



Poverty, Politics and Policy in South Africa:

Why has Poverty Persisted after Apartheid?

Jeremy Seekings and Nicoli Natrass

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Reviewed by Michael Nassen Smith

To many on the local left, the story of South Africa's transition to democracy is one of defeat, disappointment and even betrayal. Upon assuming power, the ANC, under pressure from the IMF, World Bank and capital, abandoned the redistributive aims of the Freedom Charter adopted GEAR instead, a pro-business development policy and a domestic version of the "Washington Consensus." The democratic victory of 1994 has been undermined by a dominant corporate elite, both black and white, whose grip on the state has led to the persistence of poverty and widening inequalities.

In "Poverty, Politics and Policy in South Africa: Why has Poverty Persisted after Apartheid?" Jeremy Seekings and Nicoli Natrass argue that much of the left's preoccupation with this narrative is misguided. Not only is the neoliberal critique analytically weak, it is politically shortsighted as it prevents serious analysis of social-democratic alternatives.

Seekings and Natrass remind us of the following: COSATU successfully vetoed large parts of GEAR. BEE is

clear evidence, in their view, that "... the state and ANC had a degree of autonomy from established white and foreign capital. (Seekings and Natrass, 2015: 15)." Moreover, progressive forces within government influenced ANC policy to provide a free, basic supply of water and electricity, successfully breaking the neoliberal commercial model of service delivery. Redistribution spending has been significant, particularly in social welfare and public works programs. Investment in housing and infrastructure in poor areas has also been "extraordinary." Taxes were not lowered to a significant degree and corporate taxes in fact almost doubled as a share of GDP between 1995/6 and 2005/6 (Seekings and Natrass, 2015:15). Add to this the widely used language of the developmental state and we have an important discursive shift.

For Seekings and Natrass this demonstrates the inaccuracy of the neoliberal narrative. Persisting poverty and inequality are the result of complex processes and are more likely due to the anti-neoliberal initiatives.

CRITIQUE

Seekings and Natrass bemoan the seeming lack of a coherent definition of neoliberalism among left-wing radicals, maintaining that the precise meaning of neoliberalism remains unclear even in the work of its critics. This indeed might be true.

Yet their own work rests on a definition of neoliberalism as "market-oriented policies," or "a process of transition as markets become more free and the state retreats" (Seekings and Natrass, 2015: 13). Neoliberalism is then seen as a policy blueprint of liberalization. They argue that if we assess state-capital relations and policy outputs using this blueprint, then neoliberalism "constitutes only part of the full story of who gets what in the democratic South Africa" (Seekings and Natrass, 2015: 13). They see the dominant ideology in the post-apartheid state as being broadly social democratic.

Seekings and Natrass accept that their own definition of neoliberalism has been rejected by many on the left. Many critical analysts have pointed >>

out that neoliberalism demands an understanding of the specific character of capital accumulation in the global economy at a particular historical juncture. That, in turn, means understanding the phenomenon of financialisation and how it has manifested in the South African context. As Baylis et al have written, “neoliberalism is not reducible to a cogent ideology or a change in economic or social policies, nor is it primarily about a shift in the relationship between the state and the market or between workers and capital. Instead, neoliberalism is a stage in the development of capitalism underpinned by financialisation (Baylis et al, 2016:24).”

Neoliberalism, in this reading, is a dynamic, evolving and uneven political project, whose contestation delivers implications for capital (finance and productive) and labour. On a broader level, capital will have a tendency toward privatization and deregulation, but its ability to push this through depends on the balance of class forces. The state becomes the terrain of contestation, with no guarantee of success for any institutional interest (factions of capital or labour).

In the context of financialisation, however, the goal of capital is to discipline the state for financial accumulation. The major policy requirements for this are: inflation control via central bank independence; capital account liberalization; and exchange control relaxation to facilitate pathways into global financial markets.

With the achievement of these policies, financial investment has far outstripped productive investment since the transition. Recent estimates show that the financial sector’s growth is twice that of the productive sectors of the economy (DTI, 2017). Seekings and Nattrass do note the rising importance of finance (Seekings and Nattrass, 2015: 110)

but do not interrogate it. Yet the growing gap between productive and financial investment, a clear sign of neoliberalism’s effects, is not interrogated

FINANCIALISATION AND THE TRANSITION

Seekings and Nattrass present an alternative narrative of the transition that is supposed to demonstrate the implausibility of the neoliberal narrative. They accept that the ANC was courted by big business, but point out that the government has not embraced the full neoliberal package (a set of free-market policies). They dismiss the claim by radicals that business exerts undue influence over the ANC.

In response to the rise of the shareholder movement in the US and UK in the 1980’s, South Africa’s major conglomerates showed strong interest in deregulating the financial sector (Zalk, 2016). This is consistent with neoliberalism’s interest in financialised accumulation. As the ANC government relaxed exchange controls, Seekings and Nattrass note that Anglo-American and other major corporations immediately unbundled and shed many of their non-core activities. Anglo’s capitalization fell dramatically from 43% to 17% between 1994 and 1998 (Seekings and Nattrass, 2015: 223).

Turning to BEE, the literature on the left has not claimed that state intervention is anathema to neoliberalism. They see compromises by capital in some areas as necessary to force through policy in other areas. Zalk argues that local conglomerates did indeed initiate BEE with an emphasis on part ownership transfers to influential individuals in return for support for orthodox reforms and capital account liberalisation (Zalk, 2016). This view is supported by Bhorat et al who argue that BEE should be viewed as a pact between certain sections of business and a faction of the ANC (Bhorat, et al, 2015). That

elites connected to the ANC finally incorporated BEE to serve their interests and those of certain factions of capital is now widely accepted (e.g. the response of business to the 2017 Mining Charter). This does not mean that capital in the neoliberal era takes on an inherently anti-statist position and as such is inherently against BEE. BEE is in fact symptomatic of neoliberalism.

FINAL WORD

Seekings and Nattrass make a compelling argument and provide a rigorous assessment of post-apartheid economic history. They remind us that not all state intervention is good and not all commodification is bad for the poor. They also warn us that reductive and fatalistic analysis undermines thinking about alternatives. Their case for strengthening what has up to now been a weak tradition of social democracy is strong.

The thrust of their argument, though, that South Africa does not exhibit a dominant neoliberal ideology, is shaped by their own definition. We have shown that this is problematic. It remains important to evaluate the post-apartheid SA economy as being conditioned by neoliberal capitalism. Not as a set of ready-made policy prescriptions but as a dynamic and flexible political project pushed by financial capital through the state against labour. Any alternative view should be conscious of this project.

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