South African political economy: Main trends, then and now

1. Sovereignty, finance and uneven development

The history of South Africa is strewn with extraordinary instances which link political repression of the majority, the intra-elite struggle for national sovereignty, economic crisis, financial ascendance and uneven geographical development, in ways that 'combine' capitalist and non-capitalist systems. What is striking is a pattern of convergence involving excessive debt and financial speculation, geopolitical machinations, and crises of accumulation and hence the devaluation of capital. All of these feed into the current political-economic balance of forces. A synthetic, qualitative sketch of this history provides enough flavour to suggest that there are crucial lessons regarding the relatively orthodox approach to finance and economic development upon which South African capitalism, in its post-apartheid, neo-liberal reincarnation, has embarked.

The loss of sovereignty since 1994, when South Africa forcefully reentered the world economy, is prefigured by a dozen major episodes in its history. Specifically, great bursts of economic and geographical transformation occurred during these distinct periods:

- the battle over colonial control from the first settlers in 1652 through 1804;
- early capitalist crises of the 1810s-60s;
- the turbulent emergence of the financial-mining nexus during the 1870s-80s;
- massive centralisation of financial and mining capital during the 1880s;
- the relation 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;
- the gold-based recovery of the 1930s-40s;
- the rise of Afrikaner finance during the 1930s-50s;
- the financing of post-war development; and
- the contemporary rise of finance.

This periodisation may be most useful in linking uneven development – the polarisation of resource distribution and investment across sectors, spaces and scales (local through global) – to financial processes that seem to recur in patterns closely related to cycles of capital accumulation. The central issue is the geographical fulcrum of uneven development, namely, the differentiated return on investment that creation and/or destruction of built environments (and the social structures that accompany them) offer to different kinds of investors with different time horizons (Harvey, 1996: 295; Bond, 1998c). With the exception of the work of Mabin (1984, 1985, 1986, 1989), previous studies of South Africa's uneven development have not typically given much emphasis to sectoral (productive to financial) switches in funding flows which lie at the core of the country's malaccumulation (e.g., Browett, 1976; Crush, 1982; Christopher, 1984). Thus according to Mabin (1989: 82), 'the debate on uneven development has assumed such generalised form' in South Africa in part because it has avoided 'the more intricate and difficult questions posed by the rise of new foci of investment and power.'

What we learn from this history is that at particular moments the rise of finance becomes a dominant factor in the space-economy of investment, and that this amplifies unevenness. Hence what we will want to draw out, is the extent to which such generalisable relationships can be presumed, and the degree to which the implications should inform debates over financial policy and spatial development today.

Early colonial control, 1652-1810s. In 1652, Dutch settlers arrived in what is now Cape Town to make the region a supply point for the East India Company's trade. For our purposes, the nexus of sovereignty struggles and capitalist dynamics began during colonialism when formal banking (government-run) was established in the Cape Colony during the 1790s. Before long this set in motion an important shift in the local circuit of capital: from an economy structured along purely commercial and agricultural lines to one dangerously geared, at times, to the logic of finance. In 1804, this tendency was cemented because of the British occupation of the Cape as a spoil of the Napoleonic Wars.

First capitalist crises, 1810s and 1860s. The first indication of a definitively capitalist crisis occurred during the 1810s when, concomitant with a similar process underway in Britain, the colonial government printed excessive amounts of money. Succumbing to international financial power in this manner quickly led to currency devaluation and vicious inflation, which severely damaged local and international trade (Schumann, 1938: 63-69). Ironically, such imported financial negligence created enough uncertainty in local markets so as to limit the subsequent penetration of foreign merchant and financial capital, and thus permitted the growth of some small, indigenous Cape banks, especially during the 1830s and 1840s. But in their ascendance, they in turn imitated the colonial government's lax monetary style, printing specie freely against risky investments. In his study of South African business cycles, Schumann (1938: 63-74) concluded that the most spectacular early boom and collapse in the Cape-the 1854 'coppermining mania' (which was also an early indication of the power of finance to affect the region's spatial evolution, in this case up the previously-undeveloped Karoo of the western Cape) – was

> evidently of a purely financial and speculative character. It reminds us strongly of the speculative manias during the 18th century in Europe and England, especially the South Sea Bubble of 1720. They might with some justification be called the growing diseases of a rising Capitalism, for since the Company form and the 'Effektenkapitalismus' (stock market capitalism), in its initial stages, gave rise to the many speculative excesses, this short but intense speculative mania at the Cape points to the rise of a more modern capitalistic and credit economy in the older parts of the Colony.

During the 1860s, far more mature financial capital from London-especially the Standard Bank of British South Africa, Ltd whose initial capitalisation was seven times that of the single largest locally-funded bank-entered the Cape Colony and was overwhelming in its application of similar principles. Following the 'intense boom in banking expansion' of the 1860s, as Schumann (1938: 75-80) described it, there came the 'inevitable reaction.' Another severe banking crash started in Port Elizabeth in 1865, borne of 'overintensified speculation which had reached breaking point.' In turn, this kicked off one of the century's worst depressions.

Crises in the financial-mining circuit of capital, 1870s-80s. Diamonds were found at Kimberley two years later, and so flows of capital in the Cape colony gradually switched circuits again, from agriculture into mining. Yet prosperity largely depended on expanding the geography of regional trade, reflecting the power and vision of finance, according to Mabin (1985: 150): 'The banks, and particularly the imperial banks, had been instrumental in creating the urban system by 1880.' Again the spatial and sectoral switch in accumulation was a function of financial capital's capacity to respond to and in turn to influence-the market, and of its concurrence with that era's geopolitics, the deepening of colonialism. With the diamond finds, Britain rediscovered South Africa, and carried out both the full-fledged subjugation of African kingdoms during the 1870s and the invasion of the Afrikaner Transvaal Republic in 1877. Foreign investor confidence, spurred by Rothschilds in particular, was high at the time, thanks largely to the millions of pounds the British pumped into the local economy to ensure victory in the various wars.

The Transvaal fighting can itself be traced, in part, to a financial foreclosure: the powerful Cape Commercial Bank was facing problems in getting Transvaal government loans repaid. Once the British had annexed the province, Standard immediately moved in to set up branches. The ill-will thus created catalysed the Afrikaner nationalist movement which subsequently fought the Anglo-Boer War so vigorously (Giliomee, 1989). However, geographic expansion pushed by and flowing from the power of finance was incapable of solving the underlying problems in the productive sector: the lack of sustainable, balanced routes for accumulation. Actions of the London-based banks exacerbated the structural dilemma. As Schumann (1938: 85-86) concluded of speculation in diamond mining shares,

> Unsound banking practices, over and above the natural credit expansion inherent in an elastic monetary system, had greatly contributed to the overintensity of the boom, while the rapid curtailment of credit after 1881 must be considered as the main cause of the extreme severity of the depression. There can be little doubt that the banks had acted indiscreetly. They were severely criticised at the time, and the criticism was largely justified. The undesirability of having bank directors overseas, who did not know local conditions well enough and who were apt to apply the banking principles of an established industrialised country, especially during the period of depression, to a young developing country... became very clear during this time.

Schumann here identified what seems to be a universal dynamic, one which characterises the combined power and vulnerability of finance equally well a full century later (witness the Third World debt crisis, which he could easily be describing). Yet even if the conditions for crisis were deep-rooted, the 1881 crash could be blamed (as J.A. Henry, Standard's biographer did) on an individual, the general manager of Standard (a frugal Scottish immigrant), who 'decided that the time had come to call a halt' to the diamond share speculation.

> It cannot have escaped him that in doing so he would expose his bank, and South African banks in general, to an intense degree of embittered opprobrium, corresponding to the inflated hopes of the bubble which he was about to prick. Fortunately he was a brave man. What Robert Stewart could not have foreseen without an unhuman degree of second sight was that his pricking of the bubble would coincide with the onset of an almost unexampled depression in other fields of the South African economy. (Henry, 1963: 32)

Such interference was not taken lightly by its victims, especially innocent farmers driven to ruin. In what was to become a repeating pattern, the Afrikaner Bond gained political mileage from bank-bashing, claiming in the early 1880s that the imperial bankers were 'draining the country.' In an early call to ethnic nationalism, the Bond went so far as to start its own banks in Stellenbosch and Hopetown. Standard, labeled a 'gigantic devil fish' by leading Afrikaners, responded to the populist anger by officially dropping 'British' from its name in 1883 (Giliomee, 1989: 76; Standard Bank, 1988: 8; Henry, 1963: 85).

The centralisation of financial-mining capital, 1880s. Notwithstanding Standard's own self-inflicted troubles during the periodic banking crashes, the rise of finance at key moments of capital accumulation would reoccur intermittently in the future. Initially this somewhat more muted, as circuits of capital began to include manufactured commodities-not just mining, which was subject to speculation, and agriculture, which faced uneven development of markets and weather-related interruptions. During the 1880s, as gold began to play a role in the economy, capitalism as an economic system was still underdeveloped and dependent. What we can term 'uneven and combined development', namely the articulation of capitalist wage relations with pre-capitalist traditions, via racial oppression, was only just becoming a challenge, along with more traditional forms of labour control. Industrialisation was limited to primitive mining equipment and a few rudimentary goods.

But from the start, mining companies displayed the classic organisational tendencies of capitalism (increased concentration and centralisation of capital), under the direction of Rhodes and Barnato. Again, the accumulation process was inordinately influenced by the banks, which, notes Mabin (1989: 25), 'facilitated both the enrichment of the magnates and their purchase of still more shares. The involvement of bankers in attempts to merge companies at Kimberley in the mid-1880s was largely due to their desire to recover losses incurred through speculation in poorer companies.' In the process, the financiers transferred a great deal of the region's wealth from investors in the coastal areas to the emerging diamond magnates, and hence subsequently to the mining houses which would so profoundly shape the development of the entire sub-continent. This was accompanied by concentration of the financial sector itself, as the big imperial banks shook out smaller competitors.

However, as the influx of overseas capital and the concentration of the banking system proceeded, the supply of credit ballooned and then burst again in 1889. Again the crash followed intense financial speculation, and again the catalyst for speculation was the discovery of minerals – this time gold – and the excessive issuance of mining company shares (some fraudulent). Bank branch officers on the Rand were hopelessly out of touch with their head offices, according to accounts of the time, and overfed the stock market beyond what company balance sheets could bear. The subsequent collapse of the productive economy in 1890 was heightened by the simultaneous depression in England arising from another financial crash, the Barings crisis. The downturn allowed further centralisation of capital, through the support given by the banks to the emerging corporate form known as mining finance houses. During the late nineteenth century, in sum, as a result of the weakness of the agricultural elite and the lack of industrialists, widespread financial catastrophe often resulted in an even more powerful centralisation of capital which in turn prepared the ground for an even deeper round of speculation and economic manipulation. Even more telling, suggests Schumann (1938: 128), 'The crises of 1881 and 1889-90 marked the culmination points of business cycles in a more modern sense. They had become organic in character and had affected the whole of the South African economic system.'

South Africa was not alone in facing these turbulent, finance-driven economic processes. It was a period, Phimister (1992: 7) contends, of the politic the protectionism of other Europeans and the United States). Cain and Hopkins (1980: 484-485) report that as London financial power increased and as the prospects for domestic tariff protection waned, 'industrial interests in Britain shifted, around 1880, into decisive support for the acquisition of new markets in Asia and Africa.' Indeed it is here, and in a parallel crisis of French merchant capital in West Africa, that Phimister locates the well-spring of the 'Scramble for Africa' which had such an important role in the region's subsequent development.

Financial speculation and politics, 1890s-1900s. As deep-level mining of gold began on the Reef, the most speculative tendencies of the ascendant financial and mining circuits were heightened. By 1895, the five largest banks' networks included 182 branches (Standard, 81; Bank of Africa, 29; Nationale Bank of the SA Republic, 27; African Banking Corporation, 19;

National Bank of the Orange Free State, 14; Natal Bank, 12) (Mabin and Conradie, 1987: 387). At this point, speculation again reached fever-pitch, according to Henry (1963: 101): The market value of South African shares quoted on the London Stock Exchange, which had stood at less than £20 million at the beginning of 1894, had risen to over £55 million by the end of that year. The movement continued without interruption for nine months more, so that the figure of £55 million was itself trebled... Nor was speculation entirely confined to shares. Land and property in Johannesburg were also changing hands at fantastic prices and the whole town was in a fever of excitement.With English-Afrikaner tensions heavy in the air and the Jameson Raid imminent, confidence suddenly faltered.

The crash came at the end of September, and was started by heavy selling in Paris which may have been at least partly due to politics. Increased continental interest in the mines had introduced new influences and susceptibilities, while the rift between the mining interests and the Transvaal Government had been widening ominously. In November 1895 the President of the Chamber of Mines publicly declared that the industry and the Uitlanders could not for ever remain politically powerless in a country which they had made rich. Attributing the crisis mainly to the 'scarcity' of native labour, which was limiting output and restricting profits, the companies suspected the Kruger Government of deliberately checking development, for fear that the industry was becoming too formidable for such a small country to assimilate easily. (Henry, 1963: 101) The key components of South Africa's historical geographical development-the power of mining houses, limits to the availability of superexploitable labour, and tensions between imperial capital and Afrikaner nationalism-are all present here, and reflected in the machinations of financial markets. While the 1895 crash of speculative mining investments was not as serious as others preceding it, violent rebellions against gold prospecting in Zimbabwe also made investors more nervous (Bond, 1998a).

In South Africa, the impact of financial chaos was contained, partly because of the Standard Bank's ability to protect itself by channelling surpluses back to its London headquarters rather than investing them wildly in Johannesburg. The nineteenth century ended, thus, with increasing evidence of the all-pervasive influence of geographic financial flows. As the twentieth began and the Anglo-Boer War came to a close, the banks continued to shape development through an overly-conservative lending policy for commerce and industry but enthusiasm for the speculative land market. As seen from Standard offices in 1907, reports Henry (1963: 150), 'The country's superstructure of capital and credit was still too heavy for the volume of trade, and although the four colonies were beginning to work more freely together, the salutary process of reducing the number of commercial units by stress of competition would have to be carried further.' Such convictions may have crucially dampened prospects for economic recovery, but the final straw was the 1907 financial crash in the US, which led to a collapse of South Africa's exports of diamonds for luxury consumption. It was only after 1910 that accumulation began again.

Sovereignty and the local control of finance, 1910s. During the late 1910s, the geography of finance and local capital accumulation again came into profound conflict. Alongside the growing mining houses, the imperial banks were still at the centre of the economy, and smaller district banks foundered badly. Following another round of takeovers from 1910 to 1926, South Africa's banking system was reduced from seven banks to just two big London banks-Standard and Barclays-and the smaller Netherlands Bank of South Africa which was headquartered in Amsterdam. Collusion wasn't difficult; even before Union in 1910 the main banks were able to set artificial interest rates and banking charges to the disadvantage of savers. Lending, however, remained influenced by speculative tendencies, according to Henry (1963: 222).

> Certainly until 1920 a spirit of reckless competition had tended to reduce progressively the quality and security of bank advances, as well as to endanger the cash position of the banking system as a whole. Profits had in some quarters been expanded at the expense of reserves, and the provision against bad debts and contingencies was sometimes so neglected that in times of stress the position became critical far too easily. This, in a country as much exposed to natural hazards as South Africa, was to play with fire.

Although technically the banks were still controlled from abroad, pressures on the international gold standard – the system which rendered local and British currency directly convertible to gold – were, by the end of World War I, weakening the power that the City of London exerted over South Africa's financial system (Ally, 1994). London banks were under extreme war-time and post-war stress due to inflation, the devaluation of the British pound and the rise of New York City as a competitor. Their South African branches were able, for the first time, to more fully turn their attention to local manufacturing (the National Bank, later to be taken over by Barclays, helped set up the state-owned National Industrial Corporation in 1919 to support manufacturers). The banks' easy credit policies had plenty to do with the inflationary boom of 1918-20, and there was great fear of a repeat of the financial chaos of the previous century. Some of the tension also arose from nationalist concerns that England was still playing too dominant a role in the South African economy, and some revolved around the uncertain role of gold as a base for the currency.

In 1918 a gap between the value of gold and the declining South African currency-which was technically still tied to gold-led to enormous gold smuggling. To halt this, gold was formally delinked from the currency in 1920. When conditions improved in 1925, South Africa, like Britain, returned to the gold standard. Ultimately, Union authorities decided, the only solution to the financial uncertainty was to create a local Reserve Bank to act as a guarantor for the banks and for the South African currency. In the ensuing struggle over the character of banking regulation, the Reserve Bank was essentially put under the direct ownership and control of bankers, unlike in other countries where the state owned the central bank. For London financial capital, the compromise 'was an attempt to adapt, so as to defend its own interests,' Gelb (1989: 65) concludes. 'It necessarily meant a diminution of The City's earlier influence and control, to ensure that its profits, supplies and influence were not completely destroyed.'

Meanwhile, J.P. Morgan's New York-based financial empire gained a toehold in South Africa through its role in the founding of Ernest Oppenheimer's Anglo American Corporation. The weakening of London's links to South Africa opened space for local capitalists to influence financial and monetary policy. The Reserve Bank's first big challenge was a bail-out of the National Bank, a victim of the financial chaos of the early 1920s. The rescue was facilitated by the Bank of England and by the conclusive rescue of the National Bank in a 1926 takeover by the Anglo-Egyptian Bank and the Colonial Bank, the result of which was the formation of Barclays Bank.

Debt and local economics, 1910s-20s. While changes in the international financial system were having a dramatic impact on the South African economy's capacity for self-reliance, similar processes were unfolding at the local level in many rural areas. They involved the indebtedness of both Afrikaner farmers and black sharecroppers. As Keegan (1986: 97) reports, this was a phenomenon with deep historical roots, such that 'a chain of debt leading to the wholesalers was at the basis of agrarian exchange relationships.' When formal property loans began determining land-ownership patterns, matters became serious:

> From the 1840s onward in the sheep districts, increasing land values, the penetration of the interior by mortgage and speculative capital and the widespread contractions of debt that these entailed, combined to render landownership a precarious status for many, particularly during commercial depressions. As a result of the unrelenting pressures on landowners with heavy mortgage debts to meet, there was a strong resistance amongst many Boer farmers to bonding their property. The grip of mortgage capital was an irksome burden, and farmers were deeply conscious of the greatly unequal exchange relations that their own dependence on the credit of others imposed... It was hardly surprising, given the vicissitudes of agriculture, drought, stock disease, pests and war, that wherever loan capital penetrated it could potentially reduce the landowner to a state of dependence. (Keegan, 1986: 44,97)

Bankers had been especially active in foreclosing on Afrikaner land during the early 1880s, the late 1890s and during the depression of the 1910s. Intensification of production on indebted land was one logical structural result of such pressures.Another was the strength of populist protest politics, according to Giliomee (1989: 79): 'To an important extent Malan's more exclusivist nationalist movement which gathered momentum from 1915 built on an Afrikaner consciousness that had been forged by the material concerns of commercial farmers and the efforts of financial and legal middlemen to mobilise Afrikaner savings.' In 1912, such demands led to the formation of a state Land Bank whose operations, nevertheless, still reflected the power of bankers and large landowners (it allowed them to use state funds to liquidate land taken by foreclosure, even where speculation had ratcheted land values to new heights).

Disaster struck when the next severe economic downturn arrived in 1920. The banks were, perhaps now by habit, easy to blame. Prime Minister Smuts castigated them for having 'granted credit too easily and then curtailed it too drastically,' and after surveying the evidence Schumann (1938: 263) concludes, 'The indictment against the banks at the time that they became somewhat 'hysterical' in their contraction of credit seems to be not unfounded.' Demands were made by white farmers for a moratorium on loan foreclosures and for a State Bank to compete with the commercial banks. According to Henry (1963: 222), 'Government was even considering the appointment of district committees to intervene when debtors were unduly pressed, and to publicise the facts.' By 1923, South Africa had eleven times as many insolvencies as England and thirty-four times as many as Scotland. In 1924 the Agricultural Credits Bill promoted the introduction of rural Credit Societies, a stronger Land Bank, and a favoured position for farmers in their dealings with lenders.Nevertheless, credit again began to spinout of control, and was not limited to overindebtedness on the farms. 'The larger centres in South Africa were overburdened with members of a trading and speculative class whose activities had a disproportionate influence on prices and prospects, but contributed very little to output and production,' reported Henry (1963: 227) about the mid-1920s. 'This was beginning to look too much like an endemic weakness in the commercial community and in the social structure of the country.'

International financial collapse, 1930s. The year 1929 brought many of the tensions into sharp relief. Local bankers were extremely bullish, as their ratio of loans to deposits soared from 63 percent in 1926 to 85 percent in 1930, with half of the increase coming in 1929. Land speculation meant that 'in some districts the value attributed to farm property looked to be 50 percent too high,' according to Henry (1963: 230). 'Standards had changed, and these were the days of the motor-car, bought for 30 percent of its cost in cash, and the rest on credit.' Asoften happens just before a fall,overproduction of agricultural goods becamerife, and the government intervened with increasingly protectionist policies. Imports of wheat, flour and sugar were discouraged, and a Marketing Board was established to support South African exports.

Speculative activity in overseas stock markets also became quite acute during the late 1920s, reflecting the global rise of overaccumulation crisis. Even prior to the 1929 crash, foreign investment in South Africa essentially dried up (although this was also related to occasional official hostility to the mines). Government borrowing brought in some new money from overseas, especially in 1930, but South African financing on the London Stock Exchange in 1929 fell to less than half that raised in 1928, and less than a quarter of the 1927 total. As one example of the strain between local and international financial forces, Standard Bank was under a great deal of pressure to export funds to its London office. The Reserve Bank intervened, imposing a levy for bank remittances and increasing the interest rate it charged local banks (Henry, 1963: 235-248).

The 1929 crash was initially felt mainly by the diamond merchants, since rich New Yorkers' panic liquidation of their personal assets flattened diamond prices. As the broader depression set in and the general price level of most goods fell over the next few years, agricultural products bore the brunt of the devaluation. Further state intervention was required on behalf of rural whites, especially laws supporting debtors' rights. White workers and displaced farmers made a series of proposals for rural credit cooperatives and for municipal banks in Johannesburg and Durban during the mid- 1930s. South African exports-with the exception of gold-were also affected. When exports decline, one antidote is to devalue the currency. But when a country is on the gold standard, the currency is valued according to how much gold the county has in reserve stockpiles. When such countries go deeply into debt and import more than they export, their gold stocks naturally decline in order to make payments. Most major countries had already adopted the gold standard in the last quarter of the nineteenth century, mainly because of pressure from commercial capitalists to have convertible currency so as to lubricate international trade. It was in this process that most industrial countries' national monetary systems emerged or stabilised, which led Clarke (1988) to conclude that the rise of the modern nation-state was actually a function of the power of international finance. The South African situation after the 1929 crash was heavily influenced by this logic. As the full force of what would be a decade-long depression came to bear upon the global economy, and as country after country fell into debt, the gold standard became an anachronism. It had been resurrected by Britain in 1925, following a six-year lapse, in order to stimulate international trade. But during the 1930s, too many countries simply couldn't afford to back their currencies with gold, and in 1932, after Britain – still at the centre of international finance – abandoned the gold standard, thirty-two countries followed, with only France, Belgium, Switzerland and the Netherlands holding out until 1936. Without a way to root the value of currencies, international trade stagnated and protectionist currency blocs developed. South Africa was part of the British colonial Sterling Area, while North and South America traded with dollars, central and southeast Europe were ruled by German finance, the Japanese yen was the East's currency, and a small gold bloc was maintained in western Europe.

As the world's leading gold producer, South Africa had no technical difficulties remaining on the standard. But because the value of the South African currency remained high relative to other currencies, exports suffered. At the same time, investors were shifting enormous amounts of money out of South Africa (£20 million in 1932). By the end of 1932, the tensions were overwhelming and the country's social fabric was tearing, so mining houses led the charge to abandon the gold standard and devalue the currency.This was one route out of the local depression, but not the only one. Another might have been a major public works and employment programme, some components of which did indeed occur for the benefits of whites later on during the 1930s. Because popular organisations like the Industrial and

Commercial Workers Union, Communist Party and African National Congress were weak following five years of intense repression, and because white workers continued to place priority on their struggle for racial supremacy, the mining houses were able to determine the path out of depression. In a vacuum of international economic leadership, they benefitted from the pressure brought to bear on South Africa by speculators run amok in the global economy.

'The purely speculative 'flight of capital' made the maintenance of the gold standard temporarily difficult in South Africa,' Schumann (1938: 263) concedes, but adds: 'Theoretically as well as practically, and from a purely technical or economic point of view, the country could have remained on gold through suspension of the convertability of notes into gold, so as to prevent an 'internal drain,' mainly through a policy of immediate and drastic foreign exchange control.' Instead, the laisser faire route of currency devaluation was chosen. As the tie to the South African currency was broken, more and more gold could be mined without weighing down the rest of the economy. Gold now allowed the country 'the prosperity of the undertaker in a plague,' as went the popular adage, thanks to residual international fears of paper financial assets.

Delinking and recovery, 1930s-40s. The first result of going off the gold standard was that vestiges of speculative financing again appeared from abroad, pushed away from Europe and the United States by the deepest depression in capitalist history. South Africa's banks still weren't increasing their loan portfolios, as the productive economy had not begun to recover. Given fresh sources of funding and few projects, the banks restructured interest rates. For several decades before 1932, banks lent to companies at around 6 percent (for three-month commercial bills) while paying savers 3,5 percent (for six-month deposits). Bank lending was controlled less by price (the interest rate) and more by restrictive conditions. (These conditions even applied to the Oppenheimer empire. Before the gold standard was abandoned, Anglo American was unable to raise just £50 000 from either Standard or Barclays for mining expansion.) By early 1933 the rates changed dramatically: 5 percent for loans and 0,5 percent for savers. Where demand for loans existed, enormous financial profits were gained from this interest rate spread.

Within months of going off the gold standard, gold and agricultural exports picked up again (though diamonds remained weak due to their status as a luxury good), and the rest of the economy followed. According to Schumann (1938: 295):

> The immediate effects of the depreciation of the currency were a rapid change-over from an extreme scarcity of money to an almost unprecedented plentifulness, as evidenced in the increase in bankers' deposits and the fall in short-term interest rates; an exceptional boom in gold-mining shares and in promotion and building activity on the Rand and elsewhere; a proportionate increase in the export prices of farm products, and a consequent improvement in the relative position of the heavily depressed agriculture; an expansion of industrial production, in transport, in imports; and an exceptional improvement in Government revenue. Foreign interests profited, as interest and dividends paid to investors (down from £17 million in 1926 to £13 million in 1932) rose dramatically to £18 million in 1933.

Yet during the subsequent fifteen years, the South African economy was relatively isolated from international manufacturing trade, and thus financing was increasingly directed towards the nascent local manufacturing industry. In a manner Andre Gunder Frank (1967) observed occurring elsewhere on the global economic periphery and which helped generate many of the insights of the 'dependency school,' manufacturing grew in inverse relation to the strength of trade in the international economy. Positively affected by Northern depression and war, South

Africa spent the period from 1933 through the 1940s growing faster (8 percent average GDP increase per annum), more evenly across sectors, and with larger relative wage increases for blacks, than at any other time in the twentieth century (Nattrass, 1981Appendix).

In general, at particular moments of turbulence in world economic history, gold plays a crucial role as the ultimate store of value. South Africa was able to take advantage of this role, but in this instance did so by following the particular path chosen by the mining houses. This was a less direct way of kick-starting post- depression growth than via state intervention, but prevailed due to the balance of forces at the time (1933), during the waning months of what was nominally a popular ruling alliance of white workers and farmers.

Apartheid and Afrikaner finance, 1930s-50s. Even though the mid-1930s through 1940s were years of growing prosperity, a sore point remained: age-old conflicts between English-speaking financial elites and Afrikaner farmers. During the 1940s, financiers continued to resist the farmers' state subsidies and took advantage of their overproduction and land speculation problems. In 1944, when the Bretton Woods agreement regulating international finance through a semi-gold standard was announced, the mining houses and English-speaking businesses benefitted. The Johannesburg stock market boom of 1946 doubled the number of companies listed, but was far more beneficial to English-speakers than Afrikaners. Once in power in 1948, the National Party focused not only on institutionalising existing racial practices through apartheid, but also in overcoming ethnic imbalances in the financial system. Ground had been prepared a decade earlier. According to O'Meara (1983: 114),

> through a process of the centralisation and segmentation of latent money-capital generated in agriculture, a new class of Afrikaner financial industrial and commercial capitalists would be brought into existence... M.S. Louw was indeed correct when he declared to the second Ekonomiese Volkskongres that the greatest achievement of 'the Afrikaner' as an entrepreneur during the 1940s was as the 'founder and controller of credit institutions.'Still, 'only slightly more than 20 percent of potential 'Afrikaner' capital had been placed in Afrikaner financial institutions,' so after 1948, 'a number of government and NP-controlled authority accounts were switched to Afrikaner institutions.'

O'Meara (1983: 251) documents the diversification of financial flows into commerce and industry via Cape-based Sanlam and Rembrandt, just as the apartheid state was established: This weaning of Afrikaner financial capital from its dependence on accumulation in agriculture, and its increasing cooperation after Sharpeville with non-Afrikaner finance capital, led to important shifts and struggles in nationalist politics... The verligte phenomenon was a response to the emergence of a class of aggressive, self-confident Afrikaner capitalists whose interests now went beyond those of the narrow class alliance out of which they had emerged.There was, however, a natural backlash: The verkramptes attempted to use the traditional organisation of the Afrikaner petty bourgeoisie, the Bond, against what they labelled the 'finance power of the South.' A strong move was mounted to portray the factional struggle as a simple conflict between the Bond as the guardian and soul of Afrikaner values on one hand, and the nouveau riche 'money capitalists' of the south on the other hand. The conflict played itself out in various ways, but ultimately led to such severe splits in Afrikanerdom during the1970s and 1980s that ideological commitments to apartheid could be broken.

Post-War development and finance, 1950s-60s. The two decades after World War II witnessed the intensification of production (higher capitalintensity) in mining, agriculture and production middle-class consumer goods (Fine and Rustomjee, 1996). Access to international capital, organised by the local mining houses and stock market immediately after the war, was checked only briefly by Afrikaner nationalist threats of nationalisation. There were a variety of new financial innovations, including accommodation of corporate investment needs by emerging money markets and of housing needs via building society expansion. Innes (1984: 150) argues that creative financing arrangements in the years following World War II reflected a broader process of concentration and monopoly control unfolding at the international level: 'By adapting and reorganising their methods of fund-raising to meet the requirements of the new system the [South African mining-based] groups participated directly in the process of restructuring the financial relations of international monopoly capitalism.' A quarter of the mining industry funds were raised from mining Trust Funds in the US and Switzerland, while seven percent came from new local financing sources such as the government's National Finance Corporation, founded in 1949 to gather and deploy corporate savings. The brunt of the money was sourced from British financial institutions, mainly banks, insurance companies, pension funds, investment and trust units, and various other institutional investors.

Such funding capacity and reach reflected the rise of finance to the British economy's commanding heights, which began during the 1920s, and, in spite of the global financial crisis of the early 1930s, culminated in their holdings of more than half of the stock exchange shares by the mid-1950s. The financial links forged during the 1950s drew South African capitalism into the global economy. In turn, this led to such financial dependence that by the 1970s the international anti-apartheid movement discovered that it represented the country's Achilles Heel, and hence began to focus sanctions pressure on international banks. Substantially similar processes of financial expansion were underway withinthe English-speaking sectors of the South African economy during the 1940s and 1950s, paralleling the Afrikaner route to broader economic control via finance. Consumer credit markets blossomed, and urban areas sprawled thanks to new institutional sources of finance. Construction grew by a factor of more than six between 1943 and1952, twice the growth rate of industry. As a result, the apartheid state created Soweto, Guguletu and Langa, Umlazi and KwaMashu and so many other townships whose matchbox houses multiplied during the 1950s. Wilkinson (1981) reports that 'Johannesburg property speculators, estate agents, building societies and construction firms had mobilised and were lobbying for a policy of home ownership and massive state financed building programmes.' That they were unsuccessful on the home-ownership front for a period of some three decades-victims of the larger apartheid vision of blacks as temporary sojourners-did not ultimately prevent a new generation of creative financiers from returning to the issue with renewed vigour during the 1980s (Bond, 1990).

As industry became more capital-intensive and internationally-oriented during the 1950s, a much more sophisticated financial system was required. The channelling of funds from mining companies to manufacturers was achieved in large part through the expansion of mining houses into industry. But it also occurred through the development of money markets which centralised finance and then disbursed it to where it could realise the highest rate of return. These markets were serviced by brand new financial institutions, which were largely set up by the big mining houses. According to Innes (1984: 150), this was the clearest form yet of the merging together of bank capital and productive capital-that is, of the emergence of the phase of finance capital. It was thus during the late 1950s that South African capitalism as a whole-and not just specific sectors of the economy-displayed the first clear signs of having entered the monopoly phase of its evolution. Regulation of the national financial structure would also need to adapt to keep pace with developments. A 1964 banking law allowed banks and building societies greater depth and reach. Funds available to the banking sector soared, and financing on the Johannesburg Stock Exchange was boosted dramatically, until a crash in 1969, following a huge increase in inventories in the consumer goods sectors, the first signs of overaccumulation of capital.

Overaccumulation and financialization, 1970s-90s. From the 1960s, high levels of capital-intensive investment led to chronic overproduction, relative to the size of the local market. The results were a levelling off of new fixed capital investment by private corporations (both local and TNC) from 1973; a substantial decline in the economy's growth rate from late 1974; a steady drop in manufacturing employment from 1975; and a substantial fall in private sector investment in plant and equipment from 1976 (Bond, 1991). Liquid capital flowed from productive sectors and into the money and capital markets. Fuelled by the dramatic rise in the international price of gold once the US ended its Bretton Woods-era linkage to the dollar, an inordinate amount of capital was subsequently attracted into geographical expansion over the subsequent decade. Vehicles included the internationalisation of the mining finance houses and the enormous boom in construction. There was unprecedented parastatal expansion (iron and steel, electricity, oil-from-coal, transport); outward-oriented investments such as Richards Bay, Sishen- Saldanha, and the unprecedented upgrade of SA Airways; a renewed commitment to world-class transport more generally; infrastructural improvements for business and residential development; and the extensification of urban sprawl. From 1970-77, state spending in transport, storage and communications increased by 65 percent each year in real terms beyond similar investments during the 1960s; and during the same period new infrastructure for electricity grids and water lines attracted 28 percent more funds each year than during the 1960s.

The major projects also involved a great deal of foreign borrowing: nearly a quarter of government parastatal investment from 1972-78 was funded through international capital markets. After the Soweto uprising in 1976, Pretoria gained access to several International Monetary Fund loans amounting to nearly $2 billion (until borrowing rights were cut in 1983). However, given the durability of the overaccumulation problem and the fact that the 1979-81 gold boom had to run its course, foreign banks finally lost confidence in apartheid and agreed to cut credit lines for all but short-term trade finance. Unable to roll over the vast loans contracted by private sector borrowers (especially the large banks), Pretoria was ultimately forced to call a 'debt standstill' in 1985 and refused to make repayments on more than $13 billion in foreign debt (out of a total of $20 billion then outstanding). This came at a moment when the country's townships were in flames and its factories besieged by militant workers. Relations between Pretoria and international finance were, as a result, contested hotly by the liberation movement, reflecting not only the increased power over South Africa's future wielded by international financiers, but also increased vulnerability (to popular pressure).

This in turn compelled Pretoria to follow 'loose money' policies locally that included encouraging the allocation of credit into geographical areas it had not penetrated in the recent past, namely black townships. Financial liquidity was growing, with the private sector debt/GDP ratio rising from a stable level of 30 percent during the post-war era, to 50 percent during the 1980s and more than 65 percent by the late 1990s. Housing finance grew especially rapidly during the last half of the 1980s, as banks and building societies invested R10 billion in township bonds.Politically, this addressed an oft-articulated need to identify a new outlet for surplus funds (black townships) which would both enhance the potential for piling on even more consumer credit once collateral (the house) had been established, and introduce an inherently conservatising form of social control (repayment of a twenty-year bond). But the R10 billion was enough to saturate only the top ten percent of the market, those who could afford new houses costing in excess of R35 000 (smaller loans were administratively too costly), and it was done in a manner that cemented rather than undermined apartheid urban planning. Moreover, the variable-rate bonds were largely granted at an initial 12,5 percent interest rate (-7 percent in real terms).

With an official return to monetarist ideology (as well as anti-apartheid financial sanctions and fear of capital flight), nominal interest rates on housing loans soared to 21 percent (then 6 percent in real terms) in 1989, leading to the country's longestever depression (1989-93) and, in the process, a 40 percent default rate on the 200 000 bonds granted to black borrowers. Moreover, the financial explosion also infected commercial real estate and the stock market with untenable speculation. For notwithstanding the overall economic stagnation, from 1982-90, the JSE produced an eight-fold nominal increase in share values, and was the fastest growing stock exchange in the world from 1989-mid-1992. In 1991 JSE industrial shares increased in price by 56 percent, while the industrial economy suffered negative growth. This 'financial explosion' (Sweezy and Magdoff, 1987), as it was termed across the world during the late 1980s, was profitable to banks, which increased their margins between what they charged borrowers and what they rewarded savers (from 2,25 percent during the late 1980s, the spread doubled by the end of the depression, with a consequent growth in profits to record levels and a huge rise in share values of banking stocks). In short, financial activity borne of economic crisis had helped reshape South African geography, in the process intensifying uneven development.

Still today, the long-term structural crisis in the South African economy is perhaps most baldly reflected in persistent overcapacity and overproduction of luxury manufactured goods for the white consumer market, as well as a continuing reliance on minerals and energy-related, capitalintensive production (Fine and Rustomjee, 1996) – side by side with growing surpluses of unemployed black workers who suffer from inadequate consumption of basic needs goods, and an underdeveloped capital goods sector between the minerals-energy complex and luxury manufacturing. Looking more closely at the way four levels of the economy operate, we can briefly summarise the main outlines of the story that emerged from the fits of financial speculation and uneven geographic development: the country's minerals-energy sector served as the defining economic base; machinery and other intermediate capital goods remain underdeveloped; luxury goods are produced locally at close to world standards (if not prices), thanks to decades of protective tariffs and the presence of major multinational corporate branch plants; and South Africa suffers from having extremely sparse basic needs industries, with production of low-cost housing far below optimal capacity, transport dangerous and relatively costly (in comparison to international household budget expenditures), and cheap, simple appliances and clothing increasingly imported. Such economic phenomena reflect as severe a case of uneven socio-economic development as exists anywhere, and along with apartheid policies helps explain why South Africa's Gini coefficient (the main measure of income inequality) is today worse than any other major country.

South African political-economic theory. But to properly appreciate the way history informs the present requires us to also delve into political-economic theory that emerged from South Africa and amongst international political economists concerned with the country's uneven development. 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 a way to understand 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 main point of Marx's *Das Kapital* – but instead in relations between market and non-market activities. It is here that an 'articulation of modes of production', between capitalism and non-capitalist systems is also of great relevance on the world stage today.

Racial restrictions were initially considered by political economists primarily as power relationships. As an early Trotskyist, Moshe Noah Averbach (1936, 131), explained, migrant labour would '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.' But the Chamber of Mines also recorded how the 'cheap labour' system was crucial to their profitability (in official testimony to a 1944 government 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. At the same time, the South African Communist Party (SACP, 1989) developed the theory of 'colonialism of a special type' (CST). Drafted by leading Johannesburg Communist Mick Harmel, CST was officially adopted during the early 1960s, and represents an internal version of dependency theory. According to the 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.'

But because the CST framework implied that the underlying dynamic of South African political economy was not 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 point of production. 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. 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. But there was ample room for contesting Wolpe's chronology and understanding of the dynamics of capitalism. Historian Martin Legassick's (1974) work on the increasing capital intensity of manufacturing offered a more fertile direction of inquiry, and a critique emerged of the chronological argument about capitalism and apartheid. 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.

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 and services, 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) (e.g., Davies 1979). According to some critics, however, the Poulantzians' focus on fractions of capital highlighted questions of state power but distracted from the capital accumulation process and capital-labour conflicts.

With an upsurge in protest beginning with the Durban labour movement in 1973, and with the economic slowdown beginning around 1974, political economists' attention turned from aspects of apartheid-capitalist stability and control, to instability and crisis. The theory of 'racial capitalism' was invoked to link the political and the economic. As explained by John Saul and Stephen Gelb (1981), '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.' On top of new-found worker militancy beginning in 1973, Saul and Gelb 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. In addition, as Charles Meth (1991) posited, overaccumulation of capital also set in, reflecting the saturation of local consumer and capital goods markets, simultaneous to similar problems at the world scale.

The fractions and racial capitalism perspectives were most harshly criticized, starting in the early 1980s, by a Thompsonian 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. Charles van Onselen (1996) did the most publicized work in drawing out detailed empirical information, although the social historians' aversion to theory was criticized by Mike Morris (1988). 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. 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.

By 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 political economists 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 the French Regulation Theory of Lipietz, Aglietta and Boyer to dissect the relative stability of South African capitalism from 1948 through the early 1970s. In honour of a phrase coined by the Italian Marxist Antonio Gramsci, 'Fordism' (signifying the symbiotic relationship between mass production and mass consumption, the product of Henry Ford's assembly line and $5/day wages), the French considered this linkage as the basis for a full-fledged 'regime of accumulation.' South African 'Racial Fordism,' as Gelb termed it, could not succeed in linking black producers with white consumers. Others used the idea of 'peripheral Fordism' to reflect the partial linkages to the world economy.

The 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 were advocated by Gelb and other economists connected to the Economic Trends Group 'Industrial Strategy Project. At the same time, however, Regulation Theory lost momentum internationally, and after 1991 there were no further major academic works published in this tradition.

Ben Fine and Zav Rustomjee (1997, 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.' Their own approach was relatively institutionalist, by identifying the nexus of a Minerals-Energy Complex around which accumulation, state, labour relations and other economic phenomena could be understood. Within a decade, Fine (2008) addressed the post-apartheid political economic nexus in terms of financialisation, as '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 former SACP youth leader David Masondo (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.' Moreover, warns Masondo, '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.'

Having reviewed the history and theory, it is possible to now examine the current neoliberal conjuncture with a sense of context.

2. Contemporary South African Economic Vulnerability

Introduction: Economic crisis and social protest. The June-July 2010 World Cup drew the world's attention to the wealthy, peaceful part of South Africa, but the country's poor and working-class people will continue protesting at what is now amongst the highest rates per person in the world. Since 2005, the police have conservatively measured an annual average of more than 8000 'Gatherings Act' incidents by an angry urban populace unintimidated by the year-old government of Jacob Zuma (Freedom of Expression Institute 2009). In part the anger reflects the distorted character of 'growth' that South Africa has witnessed after adopting neoliberal macroeconomic and microdevelopment policies after apartheid ended in 1994, and the logical resistance to commodification and of life (Polanyi 1957) and rising inequality playing out in the country's slums. The impact of the ongoing global/national economic crisis amplifies and extends the existing, inherited contradictions. Social and labour movements whose goals have been somewhat localist and corporatist, respectively, may have to unite with environmentalists to pose much more radical ways forwards in this context, although labour/communist influence within the ruling African National Congress makes it difficult for a united left front to emerge in civil society in the short or even medium term.

As just one reflection of extreme uneven development, South Africa's cities have hosted the world's most speculative residential real estate bubble, with an inflation-adjusted price rise of 389 percent from 1997-2008, more than double the second biggest bubble, Ireland's at 193 percent, according to *The Economist* (20 March 2009), with Spain, France and Britain also above 150 percent. (The US Case-Shiller national index was only 66 percent over the same period.) Although there were many more houses built annually with state subsidies in the post-apartheid period for lower-income people, compared to the last decade of apartheid, World Bank advice in 1994 meant that these were typically half as large, and constructed with flimsier materials than during apartheid; located even further from jobs and community amenities; characterized by disconnections of water and electricity; with lower-grade state services including rare rubbish collection, inhumane sanitation, dirt roads and inadequate storm-water drainage (Bond 2005).

In most provinces, the majority of the Gatherings Act incidents were 'service delivery protests' over low-quality provision and the rising cost of water, sanitation and electricity (Freedom of Expression Institute 2009). Even after 'Free Basic Services' – a tokenistic 6000 liters per household per month of water and 50 kWh of electricity (with small increases anticipated in 2010) – were provided, the sharply convex shape of water/electricity tariffs meant the rise in the second block of consumption had the impact of raising the entire amount, resulting in higher non-payment rates, higher disconnection levels (1.5 million/year for water, according to officials) and lower consumption levels by poor people (Bond and Dugard 2008).

How did this happen, in a society that boasted one of the world's greatest urban social movements during the 1980s (Mayekiso 1996), which in turn generated a powerful urban reform project in the early 1990s, culminating in an African National Congress (ANC) 1994 campaign platform – the 'Reconstruction and Development Programme' – which had insisted upon various forms of decommodified real estate, especially housing finance? It turns out that these promises were another case of 'talk left, walk right', because notwithstanding a housing minister – Joe Slovo – who was also chair of the SA Communist Party at the time (just prior to his death due to cancer in early 1995), the December 1994 *Housing White Paper* set as a main task restoring 'the fundamental pre-condition for attracting [private] investment, which is that housing must be provided within a normalized market'. In practice this entailed huge concessions to banks, alongside a drive to commercialize municipal utilities (Bond 2000).

This was not merely the fault of a dying Slovo and his director-general, Billy Cobbett (subsequently director of the World Bank's Cities Alliance), for the dye was cast when neoliberalism was adopted in the early 1990s 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) and required Nelson Mandela's ANC to periodically demobilize protest, until in late 1993 the final touches were put on the 'elite transition' to democracy (Bond 2005).

In the meantime, long-standing ANC promises to nationalize the banks, mines and monopoly capital were dropped; 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).

The basis for sustaining the subsequent property and financial bubble came from two sources: residual exchange controls which limit institutional investors to 15 percent 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 since apartheid ended in 1994. Yet no emerging market had as many currency crashes (15 percent in nominal terms) over that period: SA's were in 1996, 1998, 2001, 2006 and 2008. By early 2009, *The Economist* (25 February 2009) ranked South Africa as the most 'risky' of 17 emerging markets, in large part because corporate/white power had generated an enormous balance of payments deficit thanks to outflows of profits/dividends to London/Melbourne financial headquarters.

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 percent 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 percent to 80 percent from 2005-08, while at the same time overall bank lending rose from 100 percent to 135 percent of GDP. But this overexposure began to become an albatross, with non-performing loans rising from 2007 by 80 percent on credit cards and 100 percent on mortgages compared to the year before, and full credit defaults as a percentage of bank net interest income rising from 30 percent at the outset of 2008 to 55 percent by year's end (SARB 2009).

Overaccumulation, financialization and social inequality. 'Overaccumulation of capital' at the global scale is the root process behind the recent crisis, coming on the heels of a period of 35 years of world capitalist stagnation, extreme financial volatility and internecine competition that has had ruinous impacts (Foster and Magdoff 2009). 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), according to one British government study (Citron and Walton 2002).

Uneven geographical development is the basis for race/class segregation in South Africa's extraordinary built environment. In spite of greater access to housing mortgage bonds and other forms of consumer credit for working-class people during the 2000s, the overarching process of property speculation amplified that unevenness. In the US, leading mainstream economists George Akerlof and Robert Shiller (2009) have said much the same, though they root the crisis in a distorted psychology of individual investors (rather than in overaccumulated capital as does Harvey):

> [Speculative financial] events – in particular the recent housing bubble – are driven by what John Maynard Keynes called animal spirits, a naïve optimism at the intersection of overconfidence, corruption, storytelling, and money illusion (another Keynesian term, for views warped by currency's nominal value instead of its purchasing value). For some reason, in the late 1990s and early 2000s, the idea that homes and apartments were spectacular investments gained a stronghold in the public imagination in the United States, and in many other countries as well… Home prices have fallen before. For instance, land prices fell 68 percent in real terms in major Japanese cities from 1991 to 2006. But investors didn't want to hear that sort of talk… For evidence of the effect of subprime lenders on the housing boom of the 2000s, consider that low-price homes appreciated faster than high-price homes. And then after 2006, when prices fell, the prices of low-price homes fell faster.

The South African version is still playing itself out, because after the late 2004 peak year-on-year 30 percent 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 percent 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 percent of GDP estimated for 2009 and more than 7 percent in 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 – were deferred by the new finance minister, Pravin Gordhan (2009), in his maiden budget speech in October 2009 and the follow-up in February 2010.

The reality, though, was that 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):

- with respect to stability, the value of the rand in fact crashed (against a basket of trading currencies) by more than 15 percent in real effective terms in 1996, 1998, 2001, 2006 and 2008, the worst record of any major economy, which in turn reflects how vulnerable SA became to international financial markets thanks to steady exchange control liberalization (26 separate loosenings 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;
- 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 Bhorat, 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 percent of their income from 1995-2005, while white households gained 40.5 percent (Bhorat et al 2009, 8);
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- another reason for capital strike is SA's sustained overproduction problem in existing (highly-monopolized) industry, as manufacturing capacity utilization 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.

From burst bubbles to economic policy struggles. 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. Even the apparent death of South Africa's neoliberal project in September 2008, personified by former president Thabo Mbeki, whose pro-corporate managerialism was one reason for an unceremonious removal from power, is misleading. The 'populist' ruling party leader Jacob Zuma was intent on not only retaining Manuel as long as possible but preparing a collision course with his primary internal support base, trade unionists and communists. As Zuma put it to the American Chamber of Commerce in November 2008, 'We are proud of the fiscal discipline, sound macroeconomic management and general manner in which the economy has been managed. That calls for continuity' (Chilwane 2008).

A few days earlier, Manuel was asked by *The Financial Times* (Lapper and Burgis 2008) about the impact of the world crisis on South Africa, and told his constituents to tighten their belts:

> We need to disabuse people of the notion that we will have a mighty powerful developmental state capable of planning and creating all manner of employment. It may have been on the horizon in 1994 [when the governing African National Congress first came to office] but it could not be delivered now. The next period is likely to see a lot more competitiveness in the global economy. As consumer demand falls off there will be a huge battle between firms and countries to secure access to markets.

At the same time, the International Monetary Fund's Article 4 consultation with South Africa confirmed the external pressures. Ironically, the institution's managing director, Dominique Strauss-Kahn (2008), proclaimed the same month that the IMF now supported a 2 percent budget stimulus 'everywhere where it's possible. Everywhere were you have some room concerning debt sustainability. Everywhere where inflation is low enough not to risk having some kind of return of inflation, this effort has to be made'. Pretoria should have qualified for such a Keynesian seal of approval, but no, according to IMF (2008, 3-12) staff who prepared the annual Article IV Consultation paper, Manuel should instead:

- run a budget surplus, i.e., 'an increase in public saving so as to bring the structural public sector borrowing requirement to zero over the next few years', but bearing in mind that 'cuts in the corporate income tax could boost growth';
- adopt privatization for 'infrastructure and social needs', including electricity and transport by 'relying more widely on public-private partnerships';
- maintain existing inflation-targeting (i.e. in the 3-6 percent target range, although inflation was more than 12 percent in 2008) and 'raise interest rates further if supply shocks resume or domestic demand pressures do not dampen';
- 'open the economy to greater international competition' by removing protections against international economic volatility, especially 'further liberalization and simplification of the trade regime'; and
- remove worker rights in labour markets, including 'backward-looking wage indexation' to protect against inflation.

To be sure, Manuel did not follow this advice; the Alliance left (the SA Communist Party and Congress of SA Trade Unions) is powerful enough to prevent it if he tried any one of the five, especially just before a national election in 2009. Indeed, just as in the West, the SA central bank came under heavy pressure to reduce interest rates – by 5 percent from late 2008 through mid-2009 – and the real prime rate fell to the 2 percent range, down from a peak of 15 percent a decade earlier. Surprisingly, the IMF's 2009 Article IV agreement had a very different tone, conceding that South Africa's strategy was acceptable:

> The expansionary fiscal stance is appropriate given the weak economic outlook, and strikes the right balance between supporting demand and preserving medium-term sustainability. If output turns out weaker than staff projects, the automatic stabilizers should be allowed to operate in 2009/10 and 2010/11… The monetary policy stance has been appropriate. The scope for easing may have been exhausted if inflation is to be brought within the target range by end-2010, as the authorities intend (IMF 2009, 1).

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 percent quarterly GDP decline, the worst since 1984 during anti-apartheid protests, the gold price's plummet and the tightening of sanctions. Even in late 2008 it was apparent that labour would suffer vast retrenchments, with a 67 percent reduction in average work hours per factory worker, the worst decline since 1970. The economy is likely to have shed a million jobs in 2009, especially in manufacturing and mining. January 2009 alone witnessed a 36 percent crash in new car sales and 50 percent production cut, the worst ever recorded, according to the National Association of Auto Manufacturers. The anticipated rise in port activity has also reversed, with a 29 percent annualized fall in early 2009.

Repossessed houses increased by 52 percent in early 2009 from a year earlier. The first quarter 2009 crash was, however, mitigated by the construction industry, which grew 9.4 percent thanks to white elephant state infrastructural investments: 2010 World Cup stadiums (hugely over budget and not anticipated to cover operating costs after the soccer matches), an elite rapid train service for Johannesburg-Pretoria, a failing albeit generously subsidized industrial complex (Coega), port/airport/road/pipeline expansions, a vast new coal-fired electricity generator, and mega-dams. But these big projects aside, the number of building plans registered in 2008 was already 40 percent lower than in 2007.

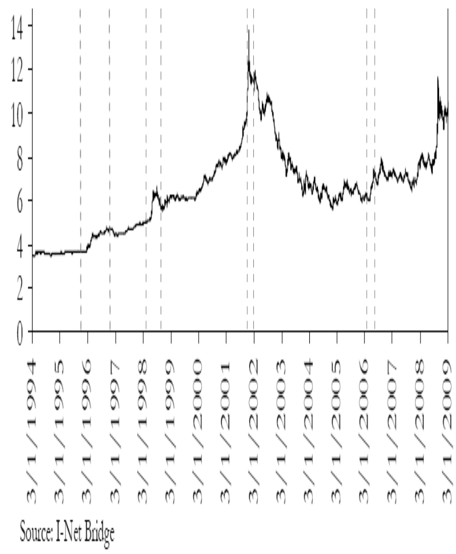
'Growth' prospects. A vast restructuring effort is required to correct the distorted character of 'growth' that South Africa has witnessed after adopting neoliberal macroeconomic and microdevelopment policies. The impact of the recent world economic crisis amplifies and extends the existing, inherited contradictions. Trade & Industry Minister Rob Davies identified the inherited distortions in his 2010 Budget Speech to Parliament:

> SA's recent growth was driven to too great an extent by unsustainable growth in consumption, fuelled by credit extension. Between 1994 and 2008 consumption driven sectors grew by 7.7 percent annually, compared with the productive sectors of the economy which grew by only 2.9 percent annually. This has meant that even at the peak of our average annual growth – 5.1 percent between 2005 and 2007 – unemployment did not fall below 22.8 percent. Manufacturing – which constitutes a sizeable chunk of our value added production – has not enjoyed sufficient dynamism. This is mainly because the relative profitability of manufacturing has been low as a result of a number of factors. These include:
> · A volatile and insufficiently competitive currency;
> · The high cost of capital relative to our main trading partners; particularly that channelled towards value-added sectors such as manufacturing, resulting in a too limited allocation of capital to these sectors;
> · The monopolistic provision and pricing of key inputs into manufacturing;
> · An aged, unreliable and expensive infrastructure system;
> · A weak skills system; and
> · The failure to adequately leverage public capital and other large and repetitive areas of public expenditure.

The negative, unintended consequences of this growth path are manifold they include large and unsustainable imbalances in the economy, continued high levels of unemployment and a large current account deficit. These weaknesses have been exacerbated by the global recession.

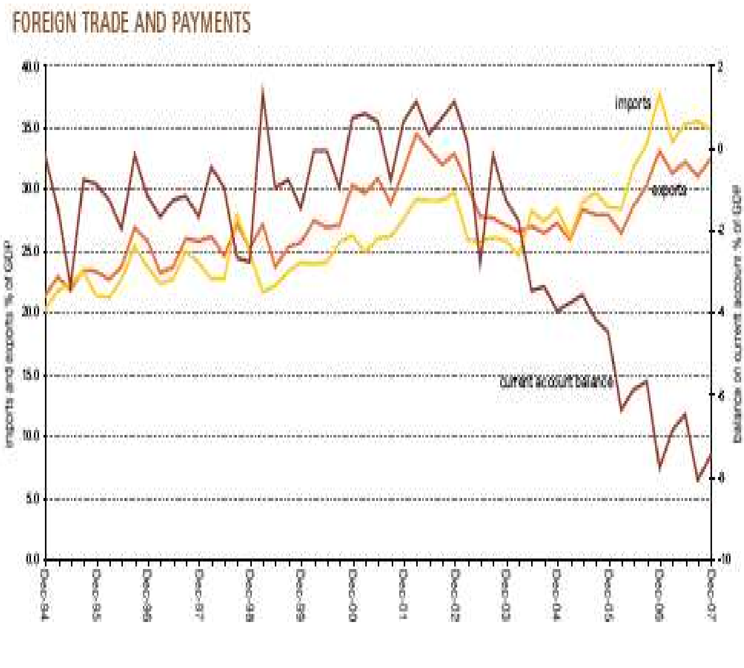
Is this dire diagnosis complete? Are there further ways to identify problems that, in turn, alert us to solutions? Has Davies left out elements of financial bubbling, generalised overcapacity and the inequality/unemployment factor? First, return to the mid-1990s for context.

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). Sustaining the subsequent property and financial bubble was due to two sources: residual exchange controls which limit institutional investors to 15 percent 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 percent in nominal terms) over that period: SA's were in early 1996, mid-1998, late 2001, late 2006 and late 2008.



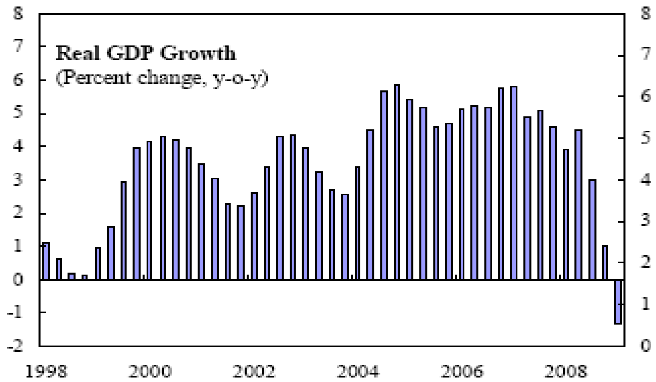
Five major currency crashes (R/$)

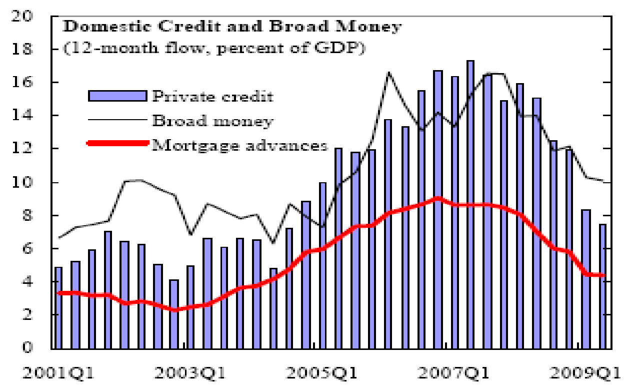
By early 2009, *The Economist* magazine (25 February 2009) ranked South Africa as the most 'risky' of seventeen emerging markets. A key reason was that corporate/white power had generated an enormous balance of payments deficit thanks to outflows of profits/dividends to London/Melbourne financial headquarters. 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 and $103 billion by early 2011.

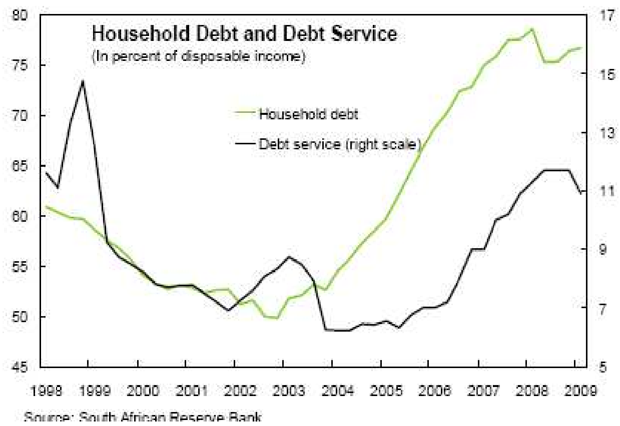


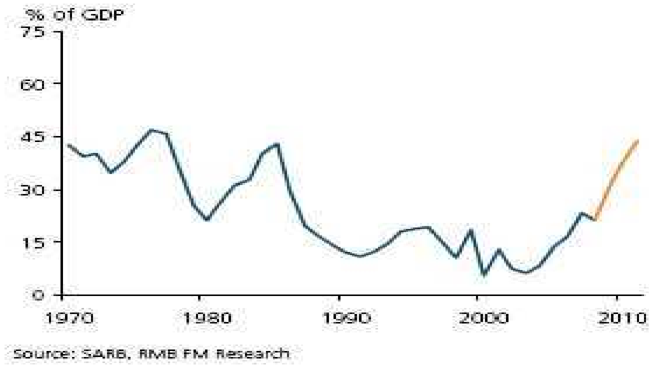
Trade, payments deficits (percent of GDP) – source: SARB

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 percent 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 percent to 80 percent from 2005-08, while at the same time overall bank lending rose from 100 percent to 135 percent of GDP.





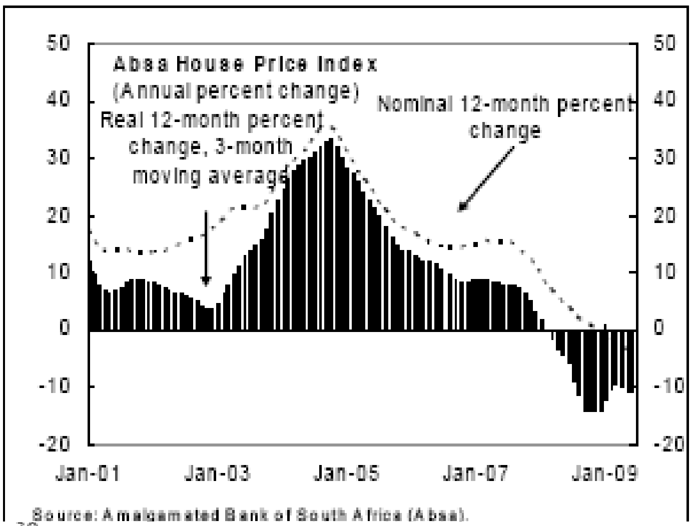


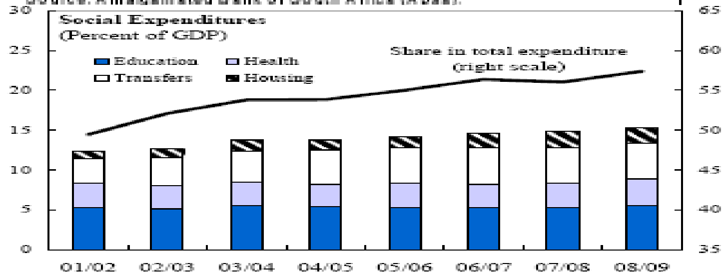


SA 'growth' driven by high-risk credit

Dramatic SA foreign debt rise, 2003-present

Credit overexposure began to become an albatross, however, with non-performing loans rising from 2007 by 80 percent on credit cards and 100 percent on bonds compared to the year before, and full credit defaults as a ratio of bank net interest income rising from 30 percent at the outset of 2008 to 55 percent 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 percent 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 percent each month during 2009 (there is insufficient data available on the distributional impact of a worsening real estate crisis, but more than two million new working-class people fell into 'distressed' debt.



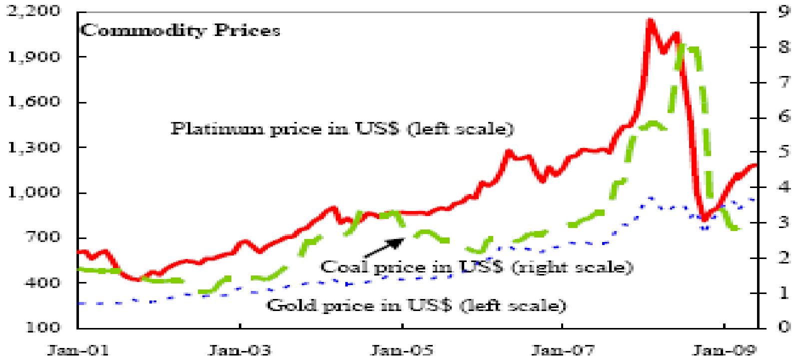


SA social spend is relatively modest – source: IMF

Moreover, although the decline in corporate tax revenue drove the budget deficit to a near-record 7.6 percent 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 – were deferred by the new finance minister, Pravin Gordhan (2009), in his 2009 and 2010 budget speeches. The post-apartheid share of social spending in the total budget only rose from around 50 percent during the mid-1990s to 57 percent at the of crisis in any case, boosted only by social grant transfer payments.

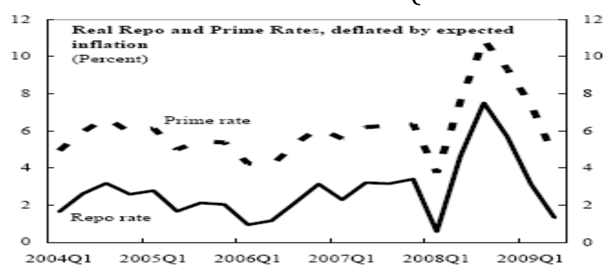
The huge bubble in commodities – petroleum, minerals, cash crops, land – disguised how much countries like South Africa stood exposed, and indeed the early 2000s witnessed increasing optimism that the late 1990s emerging markets currency crises could be overcome within the context of the system. Moreover, 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):



Commodity boom turns to bust in 2008 – source: IMF

- 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 loosenings 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;



Real interest rates, 2004-09 – source: IMF

- 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 Bhorat, 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;
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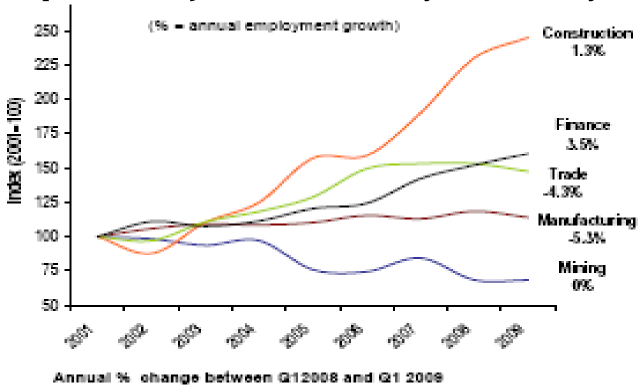
With this sort of fragile economic growth, subject to extreme capital flight, it is no surprise that in the second week of October 2008, the Johannesburg stock market crashed 10 per cent (on the worst day, shares worth US$35 billion went up in smoke) and the currency declined by 9 per cent, while the 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 percent from late 2008 through mid-2009 – and the real prime rate fell to the 2 percent range, down from a peak of 15 percent 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



Construction/finance-led growth/jobs index – source: IMF

would prevent a recession, he was proven badly wrong in May when government data showed a 6.4 percent 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 main growth engines were construction and finance. The first quarter 2009 real sector crash was, indeed, mitigated by the construction industry, which grew 9.4 percent thanks to infrastructural investments of rather dubious medium-term merits: 2010 World Cup stadiums (hugely overbudget and not anticipated to cover operating costs after the soccer matches), an elite rapid train service for Johannesburg-Pretoria (probably costing R150 for the airport-Sandton trip), a the persistently failing (albeit generously subsidized) industrial complex at Coega, the world's fourth-largest coal-fired electricity generator (Medupi), 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 percent lower than in 2007.

3. Conclusion

Although South Africa technically left its downturn in late 2009, there is little doubt that further property recession, ongoing manufacturing stagnation, the credit squeeze and a return to dangerous current account deficits will create ever-sharper tensions, especially with labour demanding more concessions and increasingly angry about the macroeconomic policy *status quo*. Cosatu's mini-revolt included threats of a national strike to halt 25 per cent/year electricity price increases in the foreseeable future (with inflation hovering around 7 per cent), and anger that Gordhan's first budget in February 2010 not only ignored a promised National Health Insurance plan and the need to phase out 'labour brokers' (responsible for mass hiring/firing of casualized workers), but even introduced a 'dual labour market' by subsidizing young workers at a cheaper entry-level wage.

In this context, some of the most important lessons of resistance come from deglobalization and decommodification strategies used to acquire basic needs goods during the early 2000s, as exemplified by the Treatment Action Campaign and Johannesburg Anti-Privatization Forum which have won, respectively, antiretroviral medicines needed to fight AIDS and publicly-provided water. The drugs are now made locally in Africa—in Johannesburg, Kampala, Harare, and so on—and on a generic not a branded basis, and generally provided free of charge, a great advance upon the $15,000/patient/year cost of branded AIDS medicines a decade earlier. In South Africa today, nearly 800,000 people receive them, representing one of the world's greatest victories against corporate capitalism and state neglect. Just as successful in the Constitutional Court was Durban's Abahlali base Mjondolo shackdwellers movement, which in 2009 won a major victory against a provincial housing ordinance justifying forced removals, though shortly afterwards they were uprooted from their base in Kennedy Road in vicious attacks attributed to the local ANC. Matters were not so successful in relation to water, although Johannesburg's supply is now produced and distributed by public agencies (Suez was sent back to Paris after its controversial 2001-06 protest-ridden management of municipal water). In April 2008 a major constitutional lawsuit in the High Court resulted in a doubling of free water to 50 litres per person per day and the prohibition of pre-payment water meters, but the Constitutional Court reversed this decision in September 2009 on grounds that judges should not make such detailed policy, leading activists to commit to illegal reconnections if required. The ability of social movements in the health and housing sectors to win major concessions from the capitalist state's courts under conditions of crisis is hotly contested, and will have further implications for movement strategies in the months ahead.

The broader challenge for South Africans committed to a different society and economy is combining requisite humility based upon the limited gains social movements have won so far (in many cases matched by the worsening of regular defeats) with the soaring ambitions required to match the scale of the systemic crisis and the extent of social protest. Looking retrospectively, it is easy to see that the independent left – the radical social movements, serious environmentalists, internationalist activists and the left intelligentsia – peaked too early, in the impressive marches against Durban's World Conference Against Racism in 2001 and Johannesburg's World Summit on Sustainable Development in 2002. The 2003 protests against the US/UK for the Iraq war were impressive, too. But in retrospect, although in each case they out-organized the Alliance, the harsh reality of weak local organization outside the three largest cities – plus interminable splits within the community – created major ideological, strategic and material problems that South Africa's independent left has failed to overcome, including divisions between its various currents.

By all accounts, the crucial leap forward will be when leftist trade unions and the more serious SA Communist Party members ally with the independent left. The big question is, when will Cosatu radicals reach the limits of their project within the Alliance. Many had anticipated the showdown in 2007 to go badly for unionists and communists, and they (myself included) were proven very wrong. There is probably no better national trade union movement in the English-speaking world than Cosatu, and the National Union of Metalworkers' regular bouts with neoliberal macroeconomic policy-makers are indicative of the soaring ambitions and harsh realities of life inside the Alliance.

These challenges are not particularly new nor unique, with many socialists in Latin America and Asia reporting similar opportunities during this crisis, but profound barriers to making the decisive gains anticipated. It is, however, in South Africa's intense confrontations during capitalist crisis that we may soon see, as we did in the mid-1980s and early 2000s, a resurgence of perhaps the world's most impressive urban social movements. And if not, we may see a degeneration into far worse conditions than even now prevail, in a post-apartheid South Africa more economically unequal, more environmentally unsustainable and more justified in fostering anger-ridden grassroots expectations, than during apartheid itself.

References

under construction