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CHAPTER 10

DEMOCRACY BORN IN CHAINS

SOUTH AFRICA'S CONSTRICTED FREEDOM

Reconciliation means that those who have been on the underside of history must see that there is a qualitative difference between repression and freedom. And for them, freedom translates into having a supply of clean water, having electricity on tap; being able to live in a decent home and have a good job; to be able to send your children to school and to have accessible health care. I mean, what's the point of having made this transition if the quality of life of these people is not enhanced and improved? If not, the vote is useless.

—Archbishop Desmond Tutu, chair of South Africa's Truth and Reconciliation Commission, 2001[1]

Before transferring power, the Nationalist Party wants to emasculate it. It is trying to negotiate a kind of swap where it will give up the right to run the country its way in exchange for the right to stop blacks from running it their own way.

—Allister Sparks, South African journalist[2]

In January 1990, Nelson Mandela, age seventy-one, sat down in his prison compound to write a note to his supporters outside. It was meant to settle a debate over whether twenty-seven years behind bars, most of it spent on Robben Island off the coast of Cape Town, had weakened the leader's commitment to the economic transformation of South Africa's apartheid state. The note was only two sentences long, and it decisively put the matter to rest: "The nationalisation of the mines, banks and monopoly industries is the policy of the ANC, and the change or modification of our views in this regard is inconceivable. Black economic empowerment is a goal we fully support and encourage, but in our situation state control of certain sectors of the economy is unavoidable."[3]

History, it turned out, was not over just yet, as Fukuyama had claimed. In South Africa, the largest economy on the African continent, it seemed that some people still believed that freedom included the right to reclaim and redistribute their oppressors' ill-gotten gains.

That belief had formed the basis of the policy of the African National Congress for thirty-five years, ever since it was spelled out in its statement of core principles, the Freedom Charter. The story of the charter's drafting is the stuff of folklore in South Africa, and for good reason. The process began in 1955, when the party dispatched fifty thousand volunteers into the townships and countryside. The task of the volunteers was to collect "freedom demands" from the people—their vision of a postapartheid world in which all South Africans had equal rights. The demands were handwritten on scraps of paper: "Land to be given to all landless people," "Living wages and shorter hours of work," "Free and compulsory education, irrespective of color, race or nationality," "The right to reside and move about freely" and many more.[4] When the demands came back, leaders of the African National Congress synthesized them into a final document, which was officially adopted on June 26, 1955, at the Congress of the People, held in Kliptown, a "buffer zone" township built to protect the white residents of Johannesburg from the teeming masses of Soweto. Roughly three thousand delegates—black, Indian, "colored" and a few white—sat together in an empty field to vote on the contents of the document. According to Nelson Mandela's account of the historic Kliptown gathering, "the charter was read aloud, section by section, to the people in English, Sesotho and Xhosa. After each section, the crowd shouted its approval with cries of '*Afrika!*' and '*Mayibuye!*' "[5] The first defiant demand of the Freedom Charter reads, "The People Shall Govern!"

In the mid-fifties, that dream was decades away from fulfillment. On the Congress's second day, the gathering was violently broken up by police, who claimed the delegates were plotting treason.

For three decades, South Africa's government, dominated by white Afrikaners and British, banned the ANC and the other political parties that were intent on ending apartheid. Throughout this period of intense repression, the Freedom Charter continued to circulate, passed from hand to hand in the revolutionary underground, its power to inspire hope and resistance undiminished. In the 1980s, it was picked up by a new generation of young militants who emerged in the townships. Fed up with patience and good behavior and braced to do whatever it took to topple white domination, the young radicals stunned their parents with their fearlessness. They took to the streets without illusion, chanting, "Neither bullets nor tear gas will stop us." They faced massacre after massacre, buried friends, kept singing and kept coming. When the militants were asked what they were fighting against, they answered, "Apartheid" or "Racism"; asked what they were fighting for, many replied "Freedom" and, often, "The Freedom Charter."

The charter enshrines the right to work, to decent housing, to freedom of thought, and, most radically, to a share in the wealth of the richest country in Africa, containing, among other treasures, the largest goldfield in the world. "The national wealth of our country, the heritage of South Africans, shall be restored to the people; the mineral wealth beneath the soil, the Banks and monopoly industry shall be transferred to the ownership of the people as a whole; all other industry and trade shall be controlled to assist the well-being of the people," the charter states.[6]

At the time of its drafting, the charter was viewed by some in the liberation movement as positively centrist, by others as unforgivably weak. The Pan-Africanists castigated the ANC for conceding too much to white colonizers (why did South Africa belong to "everyone, black *and* white?" they asked; the manifesto should have demanded, as the Jamaican black nationalist Marcus Garvey had, "Africa for the Africans.") The staunch Marxists dismissed the demands as "petty bourgeois": it wasn't revolutionary to divide the ownership of the land among all people; Lenin said that private property itself must be abolished.

What was taken as a given by all factions of the liberation struggle was that apartheid was not only a political system regulating who was allowed to vote and move freely. It was also an *economic* system that used racism to enforce a highly lucrative arrangement: a small white elite had been able to amass enormous profits from South Africa's mines, farms and factories because a large black majority was prevented from owning land and forced to provide its labor for far less than it was worth—and was beaten and imprisoned when it dared to rebel. In the mines, whites were paid up to ten times more than blacks, and, as in Latin America, the large industrialists worked closely with the military to have unruly workers disappeared.[7]

What the Freedom Charter asserted was the baseline consensus in the liberation movement that freedom would not come merely when blacks took control of the state but when the wealth of the land that had been illegitimately confiscated was reclaimed and redistributed to the society as a whole. South Africa could no longer be a country with Californian living standards for whites and Congolese living standards for blacks, as the country was described during the apartheid years; freedom meant that it would have to find something in the middle.

That was what Mandela was confirming with his two-sentence note from prison: he still believed in the bottom line that there would be no freedom without redistribution. With so many other countries now also "in transition," it was a statement with enormous implications. If Mandela led the ANC to power and nationalized the banks and the mines, the precedent would make it far more difficult for Chicago School economists to dismiss such proposals in other countries as relics of the past and insist that only unfettered free markets and free trade had the ability to redress deep inequalities.

On February 11, 1990, two weeks after writing that note, Mandela walked out of prison a free man, as close to a living saint as existed anywhere in the world. South Africa's townships exploded in celebration and renewed conviction that nothing could stop the struggle for liberation. Unlike the movement in Eastern Europe, South Africa's was not beaten down but a movement on a roll. Mandela, for his part, was suffering from such an epic case of culture shock that he mistook a camera microphone for "some newfangled weapon developed while I was in prison."[8]

It was definitely a different world from the one he had left twenty-seven years earlier. When Mandela was arrested in 1962, a wave of Third World nationalism was sweeping the African continent; now it was torn apart by war. While he was in prison, socialist revolutions had been ignited and extinguished: Che Guevara had been killed in Bolivia in 1967; Salvador Allende had died in the coup of 1973; Mozambique's liberation hero and president, Samora Machel, had perished in a mysterious plane crash in 1986. The late eighties and early nineties saw the fall of the Berlin Wall, the repression in Tiananmen Square and the collapse of Communism. Amid all this change there was little time for catching up: immediately on his release, Mandela had a people to lead to freedom while preventing a civil war and an economic collapse—both of which looked like distinct possibilities.

If there was a third path between Communism and capitalism—a way of democratizing the country and redistributing wealth at the same time—South Africa under the ANC looked uniquely positioned to turn that persistent dream into reality. It wasn't only the global outpouring of admiration and support for Mandela but also the particular way in which the anti-apartheid struggle had taken shape in the preceding years. In the eighties, it had become a truly global mass movement, and outside South Africa, the weapon that activists wielded most effectively was the corporate boycott—both of South African–made products and of international firms that did business with the apartheid state. The goal of the boycott strategy was to put enough of a squeeze on the corporate sector that it would lobby the intransigent South African government to end apartheid. But there was also a moral component to the campaign: many consumers firmly believed that companies that were profiting from white supremacist laws deserved to take a financial hit.

It was this attitude that gave the ANC a unique opportunity to reject the free-market orthodoxy of the day. Since there was already widespread agreement that corporations shared responsibility for the crimes of apartheid, the stage was set for Mandela to explain why key sectors of South Africa's economy needed to be nationalized just as the Freedom Charter demanded. He could have used the same argument to explain why the debt accumulated under apartheid was an illegitimate burden to place on any new, popularly elected government. There would have been plenty of outrage from the IMF, the U.S. Treasury and the European Union in the face of such undisciplined behavior, but Mandela was also a living saint—there would have been enormous popular support for it as well.

We will never know which of these forces would have proved more powerful. In the years that passed between Mandela's writing his note from prison and the ANC's 1994 election sweep in which he was elected president, something happened to convince the party hierarchy that it could not use its grassroots prestige to reclaim and redistribute the country's stolen wealth. So, rather than meeting in the middle between California and the Congo, the ANC adopted policies that exploded both inequality and crime to such a degree that South Africa's divide is now closer to Beverly Hills and Baghdad. Today, the country stands as a living testament to what happens when economic reform is severed from political transformation. Politically, its people have the right to vote, civil liberties and majority rule. Yet economically, South Africa has surpassed Brazil as the most unequal society in the world.

I went to South Africa in 2005 to try to understand what had happened in the transition, in those key years between 1990 and 1994, to make Mandela take a route that he had described so unequivocally as "inconceivable."

The ANC went into negotiations with the ruling National Party determined to avoid the kind of nightmare that neighboring Mozambique had experienced when the independence movement forced an end to Portuguese colonial rule in 1975. On their way out the door, the Portuguese threw a vindictive temper tantrum, pouring cement down elevator shafts, smashing tractors and stripping the country of all they could carry. To its enormous credit, the ANC did negotiate a relatively peaceful handover. However, it did not manage to prevent South Africa's apartheid-era rulers from wreaking havoc on their way out the door. Unlike their counterparts in Mozambique, the National Party didn't pour concrete—their sabotage, equally crippling, was far subtler, and was all in the fine print of those historic negotiations.

The talks that hashed out the terms of apartheid's end took place on two parallel tracks that often intersected: one was political, the other economic. Most of the attention, naturally, focused on the high-profile political summits between Nelson Mandela and F. W. de Klerk, leader of the National Party.

De Klerk's strategy in these negotiations was to preserve as much power as possible. He tried everything—breaking the country into a federation, guaranteeing veto power for minority parties, reserving a certain percentage of the seats in government structures for each ethnic group—anything to prevent simple majority rule, which he was sure would lead to mass land expropriations and the nationalizing of corporations. As Mandela later put it, "What the National Party was trying to do was to maintain white supremacy with our consent." De Klerk had guns and money behind him, but his opponent had a movement of millions. Mandela and his chief negotiator, Cyril Ramaphosa, won on almost every count.[9]

Running alongside these often explosive summits were the much lower profile economic negotiations, primarily managed on the ANC side by Thabo Mbeki, then a rising star in the party, now South Africa's president. As the political talks progressed, and it became clear to the National Party that Parliament would soon be firmly in the hands of the ANC, the party of South Africa's elites began pouring its energy and creativity into the economic negotiations. South Africa's whites had failed to keep blacks from taking over the government, but when it came to safeguarding the wealth they had amassed under apartheid, they would not give up so easily.

In these talks, the de Klerk government had a twofold strategy. First, drawing on the ascendant Washington Consensus that there was now only one way to run an economy, it portrayed key sectors of economic decision making—such as trade policy and the central bank—as "technical" or "administrative." Then it used a wide range of new policy tools—international trade agreements, innovations in constitutional law and structural adjustment programs—to hand control of those power centers to supposedly impartial experts, economists and officials from the IMF, the World Bank, the General Agreement on Tariffs and Trade (GATT) and the National Party—anyone except the liberation fighters from the ANC. It was a strategy of balkanization, not of the country's geography (as de Klerk had originally attempted) but of its economy.

This plan was successfully executed under the noses of ANC leaders, who were naturally preoccupied with winning the battle to control Parliament. In the process, the ANC failed to protect itself against a far more insidious strategy—in essence, an elaborate insurance plan against the economic clauses in the Freedom Charter ever becoming law in South Africa. "The people shall govern!" would soon become a reality, but the sphere over which they would govern was shrinking fast.

While these tense negotiations between adversaries were unfolding, the ANC was also busily preparing within its own ranks for the day when it would take office. Teams of ANC economists and lawyers formed working groups charged with figuring out exactly how to turn the general promises of the Freedom Charter—for housing amentites and health care—into practical policies. The most ambitious of these plans was Make Democracy Work, an economic blueprint for South Africa's postapartheid future, written while the high-level negotiations were taking place. What the party loyalists didn't know at the time was that while they were hatching their ambitious plans, the negotiating team was accepting concessions at the bargaining table that would make their implementation a practical impossibility. "It was dead before it was even launched," the economist Vishnu Padayachee told me of Make Democracy Work. By the time the draft was complete, "there was a new ball game."

As one of the few classically trained economists active in the ANC, Padayachee was enlisted to play a leading role in Make Democracy Work ("doing the number-crunching," as he puts it). Most of the people he worked alongside in those long policy meetings went on to top posts in the ANC government, but Padayachee did not. He has turned down all the offers of government jobs, preferring academic life in Durban, where he teaches, writes and owns the much-loved Ike's Bookshop, named after Ike Mayet, the first non-white South African bookseller. It was there, surrounded by carefully preserved out-of-print volumes on African history, that we met to discuss the transition.

Padayachee entered the liberation struggle in the seventies, as an adviser to South Africa's trade union movement. "We all had the Freedom Charter stuck on the back of our doors in those days," he recalled. I asked him when he knew its economic promises were not going to be realized. He first suspected it, he said, in late 1993, when he and a colleague from the Make Democracy Work group got a call from the negotiating team who were in the final stages of haggling with the National Party. The call was a request for them to write a position paper on the pros and cons of making South Africa's central bank an independent entity, run with total autonomy from the elected government—oh, and the negotiators needed it by morning.

"We were caught completely off guard," recalled Padayachee, now in his early fifties. He had done his graduate studies at Johns Hopkins University in Baltimore. He knew that at the time, even among free-market economists in the U.S., central bank independence was considered a fringe idea, a pet policy of a handful of Chicago School ideologues who believed that central banks should be run as sovereign republics within states, out of reach of the meddling hands of elected lawmakers.*[10] For Padayachee and his colleagues, who strongly believed that monetary policy needed to serve the new government's "big goals of growth, employment and redistribution," the ANC's position was a no-brainer: "There was not going to be an independent central bank in South Africa."

Padayachee and a colleague stayed up all night writing a paper that gave the negotiating team the arguments it needed to resist this curveball from the National Party. If the central bank (in South Africa called the Reserve Bank) was run separately from the rest of the government, it could restrict the ANC's ability to keep the promises in the Freedom Charter. Besides, if the central bank was not accountable to the ANC government, to whom, exactly, would it be accountable? The IMF? The Johannesburg Stock Exchange?

* Milton Friedman often joked that if he had his way, central banks would be based so purely on "economic science" that they would be run by giant computers—no humans required.

Obviously, the National Party was trying to find a backdoor way to hold on to power even after it lost the elections—a strategy that needed to be resisted at all costs. "They were locking in as much as possible," Padayachee recalled. "That was a clear part of the agenda."

Padayachee faxed the paper in the morning and didn't hear back for weeks. "Then, when we asked what happened, we were told, 'Well, we gave that one up.' " Not only would the central bank be run as an autonomous entity within the South African state, with its independence enshrined in the new constitution, but it would be headed by the same man who ran it under apartheid, Chris Stals. It wasn't just the central bank that the ANC had given up: in another major concession, Derek Keyes, the white finance minister under apartheid, would also remain in his post—much as the finance ministers and central bank heads from Argentina's dictatorship somehow managed to get their jobs back under democracy. *The New York Times* praised Keyes as "the country's ranking apostle of low-spending business-friendly government."[11]

Until that point, Padayachee said, "we were still buoyant, because, my God, this was a revolutionary struggle; at least there'd be *something* to come out of it." When he learned that the central bank and the treasury would be run by their old apartheid bosses, it meant "everything would be lost in terms of economic transformation." When I asked him whether he thought the negotiators realized how much they had lost, after some hesitation, he replied, "Frankly, no." It was simple horse-trading: "In the negotiations, something had to be given, and our side gave those things—I'll give you this, you give me that."

From Padayachee's point of view, none of this happened because of some grand betrayal on the part of ANC leaders but simply because they were outmaneuvered on a series of issues that seemed less than crucial at the time—but turned out to hold South Africa's lasting liberation in the balance.

What happened in those negotiations is that the ANC found itself caught in a new kind of web, one made of arcane rules and regulations, all designed to confine and constrain the power of elected leaders. As the web descended on the country, only a few people even noticed it was there, but when the new government came to power and tried to move freely, to give its voters the tangible benefits of liberation they expected and thought they had voted for, the strands of the web tightened and the administration discovered that its powers were tightly bound. Patrick Bond, who worked as an economic adviser in Mandela's office during the first years of ANC rule, recalls that the in-house quip was "Hey, we've got the state, where's the power?" As the new government attempted to make tangible the dreams of the Freedom Charter, it discovered that the power was elsewhere.

Want to redistribute land? Impossible—at the last minute, the negotiators agreed to add a clause to the new constitution that protects all private property, making land reform virtually impossible. Want to create jobs for millions of unemployed workers? Can't—hundreds of factories were actually about to close because the ANC had signed on to the GATT, the precursor to the World Trade Organization, which made it illegal to subsidize the auto plants and textile factories. Want to get free AIDS drugs to the townships, where the disease is spreading with terrifying speed? That violates an intellectual property rights commitment under the WTO, which the ANC joined with no public debate as a continuation of the GATT. Need money to build more and larger houses for the poor and to bring free electricity to the townships? Sorry—the budget is being eaten up servicing the massive debt, passed on quietly by the apartheid government. Print more money? Tell that to the apartheid-era head of the central bank. Free water for all? Not likely. The World Bank, with its large in-country contingent of economists, researchers and trainers (a self-proclaimed "Knowledge Bank"), is making private-sector partnerships the service norm. Want to impose currency controls to guard against wild speculation? That would violate the $850 million IMF deal, signed, conveniently enough, right before the elections. Raise the minimum wage to close the apartheid income gap? Nope. The IMF deal promises "wage restraint."[12] And don't even think about ignoring these commitments—any change will be regarded as evidence of dangerous national untrustworthiness, a lack of commitment to "reform," an absence of a "rules-based system." All of which will lead to currency crashes, aid cuts and capital flight. The bottom line was that South Africa was free but simultaneously captured; each one of these arcane acronyms represented a different thread in the web that pinned down the limbs of the new government.

A longtime antiapartheid activist, Rassool Snyman, described the trap to me in stark terms. "They never freed us. They only took the chain from around our neck and put it on our ankles." Yasmin Sooka, a prominent South African human rights activist, told me that the transition "was business saying, 'We'll keep everything and you [the ANC] will rule in name. . . . You can have political power, you can have the façade of governing, but the real governance will take place somewhere else.' "*[13] It was a process of infantilization that is common to so-called transitional countries—new governments are, in effect, given the keys to the house but not the combination to the safe.

Part of what I wanted to understand was how, after such an epic struggle for freedom, any of this could have been allowed to happen. Not just how the leaders of the liberation movement gave up the economic front, but how the ANC's base—people who had already sacrificed so much—let their leaders give it up. Why didn't the grassroots movement *demand* that the ANC keep the promises of the Freedom Charter and rebel against the concessions as they were being made?

I put the question to William Gumede, a third-generation ANC activist who, as a leader of the student movement during the transition, was on the streets in those tumultuous years. "Everyone was watching the political negotiations," he recalled, referring to the de Klerk–Mandela summits. "And if people felt it wasn't going well there would be mass protests. But when the economic negotiators would report back, people thought it was technical; no one was interested." This perception, he said, was encouraged by Mbeki, who portrayed the talks as "administrative" and of no popular concern (much like the Chileans with their "technified democracy"). As a result, he told me, with great exasperation, "We missed it! We missed the real story."

Gumede, who today is one of South Africa's most respected investigative journalists, says he came to understand that it was in those "technical" meetings that the true future of his country was being decided—though few understood it at the time. Like many people I spoke with, Gumede reminded me that South Africa was very much on the brink of civil war throughout the transition period—townships were being terrorized by gangs who had been

* It was the Chicago Boys in Chile, fittingly, who pioneered this process of democracy-proofing capitalism, or building what they called "new democracy." In Chile, before handing over power to an elected government after seventeen years of junta rule, the Chicago Boys rigged the constitution and the courts so it was legally next to impossible to reverse their revolutionary laws. They had many names for this process: building a "technified democracy," a "protected democracy," or, as Pinochet's young minister José Piñera put it, ensuring "insulation from politics." Alvaro Bardón, Pinochet's undersecretary of the economy, explained the classic Chicago School reasoning: "If we acknowledge economics as a science, this immediately implies less power for government or the political structure, since both lose responsibility for making such decisions."

armed by the National Party, police massacres were still taking place, leaders were still being assassinated and there was constant talk of the country descending into a bloodbath. "I was focusing on the politics—mass action, going to Bisho [site of a definitive showdown between demonstrators and police], shouting, 'Those guys must go!'" Gumede recalled. "But that was not the real struggle—the real struggle was over economics. And I *am* disappointed in myself for being so naive. I thought I was politically mature enough to understand the issues. How did I miss this?"

Since then, Gumede has been making up for lost time. When we met, he was in the middle of a national firestorm sparked by his new book, *Thabo Mbeki and the Battle for the Soul of the* ANC. It is an exhaustive exposé of precisely how the ANC negotiated away the country's economic sovereignty in those meetings he was too busy to pay attention to at the time. "I wrote the book out of anger," Gumede told me. "Anger at myself and at the party."

It's hard to see how the outcome could have been different. If Padayachee is right and the ANC's own negotiators failed to grasp the enormity of what they were bargaining away, what chance was there for the movement's street fighters?

During those key years when the deals were being signed, South Africans were in a constant state of crisis, ricocheting between the intense exuberance of watching Mandela walk free and the rage of learning that Chris Hani, the younger militant many hoped would succeed Mandela as leader, had been shot dead by a racist assassin. Other than a handful of economists, nobody wanted to talk about the independence of the central bank, a topic that works as a powerful soporific even under normal circumstances. Gumede points out that most people simply assumed that no matter what compromises had to be made to get into power, they could be unmade once the ANC was firmly in charge. "We were going to be the government—we could fix it later," he said.

What ANC activists didn't understand at the time was that it was the nature of democracy itself that was being altered in those negotiations, changed so that—once the web of constraints had descended on their country—there would effectively be no *later*.

In the first two years of ANC rule, the party still tried to use the limited resources it had to make good on the promise of redistribution. There was a flurry of public investment—more than a hundred thousand homes were built for the poor, and millions were hooked up to water, electricity and phone lines.[14] But, in a familiar story, weighed down by debt and under international pressure to privatize these services, the government soon began raising prices. After a decade of ANC rule, millions of people had been cut off from newly connected water and electricity because they couldn't pay the bills.* At least 40 percent of the new phones lines were no longer in service by 2003.[15] As for the "banks, mines and monopoly industry" that Mandela had pledged to nationalize, they remained firmly in the hands of the same four white-owned megaconglomerates that also control 80 percent of the Johannesburg Stock Exchange.[16] In 2005, only 4 percent of the companies listed on the exchange were owned or controlled by blacks.[17] Seventy percent of South Africa's land, in 2006, was still monopolized by whites, who are just 10 percent of the population.[18] Most distressingly, the ANC government has spent far more time denying the severity of the AIDS crisis than getting lifesaving drugs to the approximately 5 million people infected with HIV, though there were, by early 2007, some positive signs of progress.[19] Perhaps the most striking statistic is this one: since 1990, the year Mandela left prison, the average life expectancy for South Africans has dropped by thirteen years.[20]

Underlying all these facts and figures is a fateful choice made by the ANC after the leadership realized it had been outmaneuvered in the economic negotiations. At that point, the party could have attempted to launch a second liberation movement and break free of the asphyxiating web that had been spun during the transition. Or it could simply accept its restricted power and embrace the new economic order. The ANC's leadership chose the second option. Rather than making the centerpiece of its policy the redistribution of wealth that was already in the country—the core of the Freedom Charter on which it had been elected—the ANC, once it became the government, accepted the dominant logic that its only hope was to pursue new foreign investors who would create new wealth, the benefits of which would trickle down to the poor. But for the trickle-down model to have a hope of working, the ANC government had to radically alter its behavior to make itself appealing to investors.

This was not an easy task, as Mandela had learned when he walked out of prison. As soon as he was released, the South African stock market collapsed

* The question of whether more people have been cut off from new services than connected to them is highly contested in South Africa. At least one credible study has found that the cutoffs outnumber the connections: the government says it has connected nine million people to water; the study calculated ten million disconnections.

in panic; South Africa's currency, the rand, dropped by 10 percent.[21] A few weeks later, De Beers, the diamond corporation, moved its headquarters from South Africa to Switzerland.[22] This kind of instant punishment from the markets would have been unimaginable three decades earlier, when Mandela was first imprisoned. In the sixties, it was unheard of for multinationals to switch nationalities on a whim and, back then, the world money system was still firmly linked to the gold standard. Now South Africa's currency had been stripped of controls, trade barriers were down and most trading was short-term speculation.

Not only did the volatile market not like the idea of a liberated Mandela, but just a few misplaced words from him or his fellow ANC leaders could lead to an earth-shaking stampede by what the *New York Times* columnist Thomas Friedman has aptly termed "the electronic herd."[23] The stampede that greeted Mandela's release was just the start of what became a call-and-response between the ANC leadership and the financial markets—a shock dialogue that trained the party in the new rules of the game. Every time a top party official said something that hinted that the ominous Freedom Charter might still become policy, the market responded with a shock, sending the rand into free fall. The rules were simple and crude, the electronic equivalent of monosyllabic grunts: justice—expensive, sell; status quo—good, buy. When, shortly after his release, Mandela once again spoke out in favor of nationalization at a private lunch with leading businessmen, "the All-Gold Index plunged by 5 per cent."[24]

Even moves that seemed to have nothing to do with the financial world but betrayed some latent radicalism seemed to provoke a market jolt. When Trevor Manuel, an ANC minister, called rugby in South Africa a "white minority game" because its team was an all-white one, the rand took another hit.[25]

Of all the constraints on the new government, it was the market that proved most confining—and this, in a way, is the genius of unfettered capitalism: it's self-enforcing. Once countries have opened themselves up to the global market's temperamental moods, any departure from Chicago School orthodoxy is instantly punished by traders in New York and London who bet against the offending country's currency, causing a deeper crisis and the need for more loans, with more conditions attached. Mandela acknowledged the trap in 1997, telling the ANC's national conference, "The very mobility of capital and the globalisation of the capital and other markets, make it impossible for countries, for instance, to decide national economic policy without regard to the likely response of these markets."[26]

The person inside the ANC who seemed to understand how to make the shocks stop was Thabo Mbeki, Mandela's right hand during his presidency and soon to be his successor. Mbeki had spent many of his years of exile in England, studying at the University of Sussex, then moving to London. In the eighties, while the townships of his country were flooded with tear gas, he was breathing in the fumes of Thatcherism. Of all the ANC leaders, Mbeki was the one who mingled most easily with business leaders, and before Mandela's release, he organized several secret meetings with corporate executives who were afraid of the prospect of black majority rule. In 1985, after a night of drinking Scotch with Mbeki and a group of South African businesspeople at a Zambian game lodge, Hugh Murray, the editor of a prestigious business magazine, commented, "The ANC supremo has a remarkable ability to instill confidence, even in the most fraught circumstances."[27]

Mbeki was convinced that the key to getting the market to calm down was for the ANC to instill that kind of clubby confidence on a much larger scale. According to Gumede, Mbeki took on the role of free-market tutor within the party. The beast of the market had been unleashed, Mbeki would explain; there was no taming it, just feeding it what it craved: growth and more growth.

So, rather than calling for the nationalization of the mines, Mandela and Mbeki began meeting regularly with Harry Oppenheimer, former chairman of the mining giants Anglo-American and De Beers, the economic symbols of apartheid rule. Shortly after the 1994 election, they even submitted the ANC's economic program to Oppenheimer for approval and made several key revisions to address his concerns, as well as those of other top industrialists.[28] Hoping to avoid getting another shock from the market, Mandela, in his first postelection interview as president, carefully distanced himself from his previous statements favoring nationalization. "In our economic policies . . . there is not a single reference to things like nationalization, and this is not accidental," he said. "There is not a single slogan that will connect us with any Marxist ideology."*[29] The financial press offered steady encouragement for this conversion: "Though the ANC still has a powerful leftist wing," *The Wall Street Journal* observed, "Mr. Mandela has in recent days sounded more like Margaret Thatcher than the socialist revolutionary he was once thought to be."[30]

* In fact, the ANC's official economic platform, on which it had been elected, called for "increasing the public sector in strategic areas through, for example, nationalisation." Then there was the Freedom Charter, which continued to be the party's manifesto.

The memory of its radical past still clung to the ANC, and despite the new government's best efforts to appear unthreatening, the market kept inflicting its painful shocks: in a single month in 1996, the rand dropped 20 percent, and the country continued to hemorrhage capital as South Africa's jittery rich moved their money offshore.[31]

Mbeki convinced Mandela that what was needed was a definitive break with the past. The ANC needed a completely new economic plan—something bold, something shocking, something that would communicate, in the broad, dramatic strokes the market understood, that the ANC was ready to embrace the Washington Consensus.

As in Bolivia, where the shock therapy program was prepared with all the secrecy of a covert military operation, in South Africa only a handful of Mbeki's closest colleagues even knew that a new economic program was in the works, one very different from the promises they had all made during the 1994 elections. Of the people on the team, Gumede writes, "all were sworn to secrecy and the entire process was shrouded in deepest confidentiality lest the left wing get wind of Mbeki's plan."[32] The economist Stephen Gelb, who took part in drafting the new program, admitted that "this was 'reform from above' with a vengeance, taking to an extreme the arguments in favour of insulation and autonomy of policymakers from popular pressures."[33] (This emphasis on secrecy and insulation was particularly ironic given that, under the tyranny of apartheid, the ANC had pulled off a remarkably open and participatory process to come up with the Freedom Charter. Now, under a new order of democracy, the party was opting to hide its economic plans from its own caucus.)

In June 1996, Mbeki unveiled the results: it was a neoliberal shock therapy program for South Africa, calling for more privatization, cutbacks to government spending, labor "flexibility," freer trade and even looser controls on money flows. According to Gelb, its overriding aim "was to signal to potential investors the government's (and specifically the ANC's) commitment to the prevailing orthodoxy."[34] To make sure the message was loud and clear to traders in New York and London, at the public launch of the plan, Mbeki quipped, "Just call me a Thatcherite."[35]

Shock therapy is always a market performance—that is part of its underlying theory. The stock market loves overhyped, highly managed moments that send stock prices soaring, usually provided by an initial public stock offering, the announcement of a huge merger or the hiring of a celebrity CEO. When economists urge countries to announce a sweeping shock therapy package, the advice is partially based on an attempt to imitate this kind of high-drama market event and trigger a stampede—but rather than selling an individual stock, they are selling a country. The hoped-for response is "Buy Argentine stocks!" "Buy Bolivian bonds!" A slower, more careful approach, on the other hand, may be less brutal, but it deprives the market of these hype-bubbles, during which the real money gets made. Shock therapy is always a significant gamble, and in South Africa it didn't work: Mbeki's grand gesture failed to attract long-term investment; it resulted only in speculative betting that ended up devaluing the currency even further.

The Shock of the Base

"The new convert is always more zealous at these things. They want to please even more," remarked the Durban-based writer Ashwin Desai when we met to discuss his memories of the transition. Desai spent time in jail during the liberation struggle, and he sees parallels between the psychology in prisons and the ANC's behavior in government. In prison, he said, "if you please the warden more, you get a better status. And that logic obviously transposed itself into some of the things that South African society did. They did want to somehow prove that they were much better prisoners. Much more disciplined prisoners than other countries, even."

The ANC base, however, proved distinctly more unruly—which created a need for yet more discipline. According to Yasmin Sooka, one of the jurors on South Africa's Truth and Reconciliation Commission, the discipline mentality reached into every aspect of the transition—including the quest for justice. After hearing years of testimony about torture, killings and disappearances, the truth commission turned to the question of what kind of gestures could begin to heal the injustices. Truth and forgiveness were important, but so was compensation for the victims and their families. It made little sense to ask the new government to make compensation payouts, as these were not its crimes, and anything spent on reparations for apartheid abuses was money not spent building homes and schools for the poor in the newly liberated nation.

Some commissioners felt that multinational corporations that had benefited from apartheid should be forced to pay reparations. In the end the Truth and Reconciliation Commission made the modest recommendation of a onetime 1 percent corporate tax to raise money for the victims, what it called "a solidarity tax." Sooka expected support for this mild recommendation from the ANC; instead, the government, then headed by Mbeki, rejected any suggestion of corporate reparations or a solidarity tax, fearing that it would send an antibusiness message to the market. "The president decided not to hold business accountable," Sooka told me. "It was that simple." In the end, the government put forward a fraction of what had been requested, taking the money out of its own budget, as the commissioners had feared.

South Africa's Truth and Reconciliation Commission is frequently held up as a model of successful "peace building," exported to other conflict zones from Sri Lanka to Afghanistan. But many of those who were directly involved in the process are deeply ambivalent. When he unveiled the final report in March 2003, the commission's chairman, Archbishop Desmond Tutu, confronted journalists with freedom's unfinished business. "Can you explain how a black person wakes up in a squalid ghetto today, almost 10 years after freedom? Then he goes to work in town, which is still largely white, in palatial homes. And at the end of the day, he goes back home to squalor? I don't know why those people don't just say, 'To hell with peace. To hell with Tutu and the truth commission.' "[36]

Sooka, who now heads South Africa's Foundation for Human Rights, says that she feels that although the hearings dealt with what she described as "outward manifestations of apartheid such as torture, severe ill treatment and disappearances," it left the economic system served by those abuses "completely untouched"—an echo of the concerns about the blindness of "human rights" expressed by Orlando Letelier three decades earlier. If she had the process to do over again, Sooka said, "I would do it completely differently. I would look at the *systems* of apartheid—I would look at the question of land, I would certainly look at the role of multinationals, I would look at the role of the mining industry very, very closely because I think that's the real sickness of South Africa. . . . I would look at the systematic effects of the policies of apartheid, and I would devote only *one* hearing to torture because I think when you focus on torture and you don't look at what it was serving, that's when you start to do a revision of the real history."

Reparations in Reverse

The fact that the ANC dismissed the Commission's call for corporate reparations is particularly unfair, Sooka pointed out, because the government continues to pay the apartheid debt. In the first years after the handover, it cost the new government 30 billion rand annually (about $4.5 billion) in servicing—a sum that provides a stark contrast with the paltry total of $85 million that the government ultimately paid out to more than nineteen thousand victims of apartheid killings and torture and their families. Nelson Mandela has cited the debt burden as the single greatest obstacle to keeping the promises of the Freedom Charter. "That is 30 billion [rand] we did not have to build houses as we planned, before we came into government, to make sure that our children go to the best schools, that unemployment is properly addressed and that everybody has the dignity of having a job, a decent income, of being able to provide shelter to his beloved, to feed them. . . . We are limited by the debt that we inherited."[37]

Despite Mandela's acknowledgment that paying the apartheid bills has become a disfiguring burden, the party has opposed all suggestions that it default. The fear is that even though there is a strong legal case that the debts are "odious," any move to default would make South Africa look dangerously radical in the eyes of investors, thus provoking another market shock. Dennis Brutus, a longtime ANC member and a former prisoner on Robben Island, ran directly into that wall of fear. In 1998, seeing the financial stress the new government was under, he and a group of South African activists decided that the best way they could support the ongoing struggle was to start a "debt jubilee" movement. "I must say, I was so naive," Brutus, now in his seventies, told me. "I expected that the government would express appreciation to us, that the grass roots are taking up the issue of debt, you know, that it would reinforce the government taking up debt." To his astonishment, "the government repudiated us and said, 'No, we don't accept your support.' "

What makes the ANC's decision to keep paying the debt so infuriating to activists like Brutus is the tangible sacrifice made to meet each payment. For instance, between 1997 and 2004, the South African government sold eighteen state-owned firms, raising $4 billion, but almost half the money went to servicing the debt.[38] In other words, not only did the ANC renege on Mandela's original pledge of "the nationalisation of the mines, banks and monopoly industry" but because of the debt, it was doing the opposite—selling off national assets to make good on the debts of its oppressors.

Then there is the matter of where, precisely, the money is going. During the transition negotiations, F. W. de Klerk's team demanded that all civil servants be guaranteed their jobs even after the handover; those who wanted to leave, they argued, should receive hefty lifelong pensions. This was an extraordinary demand in a country with no social safety net to speak of, yet it was one of several "technical" issues on which the ANC ceded ground.[39] The concession meant that the new ANC government carried the cost of two governments—its own, and a shadow white government that was out of power. Forty percent of the government's annual debt payments go to the country's massive pension fund. The vast majority of the beneficiaries are former apartheid employees.*[40]

In the end, South Africa has wound up with a twisted case of reparations in reverse, with the white businesses that reaped enormous profits from black labor during the apartheid years paying not a cent in reparations, but the victims of apartheid continuing to send large paychecks to their former victimizers. And how do they raise the money for this generosity? By stripping the state of its assets through privatization—a modern form of the very looting that the ANC had been so intent on avoiding when it agreed to negotiations, hoping to prevent a repeat of Mozambique. Unlike what happened in Mozambique, however, where civil servants broke machinery, stuffed their pockets and then fled, in South Africa the dismantling of the state and the pillaging of its coffers continue to this day.

When I arrived in South Africa, the fiftieth anniversary of the signing of the Freedom Charter was approaching, and the ANC had decided to mark the event with a media spectacle. The plan was for Parliament to relocate for the day from its usual commanding home in Cape Town to the far more humble surroundings of Kliptown, where the charter was first ratified. The South African president, Thabo Mbeki, was going to take the occasion to rename Kliptown's main intersection the Walter Sisulu Square of Dedication, after one of the ANC's most revered leaders. Mbeki would also inaugurate a new Freedom Charter Monument, a brick tower in which the words of the Charter had been engraved on stone tablets, and light an eternal "flame of

* In fact, this one apartheid-era burden is simultaneously driving the growth of the country's overall debt and putting billions of rand of public money out of reach every year. A "technical" accounting change in 1989 switched the state pension fund from a "pay as you go" system, in which benefits are paid from contributions made in any given year, to a "fully funded" system, in which the fund has to have on hand enough capital to pay out 70 to 80 percent of its total liabilities at any given time—not a scenario it will ever face. As a result, the fund ballooned from 30 billion rand in 1989 to more than 300 billion rand in 2004—certainly qualifying as a debt shock. What this means for South Africans is that the huge pool of capital administered independently by the pension fund has been cordoned off and placed out of reach for spending on housing, health care or basic services. The pension agreement was actually negotiated on the ANC side by Joe Slovo, the legendary leader of the South African Communist Party, a fact that continues to be a source of great resentment in the country today.

freedom." Adjacent to this building, work was progressing on another monument, this one called the Freedom Towers, a pavilion of black and white concrete pillars designed to symbolize the charter's famous clause that says, "South Africa belongs to all those who live in it, black and white."[41]

The overall message of the event was hard to miss: fifty years ago, the party had promised to bring freedom to South Africa and now it had delivered—it was the ANC's own "mission accomplished" moment.

Yet there was something strange about the event. Kliptown—an impoverished township with dilapidated shacks, raw sewage in the streets and an unemployment rate of 72 percent, far higher than under apartheid—seems more like a symbol of the Freedom Charter's broken promises than an appropriate backdrop for such a slickly produced celebration.[42] As it turned out, the anniversary events were staged and art-directed not by the ANC but by an odd entity called Blue IQ. Though officially an arm of the provincial government, Blue IQ "operates in a carefully constructed environment which makes it look and feel more like a private sector company than a government department," according to its very glossy, and very blue, brochure. Its goal is to drum up new foreign investment in South Africa—part of the ANC program of "re-distribution through growth."

Blue IQ had identified tourism as a major growth area for investment, and its market research showed that for tourists visiting South Africa, a large part of the attraction is the ANC's global reputation for having triumphed over oppression. Hoping to build on this powerful draw, Blue IQ determined that there was no better symbol of the South African triumph-over-adversity narrative than the Freedom Charter. With that in mind, it launched a project to transform Kliptown into a Freedom Charter theme park, "a world-class tourist destination and heritage site offering local and international visitors a unique experience"—complete with museum, a freedom-themed shopping mall and a glass-and-steel Freedom Hotel. What is now a slum is set to be remade "into a desirous and prosperous" Johannesburg suburb, while many of its current residents will be relocated to slums in less historic locales.[43]

With its plans to rebrand Kliptown, Blue IQ is following the free-market playbook—providing incentives for business to invest, in the hope that it will create jobs down the road. What sets this particular project apart is that, in Kliptown, the foundation on which the entire trickle-down apparatus rests is a fifty-year-old piece of paper that called for a distinctly more direct road to poverty elimination. Redistribute the land so millions can sustain themselves from it, demanded the framers of the Freedom Charter, and take back the mines so the bounty can be used to build houses and infrastructure and create jobs in the process. In other words, cut out the middleman. Those ideas may sound like utopian populism to many ears, but after so many failed experiments in Chicago School orthodoxy, the real dreamers may be those who still believe that a scheme like the Freedom Charter theme park, which provided handouts to corporations while further disposessing the neediest people, will solve the pressing health and economic problems for the 22 million South Africans still living in poverty.[44]

After more than a decade since South Africa made its decisive turn toward Thatcherism, the results of its experiment in trickle-down justice are scandalous:

- Since 1994, the year the ANC took power, the number of people living on less than $1 a day has doubled, from 2 million to 4 million in 2006.[45]
- Between 1991 and 2002, the unemployment rate for black South Africans more than doubled, from 23 percent to 48 percent.[46]
- Of South Africa's 35 million black citizens, only five thousand earn more than $60,000 a year. The number of whites in that income bracket is twenty times higher, and many earn far more than that amount.[47]
- The ANC government has built 1.8 million homes, but in the meantime 2 million people have lost their homes.[48]
- Close to 1 million people have been evicted from farms in the first decade of democracy.[49]
- Such evictions have meant that the number of shack dwellers has grown by 50 percent. In 2006, more than one in four South Africans lived in shacks located in informal shantytowns, many without running water or electricity.[50]

Perhaps the best measure of the betrayed promises of freedom is the way the Freedom Charter is now regarded in different parts of South African society. Not so long ago, the document represented the ultimate threat to white privilege in the country; today it is embraced in business lounges and gated communities as a statement of good intentions, at once flattering and totally unthreatening, on a par with a flowery corporate code of conduct. But in the townships where the document adopted in a field in Kliptown was once electric with possibility, its promises are almost too painful to contemplate. Many South Africans boycotted the government-sponsored anniversary celebrations completely. "What is in the Freedom Charter is very good," S'bu Zikode, a leader of Durban's burgeoning shack dwellers' movement, told me. "But all I see is the betrayal."

In the end, the most persuasive argument for abandoning the redistribution promises of the Freedom Charter was the least imaginative one: everyone is doing it. Vishnu Padayachee summed up for me the message that the ANC leadership was getting from the start from "Western governments, the IMF and the World Bank. They would say, 'The world has changed; none of that left stuff means anything anymore; this is the only game in town.'" As Gumede writes, "It was an onslaught for which the ANC was wholly unprepared. Key economic leaders were regularly ferried to the head offices of international organizations such as the World Bank and IMF, and during 1992 and 1993 several ANC staffers, some of whom had no economic qualifications at all, took part in abbreviated executive training programs at foreign business schools, investment banks, economic policy think tanks and the World Bank, where they were 'fed a steady diet of neo-liberal ideas.' It was a dizzying experience. Never before had a government-in-waiting been so seduced by the international community."[51]

Mandela received a particularly intense dose of this elite form of schoolyard peer pressure when he met with European leaders at the 1992 World Economic Forum in Davos. When he pointed out that South Africa wanted to do nothing more radical than what Western Europe had done under the Marshall Plan after the Second World War, the Dutch minister of finance dismissed the parallel. "That was what we understood then. But the economies of the world are interdependent. The process of globalization is taking root. No economy can develop separately from the economies of other countries."[52]

As leaders like Mandela traveled the globalization circuit, it was pounded into them that even the most left-wing governments were embracing the Washington Consensus: the Communists in Vietnam and China were doing it, and so were the trade unionists in Poland and the social democrats in Chile, finally free from Pinochet. Even Russians had seen the neoliberal light—at the time the ANC was in its heaviest negotiations, Moscow was in the midst of a corporatist feeding frenzy, selling off its state assets to apparatchiks-turned-entrepreneurs as fast as it could. If Moscow had given in, how could a raggedy band of freedom fighters in South Africa resist such a forceful global tide?

That, at least, was the message being peddled by the lawyers, economists and social workers who made up the rapidly expanding "transition" industry—the teams of experts who hop from war-torn country to crisis-racked city, regaling overwhelmed new politicians with the latest best practice from Buenos Aires, the most inspiring success story from Warsaw, the most fearsome roar from the Asian Tigers. "Transitionologists" (as the NYU political scientist Stephen Cohen has called them) have a built-in advantage over the politicians they advise: they are a hypermobile class, while the leaders of liberation movements are inherently inward-looking.[53] By their very nature, people spearheading intense national transformations are narrowly focused on their own narratives and power struggles, often unable to pay close attention to the world beyond their borders. That's unfortunate, because if the ANC leadership had been able to cut through the transitionology spin and find out for itself what was really going on in Moscow, Warsaw, Buenos Aires and Seoul, it would have seen a very different picture.