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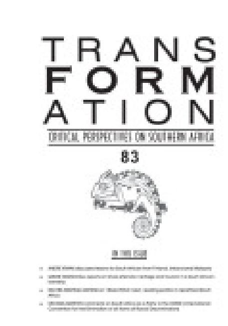

Article

A history of South African capitalism in national and global perspective

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Abstract

Keith Hart and Vishnu Padayachee locate the development of South African capitalism in the context of global developments in the long twentieth century, arguably the first time that such an analysis has been attempted. This paper grapples with multiple relationships, including that between the local and the global, the universal and the particular, and the historical and the present. The durable features of South African capitalism since its modern inception, it is argued, are mining, racial domination and an uneven relationship between the state, finance and industry. Although the national economy went through long swings between an external and internal orientation, each of the main periods highlighted in their analysis has been marked by both.

A two-tier economy between national capitalism and globalisation

South Africa emerged from the British empire as an export enclave with a dual economy structured along racial lines. Since the end of apartheid, these lines have become more blurred, but economic inequality has increased. In the twentieth century, South Africa aspired to build a national economy based on an evolving relationship between the state, industry and finance. The racial premises of this national project are now officially abandoned, the mines sector is weaker and the ANC government faces a world economic crisis with a stagnant and still highly unequal economy.

The World Economic Forum (Schwab 2012) identifies 12 ‘pillars’ of sustainable national competitiveness: institutions; infrastructure; macroeconomic environment; health and primary education; higher education and training; goods market efficiency; labour market efficiency; financial market development; technological readiness; market size; business sophistication; and innovation. One hundred and forty-two countries are then ranked according to relevant variables in a Global Competitiveness Index. South Africa is number 50 overall in this table, but then the BRICS are not much different: China 26, Brazil 53, India 56 and Russia 66. The top ten is dominated by European countries, with Switzerland (the source of the report) number 1. South Africa's detailed profile is extreme. The country scores near the top on a range of indicators related to business (corporate governance and financial market development, for example) and near the bottom on human development indicators (life expectancy and education) and labour productivity.[1]

Inequality is endemic in our world, despite the rise of democracy as the only legitimate form of government. What we have here is a 'world-class' business sector surrounded by human misery. It would have been easy to explain such dualism not long ago, when South Africa was a notoriously racist society run for the benefit of whites only; and perhaps two decades of ANC rule are too short to undo the legacy of neglect and harassment endured by the poor Black majority for over a century. But South Africa's continuing first world corporate capitalism and the third world conditions most citizens live in are both to a significant extent a product of post-apartheid government. The arrival of 'democracy' since 1994 in the form of black majority rule has seen an increase in economic inequality. The social glue for this paradoxical situation is the ANC's ability to count on the votes of the black majority whose interests it systematically neglects.

South Africa's growth rate of an average 3 per cent a year is less than half that of the seven African countries who (with China, India and Vietnam) currently make up the top ten fastest-growing economies in the world (*The Economist*, January 6, 2011). The country's relative stagnation is surely an effect of its business-friendly ('neoliberal') economic model. In this chapter we provide some background to those that follow, paying particular attention to both national and global perspectives on South African capitalism.

Our narrative starts with the diamond and gold discoveries of the late nineteenth century. Any national economy has its own specific history and institutions. Too often, however, South Africa's economic trajectory has been examined as a phenomenon *sui generis*, whereas the country has been an integral part of developments in the world economy for the last century and a half. South Africa has been home to global heroes like Gandhi and Mandela; it produced the gold that underpinned world trade in an age of financial imperialism; was not exempted from two world wars; was boycotted worldwide as a racist pariah state; and enthusiastically participated in a phase of neoliberal globalisation that culminated in the current economic crisis.

South Africa's relationship to the rest of Africa has been ambiguous throughout; and this was reflected in its recent admission to the club known as the BRICS, even though its economy is much smaller and less dynamic than China's or Brazil's. We believe that South Africa's future must be linked to Africa's demographic and economic expansion in the twenty-first century. But the tradition of viewing the country as an exception to its region dies slowly. The challenge is to understand the global, regional and national dimensions of South Africa's trajectory together.

'National capitalism' is the modern synthesis of nation-states and industrial capitalism, the institutional attempt to manage money, markets and accumulation through central bureaucracy for the benefit of a cultural community of national citizens. It is linked to the rise of large corporations as the dominant form of capitalist organisation. Its main symbol has been a national monopoly currency (legal tender managed by a central bank). National capitalism was never the only active principle in world political economy: regional federations, empires and globalization are at least as old or much older. Its origins lay in a series of linked revolutions of the 1860s and early 1870s based on a new alliance between capitalists and the military landlord class. National governments launched a bureaucratic revolution in the late nineteenth century and then sponsored large corporations in a drive towards mass production. The national system became generalised after the First World War when states turned inward to manage their economies in war and depression. Its apogee was the social democracy built after 1945. National capitalism has been in decline since the 1970s, ever since the US dollar went off gold in 1971 and money futures were invented in Chicago the next year. It still dominates popular and professional thinking about the economy, however.

We have already made a case for South Africa's future as an integral part of Africa (Hart and Padayachee 2010). The present chapter builds on Padayachee's exploration of South Africa as a 'variety of capitalism' (see first article in this issue) and this is reflected in our focus here on business history and national institutions. Hart has published several accounts of national capitalism's trajectory in world history (eg Hart 2009). Our partnership reproduces the opposition between universal propositions and historical particulars. South Africa's history is locally specific, but it is part of the world and we must find ways of reconciling the two. Moreover, the current global crisis may be understood in part as the result of a growing disjuncture between the institutions of national capitalism and the needs of an emergent world society.

South African capitalism in the world economy: theme and variations

The South African union is only a century old, its capitalism not much older. Legassick (2007) distinguishes three phases of its development: the mining revolution of the late nineteenth century in the context of financial imperialism; from the 1920s, a 'Latin-American-style' import substitution phase with diversification into consumer goods industries for the limited white market, while mining was still based on cheap black labour; after 1945, forward linkages were made from mining into the steel and chemical sectors in what came to be known as the Minerals-Energy Complex (see Fine and Ashman, and Webster articles in this issue).

When the world market was opening up during the three decades before 1914, South Africa contributed the gold that underpinned its monetary mechanism. If the world turned inwards between the wars (1914-1945), so too did a racially segregated South Africa in the face of large-scale African migration to the cities and global economic depression. In 1948, the Afrikaners achieved their own version of the anti-colonial revolution, claiming its privileges exclusively for whites. The subsequent economic boom was marked by remarkable growth rates in the 1960s. From the early1970s, the South African economy went into a decline that has not yet been reversed. The end of the Bretton Woods system signalled a shift from gold to oil as the key global commodity, with profound consequences for South Africa. Until then, the national economy had been protected from the destabilising effects of fluctuating prices of gold and other commodities. After 1971, like other primary commodity exporters, it was vulnerable to volatile markets. During the 1970s and 1980s the instability of the gold price removed the historical protection the South African economy had enjoyed previously. The economic crisis came to a head in the late 1980s with the political result that we all know.

We organise South African economic history with reference to national capitalism's general trajectory in the world economy:

1. 1860s - 1870s Revolutionary origins of national capitalism on a world scale
2. 1880s - 1914 Globalisation driven by financial imperialism

3. 1914 - 1945 The ‘second thirty years war’ including the Great Depression
4. 1945 - 1970s The ‘golden age’ of social democracy
5. 1980 - 2008 Neo-liberal globalisation led by finance
6. 2008 - ? The current world economic crisis

The 1860s saw a transport and communications revolution (steamships, continental railways and the telegraph) that decisively opened up the world economy. A series of political revolutions gave the leading powers an institutional means of organising industrial capitalism at this time. These included the American civil war, Britain’s second reform act, Japan’s Meiji Restoration and German unification. The British invented the bank rate in the 1850s as one way of giving central banks control of a national monopoly currency. Britain was also able to impose a gold standard on world trade. Governments had the choice between restricting their money supply to whatever was backed by gold or of issuing a national scrip that was worthless in international exchange.

Arthur Lewis (1978) claims that the global economy took on a definitively racial character in the context of massive international migration during three decades around 1900. Fifty million Europeans left home to settle in temperate lands (three in four to the United States) and a similar number of Indians and Chinese (‘coolies’) were shipped to the colonies as indentured labourers. These two streams of migrants had to be kept apart since, although their work was often similar; whites were paid on average nine shillings a day, Asians one shilling a day. Where Asian workers were allowed to settle, the price of local wage labour was driven down to their level. This division of the world into countries of dear and cheap labour had profound consequences, for high-wage economies sustain higher levels of demand than their low-wage counterparts. Moreover, world trade has been organised ever since in the interests of the better-paid. The two countries where these two migration streams converged were the United States and South Africa. In South Africa poor whites competed with formerly indentured Indian labourers in Natal where pioneering discriminatory legislation was later adapted to the segregation of black and white people as black African migrants went to work on the mines and commercial farms. Mohandas K Gandhi learned his anti-colonial politics while spending two decades in Durban and Johannesburg at this time (1893-1913). The Union was formed in 1910 as a compromise between the two main white groups.

Charles Feinstein (2005) depicts South Africa as being trapped until now between its origin as an imperialist export enclave and an aspiration to become a fully modern industrial economy which has been frustrated by continuing reliance on cheap black labour. The two poles of this story are export enclave development and 'national capitalism', the attempt to harness economic growth for the benefit of all citizens. South Africa has seen two such attempts, the first launched between the wars for the benefits of Whites only (led by Afrikaners); this culminated in the apartheid regime installed after the Second World War. The second is the ANC government's drive to develop a genuinely inclusive national economy with the result that we have already indicated.

Feinstein insists that South Africa's failure to make a successful transition to industrial modernity was a consequence of a refusal to extend full citizenship to the African majority. According to him, a modern economy is one where: the home market is stimulated by equalising incomes across the classes; a national system of education ensures the development of a skilled labour force in support of industrialization; citizenship is extended to the workplace (unions, bargaining, etc); and the government cares for the health, welfare and housing of all the people. After decades in which this recipe has been under systematic attack, the WEF report cited above shows that it may be coming back into vogue. Certainly Brazil, India and even China in its own way all show more awareness than South Africa's government of a developmental need for social democracy in some form.

Marx's analysis in the central section of *Capital Volume 1* (Marx 1867) is similar. Here he contrasts two routes to capitalist development: a regressive form based on exploitation of cheap labour (*absolute surplus value*) and a progressive form based on improving labour efficiency, mainly by mechanisation (*relative surplus value*). Abundant cheap labour offers one way into the international economy, but increased productivity is the only way of staying there. Export enclave development is the opposite of national capitalism since it does not provide a route to modernity. South Africa's economy departed from the pure model of export enclave development because of pressure from poor Afrikaners and the white working class in general for a version of national capitalism where the colour bar ensured that they were its principal beneficiaries. African labour remained poorly paid despite the scarcity of its supply, especially in the early decades of capitalist development. In this period, indentured Indian labour was brought in to work on the sugar plantations and Chinese workers for the mines.

Neither of South Africa's two attempts at national development, by Afrikaners and the ANC, succeeded. Why? In the first case, the exclusion of the black majority made failure to develop an educated labour force with real purchasing power inevitable. The apartheid regime achieved some success through import-substituting industrialisation. But manufacturing industry for the home market was always subsidised by mining exports and, when these collapsed, so did the national economy. Although apartheid South Africa was introverted, at war with the rest of Africa and looked to faraway white countries as role models, its economy was less isolated at this time than it might seem.

In the second case, national integration trumped international solidarity for the ANC, despite former President Mbeki's campaign to lead an African Renaissance. The party came to power without coherent economic policies, relying rather on a belief in state power and abstract socialist rhetoric. They soon ditched popular mobilisation (the Reconstruction and Development Porgramme, or RDP) for neoliberal macroeconomics (the Orwellian Growth, Employment and Redistribution programme or GEAR). As in the 1970s, a precious metals boom has kept revenues from mining up since the millennium, but manufacturing industry has given way to finance and telecommunications, while the energy sector, which only became a central focus in the 1980s, remains important. For all the neoliberal rhetoric, South Africa maintains a high level of public expenditure, but with much waste, incompetence and corruption. Thus education is the most expensive budget item after debt interest repayments, but the system is one of the world's worst. Unemployment and poverty are normal for the black majority and whites still control most major businesses. Rent-seeking (unearned income from exploitation of political privilege) has become a multi-racial exercise. Relations between South Africa and its region are a mess (Hart and Padayachee 2010) and xenophobic attacks have revealed considerable tension between South African citizens and African migrants.

For too long, South Africans have compared themselves with the metropolis and other outposts of empire rather than their own region. Now they seek to align themselves with the BRICS. But the latter are not a cohesive economic bloc, choosing rather to make individual deals on an opportunistic basis; and South Africa's political economy today has more in common with Russia than with China, India or Brazil. With a population of only 50 million, three-quarters of them with little money to spend, South Africa's home market is too small and its export potential is limited; but the country is well-placed to expand into Africa's growing services economy (not least through finance). Both nationalism and neglect of the country's poor citizens stand in the way of such a development path.

South Africa's specific problems share much with the general model of national capitalism, while economic expansion in the SADC region and the rest of Africa offer the most plausible way forward. In the sections to come, we compare two periods of financial globalisation, each lasting about three decades, which form the book ends for a period from the First World War to the end of the 1970s when most economies, including South Africa's, turned inward to national capitalism. The financial crisis of 2008 has destabilised the world economy as a whole, while political unrest has become widespread since.

South African capitalism in the first age of financial globalisation

South Africa was and still is for the most part a poor, dry country. Apart from a scattering of hunter-gatherers, it was only settled by African herders and farmers quite late, in the last millennium. Since then its history has been made by migrants. An influx of British migrants secured the Cape for the Empire in the early nineteenth century and forced the Dutch to move inland to form the Afrikaner republics, while Shaka created the Zulu nation in the neighbourhood of Natal. A fourth major people, the Xhosa-speakers of the Eastern Cape, took shape in the course of the nineteenth century. The establishment of sugar plantations in Natal led to the arrival of Indian indentured labourers from the 1860s (Hart and Padayachee 2000).

South Africa did not develop a staple export comparable to Australian wool and Canadian timber. All this changed with the discovery of diamonds at Kimberley in 1868 and of gold in the Rand around the same time. Suddenly from the 1870s South Africa became a major exporter of precious minerals. For three decades from the 1880s, South Africa participated fully in a globalisation process driven by imperial rivalry and *haute finance* (Polanyi 1944), with Britain at the centre of both. Cecil Rhodes entertained ambitious plans for British dominance of the African continent ('from the Cape to Cairo'); and after the Boer wars the British sunk a large part of their global public and private investment into South African infrastructure. The gold standard established inelastic demand for the country's main export commodity which financed subsidies to white commercial agriculture and later manufactures. British policy had been first to encourage Christian-educated African progressive farmers, but this was reversed by the adoption of a cheap labour policy for the mines. Some capitalists did on occasion argue for a more enlightened approach to black labour (higher wages and skills), especially from the First World War onwards; but the white working class demanded and won a colour bar.

Mining and racial segregation thus played a central role in South African capitalism from the beginning. The liberal historian, JA Hobson, drew heavily on South Africa for what he called 'the age of imperialism' (1961). For him, 'imperialism was due to the rise of what we now call oligopolies… and the tendency for these… large enterprises to influence their governments to secure particular advantages…through colonial-type relations' (Jomo 2002:1). Hobson elsewhere described the adventurous spirit and business acumen of the men who headed the main South African companies, in contrast to their counterparts in the metropolis, other colonial outposts and 'backward' regions, as follows:

> Never have I been so struck with the intellect and the audacious enterprise and foresight of great business men as here. Nor are these qualities confined to the Beits and Barnatos and other great capitalists; the town bristles and throbs with industrial and commercial energy. The utter dependence upon financial 'booms' and 'slumps' conjoined with the strain and kaleidoscopic changes of the political situation, has bred by selection and by education a type of man and of society which is as different from that of Manchester as the latter is from the life of Hankow or Buenos Ayres (1900:13).

The great mining houses *were* South African capitalism at this time. These included Consolidated Goldfields of South Africa (GFSA) founded by Rhodes in 1887; Central Rand Mines, founded by Alfred Beit and Julius Wernher in 1893; and Johannesburg Consolidated Investments (JCI) which Barney Barnato and the Joel family established in 1889. Beit, Wernher and Cecil Rhodes were life governors of the diamond mining giant, De Beers Consolidated Company.

The huge profits of the diamond mining companies meant that after an initial injection of foreign capital – under £20 million compared to diamonds mined worth some £320 million (First et al 1973: 111) – most of the industry's capital needs were met internally. Although some diamond profits found their way into gold mining, the technical and geological problems there, coupled with the fixed price of gold, required new foreign investment and a new ownership structure. As a result, syndicates and new corporations began to emerge, drawing on massive new foreign investment. According to Frankel (1938), between 1887 and 1932, the gold mines absorbed capital worth £200 million, of which £120 million came from abroad, mostly before 1914. Britain's investments in South Africa jumped from £34 million in 1884 to £351 million by 1911 (First et al 1973: 116).

The time lag between investment and dividends in deep-level mining was long and required stable economic and political conditions, which the mine-owners felt the Boer government in the Transvaal did not guarantee. At about this time, with the support of the banks, the more powerful and globally connected mining companies, led by Rhodes and Barnato, began to swallow up smaller mining companies and a period of intense centralisation followed. The weakness of the elite farmers and the lack of attractive industrial opportunities facilitated the concentration of the South African economy around mining. This tendency was matched in finance, where the large banks, Standard and Barclays, put most of the smaller banks out of business within a few years of the Union.

The world economy was booming at this time, not least in South Africa, but also in the United States, Brazil and Siberia, for example. Between 1890 and 1913, Russia was the fastest-growing economy in the world with annual growth rates around 10 per cent that match those of China and India in the last two decades. All of this was a consequence of the extension of global economy from its Western heartlands, a process captured in Rosa Luxemburg's *The Accumulation of Capital* (1915) and in Lenin's *Imperialism: the highest stage of capitalism* (1916). Lenin, however, in *The Development of Capitalism in Russia* (1899), preferred to emphasise the importance of intensification of capital investment and of strengthening the home market for manufacturing industry. This became the main focus of global capitalism in the twentieth century. South Africans in the first age of financial globalisation came to see their country as being linked primarily to London and New York. The contradictions of South African development have their origin at this time.

South Africa in the age of national capitalism

The finance-driven boom from the 1870s ended in 1913. This was when, coincidentally or not, the US Federal Reserve (a private business with close ties to the government) was formed and Henry Ford launched the first moving assembly line. Central banks and mass production were the key features of national capitalism, which now came into its own. Even Stalin's Soviet Union embraced 'socialism in one country' in what came to be seen as 'state capitalism' (Bettelheim 1963). The outbreak of war in 1914 was more than a watershed; it was an irreversible fissure in world history. The state acquired hitherto undreamt of powers: to mobilise and kill off huge armies, to control production and distribution, to monopolise propaganda. From now on it was a struggle between rival state forms (communism, fascism, welfare state democracy) for world domination; and market economy was no longer seen as the autonomous force it was taken for before. International trade was seriously disrupted by the war and many countries turned inwards towards the home market. The US-dominated Treaty of Versailles explicitly envisaged the end of empire and a future world society composed of independent nation-states. This was fulfilled by the formation of the United Nations in 1945 at the height of the anti-colonial revolution against European empire.

After the First World War, the 1920s saw an economic boom in the United States which soon became overheated. The stock market crash of 1929 sharply reduced demand around the world, leading most countries to abandon the gold standard in favour of national paper currencies. Britain engineered a massive devaluation by going off gold in 1931 and turned towards shoring up imperial trade within its own sterling area. Only the Americans stood by gold. The Great Depression proper may be dated to 1933. Protectionism, currency devaluation and similar desperate measures made the economic crisis only worse and world war broke out for a second time in 1939, now disrupting economies on a truly global scale. National capitalism was actually strengthened by the need to look for domestic rather than international solutions to economic problems.

1945 was a turning point. The leading industrial countries resolved to turn their backs on an unregulated market system driven by unaccountable and volatile financial forces. Now the main objective of government economic policy became developing public infrastructure and services, along with the welfare and purchasing power of ordinary working people. The result was what Eric Hobsbawm (1994) calls capitalism's 'golden age' (1948-1973), even though sustained growth only kicked off under the stimulus of the Korean War in 1950 and began to unravel when Nixon took the dollar off the gold standard in 1971. Japan joined the US and Western Europe as a main beneficiary of the post-war boom. Before, the world economy grew fitfully because booms and slumps in particular countries did not usually coincide. Now coordinated public spending by national governments, with Roosevelt's New Deal and Keynes' (1936) theories in mind, generated the biggest economic expansion in world history.

This period witnessed two revolutions: the installation of social democracy by developmental states as a culmination of national capitalism and the achievement of national independence for the peoples annexed by western imperialism in the nineteenth century. This was also the time of the Cold War between the two remaining superpowers. A struggle to the death between proponents of the free market and state socialism massively distorted how post-war economic systems were understood. Even though the Pentagon was and still is the largest state-run collective in world history, the US represents its 'military-industrial complex' as a system of 'free enterprise'. Similarly the current system of politically sanctioned rent-seeking, crony capitalism and corporate criminality is misrepresented as the 'free market'. National capitalism rested from the beginning on a close alliance between governments and corporations – on a fusion of state and market – yet their interests were held to be intrinsically antagonistic under the conditions of the Cold War.

The 1970s were the next watershed. United States expenditure on its losing war in Vietnam generated huge imbalances in the world's money flows, leading to a breakdown of the fixed parity exchange-rate system devised at Bretton Woods. De-pegging the dollar from gold triggered a free-for-all in currency markets. The world economy was plunged into depression in 1973 by the formation of OPEC and a hefty rise in the price of oil. 'Stagflation' (high unemployment and inflation) increased, opening the way for conservatives to revive giving priority to 'the market' over 'the state'. The 1970s concluded with a counter-revolution against social democracy, marked by the election of Thatcher and Reagan, that came to be known as 'neoliberalism'. A run on the dollar following a second oil price hike led Volcker's Federal Reserve to raise interest rates to around 20 per cent. Debts incurred by 'third world' governments as a result of irresponsible lending of the oil surplus to Third World kleptocrats now incurred huge interest repayments; and the western powers imposed the full rigours of 'structural adjustment' on client regimes whose unbalanced budgets had been tolerated before. These economic policies of three decades ago find their denouement in today's crisis.

The First World War had profound consequences for South African capitalism. The Union was formed in 1910 as a compromise between the two main white groups and the outbreak of war reinforced South Africa's isolation. The external orientation of imperial finance gave way to a focus on building a South African economy aspiring to greater self-sufficiency than before. Pressures on the Gold Standard, the growth of New York as a rival financial centre to London, inflationary pressures in Britain and the devaluation of the pound forced the imperial banks and London-based mining companies to focus on local concerns.

As a result, the South African branches of these companies secured more space to consider alternative investments within South Africa, being less driven by metropolitan concerns and priorities. Two developments illustrate this trend. National Bank (which became part of the Barclays Bank stable soon afterwards) helped to establish the state-owned National Industrial Corporation in 1919 to support the growth of local manufacturing capacity. Second, the JP Morgan financial empire helped found Ernest Oppenheimer's Anglo-American Corporation which subsequently shaped the development of the entire region (Bond 2001: 256-61). Other important developments included the formation of the Afrikaner mutual financial services group, Sanlam in 1918. Both the Smuts and Hertzog governments of the 1920s embraced state capitalism in setting up the public electricity utility, Eskom (1923) and the iron and steel monopoly, Iscor (1928). Also critically the South African Reserve Bank was formed in 1921 with private shareholding and responsibility to maintain a common national currency, a move resisted by some commercial banks and the political opposition. The SARB was the fourth oldest central bank established outside Europe, the others being the Bank of Java/Indonesia (1828), the Bank of Japan (1882) and the Federal Reserve (1914) (Rossouw 2011: 3).The Industrial Development Corporation was established in 1940 and the National Finance Corporation in 1949.

The Pact government (a protectionist coalition of working class and poor whites) led by Hertzog was formed in 1924. Smuts and Hertzog alternated governments in the interwar period and they took different views of South Africa's relationship to the struggle between the USA and Britain for global dominance. Both embraced the international vogue at the time for expert knowledge and quantification, but they looked to different sources for their advice – Smuts mainly to Britain (Keynes, Strakosch and the Bank of England), Hertzog to the United States, Holland and Germany, especially to Edwin Kemmerer who supported his policy for South Africa to return to gold quickly independently of Britain. Strakosch was anxious to stop this move, as this would threaten London's role as the centre of world finance (Bordiss and Padayachee 2011).

South Africa withdrew from the gold standard in 1933 at the time of Roosevelt's response to the Great Depression. After the Second World War, the Nationalists, who won power in 1948, launched the apartheid revolution proper. This coincided with the post-war boom in which South Africa participated, but not as fully as the leading nations. Just as the world turned in 1973, so did the South African economy which went into a debilitating economic decline when the energy crisis pushed the world economy into recession. From this point, African resistance to apartheid grew, while the gold petered out and manufacturing industry was not able to overcome the limitations of the home market.

The Anglo-American Corporation (AAC or just 'Anglo') is central to our story, from its beginnings as a 'relatively junior mining house' (Pallister 1988) to becoming the most significant of South Africa's global corporations within a few decades. Its founder, Ernest Oppenheimer, arrived in South Africa from Germany to run the office of a London diamond-buying firm, Dunkelsbuhler, soon after the end of the Boer War and the death of Cecil Rhodes, who had amalgamated the diamond mines into the powerful de Beers company. In 1905 Dunkelsbuhler took a one-third stake in Consolidated Mines Selection (CMS), a small mining finance house with several German directors. Oppenheimer's origins and connections posed problems for him in the run-up to the First World War, so he left for London before returning to take a half-share of CMS's new ventures in the deep levels of the Far East Rand goldfields. He made contact with American bankers and mining engineers, including Herbert Hoover.

Afrikaner hostility towards the imperialism of foreign capital went back decades. American mining engineer, John Hays Hammond, who with other Californians managed 'half the mines on the Rand' and shared Rhodes' dream of worldwide Anglo-Saxon supremacy, played a 'starring role in events leading up to the Boer war, running guns and providing other useful services for the mines' owners' (Brechin 1999: 54-55), barely escaped capture and imprisonment by the Boers. General Smuts had 'reservations about the Americans moving in for a fat profit' (Pallister 1988: 54). Oppenheimer had to re-assure Smuts about his commitment to South Africa by registering the company there rather than in London. Oppenheimer's new company (AAC) was eventually formed in September 1917 with some heavyweight American directors. The board also included a Member of Parliament and representative of the National Bank of South Africa (Pallister 1988:54). Ernest Oppenheimer himself won the Kimberley seat for Smuts'

South African Party in 1921.

Afrikaner nationalist concerns about Anglo-American's disproportionate influence over South Africa's economy (and politics) did not diminish in the following decades. By the late 1930s, Oppenheimer realised his dream of taking complete control of de Beers and the London-based diamond syndicate; and Anglo significantly extended its operations in mining, finance and industry across the whole of Southern Africa. He skilfully negotiated his way through many political minefields, even in the depression years when his threats to cut back production in diamonds and gold were fiercely resisted by the Nationalist government of Hertzog because of potential losses of Afrikaner mine-workers' jobs. Oppenheimer was able to circumvent these tensions, relying on the strength of English capital, especially since gold-mining was the single most important source of government revenue.

Sanlam was 'once a byword for Afrikaner empowerment' and is still the second largest financial services group in the country, with growing investments in Africa, via its purchase of African Life, and more recently investments in Europe and India. The company, formed a year after Anglo, was a leading force behind the Ekonomiese Volkskongres and the Reddingsraad movement in the 1930s; with Volkskas Bank, it was 'the prime beneficiary of the centralisation of capital aimed at by the movement' (O'Meara 1983: 200). Its initial growth, largely based on Cape agriculture, was slow, but after its rapprochement in 1937 with the Broederbond, which had initially been suspicious of Cape domination over Transvaal economic interests, its appeal widened within the Afrikaner farming and commercial community (but not in mining) and grew rapidly (1983: 97-106).

The period 1930-1960 was remarkable for the mining companies extending their reach into and restructuring both manufacturing industry and finance. Anglo-American led the opening of new gold fields in the Orange Free State during the 1940s. Anglo's takeovers epitomised the tendency towards centralisation of capital and control at this time. By the 1950s it had become active in developing the local money market in South Africa. Oppenheimer helped to set up the National Finance Corporation in 1949 and in 1955 established Anglo's own private merchant bank, Union Acceptances Ltd (UAL), while further developing and diversifying the parent company's industrial interests.

The relationship between Anglo and the new National Government elected in 1948 was said to be poor; but each side recognised the other's importance (Terreblanche 2002: 305). From the 1950s, both the leading state corporations, Eskom and Iscor, kept close working relations with Anglo and 'the NP maintained these partnerships despite its suspicion of mining capitalists' (Terreblanche 2005: 344). As a result of close co-operation between Eskom and Anglo, the privately-owned Victoria Falls Power Company was expropriated in 1948. As the main mining house and dominant consumer, AAC benefited enormously from cheaper electricity supplied by Eskom. Iscor's steel monopoly had Oppenheimer's support even before 1948 (Terreblanche 2005: 369). The company's commitment to the development of the South African economy as a whole is further evidenced by the role that Sir Ernest Oppenheimer played in founding the National Development Management Foundation of SA in 1948 in order to support those involved in management functions, and in initiating the establishment in 1975 of the Institute of Industrial Relations to provide 'a forum where management and labour could meet to exchange views' (Webster 1981: 107).

Anglo sold its 23 per cent share in General Mining and Finance Corporation (Gencor) to Federale Mynbou (Fedmyn). This had less to do with increasing Afrikaner participation in gold mining than with an undertaking from the Sanlam Group to Oppenheimer's successor, Harry, to limit their diamonds business and allow de Beers control of any new business they established in that line. Nor were the shares 'given' to Fedmyn, but rather bought at market price (Gilliomee 2008). In 1999 Anglo merged with Luxemburg-based Minorco which it had set up to manage its international assets during the apartheid era, forming Anglo-American plc, with a primary listing in London and secondary listings in Johannesburg, Switzerland, Botswana and Namibia. It had the blessing of the ANC government to do so. An Annual Report of 2008 boasted that 'our strong South African heritage forms the roots for our global business, now operating in the Americas, Australia, Southern Africa and Europe'.

Despite heavy inflows of international finance, technology and skills in the early years, the mining-finance conglomerates became increasingly South African. Their contributions to output, employment, exports and state revenue were crucial to the modernisation and growth of the South African economy. By the mid-1980s gold alone still accounted for more than half of total South African exports (Freund 1991: 5). Although the mines' contribution to economic output and employment has declined since the 1980s and mining-finance houses have unbundled and restructured in significant ways, the power and influence of the Minerals-Energy Complex in the South

African economy endures. The MEC has been built:

> around a small number of large scale, corporate capitals that have always dominated the economy over the past century. They have been integrally co-ordinated through state policy and with the large scale state corporations such as Eskom, Iskor, Sats (now Transnet), Sasol and Armscor. Further, the post-war period has witnessed both the incorporation of Afrikaner-based ownership into the MEC and the extensive conglomeration of capital over the entire economy, with a particularly prominent role played by mergers, acquisitions, inter-locking and pyramid forms of ownership, and parallel developments and control in the financial sector. (Fine 1997: 131)

Although there has been strong growth in sectors outside the MEC and indeed outside mining and manufacturing, especially in services, it is still powerful, if not as dominant as it was until at least the mid-1980s.

South Africa did benefit from the post-war boom and growth rates remained consistently high in this period, but Feinstein points out that this growth was not as spectacular as in some other countries. The reasons for this include the small size of the domestic market for manufactured goods, the low efficiency level of large segments of the workforce and continuing pressure on the balance of payments (growth leading to rising imports, the 'Achilles heel of the South African economy'). There was a growing shortage of skilled labour, caused by racial segmentation of the labour market (job reservation) and poor quality education for blacks (the Bantu Education Act and racially segregated universities from the late 1950s).

By the early 1970s, South Africa's model of capital accumulation began to come under severe pressure. Spontaneous strike action in 1973 by workers in the clothing, textiles and metal industries around Durban spread across the country. The resulting mobilisation and organisation of workers forced the government to recognise black trade unions. These factors pushed up average wage rates. Rising global oil prices following the steep hikes of 1973 and 1979 weakened the balance of payments and added to the pressures on South African businesses. The 1976 Soweto riots reflecting intensified student and community protests, tightening international sanctions and the passing of the US Comprehensive Anti-apartheid Act in 1986, all contributed to a growing squeeze on South African businesses and the government.

South Africa became an international pariah in the post-war period; but this should not lead us to imagine that the country was cut off from the world. It received massive loans from the World Bank in the 1950s to build key infrastructure such as dams, highways and harbours, making South Africa second only to Mobutu's Zaire as an African recipient of such loans, which came to an end in 1967. In the 1980s, the IMF suspended loans to South Africa until certain 'labour market rigidities' (that is, racial laws governing the labour market) were removed, among other reforms, and Citi and Chase banks refused to roll over loans. These financial sanctions had a serious impact on South Africa's economy and politics.

Why did South Africa not benefit as much as some from the post-war boom? We have already mentioned Charles Feinstein's emphasis on how low wages has a negative influence on profitability and growth throughout the economy. Harold Wolpe (1972) argued that the racially-based migrant labour system was critical to South Africa's accumulation project, not just an irrational feature of an otherwise rational economic system, as liberals argued. Changes in the reserves' ability to reduce the reproduction costs of labour and in the kind of qualities that capital sought, led to the search for a new accumulation path, less reliant on cheap labour, more concerned with labour force stability and skills and operating under more free-market conditions.

The end of apartheid: South Africa in the second age of financial globalisation

In the 1970s, all but a minute proportion of the money exchanged internationally paid for goods and services purchased abroad. Thirty years later, this function accounted for only a small fraction of global money transfers, the vast bulk being money exchanged for money in another form. This rising tide of money, known as 'the markets', is the apotheosis of financial capitalism, with the actual production and sale of commodities and political management of currencies and trade virtually abandoned in favour of an autonomous global circuit of capital. Conditions that were normal in the decades before the First World War have been replicated in the last three decades. The financial collapse of 2008 and subsequent attempts of leading governments to save the banks by printing money and cutting public services led inevitably to a sovereign debt crisis and leave the world economy in an impasse for which no political solutions are apparent.

The 1970s saw the Keynesian class compromise of national capitalism come unstuck, not least as a result of stagflation (rising unemployment and inflation together), helping neoliberal conservatives to be elected in the name of restoring 'sound money'. Even so, the brutality of the revolution unleashed in 1979/80 was disguised by a democratic consensus at home induced by the Cold War. Although Thatcher's accession to power in Britain was soon followed by violent confrontation at home and abroad, the consequences of the new regime were felt more directly in the poor countries. State power was thrown back. Deregulation led to unchecked informality and criminalisation of the world economy at all levels, especially at the top. The political power of workers was undermined ('flexible labour'). Economic inequality escalated. Corporations are now two-thirds of the 100 largest economic entities on the planet, the others being countries. Money is issued in myriad specialist instruments (such as credit default swaps) by a distributed global network of institutions that goes far beyond governments and the banks. Much of it flows outside the law through an offshore network managed from the City of London (Shaxson 2011) and the 'shadow banking system' of hedge funds, money market funds and private equity initiatives is literally out of control. The Central Bank model invented from the mid-nineteenth century onwards and symbolised by national monopoly currencies has been losing its way since 1971. Yet the Europeans still opted for a single currency as a means of achieving political union when money had already escaped from its national straitjacket (Hart 2011).

Faced with the collapse of the banks, the western powers rediscovered the role of the state as lender of last resort. Now that option has run out and social unrest is escalating. National capitalism rested on a social contract which has been broken in the last three decades, with power and honour being granted to rent-seekers over those who contribute to increasing shared wealth. The last time a so-called Gilded Age came to an end, the world was consumed by war and economic depression for 30 years.

The period since the 1980s was marked by another revolution. The fall of the Berlin Wall in 1989 effectively ended the Cold War, soon followed by the peaceful dismantling of the Soviet bloc. In the early 1990s, the internet went public for the first time and China and India emerged as leading capitalist powers after reforms in 1978 and 1991 respectively. The end of four decades of nuclear terror was immensely liberating and for a while it seemed that the world was entering a new age of popular freedom. Two huge political blunders were made at this time. The end of the Cold War was seen as a victory for the free market and liberal democracy ('the end of history' according to Francis Fukuyama 1992). Accordingly a posse of American economists like Jeffrey Sachs proposed unrestricted 'privatization' of the former Soviet bloc, taking no account of the long history of public institutions that shored up national capitalism in the West. The result of emasculating the state was to hand the economy over to mafias and oligarchs who soon arose to fill the political vacuum. The errors of the European Union following the Treaty of Maastricht in 1992 were obscured by the long credit boom and have only come to light in the current euro crisis. Here too it was assumed that political institutions were not a prerequisite of monetary union. Rather the new single currency of the eurozone would lead member states to closer fiscal union and economic convergence. In fact, the opposite occurred and now there are no political means available to resolve the consequences of regional divergence over the last two decades.

For South Africa, we prefer to highlight Mandela's release from prison in 1990 as a turning point rather than the formal election of the ANC and its allies in 1994. It is hardly controversial to identify a further break in the late months of 2008, when the full force of the financial crisis broke, Obama became president of the United States and the ANC evicted its own president from office, precipitating a political crisis whose contours and consequences are still not yet clear. The neoliberal policies so readily adopted by the ANC soon after it came to power are now threatened in turn, not just in South Africa, but globally. Political emancipation did not lead to reduced inequality in the period 1990-2008; if anything it got worse. A small black elite used Black Economic Empowerment (BEE) to join their white counterparts; and the big mining companies took advantage of an international regime favourable to free capital flows to move their headquarters and much of their money out of the country.

September 11, 2001 was the next turning point, a return to extravagant use of state power, a counter-revolution of sorts against the liberal revolution of the 1990s. This took the form of domestic abuse of citizens (especially when travelling through airports) and a renewed taste for imperialist wars in the greater Middle East. The credit boom eventually unravelled and derivatives based on unsustainable mortgage loans in the United States imploded. Since 2008, the fortunes of 'emerging markets' and the old capitalist heartlands have diverged further. 'Quantitative easing' has partially restored asset markets for the rich, but has done nothing to stimulate demand, create jobs or address the economic problems of workers and the poor. Political unrest is now commonplace: the 'Arab Spring', London riots, Occupy Wall Street, Russian protests, etc. Africa is rapidly emerging as a potential investment hotspot and is projected to be 25 per cent of world population in 2050, 37 per cent in 2100 (UN *World Population Prospects: the*

2010 Revision).

So what of South Africa in this era? Erwin and Webster (1978) have argued that South African capitalism was a stunted, colonial variety that left the economy hopelessly unbalanced and unable to generate an appropriate rate of growth of output and employment, compared with other capitalist economies. Has this structural distortion been corrected over the last two decades? Is South Africa becoming more like other Western economies? Debate on these questions continues. We highlight here three key features of South African capitalism in the post-apartheid era. First, changes in the power and significance of the Minerals-Energy Complex and in the corporate structure that underpinned it; second, the black economic empowerment programme; and, third, massive capital flight out of the country.

Some key components of the MEC have made a seamless transition, partly due to state investment in coal, gas pipelines and electricity. Soon after the fall of apartheid, the government approved mega-projects in aluminium smelting and stainless steel (see above). Both projects received heavy financial support from the IDC despite its nominal commitment to small business development (Fine 1997: 136-40). Even so, South African capitalism has changed in the last two decades, with finance becoming the driver rather than facilitator of economic activity. And the MEC's weight has declined in relation to the services sector which has grown rapidly.

There have been significant changes in South Africa's corporate structure and the strategic restructuring of these corporations.

> Today, the mining finance house no longer exists. Along with its demise, two of its widely imitated characteristics – diversified holdings and the entrenchment of control through pyramid structures – have fallen from favour. (Malherbe and Segal 2001: 1)

The main force for this change has been market discipline imposed through falling equity prices, as well as the 'role played by foreign institutional investors, who robustly criticized corporate structure, governance and performance upon their return to South African markets in 1994' (2001: 4). 'The great Transvaal houses that dominated the economy for a century or so, are fast disappearing, to be replaced by focused operating companies with only a few dozen head office employees' (Goldstein nd: 31).

Perhaps the most significant change of the last two decades has been the end of the group-holding, pyramid structure and extensive cross-holding directorships that characterised South African capitalism under apartheid (interview with Jim Sutcliffe, July 30, 2007). Not only have companies unbundled and restructured, but the phenomenon of the 'big man', the Executive Chairman and CEO rolled into one, is no longer so evident in South African corporate boardrooms. Zav Rustomjee (personal communication) still holds, however, that 'group holding power (largely domestic capital) may have morphed into a slightly more diffused form – but the same business characters and groups (with a few additional domestic and global players) have continued to determine the course'. Debate about the meaning and significance of the MEC in the contemporary South African economy continues vigorously even to this day (eg *Transformation* 71, 2009, Special Issue on the MEC).

A second feature of capitalism in post-apartheid South Africa is the ANC government's programme of affirmative action, BEE. Affirmative action itself is hard to knock, but criticisms have been levelled against the current *model*. The ANC's initial approach was moral suasion, encouraging the white conglomerates to unbundle and sell off parts of their business empires to aspirant black capital. When the pace was too slow, they then shifted to a more assertive regulatory stance, brokering with the main sectors (including agriculture, transport, autos and information technology) 'voluntary' mid- to long-term targets for change in ownership, participation, training etc, as well as a broad-based BEE code of good practice, monitored by the DTI.

The share of JSE market capitalisation under black control rose quickly to about 10 per cent in the mid-1990s, then fell to less than 1 per cent in 1999 (Jacobs 2001: 3) before rising to 4 per cent in 2004 (most of it accounted for by the media and communications giant MTN). The impact of empowerment policy is greater if we look beyond direct ownership and control. The beneficiaries of BEE are a small elite, many with close links to the ruling party, some of them party officials, plus a few prominent ex-trade unionists. Most became wealthy through board-room deals and none has started a large new business. Self-enrichment rather than empowerment is the order of the day.

Moeletsi Mbeki, brother of the former President, has been one of BEE's most strident critics, arguing that it was 'invented by South Africa's mega mining and finance corporations in the 1990s, as a kind of reparation, in response to what they believed was possibly a far worse outcome – the nationalization of the commanding heights of the South African economy, as emphasized by Mandela…in February 1990'. An early example was the sale of Sanlam's Metropolitan Life (Metlife) to a black consortium that included the Mandela family's doctor and the secretary general of the ANC (Cyril Ramaphosa). Sanlam even helped the new owners to get a loan from the IDC. Mbeki claims that 'This class plays next to no role in the ownership and control of the productive economy of South Africa. Their role is one of overseeing redistribution of wealth towards consumption, exemplified by handing out shares to black beneficiaries' (*Mail and Guardian*, April 28, 2006). The ANC's partner, the SACP, concurs: emerging black capital, especially when close to the state, 'tends not to be involved with an expansion of the national forces of production, including significant job creation…This compradorism has typically not accumulated its own capital through unleashing productive processes, but relies on special share deals, affirmative action, quotas, fronting, privatization and trading on its one real piece of "capital" – access to state power – to establish itself' (SACP Information Bulletin, *Bua Komanisi* 5(1), 2006).

Lack of finance for BEE deals leads to reliance on merchant bankers and others (the 'real' beneficiaries); some BEE parties soon sell off their shares to finance the balance or to make quick profits for themselves. Foreign investment has not raised BEE ownership levels significantly. But foreign firms have promoted black participation in high skill job categories more than their South African counterparts. 'The state's capacity to shape capital is limited…by the extreme concentration of ownership in the South African economy' (Ponte and van Sittert 2007: 461). 'Black capitalism arrived too late in South Africa to sustain itself and pose any serious challenge to the domination of white monopoly capital. Unlike the growth of Afrikaner capital earlier, which was strongly supported by various state corporations, the state today cannot do much to support black capitalism when it is shedding its assets to market forces' (Jacobs 2001: 11). Ben Fine (2012) has noted that BEE may have created a new black bourgeoisie, but it is not a new progressive fraction of black capital capable of carrying through the national democratic revolution that some once hoped for. Its wealth is derived primarily from financial and ownership restructuring and contributes little to economic and social development.

It may be useful to note how South Africa's minority business communities have fared in the context of BEE. How, for example, have Afrikaner companies experienced the loss of political dominance? Sanlam demutualised in 1998 (and many Afrikaners cashed in their shares at this time, thereby diluting its ethnic core). Unlike its insurance rival, Old Mutual, Sanlam chose not to seek an overseas listing. On the Johannesburg and Namibian Stock Exchanges it was second only to Anglo-American in terms of market capitalisation. In 2003, a black empowerment consortium, Ubuntu-Botho, took a 10 per cent equity stake. But in 2008 Sanlam bought a British private client investment firm and two other UK companies as 'part of its strategy to diversify and increase global exposure for its high networth client base' (*Business Report*, February 13, 2008). The Sanlam board has been transformed with eight black members and five women out of 20 directors by 2007. Its CEO holds that 'Afrikaans capital' no longer exists in South Africa today.

Africans are usually considered to be more valuable empowerment candidates than other previously disadvantaged communities (Indians and Coloureds), despite the terms of the legislation. In a previous article (Hart and Padayachee 2000), we emphasised the historical confinement of local Indians; but the businessmen who emerged with such force in the 1990s had been actively participating in global society even during the darkest days of apartheid. Despite early optimism, these businesses have not done so well since. Few South Africans of Indian origin have taken advantage of BEE – certainly when compared with the new African corporate elite.

The third feature of South African capitalism after apartheid that we would emphasise is capital flight. This is in sharp contrast to the massive net inflows of foreign capital during the first age of financial globalisation. Large financial outflows, including dividends and branch profits, have a negative impact on the currency and make any government attempt to stimulate demand through quantitative easing that more precarious. Net dividend outflows have risen dramatically, from just under a billion rand in 1998 to about R9 billion in 2000, R17 billion in 2001 and R24 billion in 2005 (SARB various). The *Mail & Guardian* reported that R45 billion (at an annualised rate) left South Africa in the third quarter of 2001 alone 'because of the major local companies that have listed offshore, exacerbating the collapse of the rand' (December 7-13, 2001). According to Ashman, Fine and Newman (2011), 20 per cent of GDP has left the country since 1994, whether legally and/or illegally. In fact the easing of exchange controls made this outflow increasingly legal.

The unwillingness of South African firms to invest within the country means that corporate savings are at their highest level for several decades. The cash fund corporate South Africa was sitting on at the end of 2010 was at its highest level since 1995, reaching nearly 18 per cent of gross domestic product (R480 billion). 'Cash in hand has risen dramatically' says Stanlib's chief economist, Kevin Lings (*Mail & Guardian*, August 26, 2011). So it looks as if South African corporations either send their money abroad or just sit on the cash.

These summary reflections allow us to put some flesh on the extraordinary contrast between business affluence and mass poverty with which we began this essay. South African capitalism today works well to produce a surplus and the country's world-class financial system is used to ship profits abroad or to hold companies' cash. Either way, little capital finds its way back into domestic investment and employment creation.

South African capitalism between national stagnation and world crisis

Although South Africa is geographically marginal to the world economy, made almost no contribution to the latter's development for most of its history, and was temporarily ostracised for its apartheid system, it has been a major global actor since the 1870s: as a source of gold when world trade depended on it; as a crucible of the racialised international economic order; as the only example of national capitalism in Africa, however flawed; and as a political leader in the worldwide liberation struggle. For a century, the country embarked on an experiment that, while not unique, was taken to an extreme, namely the pursuit of national development for the benefit of a white minority only, with the vast majority of blacks excluded. This experiment was fuelled by a minerals bonanza that ran out at the same time as the global post-war boom did.

The three decades of social democracy after the war were the culmination of a program envisaged by the great synthesiser of modern economics, Alfred Marshall (1890) and his pupil John Maynard Keynes. This held that moral and material progress go hand in hand, the state delivers to all its citizens and economic growth results. There is a religious aspect to this belief; it powered the drive to democracy in Britain in the 1860s and again after 1945. This is national capitalism at its best and the neoliberal period is its antithesis, not least in its reversion to a pre-industrial system of rents or to distribution over production as the main way of getting rich. This counter-revolution involved negating the social or moral contract of what went before and replacing it with the opportunism of 'take what you can'. In the same period, China, India and Brazil, who missed out earlier, found their own versions of national capitalism with the social improvement of the mass of citizens in mind.

Where is South Africa in all this? Like China, India and Brazil, South Africans were stuck in their own political mess during the boom decades, but experienced a diluted form of what was going on in Europe, North America and Japan, with immoral force holding them back. What is striking about the ANC is how soon they dropped the moral capital they acquired from the anti-apartheid movement and readily acquiesced in the prevailing easy money regime of the world economy at the time. In this they resembled postcolonial African governments who also sought to establish developmental states in the general interest of citizens during the post-war decades and then abandoned any pretence of serving their people in the neoliberal era (Mbeki 2009).

What was similar and different about South Africa's experience of the two periods of globalisation? How does the ANC's version of national capitalism compare with its apartheid predecessor? Is South African capitalism, broadly speaking, still what it was? How much room do its policy-makers have for manoeuvre in the aftermath of 2008? Does the MEC continue to dominate South African capitalism? How important is race and class today in South Africa? We have stretched our competence in attempting so wide-ranging a historical narrative in the hope of providing a historical framework for seeking answers to these questions, many of which are addressed in the following chapters; but our more limited aim has been to provide an account that is less short-run and parochial than usual.

The durable features of South African capitalism since its modern inception are mining, racial domination, and an uneven relationship between the state, finance and industry. Although the national economy went through long swings between an external and internal orientation, each of the main periods we have highlighted (1870s-1914, 1914-45, 1945-79, 1980s-2008) was marked by both. South African capitalism has a markedly 'neo-feudal' character, distinguished by a cult of alpha-male leadership, cronyism between firms, banks and government, a relative absence of competition, weak democracy in the workplace, no flourishing culture of small and medium enterprises; in other words, a tendency towards absolute rather than relative surplus value (see above, Marx 1867) which has its roots in British colonialism, rural Afrikanerdom and a history of racial oppression by a small white minority. That this has not changed much under the ANC is a national tragedy; but a serious explanation for this record of political and economic failure must take in world developments over the last century and a half.

Cecil Rhodes and his contemporaries saw South Africa as a launching pad for British imperialism in the continent as a whole. Then, as the world retreated from imperialism to a national model of capitalism, South Africa withdrew too. This sense of a 'white man's country' isolated from the 'dark continent' peaked in the apartheid decades. Majority rule opened up the possibility for South Africa to lead a drive towards African unity and this was captured by Thabo Mbeki's slogan of an 'African renaissance'. But the ANC's actual strategy combined openness to neoliberal globalisation with policies that strengthened the opposition between the 'rainbow nation' and other Africans. South Africa's poor citizens, faced with the enrichment of a black elite and their own continuing economic exclusion, were asked to identify with apartheid's beneficiaries against their African neighbours. The search for effective solutions to South Africa's long-running attempt to evolve from an export-oriented mining enclave to a modern industrial economy should be part of any sustainable future for Africa. With the rise of other growth poles in the region, however, the rest of Africa may no longer feel that this is essential. The ANC's embrace of nationalism and neoliberal globalisation simultaneously, to the detriment of both, has done lasting damage to the prospects for regional integration.

Regional integration is one path towards a solution; but South Africa has a complicated history of relations within its own region. A more active African strategy must start with rationalising relations within SADC, which now includes countries as far afield as the Congo, Tanzania and Mauritius, with the aim of freeing up the movement of people, goods and money within the region (Hart and Padayachee 2010). Rather than return to a mid-century model of industrial development, South Africa's (and Africa's) economic future lies with services, including finance, along with communications, transport, construction, energy and minerals. South Africa leadership of a continental drive for economic expansion, however, may be more difficult now than two decades ago.

Notes

1. Selected indicators: A. Efficacy of corporate boards number 2 of 142; financial market development 4; management schools 13; air transport infrastructure 17. B. Electricity supply 97; pay and productivity 130; life expectancy 130; education system 133.

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