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"Inflation targeting is good for the poor" - Reserve Bank REALLY !!!

Decolonisation - Ari Sitas

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SCIENCE DIPLOMACY TO BUILD CAPACITY FOR AFRICA

By: Daan du Toit

Countries across the world are harnessing science and technology to boost their economic competitiveness and their citizens' quality of life. Governments are investing in and developing science and technology capacity, including human capital and research infrastructure, but few, if any, countries have the required resources to progress as they need to on their own. International cooperation in science and technology – science diplomacy – is therefore an imperative.

This is also true for South Africa and, over the past 22 years, the Department of Science and Technology and its predecessor have made strenuous efforts to grow and nurture a rich and diverse portfolio of international partnerships. These relations have had significant benefits for the country – among other things, leveraging international funding for research and innovation in South Africa, supporting international training and mobility programmes for the next generation of South African researchers and, crucially, enabling South Africa to share in global experience and expertise.

Consistent with South Africa's foreign policy priority of advancing Africa's growth and development, as articulated in the African Union's Agenda 2063, the Department has also consistently sought to access international resources to support the strengthening of regional and African science capacity. Increasingly, South Africa is playing a leading role in trilateral partnerships with American, Asian and European partners to support other African countries in building their science systems.

Research, development and innovation and, of course, science diplomacy, will continue to play a decisive role in addressing South Africa's triple challenge of poverty, unemployment and inequality, and in fostering the African Renaissance. In a rapidly changing political, economic and social global environment, South Africa's science diplomacy strategy must be dynamic and responsive.

Currently, approximately 15% of R&D funding in South Africa comes from foreign sources, and foreign investment should not be neglected in efforts to grow South Africa's overall R&D expenditure. In this context, future priorities will include positioning the country as a preferred destination for science, technology and innovation-orientated foreign investment, especially for multinational companies seeking to relocate their research and development (R&D) activities to other countries. Philanthropic organisations will also be targeted, as they are increasingly seeking to invest in science and technology programmes that address development objectives.

It is also important to facilitate increased access to international postgraduate training opportunities for South African students, especially in science domains where capacity in the South African higher education system is not on its own sufficient to ensure that the targets for PhD production set in the National Development Plan are met. The Minister of Science and Technology, Naledi Pandor, has launched the Global Knowledge Partnerships platform, which is dedicated to enhancing South Africa's uptake of a range of fellowship and bursary programmes offered by international partners. This platform will also ensure that international training opportunities are aligned with South Africa's priorities and that students are absorbed productively into the national system of innovation when their training is completed.

Another priority is to promote South Africa's participation in transnational research and innovation programmes, which not only enable South Africa to tap into international experience and expertise, but also to contribute to global science efforts to address worldwide societal challenges such as climate change. The challenges faced by our planet know no borders, and neither should science. International cooperation in science and technology will enable a successful global response to achieve the Sustainable Development Goals.

In addition to science diplomacy's value in enabling South Africa and Africa to build their science and technology capacity further, it has other, less tangible, but no less important, benefits. For example, programmes that give young African scientists the opportunity to work together, get to know one another better, and to learn more about one another's countries, are valuable instruments for supporting processes of regional cooperation and integration.

Successful international cooperation in science thrives when it is underpinned by strong personal relations across borders, cultures and languages. Science diplomacy, however, also plays a valuable role in bringing people together, and fostering international friendship, solidarity and understanding. These are precious commodities, not only for South Africa and Africa, but for the broader global community in uncertain and risky times. The Department's commitment to science diplomacy, thus, builds on democratic South Africa's proud commitment to multilateralism and working for peace and prosperity globally.

Author: Daan du Toit, Deputy Director-General: International Cooperation Resources at the Department of Science and Technology

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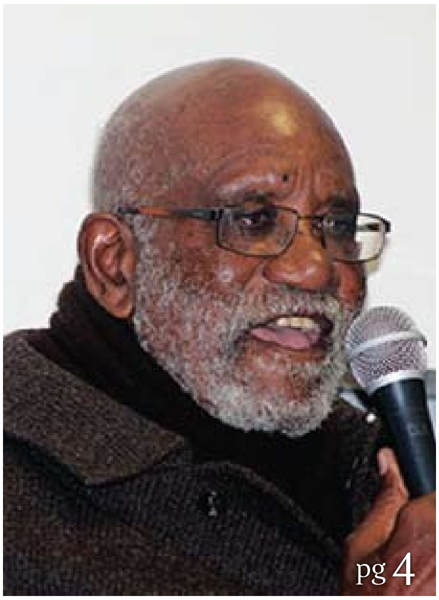


ANDIMBA TOIVO YA TOIVO

By **Ben Turok**

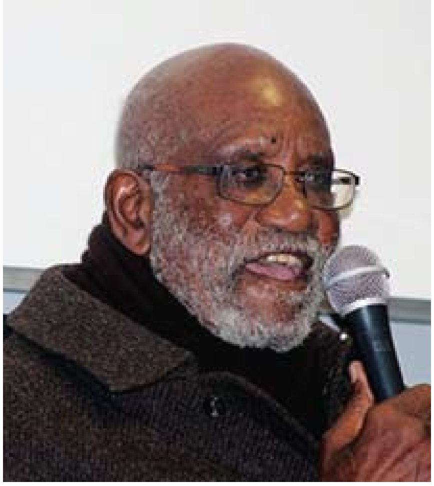
New Agenda wishes to add our voice to mourn the passing of Andimba Toivo Ya Toivo, one of the founders of the new state of Namibia. We have a special reason for remembering him as he came to Cape Town as a migrant worker in the early 1950s where he soon made contact with members of the Modern Youth Society, a nonracial organization of young people in broad support of the aims of the liberation movement.

Toivo Ya Toivo was new to some of the issues being debated there but he was ever avid to join in private discussions, thereby making friendships that lasted long afterwards. In later years when he was in the Namibian government he often remarked that his contacts in Cape Town provided a solid foundation for his later deeper involvement in the struggle.

When he was in Cape Town the country was going through a deep period of crisis with the defiance campaign and much increased activity by the Special Branch who were increasingly vigilant against any sign of opposition. Toivo Ya Toivo had to be very discreet in his contacts with the South African movement but he was deeply interested in everything going on.

In 1960 he founded the South West Africa People's Organisation (SWAPO) which led the struggle for Namibian independence. He was arrested in 1966 with 31 comrades and tried under the Terrorism Act of 1967. He spent many years on Robben Island with Nelson Mandela and his comrades. He gained infamy during his incarceration for refusing to submit to authority, once even striking a warder who had assaulted him. His refusal to submit to authority earned him numerous stays in solitary confinement. He was eventually released from prison in 1984.

Toivo Ya Toivo



Following his release from prison Toivo Ya Toivo went into exile and continued his commitment to the struggle against Apartheid and South Africa's occupation of Namibia. After Namibia gained its independence, Toivo Ya Toivo dedicated his energies to improving the country as Minister of Mines and Energy from 1990 to 1999, as Minister of Labour from 1999 to 2002 and as Minister of Police and Correctional Services from 2002 until his retirement in 2006.

Toivo Ya Toiva was more than just a political figure he was also a devout family man. He leaves behind his wife Vicki, his twin daughters Nashikoto and Mutaleni, his adopted sons Philemon and Isaack, and numerous relatives who cared for him deeply.

We mark his contribution to the history of our region and honour his dedication. NA

RESERVE BANK INDEPENDENCE

By Ben Turok

The current furore about the South African Reserve Bank (SARB) has a long background. Unfortunately the Public Protector mixed up her proposals for the bank's objectives with questions about the Bank's prime role in the economy, a different issue.

In 1998 the Finance Committee in Parliament set up a multiparty task team to examine the "nature and functions" of the Bank and tabled a lengthy report (4 August 1998). We found that our Reserve Bank was similar to many other central banks around the world and faced similar challenges namely, to protect the value of the currency "in the interest of balanced and sustainable economic growth". The latter phrase is subject to different interpretations and has led to a great deal of debate.

In the United Kingdom the 1998 Act provided the following objective for the Bank: "To maintain price stability, and subject to that, to support the economic policies of Her Majesty's Government, including its objectives for growth and development." The United State Constitution has a similar phrase about supporting employment. But what is agreed by most is that the primary objective is price stability

What seems to have been most controversial is the notion of independence. Our findings, based on thorough interactions with Governors in five countries, were that no Central Bank is completely independent. Our Constitution correctly requires that "there must be regular consultation between the Bank and the member (Minister) responsible for national financial matters" (section 224 (1) and (2).

Ben Turok

In other countries, the practice of consultation goes much further and includes regular meetings with the heads of commercial banks in order to be fully briefed about issues in the private sector. Indeed our conclusion was that the pressure for policy independence arises from a fear that a government might try to move to an expansive economic programme for populist reasons without taking due care about protecting the value of the currency, which could lead to high inflation among other problems.

Nevertheless there is broad agreement that "goal independence", namely broad economic policy belongs to government, but instrument (or operational) independence belongs to the Bank. There should be no day to day interference. But the two institutions have to work in tandem in order to fine tune macro-economic policy in the national interest.

Chris Stals, former Governor of the SARB put it nicely in a speech to an international meeting of Central Bankers. "The Central Bank is normally made accountable to the sovereign authority, it cannot be a power in isolation. . . it executes its function in the interests of the total community". And he preferred the term "autonomy" to "independence".

This means that if an economy slides into a recession, as is the case in South Africa this year, with serious consequences for the people, it may be necessary to relax tight monetary policy in order to stimulate the economy. Such a decision would have to be taken by the Cabinet, albeit in consultation with the Reserve Bank. But for the Bank to focus solely on price stability, essential as this is, is to abandon a huge part of its other mandate. NA

OFFICE OF THE EXECUTIVE DEAN

The Faculty of Science and Agriculture, University of Limpopo, launches a brand new Water and Sanitation Sciences programme, so brags the Executive Dean Professor Hlengani Siweya.

The University of Limpopo eagerly awaited the accreditation by the Committee on Higher Education (CHE) of a brand new programme in Water and Sanitation, so when the CHE officially communicated the full accreditation approval after its meeting in June 2017, the Faculty of Science and Agriculture was full of joy. The brand new programme, called Bachelor of Science (Water and Sanitation Sciences) (hereafter, BSCWSS), runs over four years and will be introduced in 2018 with an initial intake of 65 first-years. The Executive Dean of the Faculty Prof Hlengani Siweya summarised the main thrusts of the new programme as follows:

Background

The University of Limpopo has been offering a Water and Sanitation Services programme for over 15 years, which was initiated with funding from the Irish government (courtesy of the late Prof Kadar Asmal for sourcing the funds). Graduates that were produced from old Water and Sanitation Services programme had been found lacking in critical skills in the water and sanitation sector, so much so that potential employers and other universities which offer postgraduate programmes in water and sanitation, were often critical of our graduates – emphasising that they were not well-prepared to practice as water scientists. Importantly, our graduates that came out of the old Water and Sanitation Services could not be registered as Certificated Natural Scientists – because the qualification did not meet the admission requirements for the South African Natural and Scientific Professions (SANASP), the professional body that regulates natural science qualifications. In 2010, SACNASP asked the University of Limpopo to look at the shortcomings of the programme and required the University to commit to designing a new registrable qualification. That commitment was made by the Executive Dean (Prof Hlengani Siweya) on behalf of the University. Through stakeholder engagement (current and former students, water and sanitation sector, and provincial government officials), the Faculty developed the new programme which went through the

Dr Mamasegare Mphahlele

University internal approval processes and then University Council, culminating with the SACNASP approval in 2016 and now CHE. It has been a long road but it is one we had to walk through.

Selection and Admission Requirements

This qualification is founded on basic sciences in the first year. Prospective students will require a minimum Admission Placement Score of 24 calculated from Grade 12 Certificate (or mid-year results for those who are still in Grade 12) as follows:

SELECTION AND ADMISSION REQUIREMENTS

National Senior Certificate Applicants:

Applicants required the following minimum APS	24
Subject Points	
Physical Sciences	5
Life Sciences	4
Mathematics	5
English	4
Any Two Additional Subjects Chosen from a designated list	

Mode of delivery of the programme

The BSCWSS is a fulltime programme which the FSA will deliver on the Turfloop Campus of the University of Limpopo. By its design, the BSCWSS is a problem-based learning (PBL) programme. In the first year, the students will take basic sciences in Biological Sciences, Chemistry, Mathematics, Physics and Health Sciences Life

Competencies (SHEL for short). Briefly, SHEL encompasses a wide range of topics on health matters: these include, hygiene and healthy living, sexually transmitted diseases (of many types) and aspects of science communication. A PBL programme (and indeed our BSCWSS) is designed to ground students on problem-solving: so, from the 2nd-year, lectures and practicals will be complemented by integrated assignments. This means that students will be required to complete quarter-long or semester-long assignments constructed around the themes of the modules prescribed at the level the students are registered. This implies a rigorous programme: to achieve the desired outcomes, the programme requires committed academics who will not just deliver lectures and give tests but who will work cooperatively to produce well-rounded graduates on matters water and sanitation. And, yes, we have these academics in our midst. Believe you me, in this PBL programme not only has the curriculum been transformed but it has also been decolonised – essentially, our students will be learning water and sanitation in familiar African settings and solving African problems in novel ways.

National Impact of the programme

Access to clean water is a basic human right issue and a permanent feature of human life: our national government takes this right seriously as demonstrated by the establishment of a national Department of Water and Sanitation. For our government to be able to deliver on this mandate, our graduates will help fill the skills gab in the sector: commercial industries and municipalities require scientists with skills on waste water treatment and management, and maintenance of such plants, sanitation management in rural communities. Our graduates will also serve society as laboratory scientists, operations and technical scientists. As a Faculty, we are proud that we have developed an undergraduate programme that is unique not only in our Province Limpopo but it is the very first in the country.

It is indeed a glorious honour for me as the Executive Dean of the Faculty of Science and Agriculture to have led and overseen the development of this University flagship programme: credit must surely go to all my colleagues in the Department of Water and Sanitation for their selflessness – as a family, together we are winners.

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DEBATING THE MANDATE OF THE RESERVE BANK

By ***Luke Jordan***

The author is an independent economic development specialist


Luke Jordan

Questioning the role of the Reserve Bank is not a new issue in South Africa's political and economic discussions on what would end the triple scourge of poverty, unemployment and inequality. The issue was raised in the early period of our transition to formal democracy. That it should surface again, via the Public Protector's pronouncements, is but a signal of how vital the debate is to economic transformation. The author challenges the orthodoxy of those who advocate a single mandate and presents what an alternative approach would mean without threatening the "independence" of the institution.

> **The idea of "central bank independence" gained popularity from the 1970s onwards and became dominant in the 1990s**

The days since the release of the public protector's report have been a sorry spectacle. While it is appropriate that her powers in this regard be tested stringently, the question of the Reserve Bank's mandate has given rise to a parade of strange arguments. One columnist went so far as to suggest that any attempt to alter the bank's mandate beyond inflation targeting would turn South Africa into another Zimbabwe, in the latest incarnation of a "reductio ad Zimbabwe" trick fast gaining prominence among those who should know better.

So what does central bank independence mean? What does South Africa's inflation target framework actually mean for the poor? Why is the content of the public protector's recommendation (appropriate or otherwise) worth debating?

THE IMPORTANCE OF MONETARY POLICY

It is hard to exaggerate the importance of monetary policy (the setting of interest rates at which you and I can borrow money) for the direction of the economy. It determines the availability and price of credit in the economy. That has a decisive effect on household investment, i.e., private sector house building, which drives demand for everything from construction to concrete; for consumer credit, and hence cars and furniture and appliances; for farm credit, and hence farm investment; and on companies' decisions to invest, since any investment must make more than the cost of capital to be viable, so the costlier capital becomes, the less investment there will be.

Raising or lowering the interest rate by a percentage point ripples across the economy with enormous effect. When borrowing is difficult and rates are high, policy is said to be "tight", or "hard"; when easy, policy is "loose". Determining whether the long-term bias of rates will be towards tighter monetary conditions (higher rates) or looser conditions (lower) exercises an effect on the economy several orders of magnitude greater than almost any other discrete policy decision.

This outsize importance is reflected in history. The original Progressive movement was founded on opposition to tight monetary policy. Neoliberal economics began in monetary policy, and always considered it to be the most powerful of all levers in an economy. The most enduring and powerful intellectual currents of the left and right not only began in monetary policy, but held it as their most important battleground. Corruption must be stopped, but monetary policy has an order of magnitude of greater importance for our economy and for our lives.

CENTRAL BANK INDEPENDENCE AND ITS MANDATE

The idea of "central bank independence" gained popularity from the 1970s onwards and became dominant in the 1990s. It refers to the idea that a central bank should have a goal (its "mandate") set for it, such as keeping inflation or unemployment down, and then be left alone to try to achieve that goal, free of interference, but with a requirement to explain its decisions to the public. The crucial point is that independence is within the mandate.

This was clearly stated by Mark Carney, the Governor of the Bank of England, former head of the Canadian central bank, counted by many as among the best central bankers in the world. On the stage of the London School of Economics in January this

> **There is little in the ideas of the world's leading central bankers... that advocating a change in the Bank's mandate is interfering with its independence**

year, he stated that the Bank of England follows an inflation target, but it does so because that has been set in legislation, as the preferences of the people. If the preferences of the people change, and that is changed in law, the Bank's objective will change. There is little in the ideas of the world's leading central bankers, or in the theory of independent central banks, to support the idea that advocating a change in the Bank's mandate is interfering with its independence.

Of course, those who benefit from the existing mandate will invoke the spectre of "interference" when that mandate is questioned. But this is an attempt to ward off a legitimate debate, and hence must beg the question of why someone would be so very eager to avoid that debate.

INFLATION TARGETING AND THE POOR

The South African Reserve Bank (SARB) has a mandate to "protect the value of the currency". It interprets that mandate to mean it must keep consumer price inflation within a range of 3-6%. In the South African economy at the moment that means, and has meant for the last 20 years, a strong bias towards tight monetary policy – a preference for keeping rates high, and raising them at the slightest risk of inflation, while waiting very long to reduce them.

With inflation targeting, the devil is in the detail – specifically, how inflation is calculated. SARB has chosen "headline consumer price inflation", or CPI, as its target. That is calculated by averaging over a long list of goods and services, with weightings for each determining how much they "count" for overall inflation. The weightings are available online and easily accessible to anyone commenting on inflation. The present methodology is skewed towards the consumption of the middle class, not the poor.

So, South Africa's headline CPI gives bread a weighting of 3 points out of 100. Car purchases have a weighting of 6 out of 100. Running expenses for private cars (not taxi fares, which are counted separately) have another 5 points' weight. Private medical aid premiums have a weighting of 7 out of 100. The cost of domestic workers has a weighting of 2.45.

Within a rounding error, therefore, the inflation targeting framework cares as much about the "price" of domestic workers as it does about bread. While it is true that the "food" category overall counts for 15 points, much of that is spread across food categories that barely overlap with the consumption of the poor. On the other hand, middle-class goods – private medical aid, a car, a domestic worker, DStv, and other such goods and services – count for at least 25-35 out of 100, or almost 10 times as much as bread. Another 13 points is derived from rents, not of shacks in backyards, but of "flats, townhouses and houses" obtained "through private letting agents".

It may be argued that the inflation framework does not directly target bread, but that generalised inflation will affect bread prices and therefore the mandate still affects bread prices. The US Federal Reserve, however, disagrees. It deliberately strips food out of the inflation index it tracks ("core CPI"). It does so because food prices are volatile for reasons having little to do with monetary policy. First, the demand for basic food is rarely affected by interest rates. One columnist suggested the absurdity that people would spend less on bread if they spent more on cars, though this may have been a joke. The second is that the supply of food is heavily dependent on weather conditions and hence on the size of harvests, at home and abroad. The monetary policy committee does not affect the frequency of rain.

There is one other argument for a relationship between inflation targeting and the price of bread. It is made in technical arguments, though rarely in the media. It is known as "expectation anchoring". It relies on the idea that people's beliefs about what inflation will be are self-fulfilling – they raise prices if they think prices will rise – but can be "anchored" by strict inflation targeting. Recent research has cast a great deal of doubt on the theory even as it applies to companies in small, rich economies; how it would hold in a large, diverse, middle-income country, among the makers and buyers of bread, is a matter more of faith than reason.

INFLATION TARGETING AND BASKET CASES

None of the above holds if the economy falls into hyperinflation or economic collapse. Some have suggested this is the necessary result of any deviation from strict inflation targeting. There is, however, no evidence for such a claim.

The United States has never had a strict inflation target. Instead, the Federal Reserve (the "Fed") has a dual mandate: both "full employment" and "price stability". When these mandates conflict, the Fed's Board must decide on the trade-off, and justify its decision to Congress. In 2009-12, the dual mandate enabled the Fed, led by Ben Bernanke, to implement monetary stimulus. In the same period, in 2011, the European Central Bank (ECB) – which does have a strict inflation target – tightened rates because of what turned out to be a temporary increase in inflation. The former decision is now widely praised, the latter considered disastrous. The divergence contributed significantly to Europe's recovery being so much more delayed than the US' after the global financial crisis.

Source: SARB

> **"The scale of the European Central Bank's (ECB's) mistakes before and after the crisis has been a principal contributor to the crumbling of the intellectual orthodoxy behind strict inflation targeting.**

The scale of the ECB's mistakes before and after the crisis has been a principal contributor to the crumbling of the intellectual orthodoxy behind strict inflation targeting. That is not confined to developed countries.

In 2010, the Governor of the Bank of Malaysia, speaking at the Bank of International Settlements (central banks' international association, or version of Fifa), said: "Prior to the recent financial crisis, the predominant view was that ... the best role for the Central Bank ... was to ensure that inflation remains low. This recent crisis has changed this perception. Maintaining price stability and financial stability is a means to an end. The ultimate goal is surely to achieve sustainable economic growth and prosperity." Malaysia does not have a strict inflation target at all. Malaysia's inflation rate has hovered between 2-4% for the last 10 years, while its GDP has grown by 5% per year.

A few decades ago there was a strong argument that a single mandate focused on inflation was beneficial to long-term growth. That argument has crumbled. But there was never any argument, or indeed any evidence, that a dual or multiple mandate necessarily leads to hyperinflation or even sub-optimal growth.

> … one of the key constraints on our growth is a banking oligopoly that earns excess profits and restricts entry …

INFLATION TARGETING AND GROWTH

There is evidence that an overly strict interpretation of the mandate can damage growth. The ECB example described above is one instance. There is also the case closer to home.

In 2006-8, the group of Harvard and Princeton economists who advised Thabo Mbeki's AsgiSA task force strongly advocated relaxing the interpretation of the mandate. They pointed out that our Reserve Bank's adherence to strict inflation targeting resulted, for complex reasons, in an extremely volatile currency that was often too strong for viable and durable export growth. Their recommendation was flatly rejected by the forces of orthodoxy in Treasury and SARB, in part based on a strict interpretation of the current mandate.

It is extremely difficult to see a path towards rapid growth that is consistent with the current interpretation of the mandate. If we are to reach 6-8% GDP growth, either domestic demand and investment must boom, or exports must. The Harvard team concluded that rapid export growth was almost impossible under current monetary policy. On domestic demand, an investment boom could, in the medium term, create enough supply in the economy to allow rising demand without rising prices. But in the transition stage a rapid rate of growth would encounter an economy with decades of deficient investment behind it. Under current orthodoxy, SARB would step in to raise rates sharply, damping demand before it gained steam.

As a third element, one of the key constraints on our growth is a banking oligopoly that earns excess profits and restricts entry. This is, again, not a radical view. It was expressed by the deputy head of the IMF, David Lipton, in a speech in 2016. High on his list of needed reforms he stated: "In the finance sector, there are only a few retail banks in operation, and their fees are high. Small enterprises have trouble accessing banking services, though there has been some improvement of late. Barriers to entry into the industry favour existing institutions."

In its earlier responses to the draft public protector report, and in public pronouncements over the years, SARB has explicitly invoked its stability mandate in defence of its de facto capture by the large, existing banks. That this capture is a fact is, again, hardly radical, but a truism among technology startups. It is the reason why most financial technology incubators sit inside the existing banks – attempting to take them on from outside almost guarantees eventual regulatory shut-down by SARB. This capture does not necessarily flow from the mandate – many central banks with inflation targeting mandates are not nearly as captured – although it should be noted that higher interest rates mechanically raise banks' profits. SARB itself has chosen to mount its defence on the mandate, and so has itself brought the mandate into debate.

THE MANDATE AND THE CONSTITUTION

To sum up: changing the inflation mandate is not interfering with the independence of the central bank; doing so would not make us a basket case, and is probably a necessity for long-term growth; and the current inflation target has little to do with the price of bread, or the lives of the poor.

It is true that the motivation for the public protector's recommendation is opaque. Some of the protector's specific findings, with references to state banks, are as incoherent and ill-informed as anything written by columnists in the last few days, albeit no more so.

But the fundamental issue is what the mandate is doing in the Constitution in the first place. We are the only country, to my knowledge, that has the mandate in the Constitution. In the 1990s it was understandable why reasonable and well-intentioned negotiators and officials would have accepted the argument for a strict mandate. But that could have been accepted, as in all other countries, in legislation. Instead, it was inserted in the Constitution, where it would be almost impossible to change. It was inserted through closed-door negotiations, at the back of the document. It has embedded, deep in the heart of our economic governance, a bias towards the status quo, as it existed in 1994.

Everywhere else, as Governor Carney mentioned, the mandate is set by legislation. Alone among our peers, in contrast to every developed country, the goal of monetary policy in South Africa is set not "by the preference and instruction of the people", but by the cunning and fearmongering of entrenched interests 20 years ago. That cunning and fearmongering has been much in evidence again these last two days. It is hoped that a few facts may help us move past it.

NOTES

This article was first published in the Daily Maverick on 23 June 2017. NA

SOUTH AFRICA NEEDS A SENSIBLE DEBATE ABOUT ITS RESERVE BANK. HERE'S A START

By Vishnu Padayachee and Bradley Bordiss

Padayachee is Distinguished Professor and Derek Schrier and Cecily Cameron Chair in Development Economics, School of Economics and Business Sciences, University of the Witwatersrand. Bordiss is a PhD candidate in Development Economics, School of Economics and Business Sciences, University of the Witwatersrand.

Debates on monetary policy in South Africa over the last couple of decades seem to have come from a madhouse. First, in the 1990s the country had old discredited Washington Consensus policies rammed down its throat. This was done with little regard for alternative progressive ideas and little or no democratic debate or public participation.

And then recently the country's Public Protector, Busisiwe Mkhwebane released a report that made sweeping populist recommendations about the South Africa Reserve Bank. The report favoured revising the country's constitution and a binding recommendation for a monetary policy regime that excludes any reference to price stability. A mandate like this simply doesn't exist in any comparable country with a well-developed private banking system.

To put the report in context we want to focus on basic monetary policy principles that have been debated for centuries by serious thinkers and scholars. We also explore how South Africa can move the debate forward constructively and responsibly.

Broadly, thinkers on monetary policy can be considered on a scale with "sound money" advocates on the one side, and those concerned that money and banking must serve the productive economy – let's call them "serve-society" advocates – on the other.

We locate ourselves unambiguously on the "serve-society" side of the debate. We agree with William Lowndes who served in the British Treasury in 1695, who said that money supply must serve society. Thomas Attwood in the 19th Century, John Maynard Keynes, the trade union leader Ernest Bevin and Hyman P Minsky in 20th Century, concurred.

Unlike Mkhwebane's report, these economists, particularly Keynes and Minsky, understood that currency and money markets under capitalism have a nasty tendency to be unstable. That's why the regulatory and lender of last resort function of the Reserve Bank is so vital. (When the operations of the inter-banking lending market cease to operate, the lender of last resort is the entity – usually a Central Bank – that has sufficient liquidity to lend to banks short of funds.)

The South African Reserve Bank has performed these roles moderately well for almost a century. The country hasn't had a systemic banking crises since the formation of the Reserve Bank in 1921. Experts in the field Calomiris and Haber, 2004, find that South Africa is among the most stable top 13 banking systems in the world. The Reserve Bank should take credit for much of that.

That doesn't mean that it's beyond criticism which is why a serious debate is needed. The debate doesn't need to rely on the ideas of fringe adventurers and crackpots. The country has a wealth of intellectual talent on monetary and central banking policy inside and outside its universities that straddle the ideological spectrum. »

The country's public intellectuals in the unions and in civil society organisations have excellent ideas on central banking and monetary policy. Ordinary citizens should be drawn in too.

One thing is clear: things cannot remain as they are because so much is changing in the world of central banking and in economic life.

THE TWO CAMPS

Sound money thinkers tend to view banking as just another business, best left to the free market. Historically sound money economists have preferred deregulation of the banking system. But since the spectacular collapse of thousands of banks in many parts of the world in the 1930s, and the banking and financial crises after 2008, very few now propose abolishing the lender of last resort function of central banks.

Sound money economists now want central bankers bound by rules, rather than allowing for discretion. But they still focus on the virtues of trade and private finance.

For their part, "serve-society" advocates worry about production, employment and growth.

Keynes – by no measure a crank or a crackpot – was very much in favour of adjusting monetary and fiscal policy where necessary. He was a passionate advocate of sound banking and financial regulation because he understood the inherent instability of capitalism. He warned that getting it wrong could massively increase poverty and unemployment.

In 1933 he proposed three safeguards when shifting economic policy priorities: Firstly, don't be doctrinaire. Secondly, he maintained that "the economic transition of a society is a thing to be accomplished slowly". And thirdly, don't allow "intolerance and the stifling of instructed criticism". For those not in public office he offered this final piece of advice:

> **One thing is clear: things cannot remain as they are because so much is changing in the world of central banking and in economic life.**

Words ought to be a little wild – for they are the assault of thought on the unthinking.

A CHANGING WORLD

Conventional notions of what central banks are, and of what they should do, face a number of challenges. For example, the processes of technological innovation, including the growth of crypto currencies like Bitcoin, are rapidly reshaping some of the core functions of central banks.

And over the last three decades a number of economic factors have forced central banks to review their roles. They've had to do so to align their functions with other states in the wake of greater economic regionalisation, the creation of monetary unions and the establishment of regional central banks.

The events of 2008 also shook confidence in the ability of central banks to use their reputedly vast capacity and skills to predict and head off the crisis. This has been particularly true as far as their regulatory responsibilities to promote financial stability are concerned.

As pointed out by Princeton Professor and former deputy-Governor of the Banque du France, Jean Pierre Landau, a return to the status quo ante in respect of central bank policy is neither desirable nor indeed feasible.

Despite this warning the status quo ante is being defended all over the world as if nothing has changed, and as if all is well in our economies.

LET THE DEBATE BEGIN

After the release of the Public Protector's report the Governor of the South African Reserve Bank, Lesetja Kganyago, offered the potential space to begin a serious debate about South African monetary policy aimed at creating a more inclusive and prosperous society and economy.

But, he warned, such a discussion would have to be based on "evidence and sound analysis".

In our view ideas must come from across the ideological spectrum. And they must be debated in legitimate and properly structured forums. One place to begin the discussion would be Parliament's Portfolio Committee on Finance.

Other structures – such as the Reserve Bank's Monetary Policy Forums (as proposed by the governor) and forums led by business, labour and civil society organisations as well as universities – need to keep up the momentum.

There must be no place for defensive postures, arrogance or condescension. The debate must be guided by one overriding objective: to improve the quality of life of the many South Africans for whom the end of apartheid has brought no real material change, it must consider the impact of change on employment, investment and growth.

NOTE

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www. theconversation.com NA

CREDIT RATING AGENCIES

WHO ARE THEY AND DO WE NEED THEM?

By ***Nimisha Naik, Fatima Bhoola and Jannie Rossouw***

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For all the influence they have on determining a country's ability to borrow money, hardly anything is known about credit rating agencies. In this matter-of-fact article, the authors lay bare the ABC's of rating agencies, how they operate and what informs the (sometimes death) sentences they pass on countries.

A number of recent developments coupled with a failure to meet the necessary criteria to prevent a further downgrade, has ultimately culminated in two of the three main ratings agencies downgrading South Africa's credit rating from investment grade to the speculative or 'junk status´ grade. Standard and Poor's (S&P) lowered the long term foreign currency sovereign credit rating to the speculative grade of BB+ on 3 April 2017. Fitch soon followed with a similar downgrade (Fitch Report, 2017). Moody's has kept their ratings on Baa1 but on review for a possible downgrade.

The downgrade to speculative grade is likely to scare off potential investors (particularly international investors) and further damage South Africa's already fragile growth potential. The impending exit of General Motors from South Africa (Nicolaides, 2017), citing a fall in expected returns from investing in South Africa, as well as the failure of Transnet to secure the desired liquidity through a recent bond auction (Thompson, 2017), are just two market developments explicitly linked to the recent downgrade suggesting that investors are losing confidence in South Africa as an investment destination and are opting for other, safer options.

This article aims to shed some light on the importance of credit ratings to a country. More particularly, who are ratings agencies, what do they look for when they rate a country and how important is it to be rated?

WHAT ARE CREDIT RATINGS?

A credit rating refers to an opinion on the ability and willingness of an issuer of debt instruments to meet its financial obligations timely and in full. These institutions include companies, financial institutions, governments (referred to as the sovereign), etc. It is therefore a relative measure of the likelihood that a borrower will default on its obligations (Cantor and Packer, 1995).

Governments, like others seeking loanable funds, require access to international capital markets. This is particularly true for the government agencies of developing countries who cannot acquire investment funds domestically owing to low savings levels or undeveloped capital markets thus relying on foreign investors to purchase their debt instruments. As such, they choose to be rated in order to provide a signal to potential investors on the relative riskiness of investing in the country (Cantor and Packer, 1995). The ratings are used by market participants as a signal to gauge the future relative creditworthiness of securities and the risk of default; thus providing a benchmark for investors to use when deciding where to invest and to rate the relative riskiness of such investment. Investments carrying more risk (i.e. a lower credit risk rating) attract a higher return (Afonso, et al, 2011, Cantor and Packer, 2016).

Sovereign debt is regarded as the least-risky debt and therefore has the lowest rate of interest since governments can repay interest and capital commitments on debt by curbing expenditure, increasing taxes or printing money (Cantor and Packer, 1995). It therefore acts as a benchmark for other issuers of debt of the same country in the same market (Moody's Rating Methodology, 2015); for instance state owned enterprises whose debt instruments might be underpinned by the government. Corporate debt is comprised of securities issued by private issuers such as large companies in private ownership. Governments of countries therefore have an incentive to be graded on both their foreign currency obligations as well as the domestic currency offerings to provide a benchmark for other borrowers (Cantor and Packer, 1995).

> **"To repay debt that is denominated in a foreign currency, countries must obtain hard currency in exchange for their domestic currency.**

WHY ARE CREDIT RATINGS IMPORTANT?

From an investor's perspective, the riskiness of making an investment is associated with the interest gained, the guarantee of capital repayment and the tradability of the securities purchased. A higher risk investment tends to have a higher rate of return. Cantor and Packer (1996) analyse the effect of ratings on sovereign yields and find that sovereign yields tend to rise as the ratings decline. With limited information on the issuer's credit quality and likelihood to default, foreign investors rely on credit ratings to provide them with a gauge to the risk attached to such an investment. A downgrade of a sovereign's credit rating increases the cost of raising funds which places further pressure on the economy.

By acquiring an improved rating, a country improves the potential of the sovereign, government agencies and private companies to acquire funds at attractive rates and on favourable conditions from investors. Maintaining a good credit rating also compels a country to have sound monetary and fiscal policies in place and constantly ensure that both the economic and political conditions are favourable for growth and development.

A good credit rating of a country signals to investors that their investments in the country are attached to a lower risk of default. Such a credit rating underpins the borrowing activities of all borrowers in such a country.

METHODOLOGY WHEN ASSIGNING A RATING

Only Moody's provide detailed information on the methodology followed to assess and provide sovereign credit risk ratings. Moody's obtains data from sources such as the International Monetary Fund (IMF), Organisation for Economic Cooperation and Development (OECD), European Commission (EC), the World Bank and the Bank for International Settlements (BIS). National statistics provided by countries are also used for assessment purposes. In its assessment of credit risk of sovereigns, Moody's considers the following aspects:

Economic Strength

A sovereign's ability to generate revenue and service its debt in the medium run relies on fostering economic growth and prosperity. Several indicators such as its growth dynamic, the scale of the economy and its National Income (GDP) are some of the main determinants of the economic strength of a country.

Institutional Strength

The second consideration is whether a country's institutional structures can support the sovereign's ability and willingness to repay its debt. Specifically, the government's capacity to implement sound economic policies that will contribute to sustained economic growth. To this end, ratings agencies assess the following: the effectiveness of the country's institutional framework encompassing the quality of government bureaucracy and administration; the rule of law that measures contract enforcement; property rights; independence of judiciary and trust in the judicial system; and the transparency and accountability of the public sector. These indicators measure the extent to which public power is abused for private gain, as well as the capture of the economy by elites or special interests.

Fiscal Strength

This aspect captures the overall health of government finances and includes indicators such as the debt burden and its affordability. Specifically, its interest payments-to-revenue ratio is indicative of the degree to which its debt service burden is within revenue-generation capacity.

Susceptibility to event risk

This factor looks at the risk of a sudden extreme event occurring. An event such as this can result in a severe strain in public finances that increases the sovereign's probability of default. Susceptibility to an event risk can arise from risks relating to political instability, government liquidity, the banking sector risk or external vulnerability. To repay debt that is denominated in a foreign currency, countries must obtain hard currency in exchange for their domestic currency. A shortage of hard currencies arises due to a current account deficit or net capital outflow. This is reflected in the depreciation of the currency and diminishing official foreign reserves.

For South Africa, the negative implication of a lower rating is evident, namely an increase in borrowing rates.

WHAT WENT WRONG IN SOUTH AFRICA?

The downgrade to junk status by Fitch and S&P was largely triggered after the sudden reshuffle of Cabinet ministers by the president of South Africa. The dismissal of the finance minister, Mr. Pravin Gordhan, was seen as a weakening of governance and public finances. The change of leadership in key government institutions namely finance and energy has led to the increase in a perceived political risk.

Source: http://top10companiesinindia.net/top-credit-rating-agencies-in-india/

The continued in-fighting within the ANC raises the issue of whether there is a commitment to sustain fiscal consolidation and maintain prudent governance of state - owned enterprises. The newly appointed energy minister may accelerate the nuclear programme; this will only compound an already large liability on the state. All three agencies have noted that the continued political noise and recent political events have distracted policymakers from growth-enhancing reforms.

State owned enterprises (SOEs) have placed a large burden on government finances. The debt of the major SOEs amounted to approximately 18.2% of GDP as at March 2016 (Fitch Report, 2016), of which over 36% was subject to government guarantees. The recent downgrade to junk status has placed further pressure on acquiring funds. Transnet attempted to issue R200 million in long-term bonds, only two bids worth R40 million were received. Transnet agreed to only issue bonds for R10 million (Thompson, 2017). This reflects the lowered confidence that investors have in long-term investments in South Africa.

Overall, all three agencies have highlighted a persistent low trend in the GDP growth. The expected growth rate of GDP remains low for 2017. High debt levels and significant fiscal and current account deficits have contributed to the negative outlook. General government debt is expected to be 53.3% of GDP during 2017 (Fitch Report, 2016). The current account deficit was at 4.3% of GDP during 2015 and the government's net external debt was estimated to be at 8.7% of GDP during 2015. The inflation rate is also above its peer countries but there is confidence that the South African Reserve Bank is independent and committed to controlling inflation.

Moody's has an expectation that economic growth will strengthen after the supply-side shocks will recede. These include the ending of the drought, the reduction in the shortage of electricity supply and the decrease in the number of work days lost due to strikes (Moody's Report, 2016). The political and institutional uncertainty remains a challenge in providing greater confidence on the economy.

The importance of credit rating agencies came about due to asymmetric information regarding investments and the risk attached to it. Potential investors rely on these ratings in order to make more informed decisions on investment opportunities and risk. In turn, entities both from individual companies to the sovereign have relied on the ratings to attract more investment.

These companies have stated that their ratings are just 'opinions', yet these opinions have had large impacts on firms and countries. This is especially the case when there is a downgrade in the ratings (Afonso, et al, 2011, Cantor and Packer, 2016).

Credit rating agencies are meant to be credible. They are assumed to be fair with sound methodologies but this has at times been questioned. Nevertheless they play an integral part in determining risk and investment potential. The question is therefore not whether South Africa likes credit rating agencies. South Africa, along with every other country, needs these agencies to attract investment capital and improve economic growth and development.

NOTE FROM THE EDITOR

The last paragraph indicates some concern about the credibility of the ratings agencies. In our judgment this understates the problem. During the financial crisis of 2008 there were strong allegations of misconduct by the same agencies which were never properly refuted.

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KING IV IS HERE: CORPORATE GOVERNANCE IN SOUTH AFRICA REVISITED

By ***Vishnu Padayachee***

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Vishnu Padayachee

Codes of Conduct for corporate governance have been evolving over the past few decades. The article assesses the progress in local corporate governance with the launch of the latest King IV code for South African corporations in 2016 and argues that unless there is transformation in these critical areas, King IV is not likely to have any teeth.

In 2013 I published an article entitled "Corporate governance in South Africa: from 'Old Boys Club' to Ubuntu?" in the journal *Transformation* (81/2, July 2013) on which I draw from here. With the launch in November 2016 of local corporate governance code King IV (with its focus on ethical leadership, organisational values and responsible corporate citizenship, as well as further refinements to governance structures) (Directorship, April-June 2016) it may be useful to return to assess progress in some areas of South African corporate governance. While I believe that all the King codes have been valuable to improve corporate governance in South Africa since 1994, many issues of concern remain, which are not in themselves matters for any code but rather about corporate culture in the context of South African capitalism.

> **A sound corporate governance culture based on transparency and disclosure hardly existed before and during the apartheid era**

In this regard we are pleased to support the King IV focus on the themes of (1) the need for further board diversity (race, gender), and (2) the process, transparency and ethics surrounding remuneration, including of board members and executives. (Business day 16 November 2016). My argument first made in 2013 that South African corporate boards especially in the private sector, remain largely untransformed and are governed in the old ways, is vindicated by this latest King 1V Report (2016). The focus on remuneration draws attention to, even if it does not and itself cannot resolve, the matter of the growing inequality evident in our society and in many other capitalist countries between a corporate elite and the rest. If these recommendations regarding diversity and remuneration become incorporated into revised JSE listings requirements, we will have arguably for the first time given real teeth to King recommendations.

In the 2013 article I examined developments in the culture and practice of corporate governance largely within the private sector in South Africa. My analysis showed the dominance of powerful individuals, family trusts and groups sharing common social, cultural, and linguistic norms, bound together outside the boardrooms thorough old school, club, societal, political, church, sports and other such networks. A sound corporate governance culture based on transparency and disclosure hardly existed before and during the apartheid era. Since 1994 and as South Africa opened up to global economic circuits and institutional rules and practices, there has been a much stronger commitment, at least nominally, to compliance with developments in global corporate governance. The King codes of corporate governance (then version 3) are the strongest indication of this. South African companies have over the last 18 years shifted from an initial state (a management controlled, 'social club' approach to corporate governance) towards an Anglo-American corporate governance model, practising what is widely referred to as 'shareholder wealth maximization'. But I also argue that the practice of this approach remains uneven, as large family networks (both old and new) still exercise significant influence in boardrooms.

CORPORATE GOVERNANCE IN THE TRANSITION: A SUMMARY

Corporate governance in South Africa has changed since the advent of democracy in 1994. It has moved along the governance spectrum towards an Anglo-American approach, sharing features of the light-touch, regulatory kind found in the UK. This is evident from the requirements of three codes of corporate governance, King 1 (1994), King 2 (2001) and King 3 (2009) which apply to all JSE listed companies, public entities which have to comply with the Public Finance Management Act, as well as all banks and financial institutions. The King codes stress outsider control, independence and transparency aimed at maximising shareholder wealth. Technical (tick-box) compliance appears on the increase, but whether South African corporates are, in fact, getting right the balance between improved governance and better performance remains unclear. The new Companies Act became law in May 2011 and it requires that directors will be held legally responsible if it can be shown that they did not apply their minds to their fiduciary duties, among other legal sanctions, a move that would nudge the corporate governance framework towards the post-Sarbannes-Oxley US model. I do not underestimate the significance of this "shift" to Anglo-American model of corporate governance in South Africa over the last 15 or so years.

THE 'END' OF PYRAMID STRUCTURES

Some commentators I spoke to as part of that earlier research regarded the "ending" of the pyramid holding structure for governing South African companies prevalent for over a century mainly in the mining-industry and finance, as the most dramatic indication of the changed corporate governance structure in South Africa after the end of apartheid. I questioned whether or not this was in fact totally true.

The advent of democracy, the opening out to global competition and the sheer scale, vision and ambition of key figures in the South African corporate world have all contributed to change within South Africa's corporate structure and in the strategic restructuring of these corporations. Those who recognise major changes in this area include Malherbe and Segal (2001: 1) who point out that:

> A decade ago, the six mining finance houses – corporate structures peculiar to South Africa, though reminiscent of the Japanese pre-war Zaibatsu, and formed under similar circumstances – dominated the economy. Today, the mining finance house no longer exists. Along with the demise of the mining finance house, two of its widely imitated characteristics – diversified holdings and the entrenchment of control through pyramid structures – have fallen from favour.

The main forces of change, they argue, for this 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).

Andrea Goldstein (nd: 31) makes this point in the following way: "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.

Jim Sutcliffe (ex-Old Mutual plc CEO) when asked what he would regard as the most significant change in South African capitalism post-1994 pointed to the demise of the group-holding, pyramid structures and extensive cross-holding directorships which characterized capitalism under apartheid (Interview, 30 July 2007). Not only have companies unbundled and restructured as pointed out above, but the phenomenon of the 'big man', the Executive Chairman and CEO rolled into one, who no director would dare challenge (people in the mould, I would suggest, of Ernest Oppenheimer, Harry Oppenheimer, even more recently, Brian Gilbertson, Mike Levett, Warren Clewlow), is no longer a dominant feature of South African corporate boardrooms. Many of the new non-executive directors also have a very different sense of their fiduciary responsibilities (their duties and personal liability for example will increase hugely in the proposed new Companies Act to the point that analysts have expressed concern about who would want to serve as non-executive directors). In general a far greater sense of democracy and consultation over strategic decisions exist. (Barry Wood, Neville Kerdachi, directors VCB SA Holdings Pty Ltd, joint interview, May 2007).

These developments in corporate structures and governance may have dealt a blow to the appeal of the MEC as a way of making sense of capital accumulation in South Africa, but is it a fatal blow? Alan Hirsch has pointed out that while the holdings of the 'big five groups –Anglo, Sanlam, Mutual, Liberty and Rembrandt –slipped from control of companies accounting for 85.7% of the market capitalization of the JSE in 1992 to 54.7% by 1998' (2005: 196) it rose again to nearly 60% by 2002. This is still a highly significant figure. Hirsch has argued that while ownership concentration has declined somewhat, market concentration has not. Chabane et al have referred to a process whereby South African conglomerates, partly under BEE imperatives, partly to stave off the perceived threat of rising foreign competition, unbundled, then rebundled within more focused areas of economic activity, and in the process have become powerhouses and dominate their sectors locally and globally. Anglo (mining), BHP Billiton (mining), SAB Miller (beer) and Standard Bank Liberty (finance) are prime examples in their respective sectors. (in, Hirsch, 2005: 197-8).

“corporate governance in South Africa's public sector, has been characterised by one major scandal or other over the last ten years

Despite the erosion of group holding structures', Zav Rustomjee former Director General in the Department of Trade and Industry, maintains 'the locomotive of the Minerals Energy Complex that dominated the structure of the South African economy still continues... 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) seem to have continued to determine the course.' (Personal communication, 28 January 2007).

B-SHARES

In some cases some novel strategies have been introduced to ensure that while 'restructuring' and 'dismantling' appears visible and transparent, control, especially by founding dynastic families, continues.

In June 2016 the retail giant Pick and Pay, founded by Raymond Ackerman in 1987, announced that it would end its 'much derided' and 'archaic' pyramid control structure only in August 2016. “The founding Ackerman family introduced the pyramid structure in 1981 to prevent a hostile takeover”. The new proposal will allocate to the Ackerman family a new class of unlisted voting shares in Pick n Pay Stores — “B-shares” This will ensure that the family continues to have a controlling interest in the company. (http://www.financialmail.co.za/moneyinvesting/2016/06/14/pick-n-pay-unbundles-its-pyramid).

In other words, as the Business Day pointed out “the status would remain. “The Ackerman family – via Ackerman Investments – will retain voting control of Pick and Pay after being issued a new class of unlisted B-shares (Business Day, June 15, 2016).

Similarly the Rupert family also controls investment giant Remgro through unlisted B-shares.

The other great dynastic South African family the 'Oppenheimers' sold the family interest in de Beers only in 2011, some 84 years after they first assumed it in 1926. In a “stunning and historic announcement that ends an 85-year-old dynasty, the Oppenheimer family ...sold its 40 percent stake in De Beers to the diamond giant's one-time sister company, Anglo American, for $5.1 billion. (http://www.jckonline.com/2016/01/20/oppenheimer-family-gives-control-de-beers.) It is worth looking into the role of the Oppenheimer family in South African boardrooms today, but that is not what I am able to do here.

B-Shares carry important and potentially controlling voting rights but do not participate in dividends or other income distributions. “Usually, the purpose of the super voting shares is to give key company insiders greater control over the company's voting rights, and thus its board and corporate actions. The existence of super voting shares can also be an effective defence against hostile takeovers, since key insiders can maintain majority voting control of their company without actually owning more than half of the outstanding shares”.

http://www.investopedia.com/ask/answers/05/070405.asp#ixzz4BkG89Lh3

Through such B-shares a shareholder with minority interest could hold sway over key votes and it would appear common-sense to be somewhat way above any company which has more than one class of ordinary shares. It is an 'anti-market' and 'artificial' practice that is nominally frowned upon by the JSE. So since the 1980s and early 1990s when many pyramid structures existed, many have been dismantled more recently: Mobile (through Trencor); Bidcorp (which held Bidvest); and Liberty Holdings are notable examples. A few will still remain if Pick and Pay is dismantled. These include Capevin, which has a significant minority stake in liquor giant Distell; and African and Overseas Enterprises, which owns Rex Trueform. (Business Day, 15 June 2016).

In South Africa's particular circumstances during the transition to democracy where there is pressure from above for true black economic empowerment, there exists the danger that B- class shares (and similar devices such as N-Class shares) could offer the potential to appear to increase black shareholding while old dynastic white male "old boys clubs" and founding families, could continue to exercise effective power through such mechanisms. I say could advisedly because we need to look deeper at some cases before reaching any conclusions.

THE PUBLIC SECTOR

One may surmise that corporate governance within South Africa's powerful state-owned enterprises (SOEs) would be conducted within the framework of a more developmentalist agenda than being based on a narrow pursuit of profit. That is, that it would be more stakeholder driven rather being based on narrow shareholder wealth maximization. However, corporate governance in South Africa's public sector is set by the Protocol on Corporate Governance in the Public Sector (Department of Public Enterprises, 2002), which, as

> **“ . . . there is little substantive evidence that corporate governance in the new South Africa had moved beyond some level of nominal and technical compliance with King recommendations**

Benjamin Marx confirms (2008:178) aims to 'maximize shareholder value and provide guidance on corporate governance issues in the public and SOE sector'. The first objective is rather strange, and despite the clarity of the guidance set out, corporate governance in South Africa's public sector, has been characterised by one major scandal or other over the last ten years. SOEs in South Africa comprise some 270 entities with a turnover in excess of R15 billion per year. The six major ones, including Eskom, Transnet, Denel, fall under the political control of the Department of Public Enterprises. Others are controlled by the National Treasury (World Bank 2006). However, the state's interests in some have been privatised (e.g. Telkom, Acsa) and some SOEs have been corporatised (run along commercial lines, e.g. Eskom, Transnet). The international buyers in the case of Telkom and Acsa, were given management control, so diluting board oversight to some extent. In other cases, the requirement to become less dependent on state funding (eg. the national and provincial development finance corporations) has driven their management and governance logic into highly confusing territory. Powerful SOEs such as Eskom, SAA, Transnet and the SABC, have been in the news regularly over the last few years for one or other corporate scandal (involving either allegations or proven instances of bribery and corruption at board and top management level, ineffectual or incompetent leadership, state interference, secret deals, and the like).

Board room intrigues, financial irregularities, and serial breaches of even the most basic corporate governance codes and rules, are now commonplace. My colleague Jannie Rossouw makes the following observations in respect of South African Airways, arguably the most scandal-ridden and poorly governed state entity in South Africa.

> That South Africa's national airline is in a parlous state is no longer in dispute. It has delayed releasing its financial statements four times over the past 10 months. No convincing reasons have been provided for the delays.The failure to issue financial statements on time is partly a reflection of the incompetent leadership that has led the airline astray in recent years. To be sure, the airline has been rocked by boardroom shenanigans for some time. It has over the past 10 years or so experienced unprecedented leadership volatility with frequent changes to the board and the CEO post.The tenure of the current board chairperson, Dudu Myeni, has taken things to a new level of scandalous corporate governance. It is clear that Myeni is unqualified for the post of chairing the SAA board and has only survived due to her close relationship with President Jacob Zuma. (Rossouw, 2016).

There is no doubt in my assessment that, despite some criticisms of some of its features (see Padayachee, 2013), that the King codes introduced in South Africa since democracy have been a very valuable tool in the corporate governance landscape in this country, building upon and even extending upon global developments in this field. However, I argued in my 2013 article that there is little substantive evidence that corporate governance in the new South Africa had moved beyond some level of nominal and technical compliance with King recommendations, and even thus unevenly, embracing a more stakeholder-oriented philosophy. Andreasson's assertion (2011) that principles of Ubuntu and African values are to be found in our corporate governance framework, remains a desirable goal that is still far from current reality. That is a reflection of poor and weak leadership at board levels as practised by both the 'Old Boys" and the so- called "transformed boards". The latter have largely failed to penetrate the corporate culture of the old South Africa, and in fact appear to have accommodated themselves rather nicely into past practices.

The adoption of triple-bottom line reporting by companies (financial, environmental and social sustainability) as expected by the King codes is being observed more in the breach than in reality, as financial issues override goals of social responsibility and environmental sustainability. This view is confirmed by a former Deloitte's chartered accountant, with over 40 years experience of South African corporate practice. (Gavin Brown, 21 August 2013). A number of features in the country's governance framework suggest that a more broad-based, socially based corporate governance framework in which the interests of all stakeholders, including workers and their representative organisations, are taken into account, and suggestive or a more caring, humane capitalism is still far off the mark. These features, in summary, include:

- non-executive directors are still drawn from a narrow circle and remain overwhelmingly white and male, and despite BEE imperatives, black share ownership remains a very low percentage of market capitalisation on the JSE;
- moves towards establishing two-tiered boards, with worker and other social-partner representation on its 'supervisory' boards, are not on the cards;
- attention to what many consider legitimate business issues outside financial considerations, such as social and environmental concerns, labour standards and safety measures, are exceptions rather than the norm;
- private equity buy-outs of listed companies continue to shrink the possibilities of a more broad-based participation of South Africa's black majority in corporate ownership and activity;
- governance at South Africa's powerful state-owned enterprises, which could have been expected to lead the move to more stakeholder models is, with notable exceptions, characterised by incoherence, lack of focus, and corruption scandals.

"

non-executive directors are still drawn from a narrow circle and remain overwhelmingly white and male

In my review of developments since then, and as the adoption of King IV approaches, suggests that little has changed. At the level of public sector governance, there is little doubt that the news is unambiguously negative. Any claims that the country's corporate governance approach is more stakeholder-oriented, more transparent and democratic, more caring, more harmonious, more Ubuntu-oriented and more connected to society, would appear somewhat exaggerated.

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COMMUNITY RESPONSES TO DECLINING INDUSTRIES

By ***Mondli Hlatshwayo***

Hlatshwayo is a senior researcher in the Centre for Education Rights and Transformation at the University of Johannesburg.

Mondli Hlatshwayo

There is a need for progressive organizations in marginalised communities to consider collective responses where unemployment and poverty are exacerbated by declining industries in "company towns".

INTRODUCTION

With the current debates around ArcelorMittal, industrial development and steel pricing have tended to ignore what is probably the most crucial aspect of a development strategy: the responses of precarious working people to declining industries and the consequent unemployment and poverty. This is well illustrated in and around Vanderbijlpark, a company town directly associated with the steel industry. While the National Development Plan (NDP) can play a role in building industries that create jobs and sustain workers in the future, the lack of a thorough discussion on the responses of working class communities deprives both the state and progressive organisations of opportunities to support those most severely affected by declining industries, retrenchments and unemployment.

"it is the time for a systematic and concrete analysis of developments within poor, working-class communities

This article argues that it is the time for a systematic and concrete analysis of developments within poor, working-class communities, so that the progressive and collective responses of marginalised people can be taken into account when considering ways to alleviate the depredations of poverty and strengthen the resilience of the poor. This is particularly important in view of the general understanding that innovative industrial strategies will provide employment for only a tiny minority, and that jobs that are available in both the public and private sectors will probably offer less security and lower wages.

To examine these issues effectively, we look closely at Vanderbijlpark. Situated approximately 70 kilometres south of Johannesburg, it is where the ArcelorMittal Vanderbijlpark plant was established in 1942 as part of the Iron and Steel Corporation (Iscor), which was formed in 1928 as part of the state strategy to develop the local steel industry and create employment opportunities for white workers. The first part of this article will briefly describe the evolution of the plant, the changes in its ownership, and the reorganisation of its production processes in the face of global competition. The decline of the plant is then recounted, as well as its impact on working class communities in the area. This is followed by critical reflection on the responses of poor and working-class communities to the decline of the ArcelorMittal plant and other industries in the area. Finally, the article provides tentative suggestions regarding developmental strategies that could help to strengthen community initiatives designed to mitigate the effects of unemployment and poverty.

ISCOR AND APARTHEID SPATIAL DEVELOPMENT

In 1942, land was acquired to build another plant in Vanderbijlpark. The planning of Vanderbijlpark, known as "the Steel City", followed the usual pattern of town-planning under the apartheid regime; the town was divided into two: a superlative white residential area and a dreadful black township. Both residential areas emerged around Iscor, the heart and mainstay of Vanderbijlpark. The white town council was responsible for running the town, and it also managed the black townships in conjunction with the marionette Bantu Advisory Board composed of a few blacks (Hlatshwayo 2003).

Besides the town infrastructure, Iscor provided white workers with cheap, adequate housing by giving them housing loans at interest rates that were below market rates. If these workers chose to rent accommodation, their rent was heavily subsidised. It was these fringe benefits that attracted white workers to Iscor as, during apartheid, Iscor had to compete with the private sector, which paid better salaries (Xaba 2004).

Iscor housed migrant labour in police-controlled, carefully segregated areas that resemble the old mining compounds, but were built on a larger scale. In towns and cities, the National Party had eroded the citizenship rights of African workers and given them "citizenship" of the poverty-stricken bantustans (Hlatshwayo 2003). African workers stayed in the deprived black townships of Boipatong and Bophelong, often in compounds, and under dreadful living conditions.

> **“ … communities Between 1989, when Iscor was privatised, and 2015, when the company was acquired and controlled by ArcelorMittal International, 46 642 jobs were lost**

Post-apartheid developments did not fundamentally change apartheid geography. The black middle class who worked for the post-apartheid state and the private sector left the townships and occupied the "white" suburbs of Vanderbijlpark, but the vast majority of the black population continues to live in the townships. The post-apartheid state built "RDP" houses as a response to migration into the area and the growing housing needs of the black population. The rising demand for housing and accommodation were accompanied by an exponential deficit in service delivery.

PRIVATISATION, CHANGES IN OWNERSHIP AND LEAN PRODUCTION AT ISCOR

As part of the apartheid state's policy, Iscor was privatised in 1989. Unbundling occurred in 2001, and, as a result, iron-ore mining was taken over by Kumba Resources, while Iscor South Africa focused on the steel business. There were also various changes in the ownership structure of the company and, in 2006, the company became part of the ArcelorMittal Group, a leading global steel company (Hlatshwayo 2013).

Besides privatisation and changes of ownership, the plant also undertook an extensive implementation of lean production, introducing programmes that sought to reduce waste, produce steel according to orders and customer specifications and use technology to speed up production and improve the quality of products. Unlike Fordism, which emphasised mass production and paid less attention to the requirements of clients, lean production was more concerned with eliminating wastage and reducing the size of the workforce (Hlatshwayo 2013). Lean production at the Vanderbilpark plant led to massive retrenchments which affected both black and white workers negatively. Between 1989, when Iscor was privatised, and 2015, when the company was acquired and controlled by ArcelorMittal International, 46 642 jobs were lost in plants located in Vanderbijlpark, Vereeniging, Pretoria and Saldanha Bay. By 2015, the ArcelorMittal Plant in Vanderbijlpark employed only 4 500 people. Close to 10 000 jobs were lost between 1989 and 2015 at the Vanderbijlpark plant alone (ArcelorMittal South Africa 2015).

While the ArcelorMittal Vanderbijlpark plant remains the main company in the Vanderbijlpark area, it plays no role in easing the plight of the unemployed or in the development of the area. Of course, some local businesses did benefit from its sporadic procurement deals, but due to the low demand for steel, global competition and high steel prices, the company threatened to close down its Vanderbijlpark operations in 2015. Attempts were made by governmen, trade unions and the company to keep the plant afloat. Closing the plant would have drastically worsened the economic conditions of workers employed at the plant, including those of temporary workers.

THE IMPACT OF RETRENCHMENTS ON WORKERS AND THE COMMUNITY

According to the census conducted by Statistics South Africa (Stats SA), in 2011 the current unemployment rate in the Emfuleni Municipality, using a limited definition, is 34,7%, and the youth unemployment rate is 45% (Stats SA 2011a). After being retrenched, older male workers generally return to the former bantusans, while black women in the Vanderbijlpark area tend to carry most of the social and economic burden, resulting in an increasing number of female-headed households (Van Driel 2011).

In 2012, in its Integrated Development Plan (IDP), the Emfuleni Municipality (2012:16) commented: "Unemployment and poverty is on the rise despite the economic growth that is experienced and unemployment and poverty is further exacerbated by the high in migration of unemployed people into Emfuleni. The youth of Emfuleni is in particular the hardest hit in terms of unemployment, despite the skills and qualifications that exist".

RESPONSES OF POOR, WORKING-CLASS COMMUNITIES TO CHALLENGES OF DEVELOPMENT

The IDP process of the Municipality, which involved community participation and public meetings, revealed that community members wanted the municipality and various arms of the government to deal with, among many other problems, "... bad conditions of roads, lack of high mast lights, illegal dumping, high rate of unemployment, high rate of crime, lack of housing infrastructure, incomplete projects in some areas, and potholes" (Emfuleni Local Municipality 2012:6).

In order to advance a developmental agenda in the area, the local government and its various arms would do well to pay attention to the demands and issues raised by poverty-stricken residents in the Vanderbijlpark area. It could be argued that the IDP process was intended, at least in part, to provide poor people with the space to express their needs and interests, and various sections of these communities have articulated their responses to the decline of industries, rising unemployment and poverty in the area.

> **NUMSA had argued strongly for "nationalisation under workers' control" of the plant**

NUMSA AND WORKPLACE-BASED RESPONSES

Clearly, NUMSA has not had the capacity to resist either technological changes or the implementation of the lean production process at the Vanderbijlpark plant. Unions tended to rely on their numerical strength for mobilisation and collective bargaining, and the massive number of retrenchments discussed earlier weakened the organisation and rendered it incapable of adequately representing the interests of its members. NUMSA had argued strongly for "nationalisation under workers' control" of the plant in Vanderbijlpark. The logic of this argument was that the plant, and ArcelorMittal in general, would then serve the state and become a key agent for development in the steel sector, supplying steel for state housing and other infrastructural requirements. The union also called for a ban on the export of scrap metal and argued for the imposition of high tariffs on the export of scrap metal, which plays a role in the production of steel. The union also proposed an end to import parity pricing, which would mean that South African buyers would pay a reduced price for steel, creating more jobs for the local economy (Njobeni, 6 October 2015, fin24).

While the demands of NUMSA may be viewed as radical and transformative, to date they remain rhetorical as there have been no practical campaigns to realise them. The union has also not developed sufficient understanding of the intricacies of the production processes implemented at the plant; it is therefore unable to suggest feasible alternatives, as work continues to be reorganised to suit the interests of the owners at the expense of the workers. Although a NUMSA-led united front has been formed, ostensibly to link the workers' struggles with those of the community, there have been no sustained attempts to make a common cause between the employed workers organised by NUMSA, the retrenched workers and the wider community in the Vaal area.

> **Water and air pollution has had a negative impact on the community and on the environment.**

THE RESPONSE OF THE RETRENCHED WORKERS

According to Hlatshwayo (2013), in 1989 the plant introduced a Japanese-inspired work reorganisation model called Omega. This was a lean production method which emphasised eliminating waste and increasing productivity. NUMSA had just stabilised its presence in the plant and made some tangible gains for its members in the form of improved wages and living conditions, and campaigns to deracialise the plant. Older workers who were migrants from Eastern Cape and Limpopo saw lean production as a threat as it emphasised team-work and training to expand the skill set. On the other hand, some shop stewards and younger workers with higher levels of formal education were prepared to participate in Omega. In the early 1990s the implementation of Omega was followed by massive retrenchments, which tended to target older workers with less formal education. These differences led to intra-union rivalry, killings and generalised violence.

In 1998 older, ex-Iscor employees formed the Working Class Co-ordinating Committee (WCCC), which has an elected leadership and about 1 000 active members. The KwaMasiza hostel, where many of them still live, became a base for organising against the company. Iscor later sold the hostel building to a private buyer, who failed to evict its residents. According to Emfuleni Municipality, KwaMasiza housed 7 400 people in 2012. It is still occupied - a health hazard with no running water, sanitation or electricity, and has been earmarked for redevelopment by the Municipality.

Members of the WCCC have waged two types of campaigns: those related to old workplace issues and demands for basic services. The members felt strongly that they had been retrenched unfairly, without receiving proper retrenchment packages. Due to the nature of steel work, a number of them suffered from occupational diseases such as respiratory problems, skin diseases, foot infections and impaired eyesight, for which they demanded compensation from the company. Plans for the re-development of the hostel by the Municipality might be partially the result of the campaigns of the hostel-dwellers for access to basic services.

> **The North West University, the Vaal University of Technology and Sedibeng Further Education College play a major role in building capacity among the local population**

A concern raised by members of the WCCC is that the upgrade of the hostel will not cater for them as ex-workers of Iscor; many of them are unemployed and others are pensioners, so they cannot afford to pay rent. However, RDP houses have been built close to the hostel and some ex-workers have moved into them.

THE RESPONSE BY ENVIRONMENTAL GROUPS

Members of the WCCC also belong to the Vaal Environmental Justice Association (VEJA), a network of community organisations and ex-workers fighting for environmental justice in the Vaal area. Water and air pollution has had a negative impact on the community and on the environment. Some residents have suffered from cancers and kidney problems, animals that consumed the water have died and there were huge problems on farms in the area.

VEJA initiated legal action, which led to the release of an environmental master plan that held the company responsible for the environmental crisis in the area. As a result, the company announced a commitment to engage with VEJA in an "open and transparent manner" (Ackroyd, 23 June 2015, ENCA).

SERVICE DELIVERY BY THE STATE

In 2011 the Emfuleni Municipal Council reported that it experienced 422 service delivery complaints via the Presidential and Gauteng Premiers' hotline. According to the Council, 220 of these cases were resolved, and a Customer Care Centre was established, with a budget of R4 million, to deal with service delivery problems such as street lighting, water leakages, potholes, traffic lights and electricity supply problems.

Progress has been made with regard to electrification, provision of sanitation and refuse removal. For example, 92.2% of households have access to electricity. According to the Emfuleni municipal council, more work was needed to provide access to piped water inside dwellings. Interventions by government agencies had also managed to reduce HIV and AIDS prevalence by 0.4% in the last three years as well as the number of illiterate people older than fourteen, largely as a result of an increase in the number of state-supported learning institutions (ELM 2015).

SERVICE DELIVERY PROTEST

Unemployment and poverty in townships like Bophelong lead to a prevalence of illegal electricity connections and this has increased as the price of electricity rose. There needs to be dialogue between the local municipality, Eskom and the residents, so that the local communities can access electricity legally. This would also reduce the risks of injury and loss of life that accompany illegal connections.

YOUNG PEOPLE AND THE DEVELOPMENT AGENDA

The Youth Development Centre (RYD) trains young people to either initiate small businesses or make them employable for local businesses and the public sector. The RYD has four main programmes, namely an advice and referral centre; developing "hard" skills such as carpentry, arc welding, plumbing, bricklaying, tiling and ceiling construction; computer literacy and how to provide emergency medical services.

STOKVELS, FUNERAL SOCIETIES AND OTHER KINDS OF RESPONSES

The various responses that have been discussed are not new, but in the context of industrial decline and generalised unemployment they are becoming crucial social safety nets. Social grants from the state tend to be the most significant source of income for poor community members. Other forms of responses to generalised poverty and unemployment include membership of burial societies that provide resources for conducting funerals, as these are also becoming expensive.

> **Some of the issues that must be considered include local and central government support for co-operatives that are run democratically and transparently**

Stokvels also play a role as they mobilise savings for bulk buying at the end of the year. Some community members have formed building stokvels, which enable them to renovate their houses. There are also grocery stokvels, which provide a platform for members to help one another to feed their households. However, many people who are unemployed are unable to take part in these savings societies. Sex work, crime, gambling, leasing shacks and backrooms and borrowing money from loan sharks form part of the survivalist activities that occur in the community (Van Driel 2011).

THE ROLE OF THE POST-SCHOOL EDUCATION SECTOR

The North West University, the Vaal University of Technology and

Sedibeng Further Education College play a major role in building capacity among the local population. The Vaal University of Technology specialises in technical education and has become a feeder for local industries, state corporations and the private sector. The Sedibeng Further Education College supplies the area with technical skills such as electrical work and plumbing. A decline in employment opportunities for graduates is a major concern for education institutions and local authorities; turning this around is not an immediate possibility as even ArcelorMittal faces the possibility of closure. Jobs are also becoming scarce for young people with practical skills, and the adult education sector faces problems as resources decline and there are no clear pathways for its graduates.

DISCUSSION AND CONCLUSION

The decline in industries and the implementation of technologies that lead to retrenchments, unemployment and poverty require a multi-faceted response and not only the social and economic strategies articulated in government policies, the NDP, the IDP and other planning processes. For a strategy to make an impact, it must be based on concrete analysis. One of the first steps should be to strengthen public participation in the IDP process. However, the IDP process can only be effective if community structures, trade unions, and NGOs bring concrete proposals to the process. Socio-economic and environmental rights organisations, progressive academics, universities and other sections of civil society all have a role to play in building the capacity of unions and community structures, so that they can engage in meaningful participation in the IDP process. Such grassroots formations can be given a space to shape a development agenda that will prioritise local needs.

Some of the issues that must be considered include local and central government support for co-operatives that are run democratically and transparently, instead of Black Economic Empowerment projects which tend to benefit a tiny minority of politically connected local elites, widening the gap between rich and poor at a local level. Localised co-operatives are crucial for addressing poverty and promoting productivity, especially as industries are no longer creating jobs.

The decline of industries and the rise in unemployment requires some reconfiguration of the post-school education sector. For example, VUT and the Sedibeng Further Education College should be encouraged to support community projects and mobilise against the negative effects of widespread poverty. Community based formations such as Stokvels could provide training in financial management. This orientation need not prevent them from continuing to perform their current function of co-operating with declining industries in the area. Initiatives that construct roads, housing and general infrastructure can create employment opportunities for young people in the townships. The post-school education institutions in the Vaal area can also provide the skills necessary for the development of the region, and the Gauteng government and the state authorities have a major role to play in this regard: they must ensure that the ArcelorMittal plant is kept afloat so that job losses are minimised, and that the system of labour brokers and outsourcing is done away with at the plant.

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CONFRONTING INEQUALITY

FORTHCOMING IFAA CONFERENCE, THURSDAY, 28 SEPTEMBER 2017, JOHANNESBURG

"We know from historical experience that if inequality is not addressed through peaceful means and peaceful democratic institutions it's always potentially a source of violence." Thomas Piketty

It is not often that Christine Lagarde, managing director of the IMF, complains about being ignored. Yet she did so in strong terms at the World Economic Forum in Davos. Lagarde lamented on the fierce backlash she received from leading economists when she first warned about the possible political consequences of rising inequality four years previously. She went on to suggest that what is required for economic stability and prosperity will probably include more redistribution. Since then, the World Bank has joined the chorus about rising global inequality. A major report on South Africa titled Fiscal Distribution in an Unequal Society raises the question "How do taxes and spending redistribute between rich and poor?" It concludes that "the level of inequality in South Africa after taxes and spending remains unacceptably high (World Bank, 2014)."

Thomas Piketty addressed these issues more directly than we are accustomed to in a Nelson Mandela Annual lecture in Johannesburg on 3 October 2015. Piketty noted, "...the share of total income to the top 10% of income earners in South Africa is between 60% and 65% of total income."

> **wealth is much more unequally distributed than incomes: 10 % of the population own at least 90-95% of all wealth.**

This is higher than in the United States. He went on to suggest that South Africa has a relatively large group, around 10%, which is very far away from the rest of the population. He was less clear on wealth since data is vague, but he supported an annual tax on wealth at least in part to determine more about who owns what in South Africa (UJ, 2015).

Fortunately, Anna Orthofer, a macroeconomics PhD candidate at Stellenbosch University, has recently done a detailed study of wealth distribution in South Africa. Orthofer found that wealth is much more unequally distributed than incomes: 10% of the population own at least 90-95% of all wealth. This compares with 75% in the US, 50% in France, 59% in Germany (Orthofer, 2016). Inequality is thus a worldwide problem but is particularly acute in South Africa. What is also striking about the South African case is that the wealthy elite is extraordinarily rich in the context of substantial poverty. This disparity may also be more extensive than official data indicates.

IFAA will be hosting a conference "Confronting Inequality" in September 2017 that will focus on this but we hasten to say our conference will not lead to the simplistic solution of "tax the rich." Rather, we intend to address the fact that research on incomes and wealth has been badly neglected. The conference" aims to address this gap.

THE STATISTICAL PICTURE

StatsSA have been invited to the conference to make a presentation on the broad outlines of income and wealth inequality in South Africa. Analysis of non-material inequality is more difficult but we shall endeavour to cover this contentious area. Moreover, the data available does not seem to reflect the huge disparities in lifestyles, especially the extraordinary opulence in some exclusive suburbs in our cities and the taste for luxury goods we find there. The statistics also do not reflect the many undisclosed and unanalysed benefits that the rich enjoy which are seldom considered in our public discourse, or by researchers. Yet the material signs of extensive wealth, including in holiday towns, second homes and other instances, is impossible to ignore.

Evidence of significant incomes and wealth is also to be found in company reports on remuneration for top executives. This is generally given as fixed remuneration and separately for variable remuneration, with the latter much larger than conventional salaries. The issue of bonuses and share allocations which dwarf ordinary salaries is an area that also needs more attention.

CURRENT STUDIES ON INEQUALITY.

As mentioned above, there has been a great deal of research and analysis of inequality in South Africa. The conference will be able to assess the significance of available research and perhaps come to some conclusions on whether it is providing appropriate tools for understanding inequality. However, much of its focus has been on the scale of poverty and its alleviation with an extraordinary reticence on confronting wealth and the mechanisms of wealth creation.

The Sunday Times has gone some way to make up for this deficiency by publishing The Rich List which reveals the huge incomes and wealth accumulation at the top of our society. The 2016 edition showed that the top ten earners received R292 million in salaries but R339 million in bonuses, totalling R631 million in 2015. Interestingly the next decile received R453 million in salaries and bonuses showing that benefits lower down the list are still substantial.

To emphasise, one of the central objectives of this conference is to stimulate conversation and research on incomes and wealth in the upper tiers of our society. We also need to understand how income and wealth are related. It is evident by spending patterns that considerable sums of finance are available to some people that are not reported or are obtained in ways that our tax systems and other reporting systems do not capture.

Inequality distorts our society and has potentially devastating consequences for social and political stability. The paucity of data and analysis of the local wealthy elite hampers the development of appropriate policies to confront inequality in a manner beyond the palliatives proposed in current research.

DIMENSIONS OF INEQUALITY

Although the focus of the conference is on wealth, presentations will be made on inequality in employment, in job opportunities, and in business, in residential arrangements, health provision, education and other factors affecting wellbeing. It is our aim to present a balanced all round picture of inequality as it applies to real people. We will also consider how and why these inequalities remain racially defined.

> **“the top ten earners received R292 million in salaries but R339 million in bonuses, totalling R631 million in 2015.**

Employment Equity

In terms of racial composition, South Africa's workforce continues to reflect patterns of old at both lower and upper levels. About 40% of male African workers are temporarily employed and an equal percentage permanently employed. Of female African workers almost three times more are temporary than are permanent. Of male white workers, three times more are permanent than temporary. Of female white workers, 2 times as many are permanent as are temporary. Of unskilled male workers, 51% are African and 2.9% white. In top management, only 9.9% are male African and 56.2% male white. Only 4.5% of top management are African females and 12.6% are white. Of female workers, 4.5% in top management are African and 12.6% are white.

Health Inequality

75.5% of Africans and more than half of coloured people rely on the public health sector – about 74% of the total population. In contrast, 83.4% of whites and 65.5% of Indians have access to the well-resourced private health sector (van Rensburg, 2014).

The HIV crisis and its devastating impact on our communities has been well documented. Yet extending quality healthcare in general to all South Africans in the post-apartheid era has proved to be incredibly difficult. For example, a survey of children's weight and height – key indicators of nutritional health – maintains that there has been very little improvement in the 20 years since the transition to democracy. One in four children is stunted and the rate of chronic malnutrition remains at 20% or above. There can be no doubt that this effects the poor in a disproportionate way (Farber, 2017).

Wealth inequality

We have already emphasised the paucity of data on wealth. But what is known about the racial distribution of wealth in South Africa?

In relative terms, black households only hold about 1% of the wealth held by white households. This adds up to a racial gap of R1 063 230. Further estimates of household median wealth suggest that for every 1 rand held by a typical black household a white household will hold R84.80. (Mbewe and Woolard, 2016)

The Growth-Redistribution Debate

When it comes to considering

> **We are perhaps the country most at risk of inequality-induced social instability and conflict.**

solutions to our inequality problem, it is impossible to avoid reference to the longstanding debate about growth and redistribution. This sometimes takes the form of supply side versus demand side economics. We do not expect the conference to resolve these debates. However, we believe that it is necessary to accept that current mechanisms of welfare grants and public spending are not doing enough to confront inequality in our economy. Other more ambitious solutions may be needed to resolve the structural constraints that continue to frustrate inclusive development. Understanding how wealth is accumulated, its size and distribution, is a necessary first step.

CAN ANYTHING BE DONE?

This leads us to the question: can South Africa afford to continue with the present inequalities for another decade or more? The issues raised by Piketty and Lagarde above resonate strongly among many in our country today. We are perhaps the country most at risk of inequality-induced social instability and conflict. Deprivation has sparked many service delivery protests and the general population is aware of the pressing need to achieve substantive economic transformation. The latter seems to be frustrated by the current political turmoil and associated policy stasis in the state.

It is our hope that the conference will provide greater clarity about the distribution of our national wealth in all its forms and give us a much better understanding of why only so few benefit from it, as well as the ways in which they do and why. Raising the level of discussion from descriptions of inequality to palliative measures to confronting it could, we believe, lead to a shift in how all stakeholders see inequality and what should be done to address it.

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DECOLONIAL, POST-COLONIAL, POST-APARTHEID - Reflections on some dilemmas of Self-Determination

By **Ari Sitas**

The author is Chair of the National Institute for the Humanities and the Social Sciences, Professor of Sociology at UCT, Chair of the SA Brics Think Tank.

The waves of student protest in South Africa in 2015 – 2016 reflect the failure of an ANC government to deconstruct the country's deeply embedded colonial legacy, both in ideas and in its myriad practical manifestations. The writer uncovers the effects of layers of colonial hegemony from its early onset to the present and offers some direction for government and university administrations and faculty to create new pathways for inclusive development.

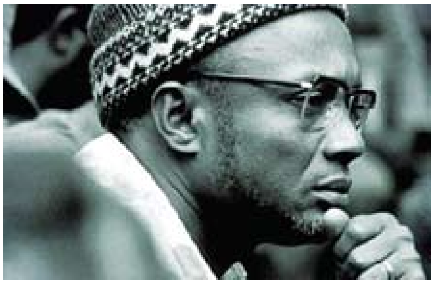
The new whispers about "decolonisation or the decolonial" had started in earnest in 2011. When Prof Sarah Mosoetsa and I were tasked by the Minister of Higher Education to create a Charter for the Future of the Humanities and the Social Sciences, we spent inordinate hours speaking to all concerned from professors to students. We tried to listen attentively to a rising black student discord especially at Wits, UCT and Rhodes.

> **The fact that a black student in 2016 can still feel like a pariah in any institutional space in a country that should be hers should raise some alarm**

Whereas at most Universities (UKZN included) the students' main preoccupation was the link between Humanities and the Social Science curricula and employability, the murmurings were clear: something had to be done about the curriculum's and indeed the system's Eurocentrism. This was accentuated by US-trained black academics who had experienced the overlay between Race and its manifold tensions in their studies.

The focus obviously had to shift away from defending the "integrity of the Humanities and the Social Sciences" and concentrate on what KIND of education was appropriate for a post-Apartheid education system. So far, most of the arguments about the defence of such subjects of inquiry could have been written in Switzerland as the Humanities were under attack everywhere. We pursued this in the Charter as politely as possible. Even if we stated the challenge politely, we received a hostile reaction from the press. Chumani Maxwele was not so polite: in 2015 he decorated Cecil John Rhodes with bucket loads of human excrement. The rest, as we all usually say, is history.

The fact that a black student in 2016 can still feel like a pariah in any institutional space in a country that should be hers should raise some alarm. Sol Platjie felt so in 1913. The year now is 2017. Has so little changed? Is it a telling criticism of our failures since 1994? Was all this emphasis on the market, on entrepreneurship, on qualifications frameworks, on science and technology, a huge mistake? Why is she arguing for decolonisation, what



Amilcar Cabral

does she mean when she speaks of the "decolonial" or "decoloniality"?

Although her call for decolonisation might sound vague, ill-defined and random, the solutions she demands cannot be ignored. By contrast, the more scientific and historical we get about the concept of decolonisation, the vaguer it gets! Let me explain.

The modern world system was brought about through European foraging, settlement and colonialism. It was a cruel and violent process: there were people who were deemed to be surplus and exterminable; there were people who were deemed to be enslave-able; indenture-able and, like chattel, transportable; there were colonial subjects and there were unwanted people who were excludable. Each category of racial and/or national derogation brought forth its own narratives of resistance.

In Africa, once foraging and partial settlement turned to colonisation by the late 19th century, and European powers sat in Berlin and cut up the continent into colonial possessions, what was meant by decolonisation took on a specific turn. 1885 did not only demarcate colonial borders but opened the continent for the scramble of its resources and, in the process, tore each new entity away from the other, permanently damaging its internal coherence and connectedness. It proceeded to define the "native" and imposed or strengthened external rule.

This much is known and understood in all elements of the South African liberation movement: Decolonisation = Self-Determination.

"1885 did not only demarcate colonial borders but opened the continent for the scramble of its resources

Once people rejected colonial reality and its mythologies and, in the case of South Africa for example, rejected the term "Native," which defined them as the racialized Other, they delved into an exploration of how to move from Other to Self! The first qualitative leap was the assertion of an African belonging: it was not just a wistful change in name to go from a Native to an African National Congress (or for that matter to an African People's Organisation).

What kind of colonial society; what kind of racial domination; the differences between thickly-settled societies and colonially administered ones; whether South Africa was a colonialism of a special type; whether racial domination and colonial forms of managerialism were necessary for capital; whether any race had the monopoly over the right to exploit others. Seeking consensus around these issues has shifted over the years and so has the meaning of self-determination. Furthermore, the meanings of Africanity - who was an African and who was not, what were the overlays between Black and African, what about the status of Coloured and Indian people - have animated the landscape of thinking and struggle.

The difficulty of pinning down a precise meaning for decolonisation was compounded by the variety of independence movements on the African continent: Nkrumah's Pan Africanism was not exactly the same as Haile Selassie's; Sekou Toure's version was not Mobutu's; Cabral's and Nyerere's was not Azikiwe's or Senghor's or Kenyatta's. All of them would have agreed on the withdrawal of the colonial powers from their geographic spaces and insisted on a variety of ways of re-affirming African values and making them a guiding principle of governance.

President Julius Nyerere

Even before the effervescence of the first decade of independence fizzled out, criticisms mounted that political Uhuru did not achieve "decolonisation" as African economies were seen to be locked into "Neo-colonial" relations with their erstwhile European rulers. Such criticisms extended to the cultural and intellectual realm, where mimicry »

"Once people rejected colonial reality and its mythologies . . . they delved into an exploration of how to move from Other to Self

of Europe galloped ahead of what people thought was the necessary "decolonisation of the mind".

The continuity of white rule in South Africa from the period of Segregation to Apartheid created new challenges and debates. The ANC and its Alliance partners would not agree with the PAC; neither of them would agree with the adherents of the Black Consciousness Movement or with the followers of the Non-European Unity Movement about the precise meaning of what self-determination, decolonisation or post-Apartheid might mean. The ANC was neither right nor wrong in this debate, but it held sway over the other movements.

By this I mean that the ANC became hegemonic and its key ideas gained traction, so much so that between1980-2010, the Congress enjoyed the centrality of any platform or debate. We can say that at its worst it was trapped in a peculiar tautology: its practices and policies were sound and popular because they were based on a correct theory and its theory was correct because it was popular and sound. The National Democratic Revoultion = Self-Determination = Decolonisation. Within this it could contain Mandela's juridical republicanism, non-racialism, black majority rule, trans-ethnic unity or Mbeki's "two-nations thesis", the African Renaissance and even a range of Marxist ideas.

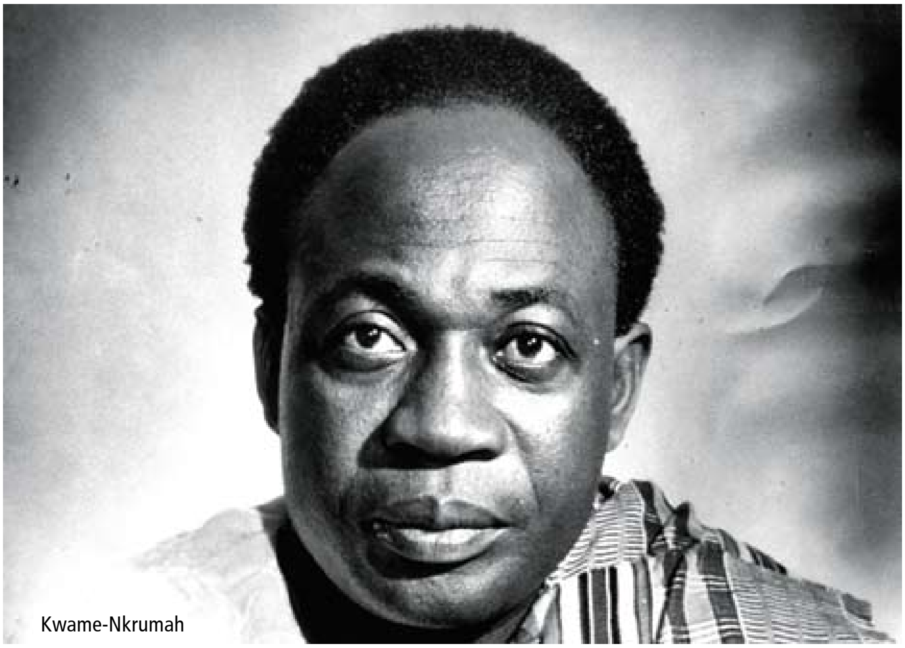
The problem with any negotiated settlement after a prolonged conflict is that negotiators are faced with the irreconcilable narratives of national adversaries. Any third space that was available, such as the joint recognition that the past was regrettable or that the spirit of reconciliation and a substantive restitution would be possible, would always be vulnerable, unless the consequences that followed were seen to be a success. There would always be a great difficulty in defining a common "we." In the end the ANC managed to survive the transition

> **"The difficulty of pinning down a precise meaning for decolonisation was compounded by the variety of independence movements on the African continent**

on what I called the four pillars of a grand compromise: the land question, the modernity vs tradition question, the conflict-resolution question and the promise to the masses for a reconstruction and development programme.

The first pillar was about considering land claims and restitution after 1910, which would lay to rest prior land dispossession during colonisation; the second, that the amakhosi would have their authority enshrined in the constitution and so would the customary rule of areas in the old homelands; the third, through institutions like NEDLAC, government, capital and labour would create a system of cooperative policy formulation; lastly, that basic needs and upliftment of the majority would be prioritised and inequality redressed. It is the erosion and unravelling of these pillars that created and continues to create the turbulence of the contemporary period. To put it bluntly: the equation between the National Democratic Revolution, Self-Determination and Decolonisation is seen by many as not holding anymore.

The language of decolonisation re-emerged through the student movement (although Irwin Jim of NUMSA started referring to "colonial white monopoly capital" since 2013). Through our National Institute workshops with senior students it became evident that it has new dimensions: it draws heavily from African-American, Post-Colonial and Fanonist sources while at the same time circling and returning to the writings of Steve Biko. In South Africa,


Kwame-Nkrumah

as in the USA, it has been argued that black lives do not matter. Rather, the government is seen as tilting towards protecting white privilege. Such privilege is reinforced through the Education system, its Eurocentric bias and its kinship to the Colonial system; and as in Fanon's invective about the "native bourgeoisie" in the "Pitfalls of National Consciousness", it has become a servant of white monopoly capital/neo-liberalism or the corrupt black networks linked to state capture.

Given the USA Academy's prominence, arguments may shift from an extreme black vs white Manicheanism where Race trumps Class and Gender to arguments about intersectionality, where race, class, gender and sexuality are always in a co-influential relationship. They shift towards a valorisation of the Nobkhubulwane Institute's maiden initiation and reed rituals in KwaZulu Natal or to a post-colonial Afro-Feminism.

In short, the voices in the ferment demanded that not only Cecil John Rhodes Must Fall but all Cecil John Clones must fall and all black servants of their enduring power must fall so that a free, socialist and "decolonial" system may emerge. Period.

Added to that are of late the indigenista arguments of Latin

> **"To put it bluntly: the equation between the National Democratic Revolution, Self-Determination and Decolonisation is seen by many as not holding anymore**

Haile Selasie

American thinkers: they are about the enduring "coloniality of power" and the necessity of the "decolonial". For these thinkers, coloniality is deeper than governance as it is embedded in a "civilizational magma" whose sources are not just the conquerors but monotheistic religions: they supplanted the original empathetic relationship to nature of the indigene with a biblical and divinely sanctioned subordination of all flora and fauna to human servitude. Capitalism and instrumentalism are mere extensions of that civilizational precept. The strands of a reconstituted real or imagined African spirituality on the ascendance these days, draws freely from such sources which it combines with a sharp criticism of Missionaries in Africa.

It is obvious that self-determination and what we all understand by it needs re-visiting. The students' movement may be losing its coherence and unity, but this is not a reason to duck the issue.

There is very little one can add in a piece like this save to say that there has to be a political will supported by movements to exorcise the curse of Berlin, out of its historical blockages, dependencies, indebtedness and internal incoherence. To cut the puppet strings held by the Washington Consensus and create new African Pathways and strategies of inclusive growth. It is only through such a bold step that it can link with the new waves of development that might for the first time benefit the continent.

Secondly, there has to be honest and frank discussion at the universities between academics, students and administrations to find ways of dealing with three dimensions of pressure: an absolutist one that insists that everything - architecture, rooms, labs, designs, rules, regulations, the functioning of the university in its entirety (let alone the curriculum) - is non-indigenous; the syncretic, which urges re-defining usage to suit an emerging African consciousness; the

> **"In short, the voices in the ferment demanded that not only Cecil John Rhodes Must Fall but all Cecil John clones must fall**

representational: keep the buildings but change the managers, caretakers and janitors.

Thirdly, and this is closer to the mandate of the National Institute for the Humanities and Social Science, we need to harness our intellectual energies for genuine knowledge projects: enhance the catalytic areas of research so there is scholarship about the pre-colonial past, create heritage hubs and turn them into knowledge projects of note, catalogue the traditions that were practised despite Apartheid (you will be surprised what exists there!) and make explicit their sources of creativity. Finally, work hard on alternatives to the present economic, social, political and cultural impasse.

Self-determination is not a formula, it is a long process from Otherness and Alterity to Self. NA

THE TRIALS AND TRIBULATIONS OF NATIONAL CONSCIOUSNESS

By ***Frantz Fanon***

The author was a Martinique-born Afro-Caribbean psychiatrist, philosopher, revolutionary, and writer whose works are influential in the fields of post-colonial studies, critical theory, and Marxism. As an intellectual, Fanon was a political radical, Pan-Africanist, and Marxist humanist concerned with the psychopathology of colonization, and the human, social, and cultural consequences of decolonization.

Frantz Fanon

In his celebrated book "The Wretched of the Earth" Frantz Fanon penned his deep insights of the relations between colonizer and colonized which he distilled from his years in Algeria during the period of its national liberation struggle. The book is a searing psychological analysis of colonial conquest and occupation and, as such, is often cited as the first of its kind. Writing in 1961, he combined psychological with class analysis, making his work not only revolutionary but highly original. In this chapter, he dissects the form and content of the liberation leaders who become the new elite (the underdeveloped bourgeoisie). Readers who can recall the litany of crimes of corruption and maladministration of countries in their post-colonial era, will be in awe of his amazingly prescient mind.

History teaches us that the anti-colonialist struggle is not automatically written from a nationalist perspective. Over a long period of time the colonized have devoted their energy to eliminating iniquities such as forced labour, corporal punishment, unequal wages, and the restriction of political rights. This fight for democracy against man's oppression gradually emerges from a Universalist demand for nationhood.

But the unpreparedness of the elite, the lack of practical ties between them and the masses, their apathy and, yes, their cowardice at the crucial moment in the struggle, are the cause of tragic trials and tribulations. Instead of being the coordinated crystallization of the people's innermost aspirations, instead of being the most tangible, immediate product of popular mobilization, national consciousness is nothing but a crude, empty, fragile shell. The cracks in it explain how easy it is for young independent countries to switch back from nation to ethnic group and from state to tribe - a regression which is so terribly detrimental and prejudicial to the development of the nation and national unity. As we shall see, such shortcomings and dangers derive historically from the incapacity of the national bourgeoisie in underdeveloped countries to rationalize popular praxis, in other words their incapacity to attribute it any reason.

The characteristic, virtually endemic weakness of the underdeveloped countries' national consciousness is not only the consequence of the colonized subject's mutilation by the colonial regime. It can also be attributed to the apathy of the national bourgeoisie, its mediocrity, and its deeply cosmopolitan mentality.

AN UNDEVELOPED NATIONAL BOURGEOISIE

The national bourgeoisie, which takes over power at the end of the colonial regime, is an underdeveloped bourgeoisie. Its economic clout is practically zero, and in any case, no way commensurate with that of its metropolitan counterpart which it intends replacing. In its wilful narcissism, the national bourgeoisie has lulled itself into thinking that it can supplant the metropolitan bourgeoisie to its own advantage. But independence, which literally forces it back against the wall, triggers catastrophic reactions and obliges it to send out distress signals in the direction of the former metropolis.

This national bourgeoisie possesses neither industrialists nor financiers. The national bourgeoisie in the underdeveloped countries is not geared to production, invention, creation, or work. All its energy is channelled into intermediary activities. Networking and scheming seem to be

> **For the bourgeoisie, nationalization signifies very precisely the transfer into indigenous hands of privileges inherited from the colonial period**

its underlying vocation. The national bourgeoisie has the psychology of a businessman, not that of a captain of industry. And it should go without saying that the rapacity of the colonists and the embargo system installed by colonialism hardly left it any choice.

Under the colonial system a bourgeoisie that accumulates capital is in the realm of the impossible. To our thinking, therefore, the historical vocation of an authentic national bourgeoisie in an underdeveloped country is to repudiate its status as bourgeois and an instrument of capital and to become entirely subservient to the revolutionary capital which the people represent.

We will see, unfortunately, that the national bourgeoisie often turns away from this heroic and positive path, which is both productive and just, and unabashedly opts for the anti-national, and therefore abhorrent, path of a conventional bourgeoisie, a bourgeois bourgeoisie that is dismally, inanely, and cynically bourgeois.

THE NATIONAL BOURGEOISIE AS INTERMEDIARY OF CAPITALISM

We have seen that the objective of the nationalist parties from a certain period onward is geared strictly along national lines: They mobilize the people with the slogan of independence, and anything else is left to the future. When these parties are questioned on their economic agenda for the nation or the regime they propose to establish they prove incapable of giving an answer because, in fact, they do not have a clue about the economy of their own country.

Yet the national bourgeoisie never stops calling for the nationalization of the economy and the commercial sector. In its thinking, to nationalize does not mean placing the entire economy at the service of the nation or satisfying all its requirements. To nationalize does not mean organizing the state on the basis of a new programme of social relations. For the bourgeoisie, nationalization signifies very precisely the transfer into indigenous hands of privileges inherited from the colonial period. Henceforth it demands that every major foreign company must operate through them, if it wants to remain in the country or establish trade.

The national bourgeoisie discovers its historical mission as intermediary. As we have seen, its vocation is not to transform the nation but prosaically serve as a conveyor belt for capitalism, forced to camouflage itself behind the mask of neocolonialism. The national bourgeoisie, with no misgivings and with great pride, revels in the role of agent in its dealings with the Western bourgeoisie.

At the core of the national bourgeoisie of the colonial countries a hedonistic mentality prevails because on a psychological level it identifies with the Western bourgeoisie from which it has slurped every lesson. It mimics the Western bourgeoisie in its negative and decadent aspects. In its early days the national bourgeoisie of the colonial countries identifies with the last stages of the Western

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The national bourgeoisie in the underdeveloped countries is not geared to production, invention, creation, or work

bourgeoisie. Don't believe it is taking short cuts. In fact it starts at the end. It is already senile, having experienced neither the exuberance nor the brazen determination of youth and adolescence.

This bourgeoisie especially in the aftermath of independence has no scruples depositing in foreign banks the profits it has made from the national resources. Major sums, however, are invested for the sake of prestige in cars, villas, and all those ostentatious goods described by economists as typical of an underdeveloped bourgeoisie.

RACIAL AND NATIVIST MANIPULATION

We have said that the colonized bourgeoisie which attains power utilizes the aggressiveness of its class to grab the jobs previously held by foreigners. In the aftermath of independence, faced with the human consequences of colonialism, it wages a ruthless struggle against the lawyers, tradespeople, landowners, doctors, and high-ranking civil servants "who insult the national dignity." It frantically brandishes the notions of nationalization and Africanisation of the managerial classes. In fact, its actions become increasingly tinged with racism. It bluntly confronts the government with the demand that it must have these jobs. And it does not tone down its virulence until it occupies every single one of them.

The urban proletariat, the unemployed masses, the small artisans, those commonly called small traders, side with this nationalist attitude; but, in all justice, they are merely modelling their attitude on that of their bourgeoisie. Whereas the national bourgeoisie competes with the Europeans, the artisans and small traders pick fights with Africans of other nationalities. We have switched from nationalism to ultra-nationalism, chauvinism, and racism. There is a general call for these foreigners to leave, their shops are burned, their market booths torn down and some are lynched.

RACIAL AND NARROW NATIONALISM

As we have seen, the inadequacies of the bourgeoisie are not restricted to economics. Achieving power in the name of a narrowminded nationalism, in the name of the race, and in spite of its magnificently worded declarations totally void of content, irresponsibly wielding phrases straight out of Europe's treatises on ethics and political philosophy, the bourgeoisie proves itself incapable of implementing a programme with even a minimum humanist content.

The racism of the young national bourgeoisie is a defensive racism, a racism based on fear. Basically it does not differ from common tribalism or even rivalry between clans or confraternities. It is easy to understand why perspicacious international observers never really took the lofty speeches on African unity very seriously. The flagrant flaws are so numerous that one clearly senses that all these contradictions must first be solved before unity can be achieved.

DEMOCRATIC FAILURE AND RISE OF AUTOCRACY

The national bourgeoisie also proves incompetent in domestic politics and institutionally. In a certain number of underdeveloped countries the parliamentary rules are fundamentally flawed. Economically powerless, unable to establish coherent social relations based on the principle of class domination, the bourgeoisie chooses what seems to be the easiest solution, the single-party system. It does not possess as yet that ease of conscience and serenity that only economic power and control of the state system can give it. It does not establish a reassuring State for the citizen, but one which is troubling.

Instead of inspiring confidence, assuaging the fears of its citizens and cradling them with its power and discretion, the State, on the contrary, imposes itself in a spectacular manner, flaunts its authority, harasses, making it clear to its citizens that they are in constant danger. The single party is the modern form of the bourgeois dictatorship stripped of mask, makeup, and scruples, cynical in every aspect.

Such a dictatorship cannot, in fact, go very far. It never stops secreting its own contradiction. Since

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Major sums . . . are invested for the sake of prestige in cars, villas, and all those ostentatious goods described by economists as typical of an underdeveloped bourgeoisie

the bourgeoisie does not have the economic means both to ensure its domination and to hand out a few crumbs to the rest of the country - so busy is it lining its own pockets not only as fast as it can, but also in the most vulgar fashion - the country sinks ever deeper into stagnation. And in order to hide this stagnation, to mask this regression, to reassure itself and give itself cause to boast, the bourgeoisie has no other option but to erect imposing edifices in the capital and spend money on so-called prestige projects.

We know that in the developed countries the bourgeois dictatorship is the product of the bourgeoisie's economic power. In the underdeveloped countries, however, the leader represents the moral force behind which the gaunt and destitute bourgeoisie of the young nation decides to grow rich. The people, who for years have seen him or heard him speak, who have followed from afar, in a kind of dream, the leader's tribulations with the colonial powers, spontaneously place their trust in this patriot. Before independence, the leader, as a rule, personified the aspirations of the people - independence, political freedom, and national dignity. But in the aftermath of independence, far from actually embodying the needs of the people, far from establishing himself as the promoter of the actual dignity of the people, which is founded on bread, land, and putting the country back into their sacred hands, the leader will unmask his inner purpose: to be the CEO of the company of profiteers composed of a national bourgeoisie intent only on getting the most out of the situation.

The leader is so out of touch with the masses that he manages to convince himself they resent his authority and question the services he has rendered to the country. The leader is a harsh judge of the ingratitude of the masses and every day a little more resolutely sides with the exploiters. He then knowingly turns into an accomplice of the young bourgeoisie that wallows in corruption and gratification.

> **Whereas the national bourgeoisie competes with the Europeans, the artisans and small traders pick fights with Africans of other nationalities**

The former colonial power multiplies its demands and accumulates concessions and guarantees, taking fewer and fewer precautions to mask the hold it has over the national government. The people stagnate miserably in intolerable poverty and slowly become aware of the unspeakable treason of their leaders. This awareness is especially acute since the bourgeoisie is incapable of forming a class. Its organized distribution of wealth is not diversified into sectors, is not staggered, and does not nuance its priorities. This new caste is an insult and an outrage, especially since the immense majority, nine tenths of the population, continues to starve to death. The way this caste gets rich quickly, pitilessly and scandalously, is matched by a determined resurgence of the people and the promise of violent days ahead.

THE COLLAPSE OF THE PARTY

From time to time, however, the leader rallies his forces, speaks over the radio and tours the country in order to reassure, pacify, and mystify. The leader is even more indispensable since there is no party. During the struggle for independence there was in fact a party headed by the current leader. But since that period the party has sadly disintegrated. Only the party in name, emblem, and motto remains. The organic party, designed to enable the free circulation of an ideology based on the actual needs of the masses, has been transformed into a syndication of individual interests.

Since independence the party no longer helps the people to formulate their demands, to better realize their needs and better establish their power. Today the party's mission is to convey to the people the instructions handed down from the top. That productive exchange between the rank and file and the higher echelons and vice versa, the basis and guarantee of democracy in a party, no longer exists. On the contrary, the party now forms a screen between the masses and the leadership. The party has been drained of life. The branches created during the colonial period are today in a state of total demobilization.

The militant is running out of patience. It is now we realize how right certain militants were during the liberation struggle. In fact, during the struggle, a number of militants asked the leading organizations to elaborate a doctrine, to clarify objectives and draw up a programme. But under the pretext of safeguarding national unity the leaders categorically refused to address such a task. The doctrine, they retorted, was national unity versus colonialism. And on they forged, armed with only a fiery slogan for a doctrine, reducing any ideological activity to a series of variants on the right of peoples to self-determination and the wind of history that would inevitably sweep away colonialism. When the militants asked that the wind of history be given a little more in depth analysis, the leaders retorted with the notion of hope, and the necessity and inevitability of decolonization, etc.

After independence the party sinks into a profound lethargy. The only time the militants are called upon to rally is during so-called popular festivals, international conferences, and Independence Day celebrations. The local cadres of the party are appointed to administrative jobs; the party itself becomes an administration and the militants fall back into line and adopt the hollow title of citizen.

After a few years the disintegration of the party becomes clear and any observer, however superficial, can see for himself that the only role of the former party, now reduced to a skeleton, is to immobilize the people. The very same party, which during the liberation struggle became the focus of the entire nation, now decomposes. The current behaviour of the intellectuals, who on the eve of independence had rallied around the party, is proof that such a rally at the time served no other purpose than to have their share of the independence cake. The party becomes a tool for individual advancement.

THE THREAT OF NATIONAL SOCIALISM AND FASCISM

Inside the new regime, however, there are varying degrees of enrichment and acquisitiveness. Some are able to cash in on all sides and prove to be brilliant opportunists. Favours abound, corruption triumphs, and morals decline. Today the vultures are too numerous and too greedy, considering the meagreness of the national spoils. The party, which has become a genuine instrument of power in the hands of the bourgeoisie, reinforces the State apparatus and determines the containment and immobilization of the people. The party helps the State keep its grip on the people. It is increasingly an instrument of coercion and clearly anti-democratic.

"We have switched from nationalism to ultra-nationalism, chauvinism, and racism. There is a general call for these foreigners to leave, their shops are burned, their market booths torn down and some are lynched

The party is unknowingly, and in some cases knowingly, the accomplice of the mercantile bourgeoisie. Just as the national bourgeoisie sidesteps its formative phase to revel in materialism, likewise, at the institutional level, it skips the parliamentary phase and chooses a national socialist-type dictatorship. We now know that the short sighted fascism that has triumphed for half a century in Latin America is the dialectical result of the semi-colonial State which has prevailed since independence.

"The people stagnate miserably in intolerable poverty and slowly become aware of the unspeakable treason of their leaders

COLLECTIVE STRUGGLE AND AN END TO CHAUVINISM

During the period of nation building every citizen must continue in his daily purpose to embrace the nation as a whole, to embody the constantly dialectical truth of the nation, and to will here and now the triumph of man in his totality. If the building of a bridge does not enrich the consciousness of those working on it, then don't build the bridge, and let the citizens continue to swim across the river or use a ferry. The bridge must not be pitchforked or foisted upon the social landscape by a deus ex machina, but, on the contrary, must be the product of the citizens' brains and muscles. And there is no doubt architects and engineers, foreigners for the most part, will probably be needed, but the local party leaders must see to it that the techniques seep into the desert of the citizen's brain so that the bridge in its entirety and in every detail can be integrated, redesigned, and re-appropriated. The citizen must appropriate the bridge. Then, and only then, is everything possible.

Any hint of a caste consciousness should be eliminated. We have seen in the preceding pages how nationalism, that magnificent hymn which roused the masses against the oppressor, disintegrates in the aftermath of independence. Nationalism is not a political doctrine, it is not a programme. If we really want to safeguard our countries from regression, paralysis, or collapse, we must rapidly switch from a national consciousness to social and political consciousness.

As we have seen, a government needs a programme if it really wants to liberate the people politically and socially. Not only an economic programme but also a policy on the distribution of wealth and social relations. In fact, there must be a concept of man, a concept about the future of mankind. NA

WHAT THE WORLD BANK'S SHIFT FROM PUBLIC TO PRIVATE FUNDING MEANS FOR DEVELOPMENT

By ***Steven Friedman***

The author is Professor of Political Studies at the University of Johannesburg

Steven Friedman

Something new is afoot at the World Bank. But there's no reason for developing countries to be hopeful that development funding is about to get a much needed fillip after decades of dismal performance and inappropriate policy prescriptions. It's just that Santa Claus will only give gifts to the investor kids from now on. As for those who were getting gifts all these years . . . well, it may be time to create another Santa.

"Making economies work for more people is a political task, not a technical exercise

Making economies work for more people is a political task, not a technical exercise. The World Bank has just conceded this – without meaning to do so.

The bank has taken a new direction which, its critics say, means that it has given up on making economies work for the poor.

In theory, they are right. In practice, the bank may be recognising that the politics which shape it made it impossible for it to achieve the development which it promised for the poor.

The change was outlined in an April speech by bank President Jim Yong Kim, and is discussed in a recent document spelling out the bank's vision for 2030. It's meant to change it from a lender for development into a broker which will unlock "trillions" of dollars in private investment. It will seek to help countries by advising them on the policy and governance changes they need to make to attract the money. So the Bank will become a conduit for private investment, not public development funding.

The Bank does not say it is giving up on public funding. But its document declares that: "Only where market solutions are not possible ... would official and public resources be applied."

So public development funding will be used only where it cannot attract private investors to poorer countries. Since Kim insists it can unlock "trillions" of dollars which can transform developing countries, it seems unlikely to reach for public funding in a hurry. So it seeks now to act as a broker for private investment, not public development.

INCREASED POVERTY AND CONFLICT

The bank's critics point out that private funding wants returns, not less poverty. They warn that relying on it for development will increase poverty and conflict. Ironically, they are repeating criticism that Kim made when he was a development practitioner – that development was being shaped by the agendas of private funders.

In principle, the shift does abdicate the World Bank's mandate. It was a product of the 1944 Bretton Woods conference where its architects, John Maynard Keynes, Henry Morgenthau » and Harry Dexter White, all saw an important public sector role in correcting some of the market's impact. The bank was an instrument of that public role - one of its functions was "counter cyclical" public funding to stimulate economic activity when dips in the business cycle depressed markets.

The bank's shift abandons this role and places the fate of the global poor largely in the hands of private wealth. It seeks not to find ways in which private money can serve public needs but how public needs can shift to meet the demands of private money.

It could be seen as the final abandonment of wealthy countries' obligation to the rest of the planet, US President Donald Trump's "America First" translated into a development strategy.

But in practice, it's debatable whether the shift will change much in the life of the world's poor.

A ROLE TO MARKETS

The role the World Bank's architects had in mind may describe what it did at the beginning when it funded the revival of war-torn Europe. But, when it began to fund development in poor countries, it gave a role to markets well beyond anything its inventors would have endorsed.

In Africa, it demanded Structural Adjustment Programmes which cut back sharply on public welfare and, in the view of critics (such as Kim in his previous incarnation), caused great suffering. Its determination to ensure that funds went only to the most desperate (cutting the funding burden) once prompted it to recommend, in Tunisia, a biscuit so unpleasant that only the very hungry would eat it. The World Bank's private finance arm, the International Finance Corporation (IFC), whose role will be strengthened by the shift, was fingered as the chief cause of that suffering.

"In Africa, it demanded Structural Adjustment Programmes which cut back sharply on public welfare and, in the view of critics (such as Kim in his previous incarnation), caused great suffering

So the bank behaved in much the same way and for much the same reasons as its critics fear it will behave now.

It and its supporters insist it made a positive impact: they cite data showing a marked drop in global poverty and say it contributed to this. But the figures are hotly debated. Even if they are accurate, there is no clear evidence that the bank helped make them happen. Nor has it created a world in which many more people find a settled role in the economy.

So the bank's new role may, therefore, be simply its old one, but now with an accurate product description.

This may overstate the case: the bank has, at times, made a serious attempt to listen to critics and to become a conduit of development, not pain. But it was never able to adjust as an organisation – it would often endorse criticisms in theory but not translate them into practice. And so it did not become an effective development engine. The bank's current shift has probably been prompted by its declining role as a development funder, as poorer countries discover other sources of finance.

MORE FINANCE, BUT MORE EXPENSIVE

The bank failed to do what it promised because it reduced development, a political task, to a technical exercise. It did this because its own political constraints ruled out an effective role.

Effective campaigns against poverty and inequality happen for one of two reasons. Either elites decide it's in their interests to fight them or, in democracies, poorer citizens use their vote and their rights to achieve change.

Neither condition applied to the World Bank. Its decisions are not made democratically because votes are allocated in proportion to capital invested, not the number of people a government represents. America always appoints the bank president because it provides most of the capital and has most of the votes.

The Bretton Woods trio did not see that the New Deal, the US programme in response to the Great Depression in 1933, had worked partly because it had a solid base of democratic support and that democracy was essential to the development they sought. In the absence of democracy, the elites have decided what the bank should do. Since the focus shifted from Europe to the rest of the world, they have shown little interest in changing a state of affairs from which they benefit.

It's this political context which has caught up with the bank, first reducing its role and then forcing it to give up on public funding to fight poverty. Ironically, the critics who insisted that it take politics seriously have been vindicated in a way they did not intend or expect. Challenged to recognise politics' role in development, it has done so by concluding that the politics which govern how it works make an effective role in development impossible.

NOTE
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CO-OPERATIVES IN SOUTH AFRICA AND BEYOND

*By **Rekang Jankie***

The author is the IFAA Student and Youth Coordinator

Rekang Jankie

Alternative approaches to economic development are gaining popularity in many countries. Co-ops may not be considered an alternative approach because they've been around for several decades and probably precede the onset of capitalism. In this article the writer looks at the status of co-ops in South Africa.

With the global economy in a seemingly permanent state of crisis, consideration of alternatives to the status quo and orthodox thinking are on the rise. While South Africa has been gripped by talk of so-called Radical Economic Transformation (RET), alternative forms of production, such as co-operatives (co-ops), have gained little traction in mainstream conversations. This gap compels a discussion on concrete alternative economic models. Co-ops are defined as an "*autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise*. (The International Co-operative Alliance, 1995)." Co-ops are seen to be preferable over traditional profit-driven forms of enterprise as they would ideally increase the bargaining power of participants, foster community participation and development, offer stability through risk sharing and offer greater legal protection for members (The Department of Trade and Industry, 2012).

Capitalist enterprises are usually motivated by greed, competition and selfishness. By contrast, co-ops are rooted in the values of self-help, self-responsibility, democratic ownership, equality, equity and solidarity. They are governed by seven core principles, namely: Voluntary and Open Membership, Democratic Member Control, Member Economic Participation, Autonomy and Independence, Education Training and Information, Co-operation among Cooperatives, and Concern for Community (The International Co-operative Alliance, 1995).

While a number of different types of co-ops exist they can be classified broadly into two distinct categories: (1) User and (2) Worker co-ops. The key defining feature of workers co-ops is that they are owned and controlled by their worker-members. User co-ops, on the other hand, have members who use the co-op's economic services without necessarily being workers in the co-op (Philip, 2003).

> **Co-ops are seen to be preferable over traditional profit-driven forms of enterprise**

CO-OPS IN SOUTH AFRICA

The state of co-ops in South Africa has changed drastically since the early 1900s. Initially white agricultural co-ops received support from the state, both legislative and financial. The 1912 Land Settlement Act, 1913 and 1936

> **Capitalist enterprises are usually motivated by greed, competition and selfishness. By contrast, co-ops are rooted in the values of self-help, self-responsibility, democratic ownership, equality, equity and solidarity**

Land Acts, Co-operatives Societies Acts of 1922 and 1939 and many more all served to support these co-ops. Yet it is important to note that these co-ops did not adhere to the seven Principles of the International Co-operative Alliance and were mere extensions of successive White Nationalist governments (The Department of Trade and Industry, 2012). State support for agricultural co-ops before the fall of apartheid was substantial, this resulted in co-ops making up more than 70% of co-ops. This dominance has however subsided in post-Apartheid South Africa with the co-op sector diversifying due to further legislation supported by the ANC government (Ibid).

Between 1994 and 2009 the number of registered co-ops grew from 1 444 to 22 619. However this growth can be misleading. According to the Department of Trade and Industry (DTI) only 2644 of these co-ops can be considered operational. The most successful of these sectors is the housing co-ops sector, with 32% of the co-ops being operational.

The state of worker co-ops has historically been poor in South Africa. At the end of apartheid, worker co-ops made up a negligible number of co-ops in the country. By 2003 worker members earned an average of R133 a month from their co-ops (Philip, 2003). The greatest barrier to the success for these co-ops has largely been due to a lack of access to capital, credit, skill and market share (Phillip, 2007).

CO-OPS BEYOND OUR BORDERS

The lack of success for co-ops in South Africa means that we have to look beyond our borders for lessons and inspiration. While co-ops have varying degrees of success across the globe, countries like Spain, Italy, and Kenya offer up valuable insights for the sector in South Africa.

One of the most common factors in countries with functional co-ops is strong legislative support and enforcement of existing laws. In Italy and Spain support for co-ops is enshrined in their constitutions. The tax laws in the respective countries also enable co-ops to function more effectively. In Italy co-ops are not taxed if they reinvest 30% in their indivisible reserve funds, this exemption is also dependant on the co-ops having a mutual purpose as opposed to profit making. Spanish co-ops are taxed at 10% as opposed to the corporate tax rate of 28% (Corocran & Wilson, 2010).

Mondragon Corporation, a collection of various Spanish co-ops, is often touted as the clearest case for the ability of co-ops to succeed in a competitive economy. While this article has largely focused on the external factors contributing to the success and failure of co-ops, Mondragon offers lessons on what actions differentiate co-ops from mainstream corporate values and ethics. One of the most striking of these is in pay scales between the highest and lowest earners. Highest earners earn on average six times more than the lowest paid members. (Flecha & Cruz, 2011). In comparison, chief executives in Spanish corporations earn 127 times more than the average pay of a worker (Ferdman, 2014). The lower differential in Mondragon is attributed to a strong democratic culture where the pay ratio is determined through a vote by

Source: https://ruralsociologywageningen.nl/


Source: http://www.coopcampus.eu

all worker-members, in line with the principle of "one member one vote" (Flecha & Cruz, 2011).

Mondragon's long term success can also be attributed to constant reinvestment into the co-op. While Spanish law mandates that 20% of surplus be invested into a co-op's reserve fund and 10% towards their education and pro-cooperative fund, Mondragon goes over and beyond those requirements. Of the remaining 70%, half goes towards the reserve fund and the remaining amount goes into workers capital (Ibid). This ensures that the bulk of the profits made by the co-op are dedicated to their long term viability even in the face of recessions. These and many other internal measures have resulted in the Mondragon Corporation being one of the largest in Spain.

On the African continent, Kenya has a thriving co-op culture particularly in the agriculture sector, with co-ops handling 72% of coffee sales, 95% of cotton sales and 76% of dairy produce sales. The success of co-ops extends beyond the agricultural sector, with 63% of Kenyans directly or indirectly deriving their livelihoods from co-ops. (Wanyama, 2009). In addition to this, co-ops in Kenya contributed 45% of GDP in 2007 (Khumalo, 2014). Much of this success can be attributed to strong government support, specifically through the Kenyan Ministry of Trade, Industry and Co-operatives.

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Co-operatives have a clear potential to significantly change the performance of the South African economy in the key areas of employment and poverty alleviation. However, for this potential to be realised the government would have to create an environment conducive for cooperatives to succeed. This can be done by studying how co–ops are run in Italy, Kenya and Spain. Various avenues for financing should be explored, existing laws and regulations should be enforced and new legislation should be introduced to nurture a culture of development through co-ops.

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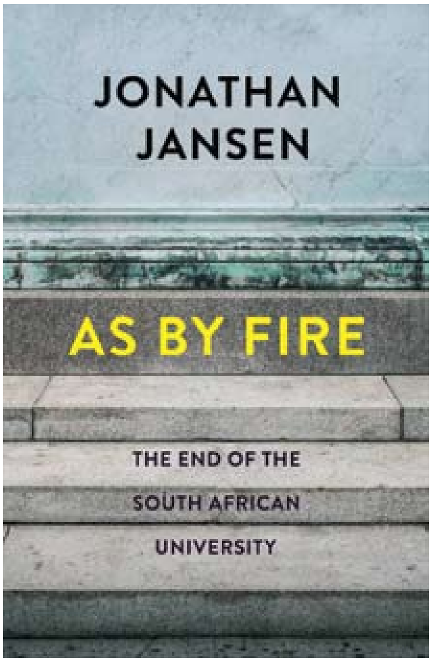


As By Fire

The end of the South African University

By Jonathan Jansen, Tafelberg

Reviewed by Ben Turok

This is a devastating book which will be read at universities around the world. It analyses and explains in the clearest terms the student uprising at South African universities in 2015-6. The book is based on the experiences of Jansen as vice chancellor of the University of Free State and on interviews he conducted with eleven vice chancellors of other universities.

The analysis has a deeper significance too as it shows how a relatively small minority who were leaderless could totally disrupt an institution by intimidating the majority into silence. There was no need for political campaigning or persuasion to get broad support; intimidation was enough. This method is the reverse of the classical approach to insurrection which required theory and ideology, an organized party and mass support. Will others now try the same formula in other institutional settings?

Jansen attributes the student unrest to government's encouragements to increase student intake thus swelling numbers but at the same time reducing university subsidies from 49% in 2000 to 38% in 2014. Universities responded by increasing tuition fees from R12.2 billion in 2010 to R15.5 billion in 2012 representing an increase to institutional funding from 24% in 2000 to 33% in 2014 and students reacted strongly.

The poorest students were able to access NFAS support but the better off students could not and so it was the latter who first led the protests, at least at the historically white universities.

But Jansen shows that the fees issue was by no means the only cause of the protests. It was the sense of alienation experienced by students who came from a largely black African environment into an alien culture such as that at UCT. They were made to feel that they are different and so fell back on the defence of black identity. In an unusually candid comment Max Price is quoted as saying," UCT has the trappings of the colonial, of the empire, and it valorizes European culture still. It doesn't do very much to make an effort to provide other role models, or to say that there are different cultures, different histories, or to make an effort to valorize the history of these black students... so for the first time they realized they were black was when they came to UCT."

The students, who are largely post -1994 "born frees," were promised freedom but now felt constrained by a largely white management and professoriat tier in an alien environment.

Nevertheless the first demonstrations were generally non-racial with a group of white students supporting the Rhodes Must Fall and similar campaigns. Jansen shows considerable sympathy for the protests at this stage and clearly made huge efforts at his university to meet with the protesters and relate to their complaints.

Things changed in 2016 when the protestors formed exclusively black groups that turned to violence. Jansen's tone changes strongly as he discusses the new turn in events, but he tries to identify the factors behind the shift. Among these is the external political environment with Parliament in disarray, with numerous scandals exposed in the media and with the obvious loss of direction by the Zuma government. Society is generally disenchanted and a culture of impunity has emerged.

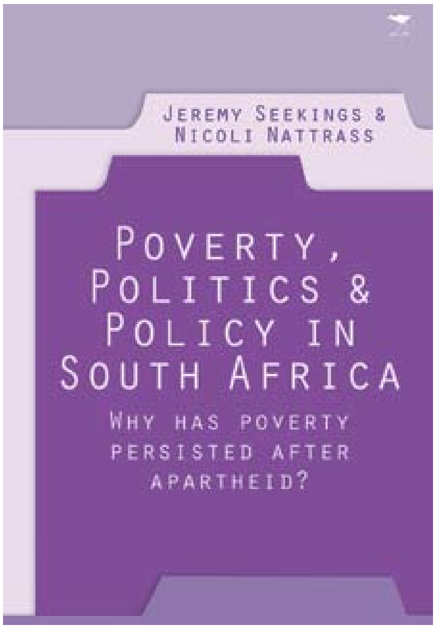
The achievements of the Mandela years are forgotten and the benefits of a democratic order seems to elude the students.

In this climate the most radical of the students come to the fore and the burning of buildings and cars became a reality. Because these groups are leaderless and keep personnel changing the disorder became unmanageable as the management was confronted by "deadly vigilantyism". The language of the protestors became overtly racist and the call for "decolonization" of the universities came to predominate.

As we have seen, there were ample grounds for such arguments in the historically white universities. But decolonization was now articulated in racist terms in favour of black power.

Jansen argues that South Africa is now a constitutional democracy and that references to colonial legacies are misplaced, but he is on weak grounds here as the quote from Max Price indicates.

Finally, the trauma experienced by Jansen and the other vice chancellors comes across vividly. He complains, with some validity, that the media reports on these events rarely referred to the difficulties experienced by the management as a result of which many are now resigning. Most importantly, the universities are locked in tension, a condition wholly unsuited for learning and scholarship. NA



Poverty, Politics and Policy in South Africa:

Why has Poverty Persisted after Apartheid?

Jeremy Seekings and Nicoli Nattrass
Jacana Media: Johannesburg, 2016, 335 pp

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 Nattrass 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 Nattrass 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 Nattrass, 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 Nattrass, 2015:15). Add to this the widely used language of the developmental state and we have an important discursive shift.

For Seekings and Nattrass 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 Nattrass 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 Nattrass, 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 Nattrass, 2015: 13). They see the dominant ideology in the post-apartheid state as being broadly social democratic.

Seekings and Nattrass 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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