Africa’s Economic Crisis.
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.45

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.46 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 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.’47 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.48

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, set for himself in his seminal study of United States economic history.49 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

46. This is a central point of the rebuttal to social history offered in Morris, M. (1988), ‘Social History and the Transition to Capitalism in the South African Countryside,’ Review of African Political Economy, 41.
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 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 wrote, ‘the fordist model within a domestic economy must be described in terms of the conditions of its interaction with the world economy.’ South Africa’s location on the periphery of the world economy gives it certain peculiar characteristics, which Ramos and Cassim call ‘peripheral fordism.’ Thus contrary to Gelb’s analysis of racial fordist regulation, the mass production-mass consumption link occurred between the global and economy and South Africa, and not primarily within South Africa, although at first, ‘peripheral fordism began by producing for a middle class both at home and abroad,’ Ramos and Cassim acknowledged. ‘To survive, the (international) fordist regime had to relocate to a country where high rates of exploitation existed,’ which explains the post-war manufacturing boom in places like South Africa and Brazil. ‘But though foreign capital has been crucial in underpinning South Africa’s growth, South Africa has been unable to penetrate the world manufacturing market, in particular

against the competition of more skilled and better utilisation of labour elsewhere.’

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

But here the politics of regulation theory emerged into full view. As four social scientists who work in this tradition – Avril Joffe, David Kaplan, Raphael Kaplinsky and David Lewis - 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.

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, 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 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.’

Conclusion: From neo-Marxism to modernisation to uneven development?


53. This is best documented in issues of the South African Labour Bulletin.


In spite of repeated false starts since the 1960s, the analytical frameworks of Trotsky and others who during the 1930s identified the laws of uneven and combined development can be reevaluated in post-apartheid South Africa. After all, national accumulation processes have nearly universally relied upon, as Trotsky said, ‘a combining of separate steps, an amalgam of archaic with more contemporary forms.’\(^57\) Today, we are again seeing the interrelationships between so many processes of sustained inequality in the context of persistent overaccumulation of capital (and unemployed labour) and rising financial volatility, with devastating consequences for low-income people, especially women.

To illustrate the persistence of economic crisis, three currency crashes were witnessed in South Africa over a period of a few weeks in February-March 1996, June-July 1998 and December 2001, ranging from 30 to 50%. Each led to massive interest rate increases which sapped growth and rewarded speculators. The 2000-04 currency swing was brutal on the way down, and up, as the R/US$ fell from 6 at the beginning down to 13.85 in the trough back above 6 in mid-2004.\(^58\) Nominal interest rate increases during 2000 were the cause of a great deal of pain, but the over-correction pushed the rand to such heights that the first post-apartheid trade deficit emerged in the first half of 2004 as many South African products became uncompetitive on world markets and imports flooded in to displace local goods. In real (inflation-adjusted) terms, the real prime rate had risen in leaps and bounds from -7% in 1986 to 6% in mid-1994 to 15% in 1998 before stabilising around 8% in subsequent years – still the highest in modern South African history taken over a decade as a whole.

Meanwhile, the drivers of capital accumulation were based less upon real ‘productive’ activity, and increasingly within financial/speculative functions that are potentially unsustainable and even parasitical. The contribution of manufacturing to GDP fell from 21.2% in 1994 to 18.8% in 2002, while ‘financial intermediation’ (including insurance and real estate) rose from 16.4% of GDP in 1994 to 19.5% in 2002. Real estate speculation led to housing price increases over the period 1997-2004 of 200%, far higher than other major economies (Ireland was next at 170% with the US at 60%), according to the International Monetary Fund.\(^59\) Overaccumulation of capital is evident in the lack of new domestic fixed investment over the past decade, which hovered between 15-17% of GDP, far lower than the 1960s (17-25% range), the 1970s (25-30% range), and even the 1980s (18-25% range). The rate at which South African manufacturing plant and equipment was utilised dropped steadily from the early 1980s gold-boom peak of 86% to the late 1990s, when the trough was 79%, followed by a comparatively weak cyclical upturn from 1999-2002, according to the South African Reserve

\(^{57}\) Trotsky, *The History of the Russian Revolution*, p. 27.

\(^{58}\) The complex story of the crash, especially over the last three months of 2001, is told in the Afterword to Bond, *Against Global Apartheid*, 2nd edition.

Bank dataset.\(^{60}\)

The capital strike was based upon systemic overproduction for the limited local market, not upon worker militancy. Labour productivity increased steadily after 1994, with productivity increases far outpacing wages after 1998. The real unit cost of post-apartheid labour dropped at around 2% per year (with the exception of 1998).\(^{61}\) The number of days lost to strike action fell, the latter in part because of ANC demobilisation of unions and general hostility to national stayaways for political purposes (e.g., the labour movement’s mild-mannered national anti-privatisation strikes).\(^{62}\)

The results of the system’s continuities, not change, are witnessed in resurgent corporate profitability associated with successful crisis displacement. (The basis for crisis – overaccumulation – was not resolved, but corporations used various techniques of crisis displacement to pass the costs elsewhere.) South Africa’s pre-tax profit share recovered during the late 1990s to 1960s-era levels associated with apartheid’s heyday. From a low of 43% in 1990 and 44% in 1995, the profit share of national income rose to 49% in 2002. Manufacturing profits were relatively weak during the late 1990s, so the most important post-apartheid profit dividends were taken in the two categories of ‘commerce’ (wholesale and retail trade, catering and accommodation) and ‘finance, insurance and real estate.’\(^{63}\)

Meanwhile, most of the largest local companies – Anglo American, DeBeers, Old Mutual, South African Breweries, Didata, Mondi (preceded by Liberty Life and Gencor) – were given permission to delist from the Johannesburg Stock Exchange or relist their primary stock market residence in London and New York during the late 1990s. Ironically, to encourage businesses to invest, Pretoria had cut primary corporate taxes dramatically (from 48% in 1994 to 30% in 1999, although a dividends tax was added); the ‘supply-side’ effort was notably unsuccessful. Pretoria also offered tax concessions mainly to higher-income individual South Africans worth R75 billion in the first ten years of liberation (offsetting by many times a new capital gains tax). The regressive, controversial Value Added Tax (VAT) – which catalysed a massive 1991 strike - was also retained in the post-apartheid era, and revenues increased from a value equal to 5.8% of GDP in 2001/02 to 7% of GDP in 2005. Since total tax revenue rose by just 1% of GDP during the early 2000s (from 23.7% to 24.7%), the entire relative increase in social spending was funded by VAT, a tax that hits the poor far worse than the rich. Repeated popular demands for a tiered system to redress inequity in that tax or to zero-rate essential commodities were ignored.

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Moreover, another important issue, too often overlooked, is the nature of state capital spending. While updated figures are hard to acquire, the trends from 1994/95 to 2002/03 are disturbing. Disaggregating the state’s ‘gross fixed investment’ in 2002, only 33.4% goes to social infrastructure (schools, hospitals and administrative services), down from 38.7% in 1995, while other economic infrastructure (roads, bridges, dams, electricity and water) dropped from 45.8% to 44.1%. In contrast, other ‘economic services’ - spending by business enterprises not included in the categories above - rose from 15.5% to 22.5% of the total.

Amplified unevenness is also evident in income inequality and poverty data, as even the state agency Statistics SA confessed that what was amongst the world’s worst Gini coefficients actually degenerated after 1994. According to an October 2002 report, in real terms, average black African household income fell 19% from 1995-2000 (to the purchasing-power parity level of $3,714/year), while white household income was up 15% (to $22,600/year). Not just relative but absolute poverty intensified, as households earning less than $90 of real income increased from 20% of the population in 1995 to 28% in 2000. Across the racial divides, the poorest half of all South Africans earned just 9.7% of national income in 2000, down from 11.4% in 1995. The richest 20% earned 65% of all income.64

As a final reflection on the ideological debates surrounding contemporary South African uneven and combined development, these kinds of statistics have been either denied by government officials who claim an offset from the social wage, or explained as the result of ‘two economies’. Even President Thabo Mbeki once a star student of the Lenin Institute in Moscow – divides the South African economy into first world and third world components. The former

is the modern industrial, mining, agricultural, financial, and services sector of our economy that, everyday, become ever more integrated in the global economy. Many of the major interventions made by our government over the years have sought to address this ‘first world economy’, to ensure that it develops in the right direction, at the right pace. It is clear that this sector of our economy has responded and continues to respond very well to all these interventions. This is very important because it is this sector of our economy that produces the wealth we need to address the many challenges we face as a country… The successes we have scored with regard to the ‘first world economy’ also give us the possibility to attend to the problems posed by the ‘third world economy’, which exists side by side with the modern ‘first world economy’… Of central and strategic importance is the fact that they are structurally disconnected from our country’s ‘first world economy’.

Accordingly, the interventions we make with regard to this latter

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economy do not necessarily impact on these areas, the ‘third world economy’, in a beneficial manner.\textsuperscript{65} (emphasis added)

This approach – so reminiscent of modernisation theory - become the prevailing discourse in government circles by 2005. At times, the idea is presented as a radical divergence from classic neoliberal or trickle-down economics in that it provides for substantial state intervention. The idea is that the first economy can get on with the business of following the global pattern of integration into the global economy, becoming increasingly capital intensive, with high technology and high skills while ‘the second economy must be targeted by government intervention directly’\textsuperscript{66}. These interventions will provide and unlock resources for those stuck in the second economy and perhaps then eventually allow them to enter the first economy either as workers or entrepreneurs.

This two-economy thesis-as-solution has been challenged by a few researchers. For Andries du Toit, the issue is not that there are ‘not enough linkages’ but the nature of those linkages, and the extent to which they serve either to empower poor people or simply to allow money to be squeezed out of them.’\textsuperscript{67} Du Toit’s research in the Ceres valley, the heart of the Western Cape’s wine and food production, illustrates the consequences of new global competitive pressures and the effects of being too well sutured into the first economy. Employers responded by restructuring the labour market to take advantage of a new precariousness which seems to be structured just as effectively as labour control during the apartheid system:

For many, this meant the restructuring of their businesses to reduce their exposure to the risks, costs and administrative burden of employing permanent labour... Temporary and seasonal workers were supplanting permanent workers, and large numbers of farmers... were opting to use third-party labour contractors. In addition, there was a significant move away from the provision of tied housing to farm workers.\textsuperscript{68}

Du Toit argues that labour on the farms of the Ceres Valley are not people trapped in a second economy, unconnected from the first economy. Farm workers in Ceres, far from being excluded, are thoroughly incorporated into the first economy. Their poverty is produced and created by the normal operations of the market in that economy. This should give us cause to think twice about the simplistic


notion that all South Africa needs to end poverty is growth. What matters is the kind of growth and the kinds of power relationships that shape the terms of economic exchange.  

Gill Hart adds another angle to the debate arguing that Mbeki’s shift should be seen as part of

an effort to contain the pressures emanating from the rise of oppositional movements protesting the inadequacies of service provision, the snail’s pace of land redistribution, failures to provide anti-retrovirals, and the absence of secure jobs as well as pressures from within the Alliance. . . . The operative question, then is not whether the First/Second Economy is an accurate portrayal of reality, but rather how it is being constructed and deployed to do political - or perhaps more accurately, depoliticising work. What is significant about this discourse is the way it defines a segment of society that is superfluous to the ‘modern’ economy, and in need of paternal guidance ... they are deserving of a modicum of social security, but on tightly disciplined and conditional terms.  

The first/second economy thesis in its present incarnation marks a return to liberal modernisation theories of the 1960s. While income and resource transfers to the so-called second economy remain an important and fashionable debating point, at the heart of any discussion on poverty alleviation and at the forefront of most plans to do so in South Africa, still lies the creation of jobs in the ‘first economy’. Falling tariffs on imported industrial machinery meant that the small degree of automation that occurred replaced hundreds of thousands of jobs, while many more tens of thousands in vulnerable industries were eliminated thanks to imported consumer goods from East Asia. During the 1990s, large employment declines occurred in mining (47%), manufacturing (20%), and even the public sector (10%).  

The country’s unemployment rate rose from 16% in 1995 to 31.2 in 2003. Adding to that figure the category of ‘frustrated job-seekers’ (i.e., those who have given up looking for employment) brings the percentage of unemployed people to 42% (rates for whites were 6.3% and for black Africans 50.0%, with women suffering more than 10% higher unemployment than men). The migrant labour system

73. A large proportion of these latter people are confined to former Bantustan homeland areas which are generally devoid of both employment opportunities and places to register willingness to work; hence to use the ‘narrow’ (31%) unemployment rate instead of the broad rate (42%) is to imply that the people who have given up their job search are content – instead of unable to travel long distances to state offices to register their unemployed status.
did not end with apartheid, so many of the same processes by which urban capital is subsidised in the reproduction of labour power continue, with only a slightly expanded social wage (a pension and child grant system now reaching into rural areas) providing an even greater social subsidy to employers.

By way of claiming the possibilities of a ‘ladder’ between the alleged first and second economy, Mbeki and his colleagues made extravagant claims, e.g., that 2.1 million net new ‘jobs’ were created between 1994 and 2004. This illustrates some ingenious ‘accounting’, as journalist Terry Bell exposed:

Homemakers who help sustain themselves and their families out of backyard vegetable plots or who keep a few chickens are part of the new employed class. In fact, that vast army of the barely hidden jobless who stand forlornly on street corners for hire or who sell coat hangers, rubbish bags or handful of sweets at traffic lights or railway stations in the hope of making a few rand all add to this two million jobs figure. According to the latest statistics, in September 2001, 367,000 workers earned nothing for their labour, while a further 718,000 were paid between R1 and R200 a month.74

Another key area of disagreement, which flows as much from ideology as from spin-doctoring, is how to understand the informal economy as a provider of sustenance to the unemployed. Are people selling sweets behind a table or who farm for subsistence even to be considered (self) employed? There are those who argue that much of what is described as the informal economy consists of very poor and desperate people engaging in essentially survivalist strategies to eke out some sort of existence.75

Much of that survival strategy is associated with the ongoing reproduction of extremely inexpensive labour power. Colin Bundy made the point that ‘Despite the fact that race and class are the most frequently mentioned lines of inequality, and the urban/rural divide a major structuring factor, there is another basic, ubiquitous, and deeply entrenched vector of historic inequality – and it runs through race, class, and regional imbalances. It is gender.’76 As Liesl Orr argues,

Gender issues and household dynamics are almost completely invisible within the current macroeconomic strategy, contributing to the on-going marginalisation of women. While the Growth, Employment and Redistribution (GEAR) policy might be called ‘gender blind’, it is certainly not gender neutral. For example, GEAR calls for greater labour market flexibility in order to attract foreign investment and to improve

competitiveness. The implications of this are that the most vulnerable workers (that is, women) will remain unprotected and discriminated against, and where jobs are created they will perpetuate poor working conditions. With greater labour market flexibility the position of women will actually worsen, since this implies decreased benefits (such as maternity benefits) and less working time and parental responsibilities…

Irregular and uncertain working hours have a particular impact for women with respect to safety and secure transport arrangements, and for mothers regarding child-care arrangements, childcare leave, and other household responsibilities. There are also problems with budgeting for household necessities when work is irregular. The fact that casual workers do not have access to benefits, such as maternity pay and leave and unemployment insurance have a major impact on the impoverishment of women in particular.\textsuperscript{77}

More generally, the status of women progressed unevenly. There were some improvements, especially in reproductive rights, albeit with low levels of access to abortion facilities. Women are certainly empowered through the Constitution and laws such as the Employment Equity Act, as well as institutions including the Gender Management System, the Office of the Status of Women, the Commission on Gender Equality and the Women’s Budget Initiative. But substantive, not merely formal equality will require a major upsurge in women’s struggles, given the enormous gap between state rhetoric and reality.\textsuperscript{78}

Indeed, one of the most striking reflections of backsliding in spite of rhetorical advance was in women’s pay. Barely increasing their share of total jobs during the late 1990s, women experienced a massive decline in relative pay, from 78\% of male wages in 1995 to just 66\% in 1999.\textsuperscript{79} Although subsequent data on gender inequity are mixed, the UNDP’s Human Development Report does present disturbing information about durable poverty in households characterised as single-parent (6.7 million poor people) and couple-parent (8.5 million poor people): ‘Relative to the number of poor in each gender category, the proportions of poor males and poor females living in “Couple with children” families are almost the same, but a significantly larger proportion of poor females live in poor “Single parent” families (35.3\%) compared to males in this category (24.9\%).’\textsuperscript{80}

Aside from legalising reproductive rights, the most important post-apartheid gain for mainstreaming gender concerns was probably the women’s budget. In February 2004, however, the Mail & Guardian newspaper reported,

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\textsuperscript{78} See the special issue of Agenda (40, 1999), on citizenship.


\textsuperscript{80} UNDP, South Africa Human Development Report 2003, p.42.
When former MP Pregs Govender first proposed a gender-responsive budget a decade ago, she warned that without ongoing political commitment to this initiative, it would be wiped out as yet another ‘public relations exercise’. Govender’s prescience was spot on. Minister of finance Trevor Manuel’s Budget speech on Wednesday - although it doesn’t spell doomsday for women - spelt the death knell for a women’s budget.81

Finally, in mitigation of the claim that uneven and combined development are worsening, state officials typically claim that they are not pursuing neoliberal policies, as witnessed in the delivery of ‘free basic services’ such as water and electricity. But with roughly 1.5 million people disconnected each year because they don’t pay their water bills, according to state sources,82 and with even higher rates of electricity disconnection, even the state roll-out of basic services fits within the framework of uneven and combined development.

In sum, the contemporary hegemony of neoliberal economic philosophy in South Africa extends even into the realms of social policy over which so many intense struggles were waged. That process has been quite long in the making, dating to international financial pressure during the mid 1980s, accompanied by the growth of domestic financial liquidity due to the overaccumulation problem, with speculative economic activity rising to unprecedented modern levels. To return to the theoretical processes reviewed at the outset, it is evident that contemporary uneven and combined development has reemerged in part through classical overaccumulation crisis tendencies, amplified by the ascendancy of financial activity. Given South Africa’s particular class structure, periodic economic crises have been perhaps most baldly reflected in persistent overcapacity and overproduction of luxury manufactured goods for the white consumer market side by side with growing surpluses of unemployed black workers who suffer from inadequate consumption of basic needs goods.

What is to be done? The major labour/community attempt to strategise a Keynesian-style programmatic reversal of this condition, the 1994 Reconstruction and Development Programme, was decisively defeated within the ANC government by 1996 (although the key defeats in housing and municipal services were evident by late 1994), and was replaced by a homegrown neo-liberal structural adjustment programme that extends commodification to every aspect of life. Resistance to uneven and combined development must continue to emerge from decommodification struggles that reflect the real experiences and aspirations of grassroots social, ecological and labour movements.83 Neither strictly ‘autonomist’ (i.e. eschewing struggles over state power) nor capable of being managed by a vanguard political party in Trotsky’s tradition, these are the experiences of building socialism-from-below, 81. Mail & Guardian, 20 February 2004.
a project which much of South Africa’s independent left is devoting time and energy to advancing in their daily practices.84