

REFLECTIONS ON THE SOUTH AFRICAN POLITICAL ECONOMY

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Former President Motlanthe delves deeply into the colonial settlement in South Africa to trace the origins of inequality and deprivation. He lifts the covers of history to reveal the structural nature of economic dislocation of the majority of the indigenous population and how race was used to serve imperial interests. Despite this grim past, he points to ways in which we can overcome this legacy.

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I am of the view that a deeper understanding of the political economy of modern day South Africa is located in history. Intrinsic to the character of the South African economy, these features are a legacy of these historical processes and constitute the basis of the challenges the democratic state is facing today. Political oppression, racial capitalism, class/race nexus, labour aristocracy, migrant labour system in the mines, forced proletarianisation and land dispossession are among the chief attributes of South Africa’s political economy and extend back to the mercantile history of South Africa, although they were consolidated after

the discoveries of gold and diamond and further entrenched with the Union of South Africa in 1910.

Not many will dispute the fact that the economic ownership of South Africa is racially skewed in favour of the white section of society, albeit a smattering of black capitalists is sparking into life. This is no random historical incident. This scenario resulted from conscious human action. It is the result of history. In particular, capital and labour have provided the racial foundations that have shaped current South Africa. As Legassick (1974: 32-33) put it: ‘The structures of South Africa sustain a situation in which it is whites (although not all whites) who are the accumulators of capital, the wealthy and the powerful, while the majority of blacks (though not all blacks) are the unemployed, the ultra-exploited, the poor and the powerless.’

Both capital and labour unfolded within the historical process of national oppression and exploitation. Land dispossession is the prime example of how political domination and economic exploitation intersected. Land dispossession was a political act that provided both necessary and sufficient conditions for forced proletarianisation of Africans in the emerging diamond, and later, gold mining economy. Political dominance

thus provided cover for economic exploitation within a racial context. The 1994 democratic breakthrough in South Africa spelled the end to political domination of our history but the content of that history remains today.

DUTCH EAST INDIAN COMPANY AND THE BEGINNING OF SETTLER COLONIALISM

The 1652 arrival of the Dutch East India Company in what was to become the Cape was to trigger subsequent events that changed the face of our country forever. Academic and author, Bernard Magubane, captures this historical process vividly:

‘The landing of the employees of the Dutch East India Company on the Cape of Good Hope in 1652 signalled the incorporation of South Africa into the emerging world capitalist economy. It also represented the formation of classes to complement merchant capital. Initially the occupants of the station were expected to trade peacefully with the Khoi and San peoples for supplies. But the Dutch colonists soon found the method of barter too slow and unprofitable, and they decided to acquire the supplies by force.’

Prof. Sampie Terreblanche contends that ‘(T)wo centuries after European settlement in the Cape, remarkable attitudinal and ideological changes took place at the Cape. This period saw the emergence of a new and powerful colonial elite – both agricultural and mercantile – which not only controlled political events at the Cape, but also consolidated their status in a repressive system of settler capitalism based on unfree black labour. This period also witnessed the crystallisation of a clear-cut racist ideology to legitimate not only the racially based system of settler (or racial) capitalism, but also

the newly designed repressive pattern of black labour. Many historians regard this period as the most formative one in South Africa’s history, when a racial and colonial hegemonic order was created that lasted - with some modification - for more than a century.’ This is the period during which the first racist labour laws targeting Africans and Coloureds saw the light of day and were to provide the basis for modification and refinement as racial capitalism was gaining ground in the centuries to follow.

DISCOVERY OF DIAMONDS 1867, CAPITAL, LABOUR AND LAND DISPOSSESSION

The most decisive historical stages in the formation of the current South African socio-economic narrative were the discovery of mineral resources. Diamonds were discovered in modern day Kimberly in 1867-8 and gold in Johannesburg in 1886. Political power emerged as the structuring force of the future South Africa, first in Kimberly and later in Johannesburg. The onset of the South African War 1899-1902, was the inexorable result of the interaction of these weighty historical forces. Coming during the era of imperialism, these discoveries brought forth some critical social, economic and political developments in the service of British imperial interests. Among these were infrastructure development to the port cities of Durban, Cape Town and Port Elizabeth; the necessity for unskilled black labour and the political intervention to accomplish this urgent task; the sorely needed skilled labour that could only come from abroad, and the oppressive political laws to safeguard British imperial interests.

Given plenty of land to which Africans still had unfettered access and which made possible their survival on subsistence agriculture, their forced proletarianisation could only occur within the context of wars of

conquest. Magubane submits that ‘(F)aced with the constant cry for labour from farmers and those who were constructing roads and railways and the recently opened diamond mines, the British government launched a series of wars against African chiefdoms and kingdoms. From that time onwards, they felt the thrust of the demands for their labour not as an episodal occurrence but as a permanent feature of their existence. Within 40 years, 1870-1910, all the remaining independent African territories were forcibly brought under imperial control.’

THE DISCOVERY OF GOLD, 1886

According to Prof. Magubane ‘(T)he central fact about the South African economy after the discovery of gold in 1886 would be its domination by British capital – by British imperialism. It was from its domination by British financial interests that the specific characteristics of the South African political economy flowered. After 1910, white settlers were politically



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in control, but the British owned the diamond and gold mines and the railways that transported these minerals. Through control of the gold industry, British imperialism had power without responsibility. British imperialism wanted to exploit Africa's gold on "easy", i.e. predatory terms, thanks to the almost slave-like conditions to which black miners had been reduced.'

THE RISE OF MONOPOLY CAPITAL

As the scramble for diamonds surged ahead, Kimberly, in the later part of the 1800s, was to see the first ever emergence of monopoly capitalism. Mechanisation such as steam traction, underground shafts and tunnels could not be afforded by small claim holders, most of them white, with black assistants, relying on picks, shovels and animal power for the open mining operation. 'As advanced technology took over, smaller properties and individual diggers were superseded by larger holdings and highly capitalised organisations. The mid-1880s were years of mutually destructive cutthroat competition among those companies.'

LABOUR ARISTOCRACY

From the very beginning of the settler colonial history some of the labour/capital contradictions which could be encountered in Europe where both share the same skin colour were resolved through the shared benefits of racial capitalism. It was in the interests of capital to co-opt white labour into a form of aristocracy with the intention of dividing the labour force in the emerging capitalist society by ensuring that race takes precedence over labour solidarity.

As could be expected, the skilled work of operating complex mining machinery and technology could only come from the white labour force which, in turn, could only come from



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overseas, especially Britain. Sweat labour was reserved for Africans with most of the white South Africans squeezed from small claims taking up the position of overseer. Thus emerged a labour hierarchy with English speaking white immigrants from Britain taking up skilled jobs, local whites located in the middle as overseers of African labour and the latter confined to the most exploitative and low paying hard labour. It was during this period that 'the working class split into two strata, white and black: the white, privileged, well-paid, and free; the black, unprivileged, poorly paid and unfree'.

UNION OF SOUTH AFRICA

South Africa as we know it today resulted from the compromise between British imperial economic interests and Afrikaner political power following the defeat of the latter in the Anglo-Boer War (1899-1902) otherwise known as the South African War. When the Union of South Africa was formed both

the British victors and the Afrikaner losers harboured no illusion about the future of race relations in the country, especially in so far as labour for their commercial interests was concerned. Introduced three years into the formation of the Union Government, the Native Land Act of 1913 was the first among many political measures intended to strip the Africans of all access to arable land, thereby exposing them to a racist labour law regime.

'But Africans, Coloureds and Indians obtained no relief either at the peace settlement or in the post-war reconstruction.'

In fact if there ever was a full proof of betrayal of black people's interests in this imperial venture it was what immediately followed after the inauguration of the Union government. 'Africans lost in bargaining capacity under British rule, which turned the republics into colonies, restored authority to the defeated enemy, cultivated their loyalty, and consolidated an alliance with them on the basis of white supremacy.'

Among the notable outcomes of the Treaty of Vereeniging was the concession Lord Milner made to the defeated Republics on behalf of the British to defer the question of native franchise to until after the introduction of self-government. It did not make sense to leave the



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enfranchisement of blacks to the Afrikaners shortly after they were accused of practicing slavery and when, in fact, they had not been known to have the will to co-exist with blacks in political equality. The implications of denying franchise to blacks would be profound. Among others it would mean the permanent loss of political power in the Union of South Africa. It would also leave blacks vulnerable on the economic front, perpetuating their servile status as cheap and unfree labour.

From the inauguration of the Union of South Africa the abiding interests of both Afrikaner commercial farmers and the British mines for the super-exploitation of black labour was laid bare. Indeed soon after the signing of the Union the screws tightened. 'He (Milner) tightened the pass laws to restrict the mobility of African labourers, while the mining companies cut Africans' wages and stopped competing for their labour by combining to form a Witwatersrand Native Labour Association; when Africans walked off their jobs, the government responded with force; when Africans failed to come to the mines on the prescribed terms in the required numbers, the government arranged for labourers to be imported from China.'

RAND REVOLT OF 1922

Despite their privileged position within settler capitalism white labour was always forced to look over its shoulders for the threat posed by cheap black labour which could easily undermine its relatively strong position through the machinations of capital. Thus the primary contradictions between labour and capital in the classic sense remained, though always cushioned through the semblance of shared racial interests in the oppression of black labour.

As voters, white labour was also in a better bargaining position, which

they could use against capital when the latter threatened to replace it with cheap black or Chinese labour. It was in the interests of white labour to clamour for racist labour laws that headed off competition of black labour and indeed they never hesitated to do so each time the need arose. For its side, capital never gave up the quest to replace skilled white labour with cheap labour and this contradictory process proceeded unresolved, expressed through a number of strikes and culminating in the historic 1922 Rand Strike. The drop in the gold market price in 1921 left mining capital with no option but to cut down the wages of white labour as it could not decrease the already below poverty line wages of black labour.

Yet after the Rand Revolt white labour moved totally to the far right of the political spectrum, fully embracing racist ideology towards its black counterpart and, through the privilege of the vote, ensured that it transformed the political landscape through moving into a Pact government with the Afrikaner dominated National Party and thus removing the South African Party of General Jan Smuts in the subsequent 1924 election.

Joe Slovo summarises this ensuing political fallout of the Rand Revolt for the subsequent developments in South Africa with his usual acuity.

'The victory of the alliance between the white South African Labour Party and the Nationalist Party at the polls in 1924 was the real culmination of the strivings of the privilege-seeking white workers. The basic aims of the 1922 strike were given statutory recognition. The new government made vast concessions, and the process of making the white workers appendages of the ruling group in every sphere of life economic, political and social began in earnest.

'Laws were passed effectively making skilled work a right of white



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workers alone. A so-called "civilized labour policy" was implemented to maintain Africans as unskilled cheap labour and to prevent the emergence of an organized African working class. Africans (i.e., all who were obliged to carry passes) were excluded from the definition of "employee" in the new industrial legislation. This deprived them of the legal right to strike (in any industrial dispute) or to form their own registered trade unions.'

In this regard the Industrial Conciliation Act of 1924 became one of the laws that excluded black labour from the definition of an employee. With the 'Pact' government assuming power, the privileges of white labour were not only restored but guaranteed. Many concessions were made which seemed almost impossible before the Rand Revolt. The Department of Labour was established in 1924 with the creation of employment for poor whites as one of its key functions. Through legislation poor whites were also to be protected from competing with black labour. Scores of white workers found employment in municipalities and public bodies at decent rates of pay. Unskilled white labour gained preferential employment in the railway system, which had started in 1907, but had shot up to more than 15 000 by 1928. >>

SOUTH AFRICA TODAY

What then, is the current state of South Africa after two decades of democracy?

The truth is that much has changed for the better and much still needs to change if South Africa is to overcome unemployment, poverty and inequality.

Since April 1994 South Africa has seen a range of measures to reverse its apartheid legacy. *'The country's Constitution codified the socio-economic and political rights of all citizens and despite being qualified by 'practicality clauses', its Bill of Rights nevertheless provides citizens with enormous leverage if they want to better their circumstances. The state has done much to improve living conditions for the majority.'*

However, black people in general, and women in particular, continue to bear the brunt of high unemployment, inequality at many levels and poverty. Random citations from economic observers and scholars paint a disturbing picture. Prof. Terreblanche says that '(A)ll South Africans can be proud of the transformation in political and human rights that have taken place over the past...years. Unfortunately, a corresponding socio-economic transformation has not yet taken place. Ugly remnants of systemic exploitation and discrimination from the extended period of colonialism remain. What is really disturbing is that the precarious socio-economic situation in which large numbers of Africans and Coloureds find themselves has not improved during the post-apartheid period, but has in fact become worse.'

Our economy has not seen the necessary growth and development that would lift millions of South Africans from the bleakness into which colonial history and racial capitalism have cast them. Land dispossession is still the issue and to a large extent lies at the heart of the current economic challenges we are facing. From the rural to the urban landscape, our society is still scarred by the deep historical effects of land dispossession. The



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history of unfree black labour is not comprehensible outside the prism of land deprivation. Land reform is indeed an urgent task; as is the redistribution of productive properties and assets; as is education, housing and black economic empowerment.

A genuine attempt is in progress to create a black capitalist class; there is an increasing expenditure of GDP on pensions and grants covering upwards of 18 million people, thereby expanding welfare provision for the poorest; a low-cost housing programme has covered thousands of the formerly homeless, and access to education for all is increasing.

However, it is unsettling that the statistics of poverty and indigence among black people continues to increase, pointing out a serious weakness in our central strategy of growth and development. The latest Statistics SA report on poverty says:

'At the moment Stats SA's most recent release of its Non-financial census of municipalities (NFCM)¹ report shows an increase in the number of indigent households across the country. South Africa's 278 municipalities registered 3,56 million indigent households in 2016, the highest number on record since figures were first

published by Stats SA in 2004. To put it into perspective, 2 in every 10 households in South Africa were classified as indigent in 2016.'²

These statistics reflect the racial history we have just set out. Race is not only a social and economic, but also, a historical marker. The socio-economic challenges remain racially defined. Among these are high levels of unemployment, the abject poverty of 50% of the population; sharp inequalities in the distribution of income, property, and opportunities.

Many on the left have blamed the ANC for some of the strategic compromises it made on the eve of the democratic breakthrough in 1993. At the time, these were considered necessary economic policy compromises in the light of both national and global objective conditions. Looking at the post-apartheid government economic policy trajectory, Economist Neva Makgetla describes it as follows:

'South Africa's post-apartheid economy has been characterised by low growth and investment, and a rise in unemployment (at 30%, higher than any other middle income country). Government economic policy has stressed the encouragement of investment through deregulation, privatisation and fiscal restraint. However, the failure of this strategy to promote growth and create jobs points to the need for a more interventionist strategy, one in which government must do more to stimulate equitable growth. This proposition is highly contested.

'Nonetheless, in response to the crisis within the economy, the government has adopted limited reforms involving increased spending on basic social services and housing, greater emphasis on job creation and equity, a renewed stress on planning and coordination



Source: <https://www.theguardian.com/world/2015/may/19/marikana-massacre-untold-story-strike-leader-died-workers-rights>

and greater support for cooperatives. Yet these new initiatives do not constitute a systematic plan for transforming the economy and more integrated policies are required to overcome dualism and stimulate job-creating growth.'

Objective conditions that led to these strategic compromises are hard to deny. The global ideological climate of the 1990s, following the crumbling of the Soviet Union and the Eastern bloc as well as triumphant globalism, militated against some of the hard left economic platforms that the ANC had pursued until then. Oftentimes the leftist critique tends to forget that, as Terreblanche reminds us, '(W)ithout substantial and growing support from the communist bloc, it was not possible for the liberation organisations to defeat the apartheid regime militarily. And without a military victory, the ANC's bargaining power at the negotiations - especially the informal talks on economic matters, was significantly reduced'.

To a large extent this enabled the South African corporate sector to

literally get away with murder, despite centuries of being an unfair beneficiary of racial capitalism. It was at least expected that South Africa's corporate sector would keep its side of the bargain by contributing to economic growth and development within the constraining environment the ANC government was faced with. In the event this did not happen.

The 1990s moral high ground of the neo-liberal bloc invested private capital with unquestionable power, and '...power has been concentrated in the hands of the relatively small managerial elite of large corporations which control not only huge economic and financial resources, but also formidable ideological and propaganda power.' With time those who control and manage the commanding heights of the economy are sitting prettier, while for the majority of South Africans the inverse is true. 'This condition has been highlighted by The Rich List Survey published in the Sunday Times (Dec 11 2016) which showed that the top 10 own business interests worth R240 billion in 2016 (excluding fixed assets such as houses, farms, cars etc.).

- The top 10 earners got R292 million in salaries plus R33 million in bonuses in 2015 making a total of R631 million;
- The next 10 earners got R453 million showing that the pyramid is not that steep. This group all got over R40 Million a year. (Sunday Times 11 Dec 2016) .

A SOCIAL DEMOCRATIC POLITICAL ECONOMY

As we move towards resolving the challenges of poverty, unemployment and inequality, it would look like there is no alternative to a concerted effort for the wholesale transformation of our economy. At the heart of this approach is the need for a renewed vision between government, business and labour. There is a need to revisit the basis upon which our economic approach was adopted given that it has not yielded desired results.

Professor Ben Turok contends strongly that '...we also need a larger view about our whole political economy. Perhaps it is time for a "historic compromise" to borrow from the Old Italian Communist >>

Party, whereby all our social forces, particularly government, business and labour agree on immediate measures to pull our economy out of the quagmire. Only thus can we hope to begin to rectify our inherited lopsided economy. We understand that the distance between the government and big business is substantial and that big business may not be willing to make substantial concessions which would eat into their generous returns. But this crisis in the country requires just that and more.'

I wish to argue that among the cardinal principles of social transformation is the total commitment to a cause, which is in turn incompatible with self-seeking habits that elevate individual and sometimes group interests above those of society. No matter how progressive in intent, revolutionary in outlook and radical in content, the economic transformation programme is bound to flounder under circumstances of political misdirection. Stripped of its racist and hidebound context and spirit, the approach to economic development espoused by the Afrikaner political leadership, leading up to but especially after ascending to power in 1948, illustrates the importance of this lesson.

Our most valuable public assets, the State Owned Enterprises, have not lived up to the strategic role assigned to them in terms of meeting our developmental objectives in their respective sectors. Instead they have been a drain on the national budget through ineptitude, mismanagement, maladministration, nepotism and downright corruption, which lately goes by the disheartening name of state capture.

'State capture is not simply about enrichment of corrupt individuals, it is also about polluting state institutions such as the SABC, SARS, Eskom, and other state owned enterprises and agencies which then inhibit the proper

functioning of the economy by virtue of their size and importance. The malpractices have impacted on the performance of the economy as a whole and government is now seen as indecisive and ineffective. What is more, the distortions and injustices of the past continue to plague the country unhindered, including gross enrichment of the few and devastating impoverishment of majority.'

In this regard, as Professor Turok shows, '...the most disappointing part of the story is that the state owned enterprises have become a serious drain on the state resources and burden on the private sector due to high administered prices instead of acting as a mechanism to lubricate the economy. SOEs have become a burden on the private sector due to high administered prices such as rail costs, electricity prices etc.' Again, if we were to draw correct historical lessons from the Afrikaner approach to how they built socio-economic institutions for purposes of development there is much that can be learnt. Of course it may have been all too easy for a section of the population to develop itself through racist and discriminatory policies, and especially against the background of their small number.

Still, commanding all the economic and political resources in the country would be of little help if there is no common passion to make things work for the benefit of all. To use a religious analogy, I would say it is tantamount to heresy and betrayal of the whole people if those entrusted with responsible positions failed to live up to the moral, ethical and corporate expectations.

Showing how the Afrikaners progressed within a remarkable period of a generation or two, Govan Mbeki (Om Gov) holds up Sanlam as among the inspiring examples of most

successful mobilization of Afrikaner capital. 'Om Gov'tells us that:

'In those days, Afrikaners were by and large destitute and those on the farms were barely literate. But Afrikaner intellectuals would take no excuse if it obstructed the prosecution of their grand plan. In the course of the years, Sanlam has grown by leaps and bounds into the giant which, according to a recent report, was able to increase its assets in a matter of twelve months by R500 million from R2 500 million to R3000 million.'

A key lesson to be learnt from this scenario is that when we are grounded in values of hard work and industry, and driven by the selfless mission to serve all our people for the attainment of a better future for all of us, and mobilizing a broad cross-section of talent for that purpose, no odds, no matter how serious, can hold up our efforts. After Eskom, Transnet is the second biggest industrial enterprise on the African continent. Failure of either or both of them is therefore not an option as that undermines South Africa's development vision. As technically and economically strategic assets, SOEs are well placed to offer training and development for most South Africans in need, as was the case in the past. Conditions allow for this. We have inherited impressive infrastructure and facilities that could make this exercise possible. In-house training in hard core skills of the sciences, management and administration within these institutions could go a long way towards ensuring future investment in growth and effectiveness of our SOEs.

We have it in our power to achieve the goal of socio-economic transformation. All we need is the mobilisation of society at large inspired by the strategic goal of creating a united, democratic, non-racial, non-sexist, just and prosperous society. **NA**