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# NEW AGENDA

SOUTH AFRICAN JOURNAL OF SOCIAL AND ECONOMIC POLICY

## The end of

## CAPITALISM

## CAPITALISM

## CAPITALISM

## CAPITALISM

## As we know it?

**Also inside:**

**We need a sensible, participatory debate on central bank independence**

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This greenhouse food initiative was established at the Foundation's office premises to raise awareness; educate and feed recipients and encourage domestic food production, township farming and entrepreneurship. It is built on the principles of fostering sustainability and providing skills for food security with a focus on developing the youth.

## THE IMPACT OF COVID-19

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The Foundation's Hamper Delivery Programme is an ongoing initiative to meet families half way with monthly costs of living and the impact of COVID-19. Building on the Foundation's food garden programme, the Hamper Distribution Programme aims to reach more beneficiaries.

### Online dialogues

The Foundation has included online virtual discussions and dialogues as part of its ongoing programming to continue to stimulate thoughts and innovative solutions to South Africa's challenges. These virtual dialogues are open to a broader, online audience which includes the public, government, academia, private sector, youth, civil society, learners, and the media with themes that include: 'A different South Africa in a different Africa: Options and pathways to greater inclusivity or more inequality.

## LOOKING FORWARD

### The Kgalema Motlanthe Foundation Online In-House Training Centre

To prepare students for the 21st century workplace and create a more inclusive society with access to digital technology, education and training, the Foundation has established a technology broadcasting hub and computer lab for online and virtual education and training. The Centre will be a multipurpose space for mixed use including: online education for learners and teacher training; coding; design thinking; dialogues; workshops; political education; and think tanks.




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*New Agenda* is a publication of the **Institute for African Alternatives (IFAA)**



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# Navigating a deeply unsettled period

"*Measurable risk generates worry. Unmeasurable risk about the duration and magnitude of uncertainty spawns fear*." Ira Katznelson, historian of the New Deal in the USA (2013)

Poverty, ignorance and disease were three real enemies of the people pinpointed by Julius Nyerere in his inaugural address as the first President of Tanzania in 1962. Twenty years before him, the Beveridge report in Britain ushered in a debate on the need for a welfare state by identifying five giants to be vanquished – Want, Disease, Ignorance, Squalor and Idleness.

South Africa has labelled inequality, poverty and unemployment as the 'triple challenge' – to which corruption has forcefully added itself as a fourth obstacle to transformation. But in 2021, the Covid-19 pandemic, climate change and technology have unsettled initiatives against all enemies, giants and challenges.

In our cover story Tom Koelble considers how capitalism is mutating, impelled first by the financial crisis, and now by the pandemic, into new and varied predatory forms. His fascinating survey of recent writings on the future of capitalism – drawn from fields of study beyond economics – does not foretell its end, but its possibility for endless adaptations.

Vishnu Padayachee reflects on how central banks are always a site of contestation. There is nothing inherently wrong in nationalising the South African Reserve Bank – in fact it is now the international norm for the central bank to be fully state-owned. The article on Black Economic Empowerment considers an unexplained mutation in established government policy that is harming the most needy, and most worthy, beneficiaries of the constitutional resolve to recognise and heal the injustices of our past.

The debate on the controversial development at the River Club in Cape Town – begun in *New Agenda* 78 – continues with responses by Leslie London and Tariq Jenkins. The issue can appear to be narrow and parochial, but it is not. The conflict raises the question of how to get agreement in a democracy when there are contending camps with contradictory views. Our legal framework heightens tensions rather than managing them.

Rahmat Omar contributes a critical review of worker education in South Africa, referring to a recent book of essays. The state of worker education is both the reason for and a reflection of the weak and confused state of our once proud trade union movement.

We end with a tribute to all those we have known and loved, and also the many we have not known, who have died as a result of this dreadful, destabilising and destructive virus.
If there is a uniting theme for this issue of *New Agenda* it is uncertainty. The virus creates an immediate and pervading environment of uncertainty and of fear all of its own. Government policies and statements are often shown to contribute to uncertainty.

Uncertainty and weak leadership stoke divisions and divert energy away from progress. Issues are within the control of society, yet present policy guidelines have failed. They have added more uncertainty rather than reducing it.

Climate change – visible regionally in the devastation wreaked by the successive cyclones, Idai and Eloise, means more frequent, sudden-onset disasters due to extreme weather. Africa is particularly sensitive to climate change and to the uncertainty created when life is upended and development diverted.

The uncertainties unleashed by technology can be positive – as seen in the amazingly rapid development of Covid vaccines – but also negative, as in the divisions sowed through social media, the automation replacing jobs and ending incomes, and the use of technology to attack human rights.

Proper policies, transparently planned and implemented, can reduce deep uncertainty to ordinary risk. We are not there yet. NA

# Debating the future of capitalism in post-industrial and emerging economies

*By Thomas Koelble*

Thomas Koelble is Professor of Business Administration at the Graduate School of Business, University of Cape Town.

*The author discusses examples of literature about the end of capitalism, but argues they miss a crucial aspect – despite its current uncertainty, capitalism is not showing signs of destroying itself. In fact it has shifted into a new and highly predatory phase. The Covid-19 pandemic has ushered in the largest world economic crisis since the Great Depression in the 1930s. The pandemic intensifies long-existing features related to inequality and environmental degradation that mark the capitalist economic system.*

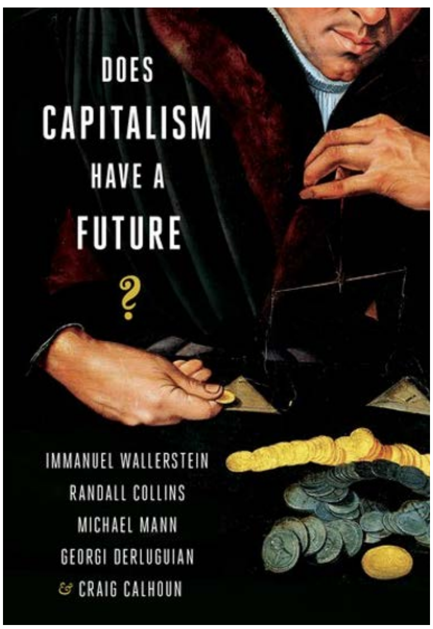
### *INTRODUCTION*

To say that there is uncertainty across contemporary social science concerning the future direction and stability of global capitalism is an understatement. While Marxist and left-leaning social scientists have debated the possible end of the capitalist system for over 200 years, the current debate reaches well beyond a subset of ideologically inspired writers and thinkers. Thomas Piketty's work highlights the steep increase of inequality, even in democratic systems that are ostensibly committed to socio-economic equality (Piketty, 2014). The work by climate change researchers examines the ecological limits the current capitalist economic system is fast approaching (Wallace-Wells, 2019). Most natural scientists warn against the irreversible consequences of human economic activity in terms of pollution, environmental degradation and catastrophic failures of the eco-system should global warming continue on its current track (Hansen, 2009).

These two trajectories alone pose significant cause for concern about the future of both the political and economic realm and their impact on human life. Add to this the current corona virus pandemic, which has plummeted most economies around the planet into deep depression, and the question about the future of capitalism is of utmost urgency.

This article begins with a selective review of some of the literature on the current state of capitalism in both developed and developing economies. It takes as its starting point Immanuel Wallerstein's edited volume *Does Capitalism have a Future?* (Wallerstein et al., 2013). The article links several themes addressed in the book to recent research on capitalist development in post-industrial and advanced economies. To gain a perspective on developing countries, we turn to the work by Anna Tsing and Tania Murray Li respectively. Their anthropological work – much of it from Indonesia – provides detailed insights into economic relations of production in the 'developing world' or 'emerging economies'. Finally, the article links Tsing and Li's analyses to some contemporary South African case studies.

**“The contemporary state of the developing world is what the future of developed economies will look like and not, as much of the conventional development literature would have us believe, the other way around.**




John Comaroff and Jean Comaroff argue that there are processes in motion that will lead currently developed economies to becoming increasingly like contemporary ‘developing’ economies (2012). The contemporary state of the developing world is what the future of developed economies will look like and not, as much of the conventional development literature would have us believe, the other way around. Denmark and the happy state of social democracy as a solution to capitalist inequity is no longer the destination; Brazil may offer a far more realistic glimpse into the future shape of global capitalism. The key to understanding these processes of global convergence is to grasp the fact that we are witnessing a profound transformation of capitalism from a production-centred, labour-based system to a knowledge/risk-based, circulatory financial architecture that is profoundly transforming local economies across the globe (LiPuma, 2018).

This is a process that has barely begun, but that is already in full flight. Far from dying, capitalism has re-invented itself in a new, highly predatory form in which speculation rather than production generates profit and in which technology rather than labour is key to productivity. A by-product of this new form of capitalism is the hollowing out of the nation-state, particularly smaller and less powerful ones, and the shift of regulation from the national to the global level, for instance in the regulation of trade, where more powerful players have a much greater say than smaller entities.

## *THE END OF CAPITALISM AS WE KNOW IT?*

### *The collapse of capitalism as a result of the externalisation of the costs of production*

In the volume by Wallerstein and his colleagues, five eminent sociologists provide quite different answers to the question whether capitalism has a future. Wallerstein argues that capitalism is at the end of a long cycle and will be replaced as an economic system because it is losing its ability to compensate for the enormous costs of externalisation (2013). [Editor’s note – This refers to the failure of pricing mechanisms to make the polluters and capitalists pay for the full economic and social costs of their activities.] Wallerstein uses Kondratieff’s theory of long, economic cycles as a basis for his theoretical apparatus. He suggests that a combination of ecological damage and a lack of natural resources will inevitably lead to a situation where the current capitalist system can no longer function adequately. Since it is based on the externalisation of costs ranging from environmental degradation to labour exploitation, the system will reach a point where governments and the underlying society are no longer able to absorb these costs effectively.

Governments are, in Wallerstein’s view, the institutions that mitigate the negative effects of industrial externalising costs. Unable to perform ‘detoxification’ of the environment and cushioning the effects of financial and other crises, the costs of capitalism will exceed the capacity of government institutions to regulate the system. The financial crisis of 2008 brought governments to the brink of financial collapse in order to ‘save’ financial institutions deemed too large and important to fail. He wrote that the next crisis was likely to overtax the capacities of even the most powerful states and overwhelm the system’s ability to reproduce itself. Wallerstein argues that capitalism is a system that has both a beginning and an end point and is therefore, like all systems, subject to failure and dissolution.

Wallerstein’s point about the externalisation of costs in capitalism is illustrated in Michael Lessenich’s *Living Well at Others’ Expense: The Hidden Costs of Western Prosperity* (2018). Lessenich argues that Third World poverty is, in fact, the product of the externalisation of production costs by the capitalist core economies. Living standards and wages are driven down by cheap or slave labour, lax or non-existent environmental regulations, high levels of poverty and unemployment. These effects are the direct result of a plethora of agricultural and industrial production strategies designed to impoverish millions and make them the unwilling recipients of the waste produce of the Western World. Lessenich argues internet garbage is just one example of the externalisation of costs onto the people of the Third World – thousands of people work in atrocious conditions cleaning up the pages of the internet from images considered inappropriate for consumption. These images range from beheadings by terrorist groups to the abuse of humans and animals in pornographic material.

The Third World's poverty is not an unintended or accidental by-product of modern capitalism but intentionally designed into the strategies of capitalist economic actors. While the populations of the First World reap enormous benefits of capitalist economic growth (including their unionised and well-paid working classes), it is the populations of the East and South that shoulder the costs. Lessenich, like Wallerstein, believes that this system is not able to survive the contradictions for much longer. The growing refugee and migrant crisis brewing in both the US and Europe – and coming from Africa, Asia and Latin America – is only the tip of an iceberg of population movements driven by economic necessity, ecological disasters, socio-economic deprivation, and sheer hunger for food, shelter and some form of security. As conditions in the South deteriorate, the pressure on northern borders and societies is only going to ratchet upwards. They will thereby intensify the political discourses around issues of immigration and the rightist reaction to increasing numbers of migrants.

## *Artificial Intelligence as the catalyst for the demise of the middle and working classes*

The North American sociologist, Randall Collins, takes a very different tack in his analysis of the possible end of capitalism (2013). He argues that Artificial Intelligence (AI) and other data-driven technological innovations are likely to undermine and diminish the economic status of both the working and middle classes. In the past, technological change has produced both 'winners' and 'losers' in terms of employment and job security. In each of the industrial revolutions of the past, the new technologies provided what Collins refers to as an 'escape' mechanism that allowed losers to eventually adapt to the new conditions, if not individually then at least generationally. These escapes were phenomena such as the expansion and creation of new markets; the development of meta-markets in finance (especially after 1980); government employment and investment as a potential avenue for absorbing 'surplus' labour; Keynesian policies to encourage consumption and demand; and the inflation of educational credentials. None of these escape mechanisms can now address the enormity of the changes in the labour market that AI and the other data-driven technologies are already producing. Collins sees large segments of both middle-class and working-class employment as imperilled by the new technologies.

Guy Standing echoes Collins' argument in what he calls 'the dangerous class' or the 'precariat' (2011). Standing argues that the numbers of people falling from a secure position to a situation of precariousness in Europe is exploding at alarming levels. So much so that countries that only a decade ago were viewed as bastions of equality and security, such as Sweden, are now experiencing dramatic increases in inequality. For Standing, these increasing levels of precariousness are a prime reason for the growth of populist parties at the expense of the traditional parties of both the left and the right. Neo-fascist and populist movements are gaining electoral traction across Europe and the primary reason for that is that they express the feelings of precariousness and insecurity of the ordinary citizen who is afraid of losing employment and social security and feels threatened by migrants and refugees who appear to obtain benefits more easily than the ordinary citizen (no matter how wrong this perception might be). The wave of 'yellow jacket' protests across France and Belgium, directed against the 'elite' and its lifestyle, is a good illustration of Standing's argument and provides empirical grist to Collins' theoretical mill.

On top of this, the pandemic is leaving economies much more digitised – as people work from home – and less equal – as transport, cleaning and service jobs for offices and CBDs are cut. It is uncertain when (and whether) a lot of these jobs will come back (Curr, 2020).

## *THE POSSIBILITY OF LIFE IN CAPITALIST RUINS*

Two theorists in the Wallerstein volume – Michael Mann and Craig Calhoun – suggest that reports of the death of capitalism might be premature. Mann's critique of Wallerstein essentially focuses on Wallerstein's idea that capitalism is a world system (2013). Mann suggests that rather than thinking of capitalism as a system, he views it as a set of networks in which some networks may decline while others rise to supremacy. Mann suggests that it could well be that the American form of capitalism becomes less powerful over time and that another and different hegemon rises to fill its shoes.

Along these lines Calhoun reminds the reader that capitalism is not only an economic system, but also a political system in which the institutions of governance may well develop alternative policies to address crises (2013). Calhoun suggests that each crisis plays out quite differently in different regions of the world. It may well be the case that in some areas of the globe other economic forms might prevail. The Chinese experiment with state-led capitalism is one such variant. What Calhoun points to is that capitalism has already taken rather divergent paths in parts of Asia, Latin America and Africa, and the work by several anthropologists supports his thesis. The Western trajectory is not being played out as an echo in other parts of the world and it may be time to jettison the idea of linear progress and an emulation of Western-styled capitalism and democracy in Southern and Eastern parts of the globe.

The sub-title to Anna Tsing's book, *The Mushroom at the End of the World*, is *On the Possibility of Life in Capitalist Ruins* (2015). This encapsulates her findings, not only in the book on the global supply chain of the Matsutake mushroom but also her earlier work entitled *Friction: An Ethnography of Global Connection* (2005). She captures what local relations of production and consumption look like in the remote areas of the developing world – where environmental damage to forests and other eco-systems is so extensive and corrosive that it is impossible for the local population to still 'make a living' from the natural environment as their ancestors had done for millennia. The devastation of deforestation of the Kalimantan mountain range in Indonesia actually encourages the growth of a highly prized mushroom that fetches enormous prices in the eateries of affluent Asian cities. There is then an irony in this tale which is one of loss, of extensive environmental carnage and, amidst the ruins, a glimmer of hope in terms of the newly found avenue for making a little bit of money for at least a small portion of the impoverished population. The tale of the mushroom is a vignette on the survival of capitalism, even in spaces that it left bereft of opportunity. This mushroom's growth was unintended and purely accidental, following in the wake of the rape of forests, mineral wealth and labour that has characterised the collision between local people and the global/local capitalist system.

A parallel story is unfolding in many fishing villages around the southern African coastline. Impoverished fishing communities, already ravaged by unemployment, drug abuse and diminishing fishing quotas, are turning to the illegal harvesting of abalone (*perlemoen*). Abalone is highly prized in the markets of Asia and many youngsters in South Africa's fishing communities risk their lives and liberty to dive for this endangered species. Chinese triads then 'buy' the illegal catch, often in return for drugs, usually methamphetamine, and ship it to Asia. Kimon de Greef, a local reporter and natural scientist, documents these activities with the help of a former abalone diver (De Greef and Abadar, 2018). Abalone are, of course, not the only animal products to fall victim to this trade – rhino horn, ivory and pelts of many an African animal make their way from Africa to other parts of the globe, leaving behind a scarred environment and the extinction of yet another species.

Tania Murray Li's book *The Will to Improve* is a study of governmental attempts to improve the economic situation for local populations in the Kalimantan region (2007). She powerfully illustrates how each government attempt to 'improve things', going right back to the early Dutch colonial period, ends up in creating enormous contradictions, introduces layers of complexity to issues such as land rights, brings cultural conditions that have been irreversibly affected, damaged and transformed with the invariable result of setting up ethnic, religious and racial conflicts, and supports new claims on land, on rights, and on resources and their distribution. These competing claims then resonate not only locally or regionally but also nationally. While international aid and development agencies marvel/despair at the inability to bring about 'improvements', the core problem is that the local eco-system, economy and social structure are not compatible with Western notions of successful capitalist development.

These local transformations take place in a global capitalist paradigm in which the central states of such developing countries are losing, not gaining, economic sovereignty. They are thereby condemned to stand by as these developments unfold, without the means to correct them, if that was even possible. As poverty and unemployment become pervasive standards of measurement, it is in these unintended spaces – such as the mushroom that grows in devastated landscapes – that capitalism unfolds in unique and rapacious forms.

Li's study provides an analysis of the complex issue of 'failure' despite the best intentions of state administrators and others to improve conditions for the local population that is now the subject of many studies of development. Why is it that aid and so many other initiatives to help economic development in what are considered the poorer regions of the world are failing? This debate has become the centre of an ideological struggle in Northern polities and economies. 'Failure' to develop is linked to issues such as race and culture by political forces that advocate ending the flow of funds to the developing world in order to secure these funds for the precarious in their own nations.

Government agencies in developing countries are also perplexed by their own inability to shift developments onto a more successful track. The South African debates around employment, education and housing all suggest that while the will to improve is certainly expressed and prevalent, so many of the initiatives end up creating new layers of complexity, new conflicts over resources, and seldom result in a major shift in terms of better living conditions (Makhulu, 2015). While overall poverty levels have decreased in South Africa as a result of extensive welfare payments to some 17 million recipients, unemployment levels have increased as has inequality, and urban

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**Far from dying, capitalism has re-invented itself in a new, highly predatory form.**

migration has resulted in the sprawl of townships and informal settlements (Chance, 2018). And the current corona crisis endangers more than 25 years of welfare policies designed to lift over 50% of the South African population out of extreme poverty. Should the economy contract by even less than 10% as a result of the pandemic, a large proportion of citizens will sink back into levels of extreme deprivation.

What Li demonstrates is that these perceived failures are the result of meddling in local affairs by global and powerful national/local agencies over a considerable time. Li exposes the inner workings of Lessenich's externalisation of costs onto the populations of the capitalist periphery. She outlines the resulting damage of this relentless process. One of her observations in her newest book, *Land's End: Capitalist Relations on an Indigenous Frontier* (2014), is that the issue of land tenure and who holds property rights is part of an ongoing and constantly changing political struggle that is not likely to end any time soon with some solution, but carries on as new claimants enter the fray. Her observations about the explosive issue of land tenure is an important lesson for those who believe that somehow South African land claims are likely to end with the dispossession of one group by another – all that occurs is that the land issue re-emerges in a new guise and with renewed intensity, new layers of complexity, and new players. And, what is more important, is that even if there is thorough land reform that does address many of the contentious issues in South Africa, the connection between such reform and greater equality and justice is not at all obvious.

## *IS CAPITALISM REALLY FINISHED?*

The last chapter of the book by Wallerstein and his colleagues attempts to bring together a rather disparate debate. While the authors disagree on the likely future form and shape of capitalism, they agree that the contemporary phase in which global capitalism finds itself is full of complications, immense challenges and problems. These range from nuclear conflict to environmental catastrophe to the ratcheting up of socio-economic inequality. They agree with the German sociologist, Wolfgang Streeck, that the contradictions between capitalism designed to reward the few, and democracy designed to give voice and socio-economic security to all citizens, is at a crossroads (Streeck, 2016). They see developments in the developed countries that mirror developments in emerging economies such as the increasing levels of precariousness experienced by broad sections of the middle and working classes. When much of political economy and development studies from the 1950s to the 1980s were pre-occupied with the question of how the globe could approximate the standard of living and political stability of Denmark, today the question is whether the instabilities of a Brazil or South Africa are going to be replicated in the core economies of Northern Europe. That these tendencies are already visible in the peripheral economies of the European Union is no longer in dispute (Varoufakis, 2016; Crouch, 2004).

But there is a surprising twist in the Wallerstein text. The authors settle on a compromise and suggest that doom and gloom prophets who argue that the end of capitalism will bring in a new age of poverty are as wrong as the enthusiasts who claim that the death of capitalism will usher in a new age of much more egalitarian prosperity. Neither side, in their view, is likely to predict the outcome correctly. Rather, the picture is likely to be complex and quite different outcomes are likely in different regions of the world. This conclusion is less convincing than some of the arguments presented in the volume itself and essentially leaves the central question unanswered, which is one of the problems of trying to gaze into the crystal ball and predict the unknowable. Just as Streeck fails to tell the reader how capitalism will end, the authors disagree on whether capitalism has a future or not.

The analyses presented by Tsing and Li (and anthropological work that is being carried out in South Africa) point in a very disturbing direction – namely that capitalism in raw and brutal forms will survive but on an impoverished and damaged planet, in which large parts are made virtually uninhabitable as a result of human activity. While Tsing suggests that the story of the mushrooms reveals the possibility of economic and social life beyond capitalism (an idea that is also an underlying theme in Li's work), the basic problem with this argument is that Matsutake mushrooms derive their value from a global capitalist distribution and value chain. If the markets of South East Asia did not place a high value on this mushroom, hence creating a demand for it, there would be no point in finding it, except for local consumption. Capitalism is not departing from the mountains of the Kalimantan or elsewhere – it has morphed into a completely new form.

The image this literature conjures up is depressing and, to paraphrase the noted climate scientist James Hansen, is certainly not an economic and ecological future that one wishes to leave as a legacy to one's grandchildren. From the perspective of the post-colonial periphery, where capitalism has been a socio-economic, environmental and political disaster for the vast majority of the population and over a prolonged period of time, many ordinary people have learned how to 'get by' within the system and survive as well as they can (Bayat, 2010). But 'getting by' is different from leading a fulfilling and prosperous life. Yet, this literature about the end of capitalism misses a crucial aspect – far from capitalism destroying itself, it has shifted into a new and highly predatory phase.

## *CIRCULATORY CAPITALISM VERSUS PRODUCTION-CENTRED CAPITALISM*

Capitalism, far from being finished, is transforming fundamentally and has done so since 1973 with the creation of the financially driven derivatives market (LiPuma and Koelble 2006; 2008; 2009; Martin, 2002). The capitalism discussed by Wallerstein and the other authors above is based on production, on labour, in the nation-state and its economy. A transnational, circulation-centred, risk/knowledge-based capitalist system is both undermining and replacing the older and more established capitalist form (LiPuma and Lee, 2004). Production and labour-based systems are being outsourced and externalised to Latin America, South East Asia, China and some other parts of the Third World. Note, for example, that Google and Facebook barely existed 25 years ago. Today, their collective market capitalisation is greater than all of the automotive, steel, concrete and aluminium companies in the world combined. Add into this mix Apple, Microsoft, Oracle and Amazon with a market capitalisation of nearly US$ 5 trillion, give or take a few billion as the market fluctuates. More than 40% of US GDP now derives from technology, biotechnology and financial services and California, which is the leader in these fields, was growing at a clip of 6% before the pandemic – a value normally associated with emerging economies. It is now the fifth largest economy on the planet (depending on which measurements one uses) and is expected to overtake Japan and Germany in the next decade. Let's register that California produces very little in terms of commodities. Similarly, New York City is growing richer by the minute as it is the centre for global finance and banking and also produces very few commodities (LiPuma, 2018).

AI is certainly part and product of the transformation to a circulation-centred, knowledge/risk-based form of capitalism, as Collins notes. The form began in EuroAmerica and has spread throughout the world. The Chinese demand for technology and access to the secrets of AI and robotics is central to inclusion in this new form of capitalism. The Chinese are one of the few players that have the market leverage to demand insight into the new technologies – leverage that most others, such as South Africa, do not have. The upshot of these developments is that commodities will cost less and less while the price for services and cutting-edge technology is increasing. Another example is the production of soybeans. The US produces an enormous amount of soybeans, mainly for export to China and Japan and animal-farming industries. To produce soybeans profitably and lucratively, the production has to be highly mechanised and automated. In other words, companies such as Intel and ILS Logic, which produce the microchips that run the agricultural machines, are the main beneficiaries of soybean production, not farmers or workers on the farms.

There are several by-products of this new form of capitalism. One is to confirm the realisation that much of the early development economics literature, which saw all countries moving through a set of stages and ending up in a happy cycle of economic progress in the march towards greater prosperity and equality, is simply wrong (Ferguson, 2006; Rist, 1996). This outcome was always ideologically determined but it is certain that under the current form of capitalism, inequality levels are increasing, not only between countries but also within various socio-economic groups. The happy march towards equality is an illusion and that fact has fundamental political consequences. A second by-product is that states have less and less control over their own economies, particularly the value of their currencies. Not only does this not bode well for any national attempt to counteract growing inequality, it negates state attempts to shape the economy. Those economies with technological and adaptive advantages will be able to use them and those who do not will certainly be subject to painful consequences, deepening many of the structural barriers to greater equality.

## *SOME CONCLUSIONS FOR A PROGRESSIVE POLITICAL AGENDA*

What this fundamental shift in capitalism means is that no amount of juggling land/property rights, or fishing quotas/rights, or commodity extraction rights are going to change the prospects for increasing prosperity for populations in spaces such as South Africa. These redistributive efforts may lead to some local improvements – if done correctly and carefully – but not a fundamental, structural change of the capitalist system as its proponents noisily proclaim. No amount of even the best state administration can annul the transformations of the global capitalist structure. What can be done is to organise local production so that it takes advantage of circulation – limit the number of, for instance, abalone in the global value chain and charge a higher price, which can then assist local fishing communities in attaining a higher standard of living. Of course, having the local state accomplish this goal efficiently and without corruption is a tall order. If production is aligned with global circulation, there are opportunities to reap some of the ›› rewards of the system but a blind rejection of thinking through the possibilities is a sure-fire way to ensure economic stagnation and cement poverty.

This transformation in the design of capitalism has enormous political repercussions, mostly in the rise of populist demagogues such as Donald Trump, the British Brexiteers, and the neo-fascists across Europe. What unites these political movements is a romantic hankering for the 'good old days' when wealth was accumulated in the core nation-states and the costs of production-centred capitalism could be externalised easily to the global peripheries. Trump's desire to build a wall to keep the Mexicans/Latin Americans from 'flooding' the US is a variation on the Brexit argument to keep out the Poles/Eastern Europeans (unless, of course, they play world-class soccer). And the argument that the US needs to regain jobs lost to Mexico is strikingly similar to the Brexit position that Britain has lost its production base to other parts of the EU. The jobs lost in Northern England were production-centred and are not going to return just because the nation-state has cut off potential labour mobility. The brutal fact is that circulation-centred capitalism is siphoning off a greater and greater share of the rewards and the irony of Brexit is that it is forcing the dynamo of circulation-centred capitalism to relocate from London to Frankfurt and Paris! Production-centred capitalism is as much a part of the past industrial revolution as the spinning jenny was in the late 18th century. Its days are over and unlikely to return.

Third World liberation movements have been far more attuned to the inequity of global capitalism, as they were not beneficiaries of the system to begin with. But their contemporary leaders mistakenly believe that the state can redistribute wealth and that the nation has a place in the new economic system. The efforts of the ANC in South Africa since 1994 provide ample examples to illustrate just how difficult it is for a government (even one with 'the will to improve') to bring about greater equality, equal opportunity and some form of social justice. It also demonstrates how easily the commitments to improve can slide into an abyss of corruption as the political leaders begin to realise the structural obstacles in their way towards 'improvement' and give in to the temptations of short-term self-enrichment (Koelble, 2018). The new form of circulatory capitalism is profoundly toxic to any idea of the nation. It is designed to dissolve the state, and remains inherently rapacious. It calls for a transnational politics of resistance from those committed to a progressive agenda of global redistribution rather than a politics of national redistribution. Anything less is akin to rearranging the deckchairs on the Titanic after striking the iceberg.

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# Looking ahead, and aiming for a new way of life

*By Zunaid Moolla*

Zunaid Moolla is the Director of the Institute for African Alternatives (IFAA). For many years before that he held the post of Deputy Editor of *New Agenda*. He also teaches at the Training for Transformation Program outside Cape Town.

*The author discusses the 'Doughnut Economy', an alternative model that measures a country's well-being against two criteria; a 'socially satisfied society' and a 'healthy environment'. As an example he refers to Amsterdam, which is aspiring to become a Doughnut city in which all residents have access to a good quality of life without putting a strain on the physical environment.*

When the small country of Bhutan started to measure Gross National Happiness (GNH) almost 50 years ago, it opened the window on the possibility that the ubiquitous Gross Domestic Product (GDP) would one day end up on the dust heap of history. Now that prospect seems even nearer.

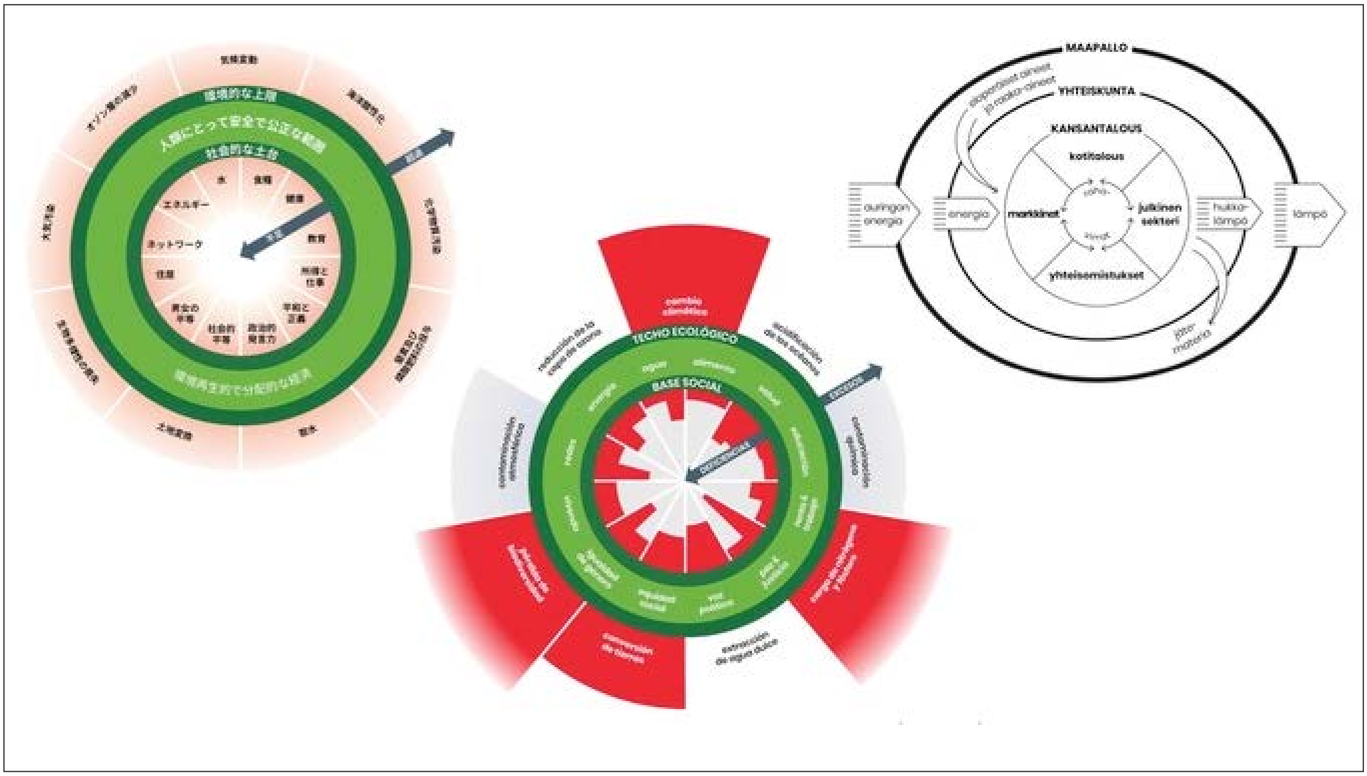
For several decades GDP has been considered at best an inadequate measure of a country's well-being and, at worst, a terrible distortion of the multi-dimensional forms of human existence and the physical environment in which we live. Why? Because GDP tells us how much each country produced (quantity) but nothing about the lives of the people who made all those products (quality). It tells us about the human effort that goes into turning nature's materials into an array of goods but has never calculated the damage that effort and those goods have done to nature. It monetizes the furniture that was made from all the trees but doesn't tell us the value of the forest without those trees. Yet it is GDP that determines a country's standing in the world of economies: who's at the top, who's at the bottom; who is high risk and low risk; who joins the club of the strong and powerful and who is excluded.

Ponder for a moment the crazy logic of GDP. Ralph Nader, the American consumer activist and one-time presidential candidate, pointed out in the 1960s that we could grow GDP by having more accidents on our roads or encouraging more criminal acts such as burglary and murder. More cars and properties damaged, more injuries and deaths, more insurance claims – all these are recorded as contributions to GDP.

Perhaps the biggest flaw in GDP is how it completely ignores the work of those people who are most essential to production: our mothers, and all the other women who devote their time and effort to feeding us, raising us, looking after every one of our needs. How much would you pay your mother or your wife for the "services" she has rendered over a 10 – 15 year period? Well, that will never show up in GDP.

Fortunately, economists and other social scientists have been working hard since the 1970s at developing alternative indicators for economy and society. The United Nations Human Development Index (UNHDI) is probably the most widely used of these indicators and covers the dimensions of Life Expectancy, Education and Standard of Living, each of which is comprised of a range of criteria. Others are Genuine Progress Indicators, Green Gross Domestic Product, Happy Planet Index and the Better Life Index.

Now the alternative indicators have a new champion which puts human beings and the environment centre stage. Say welcome to Doughnut Economics! The brainchild of Kate Raworth, Doughnut Economics looks at the two most important elements of planet earth and its inhabitants: a socially satisfied society and a healthy environment. The environment has a ceiling beyond which human life is threatened with disaster and calamity.




> **The big question that has arisen since Doughnut Economics entered the stage is whether it will replace capitalism.**

Social life has a foundation: those who live below it are in peril of wasting away and never realising their human potential. What we see in rich countries is people living above the ceiling. In poor countries, people are below the foundation. Our aim, according to Raworth, is to get people in rich countries to live below the ceiling and those in poor countries to live above the foundation. For Raworth, this is the "sweet spot" – the space in between.

The two rings that make up Raworth's doughnut are (1) the 12 essentials that no one in society should be deprived of (the inner ring) and (2) the nine ecological limits of earth's life-supporting systems which we, in our collective responsibility, must not breach (the outer ring). The inner ring or the social foundation, is composed of Food, Water, Energy, Health, Education, Income/Work, Political Voice, Peace/ Justice, Social Equity, Gender Equality, Housing and Networks. The limits of the outer ring that should not be overstepped are Climate Change, Ocean Acidification, Chemical Pollution, Nitrogen and Phosphorous Loading, Freshwater Withdrawals, Land Conversion, Biodiversity Loss, Air Pollution and Ozone Layer Depletion. Countries or cities can decide which elements of the inner and outer rings they want to prioritise or target.

This kindled memories of the courses we taught (pre-Covid-19) in the Training for Transformation Program at the Grail Centre in Kleinmond, just outside Cape Town. There we used the Wheel of Fundamental Human Needs created by Ann Hope and Sally Timmel, the founders of the Program. The wedges (or spokes) in the Wheel are made up of the following: Food, Water, Shelter, Fuel, Protection, Creativity, Freedom, Affection, Understanding, Leisure, Identity and Participation.

The city of Amsterdam has taken Raworth's ideas very seriously. The deputy mayor for sustainability is setting out to make it a Doughnut city. The aim is to ensure that all 872,000 residents have access to a good quality of life without putting a strain on the physical environment. Through huge infrastructure projects, schemes to increase employment and changes in the government policies that deal with contracts, they plan to make Amsterdam's residents live, work and play in harmony with the environment while pursuing a good quality of life for all. City officials are integrating Raworth's ideas on the Doughnut

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> **Work on creating the Doughnut Economy is … designed to produce zero emissions and will emphasise access to social housing and nature.**

Economy with the Circular Economy, an environmentally responsible way of producing materials with several stages of alternate usage. It encompasses the three Rs that became popular four decades ago with materials and food – reduce, reuse and recycle.

Work on creating the Doughnut Economy is already underway in a part of the city. The new development is designed to produce zero emissions and will emphasise access to social housing and nature. Strict contractual obligations have been introduced for contractors of buildings owned by the city. They (contractors) will have to obtain certification that some or all of the materials they have used for constructing the buildings can be reused should the buildings be taken down. The change in thinking among city officials has taken root as demonstrated when the first wave of the corona virus hit Europe. As lockdown set in, the city realised that those residents without computers and Wi-Fi could become completely isolated so they arranged for a collection of old and damaged laptops and got a company to repair them. In a relatively short period, some 3,500 residents became connected in a time of extreme urgency.

Other cities have already expressed an interest in adopting the Doughnut. Copenhagen, Brussels, Dunedin in New Zealand, Nanaimo in British Columbia, and Austin and Portland in the USA, want to follow the example of Amsterdam. The Doughnut Economics Action Lab (DEAL), an organisation created by Raworth, is guiding those who have sent in requests for getting their Doughnuts off the ground.

Some have already reacted negatively to Doughnut Economics. Its critics include academics and councillors in local governments who see it as a left-wing agenda that is against business, growth and development. Economic conservatives argue that Doughnut Economics could not do what capitalism has done, namely, lift millions out of poverty.

The big question that has arisen since Doughnut Economics entered the stage is whether it will replace capitalism. One possibility is that capitalism will adapt successfully to the changes introduced by the Doughnut Economy. An example of this is the textile suppliers in Amsterdam associated with the denim industry who have agreed to include 20% recycled materials by 2023 for 3 billion garments that they produce. For its part, the city will collect old denim from residents and pass them on to repair shops that will try to re-purpose them for sale in the market. Another possibility is that capitalism will become less robust and, therefore, more restrained as investment in businesses that are deemed socially and environmentally harmful are curtailed. In other words, the era of capitalists as free agents acting to maximise their own personal (or corporate) interests will draw to a close. Their decisions will no longer be subject to market forces but by the earth’s capacity to sustain life. A third possibility is that production will increasingly be taken over by entities that are engaged in socially useful activities rather than for-profit ones while still run on business principles. Only a few enterprises in specific industries may be left to run on purely capitalist terms owing to conditions in that industry but they too will be subject to the rules of engagement in favour of environmental sustainability and a good life for all citizens.

A vital participant in the transition to Doughnut Economics will be communities in whose name the changes are being introduced. In Amsterdam about 400 local residents and organisations created the Amsterdam Doughnut Coalition, a network whose purpose is to run their own programmes at grassroots level. After being given permission to use parking spaces for neighbourhood dinners in the summer during the pandemic, residents got the municipality to turn these spaces into food gardens. It is such partnerships – municipalities, businesses and communities – that are likely to determine what is achievable with the Doughnut Economy.

In the Training for Transformation Program we used to take the participants through the four stages of economic transition for any given society: from Charity to Development to Liberation to Transformation. Far too many countries remain at the Charity stage while the few who made it to the Liberation stage started the Transformation stage on the wrong foot. They made nature something external to us, to be used and then discarded, as if living systems were nothing more than dump sites. Value was given a quantitative notion to record the processes that were involved in turning everything that nature provided into some or other thing that human beings consumed. GDP was the right measure for this but a gross distortion of what constitutes life. In the words of Lorenzo Fioramonti and the title of his famous book, it has been our *Gross Domestic Problem*. With the advent of Doughnut Economics, we might at last be able to say: hey GDP, move over! NA

# Let's have a constructive debate on the role of the Reserve Bank

By Vishnu Padayachee

Vishnu Padayachee is Distinguished Professor and Derek Schrier and Cecily Cameron Chair in Development Economics, School of Economics and Finance, University of the Witwatersrand.

*The Reserve Bank has ensured that South Africa has not had a general banking crisis in 100 years – but that impressive achievement should not insulate it from debate on what its role in the economy and society needs to be. Today, as coronavirus and climate change add to problems of inequality and limited development, Prof Vishnu Padayachee argues this debate is too important to be left to central bankers and economists alone.*

I was asked to reflect on the rather unsatisfactory current political debate about South African Reserve Bank (SARB) independence and related issues in the context of the economic challenges that continue to face South Africa.[1] There is nothing wrong with debating a central bank's role in any country at any time but there are constructive ways to do this and many problematic ones. The noise about the SARB comes from the Economic Freedom Fighters (EFF) and some quarters of the ANC, such as the Radical Economic Transformation crowd. My assessment, however, is that neither the ANC nor the EFF has a clear enough sense of what changes they would like to make to the Bank, based on clear theoretical or policy and evidential arguments. What we have instead is posturing and the trading of insults. This is regrettable because a sensible, informed and respectful debate about the role, mandate and ownership of the SARB is well overdue.

The negotiations for a democratic South Africa in the 1990s did not give sufficient attention to determining the role and independence of the SARB and monetary policy in general (Padayachee and Van Niekerk, 2019). Significantly, there was no proper public participation on this matter at that time or since, compared for example to the process that led to increased Colombian central bank independence in the early 1990s (Clavijo, 2000). As a result post-apartheid South Africa has been saddled with a central Bank that is simply not playing the kind of developmental role in promoting growth and employment, and in reducing inequality, that all committed to social and economic justice in South Africa might have expected.

How did we get here?

## *DEBATING CENTRAL BANK INDEPENDENCE AND RELATED POLICY ISSUES*

Central banks do not deserve nor require special protection from criticism. But here are some framing principles for such a public discussion.

First, I would contend that there is no such notion as central bank independence (CBI) in any real objective sense. Nominally independent central banks in modern economies have to interact in complex ways with a variety of stakeholders. The post-Keynesian economist, Randall Wray, states that, "the quaint notion that the central bank is above the fray, formulating policy in an objective manner, free of ideological considerations, is patently absurd given

> **[We have] a central bank that is simply not playing the kind of developmental role in promoting growth and employment, and in reducing inequality that all committed to social and economic justice in South Africa might have expected.**


what we know about actual policy formation" (2007). As Gerald Epstein, an economist at the University of Massachusetts-Amherst, said more recently, central banks are a "contested terrain" over which major economic and political groups fight for control (2019).

Second, I contend that CBI, to the extent that it is a desirable goal, can best be buttressed by societal support and not just by legal prescripts. In his 2018 book, *Unelected Power,* Paul Tucker, who served more than 30 years as a central bank executive, argues that while legal underpinnings for CBI are of course crucial, for CBI to be sustainable, "society must support it ... that requires debate, and so scrutiny ... [W]hether we think of them as wise and virtuous or as purely self-interested, sensible central bankers will want to invest in reasoned debate and criticism of their policies" (2018: 422).

Central banks have evolved in the face of the enormous changes in the world since the first, the Bank of England, was set up in 1694. This evolution continues today at central banks all over the world as debates rage about their role, structure and functions. Contemporary concerns around wealth and income inequality as well as climate change have joined traditional concerns around price and financial stability (and in some cases) growth and employment within the broad objectives of central banks. Today (from the USA to India and Turkey) central banks are the subject of contestation (to put this mildly) – their very existence, independence, mandate and ownership are the subject of on-going public debate and the world has not come to an end. This is normal. And South Africans should not shy away from questioning their central bank and how it operates.

### *A BRIEF HISTORY OF THE SARB*

The South African Reserve Bank was born in June 1921 in controversial circumstances. Sentiment within the then Union of South Africa was deeply divided about whether a typical (regulatory) central bank was needed as opposed to a more lending-focused state bank. Private banks had to that point had the right to issue coins and notes and they were reluctant to cede these functions to a new institution such as a reserve bank.

The SARB was a key actor in the international Gold Standard debates of the 1920s and early 1930s and it played an important role in contributing to the growth of the South African economy after World War II. It was a major force in the fight against inflation after 1971, but the Bank remained largely outside the political or policy limelight. It is important to emphasise that in the entire period since its establishment, right up to the present, the SARB was sub-ordinated to the government of the day. It has never had the degree of independence and autonomy that many central banks have today.

Like most other central banks formed in the inter-war years, the SARB was privately owned, and had its own board of directors which included both private shareholder representatives and government appointees. Most of these central banks were effectively nationalised over the course of the 20th century. South Africa has been an exception. The SARB remains one of a handful of central banks with private shareholders who fully own it.

The question of the 'independence' of the SARB, like most other central banks, hardly ever arose for most of the 20th century. Central banks operated with varying degree of practical autonomy within the ambit of the state, with the bank's executive being 'sub-ordinate' in one way or the other to the government of the day, reporting to government via the minister responsible for financial matters.

Central bank independence became a matter of debate in the context of the demise of Keynesianism, the sidelining of old style monetarism and the rise to dominance of new classical macroeconomics.[2] Academics first raised the fear of government interference in central bank decision-making for populist or electoral reasons. Then they pushed the debate onto the practical level, after the election of conservatives such as Ronald Reagan in the US, Margaret Thatcher in the UK and Helmut Kohl in West Germany, all around 1980. Their impact was to prove irresistible. During the course of the 1980s and 1990s, many central banks acquired one or other form of 'independence' at least at an operational level (what is called instrumental independence).

South Africa followed suit through the constitutional provisions of 1996 which required that the SARB act 'independently', subject to the requirement of regular consultation between the SARB and the minister responsible for financial matters (Section 224 of the Constitution).

The global financial crisis of 2008 (continuing) threw a massive spanner in the well-oiled machinery of central bank operations and independence. The crisis demonstrated painfully that traditional instruments of central bank practice, such as the manipulation of short-term interest rates, were simply useless in the face of the severity, depth and length of the crisis. As argued by Padayachee (2015) the SARB did fairly well in this cauldron of global chaos and uncertainty. But all over the world the old certainties, rules and traditions for central banks, established with such mathematical nicety and precision in the 1980s, disappeared out of the window.

## *SARB IN THE CONTEXT OF NEGOTIATIONS FOR A DEMOCRATIC SOUTH AFRICA*

In the negotiations over a new constitution at the Convention for a Democratic South Africa (Codesa) in the early 1990s, the future of the SARB and its degree of independence was one of a handful of economic policy matters which came up for debate, or so it seems. We know little about what really happened during those negotiations as public records are scanty.[3]

Jason Hickel, an economic anthropologist now based at the London School of Economics has argued that:

> Knowing that the ANC were going to assume political power, the National Party wished to insulate economic policy as much as possible from their control … An independent Reserve Bank with a low inflation mandate was central to this strategy. The National Party … did not trust the ANC to wield this power, probably fearing that the latter would engage in "loose" monetary policy for populist ends which would undermine … the white community whose interests the National Party sought to secure. This move to tie the hands of its successor government is recognised in the literature as a classic motive for enshrining central bank independence (2016: 4-5).

In a context described by former Governor Chris Stals as being more "by accident than by design" (see Rossouw and Padayachee, 2020) the SARB was granted constitutional independence. The failure to democratically debate this issue at the outset, including through public participation, continues to affect the current debate. The admittedly interrelated issues of ownership, independence and mandate are regularly confused in some circles.

It is necessary to consider some theoretical and historical context related to these three issues: CBI; ownership (should SARB be nationalised – taken into state ownership); and mandate (should its inflation targeting mandate be changed, and to what?).

## *THE CASE FOR AND AGAINST CBI*

Between 1990 and 1995 at least 30 countries, spanning five continents, legislated for increased independence of their central banks (Maxfield, 1997: 3).

The usual argument for CBI is that governments might use monetary instruments to further their own electoral ends, or electorates might seek increases in public spending faster than the economy can afford (Bowles and White, 1994: 237). Both of these pressures can lead to greater inflation. The problem was one of credibility,[4] which would be overcome "by transferring the responsibility for anti-inflationary policy to a non-political independent central bank" (Snowdon et al., 1994: 211).

In apartheid South Africa a classic case in point is that of the Primrose by-election incident. The ruling National Party faced a crucial by-election in the Primrose constituency on 29 November 1984. Interest rates were at a new record high from August 1984 (the prime overdraft rate was at 25%) resulting in domestic unhappiness about economic conditions and

> **In the entire period since its establishment, right up to the present, the SA Reserve Bank has been sub-ordinated to the government of the day.**

monetary policy. The SARB Governor, (operating free of the disciplines now exercised by the SARB Monetary Policy Committee!) dropped interest rates 10 days before the by-election – and put them back at their previous level on 8 January 1985. Although the Bank denied that these movements in rates were politically induced, this incident eroded the ability of the Bank to conduct credible monetary policy. These and other factors clearly influenced the decision to grant SARB constitutional independence in 1996 (see e.g. Padayachee, 2015).

In short, it is a common argument that independent central banks are better at maintaining price stability than subservient central banks. The empirical evidence in support of this belief is not, however, overwhelming (Bowles and White, 1994: 238). Economics Nobel prize-winner and one time Chief Economist of the World Bank, Joseph Stiglitz, observed there was also little evidence to suggest that economies with more independent central banks had achieved more in the arguably more important areas of output and employment stabilisation and growth (1997: 16).[5]

The argument against central bank independence is that monetary policy should be subject to democratic political processes. The monetary policies central banks formulate and implement are a key determinant of a country's macroeconomic performance and of the economic well-being of the electorate. Democratically elected governments are held responsible for that performance. Why then should central banks not be held accountable in the same way? This point is especially relevant as budget stringency has reduced the extent to which fiscal policy instruments can be used to influence the economy, leaving monetary policy as the main instrument for affecting macroeconomic performance.

Decisions made by central banks are also not just technical decisions to be left up to a group of experts who will pursue what is optimal for society; they involve judgements about trade-offs – most fundamentally about whether inflation or unemployment is more of an economic priority in any particular society (Stiglitz, 1997: 13). Central bankers generally are not representative of society as a whole. They tend to be drawn from the ranks of the financial community and their policy prescriptions are likely to coincide narrowly with those of that community (Bowles and White, 1994: 247).

### *THE POST-APARTHEID ERA*

In the post-apartheid era the South African central bank initially remained free of noticeable political interference, in part because of the strong stance of Governors, especially after 1999. However, in the post-Mbeki era signs of unhappiness with the SARB arose within some circles of the ruling party and its alliance partners. The 'lost years' of the Zuma administration saw the Bank coming in for repeated attacks from various factions within the ANC alliance. Deputy-Secretary General of the ANC Jesse Duarte attacked the SARB's stance towards a volatile rand, displaying on her part either total naivety or the beginning of a deliberate strategy on the part of the ANC to destabilise the SARB, arguably in line with the strategy of one faction of an increasingly ill-disciplined ruling party. The SARB Governor moved rapidly to reaffirm the Bank's mandate and he did so publicly and with justification.

There is a vigorous debate globally about CBI, but I would argue that whatever the formal legal or constitutional prescriptions, it is imperative that the mandate and the decisions of a central bank are understood and respected. As I have argued elsewhere a lot can be done to democratise an independent central bank such as SARB without removing or threatening its independence (see Padayachee, 2015). These relate to the way that the Monetary Policy Committee (MPC) works, its composition, its transparency and its accountability, among other matters.

In December 2018, the ANC resolved at its National Conference to 'nationalise' the Reserve Bank. While it is not clear what the real motives for this change may be (as the debate is clouded in political double speak) there is a danger, likely to be seized upon by credit rating agencies and potential foreign investors, that this is possibly the first step in taking the SARB under executive control again, as was the case in the 1980s (Rossouw and Padayachee, 2020). Let's now look at the main issues in the debate.

## THE TWO MAIN POLICY ISSUES

### On ownership and independence

The 'ownership' of the SARB is not a matter to get ourselves into knots about. It is simply an anomaly of history that the SARB has private shareholders, even though this distinctively sets us apart from international practice as we are only one of a handful of central banks with private shareholders. The reality is that the private shareholders have no control whatsoever over the management, policy and operations of the SARB.

I would have no problem with (and in fact would support) taking the Bank into state ownership and control to bring it into line with the global norm, while retaining the operational independence of the Bank. But this has to be done at the right time under the right conditions and with due consideration of other priorities and the economic and political context. One final point worth emphasising is that most independent central banks are also state-owned. There is no contradiction between state ownership and independence of a central bank but, remarkably, this is not well appreciated among our political class. Yet we fear that those in a particular faction of the ANC and some other minor parties pushing for 'nationalisation' of the SARB may have a far more insidious agenda.

I want to make one possibly controversial point about CBI, especially in relation to post-apartheid developments around the SARB, which is seldom made and for which the Bank itself is not responsible.

I think it is a problem that there has been a kind of revolving door of senior executives between the National Treasury, private banks and other leading financial institutions and the SARB, which may not be good for ensuring true independence. There has been too much movement of senior executives between these institutions to make anyone comfortable. In addition to the obvious problem of possible conflicts of interest, there also may arise a certain amount of groupthink –"… the mode of thinking people engage in when they are deeply involved in a cohesive in-group, when the members striving for unanimity override their motivation to realistically appraise alternative courses of action".[6]

The common, shared economic ideology coming out of the cosy nexus of private banks and the Treasury/SARB may shut out new and fresh thinking.

Yale economist Robert Schiller, reflecting on why experts at the Fed (the central bank of the USA) did not respond to the many signs of the impending financial crisis before 2008, argues that groupthink tells us why panels of experts could make colossal mistakes. He also implicates central bankers in this self-censoring behaviour where 'mavericks' are put under intense pressure if they question the 'group consensus' (2008).

### On the mandate

The Constitution, in section 224, instructs the SARB, as its primary objective, "to protect the value of the currency in the interest of balanced and sustainable growth".

The present Governor, Lesetja Kganyago, in a public lecture at the University of South Africa in 2019, explained that, "The Constitution tells us what to do, but it is not explicit about how we do it. We had to figure out a monetary policy framework for ourselves. In fact, it took us a few years to arrive at the approach we use now: the Constitution was passed in 1996, but we only started inflation targeting in 2000 – after a false start using the so-called 'eclectic approach' that included a failed attempt to control the exchange rate" (Kganyago: 2019).[7] (At present, the SARB is mandated to achieve an inflation rate within a band of 3-6 %.)

Also in 2019, *New Agenda* 74 reported on criticism that the SARB has been too focused on inflation targeting and has not been responding to the serious economic conditions in the country.

It is worth pointing out that a wide variety of countries at different stages of development have a dual or multiple central bank mandate, "that also covers the promotion or support of economic growth or development in addition to ensuring price stability" (Arnold: 2019). These include the USA, Australia and New Zealand, as well as Russia, Malaysia and the Philippines (Arnold: 2019).

The question arises in this context: What is so unique or exceptional about South Africa that suggests that we should not even have a sensible and responsible debate about the SARB mandate?

So what is the case for this? I will not pretend to have the answer, yet. Any case needs to be anchored in the reality of an unemployment rate around 40% (by the broad and much more realistic definition). While the Bank should not and cannot be expected to deal with such a major structural deficiency in the

> **It is simply an anomaly of history that the SARB has private shareholders, even though this distinctively sets us apart from international practice ... The reality is that the private shareholders have no control whatsoever over the management, policy and operations of the Bank.**

labour market on its own, it has to be prepared to line up and ask itself what role it can play to help alleviate this extreme social and economic distress which can have serious consequences for the economy and the stability of our young democracy. Price stability cannot, must not, be ignored (only the Public Protector appears to believe this is possible), but employment has to be elevated to at least equal status. Comparative cases and theory suggest that this is not rocket science; it needs political will (small p) and the building of the appropriate capabilities within the Bank.

Hasan Cömert (of the Middle East Technical University) and Gerald Epstein have argued that the SARB should set its interest rates, "to achieve an overall real growth rate consistent with the plan which has an employment target at its core. As part of its mandate, the Reserve Bank would try to reach an inflation constraint that is mutually decided upon [with the state] as part of the overall program" (Cömert and Epstein, 2011: 108).

Not everyone would concur, but we do need to start a debate somewhere, and where we are today is not the place to be. Let us find sensible, democratic mechanisms and respectful forums to move the debate forward before we get swallowed up in the 'dog eat dog' culture that has enveloped not only *our* national politics but the recent politics of the US and UK too, among others. Safeguarding the future of policy institutions such as central banks is far too important a task to be left to populist politicians of whatever hue. Every sensible economist, whether orthodox or heterodox, should support the task of defending this venerable institution, the South African Reserve Bank, now entering its centenary anniversary year.

## *CONCLUSION*

The SARB has to be credited with ensuring that South Africa has not suffered a banking crisis in 100 years. That is an achievement worth celebrating, and recognition of the correctness of the stance that John Maynard Keynes took in his defence of the establishment of central banks as regulators in the inter-war years.

In thinking about the mandate of the SARB going forward, we need to be cognisant of two major issues that have the potential to lead to economic crises and subvert macroeconomic policy management down the line: one is sharply rising inequality of income and wealth; and the second is climate change, which overwhelming scientific evidence warns has the potential to destroy us all.

In 2015, the former Bank of England Governor, Mark Carney, warned that global warming could send the world economy spiralling into another 2008-like crisis. He called upon central banks to act "aggressively and immediately" to reduce the risk of climate-related catastrophe. He initially convened 33 central banks to investigate how to green the financial system. I understand that every major central bank agreed to work with him, except the Banco do Brasil and the US Fed, and that their ranks have swelled to 42 central banks. It is commendable, as I understand it, that the SARB has joined this network on greening the financial system and we wait to see how this will be operationalised and what implications this may have for its independence in the event (as expected) that it may be required in terms of such a policy to favour some sectors or industries or activities over others.

Adam Tooze has also urged policymakers to action. He is a University of Columbia economic historian and author of the award-winning 2018 book, *Crashed,* on the 2008 crisis and its aftermath. Tooze says: "… after their exertions in the 2008 financial crisis, central bankers, of all public officials, can't plausibly retreat into an insistence on the limits of their mandate". Faced with the threat of climate change, to indulge in the idea that central banks can limit themselves to worry only about price and financial stability is, Tooze argues, "its own form of denial" (2019).

These are big issues to grapple with now before it's too late. They are far more critical to our future than uninformed wrangling about nationalisation or the 'independence' of the SARB from some political quarters.

The issue of central bank independence and its role in the economy and society is too important to be left to central bankers and economists alone. Let's have a debate, let us make it participatory – which is feasible within a constitutional democracy –but most importantly, let that debate be sensible, and informed by what is best for the economy and the people of South Africa.

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ENDNOTES

1 My thanks for my friend, Wits colleague and former PhD student Professor Jannie Rossouw, with whom I have collaborated over a period of about 15 years on academic work in the area of central bank independence, including in South Africa. I have drawn liberally from Jannie's work and our recent joint paper (Rossouw and Padayachee, 2020) in assembling this paper for *New Agenda*.

2 The new classical macroeconomics approach was led by US academics such as Robert Lucas, Edward Prescott, Robert Barro and Thomas Sargent, among others.

3 See Padayachee and Van Niekerk (2019) for one of the few comprehensive accounts of the economic and social policy aspects of the negotiations.

4 This view was identified by Kydland and Prescott, and developed further by Gordon and Barro, and Backus and Driffill (see Snowdon et al., 1994: 204-14).

5 Stiglitz was Chief Economist and Senior Vice-President of the World Bank from 1997-2000.

6 Reference cited by Mitchell (2015): Janis, I.L. (1982).

7 Also see Padayachee (2015).

# Bothersome BEE

By Martin Nicol

Dr Nicol is the guest editor of the Institute for African Alternative's flagship magazine, *New Agenda*, and the senior researcher on IFAA's Checks and Balances Project. With a background in trade unionism and political activism, he retired from the research unit of the South African Parliament in 2019.

*Broad-Based Black Economic Empowerment transactions benefitting the poor have been delayed for more than two years. Is this due to government failure – or is there method in the madness? Martin Nicol discusses an apparent lapse in governance that has undermined initiatives that benefit poor black communities – and comes up with a theory.*

*New Agenda* has never much liked 'Black Economic Empowerment'. Of course, along with everyone, it has stood strongly behind the need for black advancement. But *New Agenda's* bias has been towards the effective redistribution of wealth.[1] Our pillars of reference have been the Freedom Charter of 1955 "The People Shall Share in the Country's Wealth!"[2] and the Constitution, with its intention to recognise the injustices of our past and "advance persons or categories of persons, disadvantaged by unfair discrimination".

BEE has been criticised as a failed policy – with very limited redistribution, and no impact on growth. Prof Ben Turok wrote in 2016,

> ...BEE has created a new business class. Opportunists and tenderpreneurs have abused government procurement processes to feed fat pockets.... It seems that the top layers of government have signalled that cronyism and looting are okay, especially if it can be given a veneer of legitimacy in the form of 'black empowerment'.[3]

*New Agenda* summarised 2014 research published by the United Nations University's World Institute for Development Economics Research (WIDER) that found:

> Black economic empowerment measures (BEE) have had little redistributive impact, and their emphasis on transferring ownership and control to the political elite has largely excluded low-skilled labour, the unemployed and those in the informal sector. BEE seems to be the outcome of a pact between the ANC government and previously white-owned firms that were concerned about securing their property rights and influencing economic policy.
>
> "[The WIDER paper noted that] 56 ANC officials and politicians can be found on the boards of directors of JSE-listed firms. The persistence of rent-seeking [has] disappointed the prospects of the unemployed and the hopes of those who would like to see rents transferred into higher-productivity and higher-investment growth enhancing actions.[4]

As an economic policy, then, *New Agenda* has not seen BEE as the right tool for reducing inequality or promoting growth.

### THE EARLY YEARS: BEE UNDERMINES LOCAL MANUFACTURING AND INVITES ABUSE

In the way it has been applied by government, BEE has acted as a brake on investment. It has added uncertainty to the investment environment, through complex, unclear and frequently »

> **The reaction of the Broad-Based Black Economic Empowerment Commission ... will deprive the most deserving empowerment beneficiaries of their long-standing, official BEE status.**

changing rules. Foreign oil companies reversed their plans to apply for exploration rights in South Africa because of years of policy uncertainty on BEE and state ownership requirements. For many years, the BEE rules favoured black companies that imported their products over local manufacturers who were not as empowered. Here BEE cut manufacturing jobs and increased unemployment. BEE accelerated de-industrialisation, in complete contradiction to national industrial policy.

Richard Maponya, a leading black entrepreneur before 1994, said that BEE was necessary – but it had negative unforeseen consequences: "BEE was created to empower the majority of our people, unfortunately it was abused and misused so that it empowered the few who were connected." Maponya also said that even preferential procurement, a central pillar of BEE, has only helped "the very few who are connected. It has not helped the majority" (Madi, 2016: 154).

The illegal abuses of BEE are legion. Some companies pretend to be black companies when they are not – defeating the purpose of the BEE concept. Tenderpreneurs win government tenders on the basis of their BEE credentials, although they have no experience or expertise and have to outsource the actual work to less-BEE compliant companies. This also defeats the intention of BEE while increasing the costs for the public sector purchasers (McLachlan, 2010).

On 30 October 2020, the Broad-Based Black Economic Empowerment commissioner, Zodwa Ntuli, told Parliament that the biggest problem faced by the Commission is "fronting" (Ntuli, 2020).[5] Fronting (which is a crime in terms of the BEE laws)[6] often takes the form of 'window-dressing' where a business lists low-level black workers, such as secretaries, gardeners or security staff, as company directors or shareholders so that the company can appear to be more compliant with BEE transformation goals and qualify for government tenders. The workers are often unaware of this deception. Businesses want to score more BEE points so they can qualify to participate in a government tender.

The mechanics of BEE are complicated. At first it was a gesture of reconciliation (and co-option!) as the big company players of the apartheid years handed out shares, directorships and business opportunities to carefully selected black people. Soon BEE became sensible business practice. From the late 1990s, different sectors adopted voluntary 'Charters' to promote black advancement. Government stepped in with a binding legal framework for BEE in 2003. This was managed by the Department of Trade and Industry (DTI), which developed a bewildering array of regulations in Codes 000 to 500.[7]

A parallel policy process managed by the National Treasury linked the BEE points of a company to its qualification to tender for government business. If a company was a perfect BEE candidate (with what is now called a No 1 verified BEE rating) it could win a public tender, even if it charged a higher price than other, less-empowered bidders. Over time, tendering companies could win extra points for their BEE prowess if their own suppliers were BEE compliant, say with a 26% black shareholding, a majority of black executives and a bursary scheme for black students. Even if companies doing business with government were not themselves BEE compliant, it made a difference if their clients were. In effect, all companies have been incentivised to get with the BEE programme – or to pretend that they are.

Commissioner Ntuli told Parliament that the Commission had received 687 cases between 2016 and September 2020 (Ntuli, 2020; Liedtke, 2020), "where companies approach black people to reach the mandated 26% threshold, however, this is done on paper and these individuals rarely participate meaningfully in decision-making" (PMG, 2020). Fronting includes instances "where companies claim to have black ownership but fail to provide legal documentation supporting this. In other cases, businesses create the impression of abiding by B-BBEE codes, however, black partners are deprived of voting rights and do not participate meaningfully in decision making" (PMG, 2020).

One of the most notorious examples of this was provided by Angelo Agrizzi, the former Chief Operating Officer of Bosasa, a catering services company, who explained in his 2020 book, and to the Zondo Commission, how Gavin Watson, the effective owner of the company "became the master of BEE fronting in South Africa. While a company's shareholding and directorship may have appeared to be representative of the country's previously disempowered, disenfranchised and disadvantaged demographic, in reality, the shareholders often owned nothing, and the directors were appointed for everything *but* their business prowess. Veiled in contorted, elaborate (and encumbered) share structures, together with handsome salaries and other benefits, there was very little true empowerment."

Gavin Watson made extensive use of trusts to obscure beneficial ownership. Agrizzi reveals:

> …The intricate structure of the myriad of different trusts that made up Global Holdings (the main holding company of all the other companies in the Bosasa Group) was so complicated and so detailed that nobody was really able to understand it, let alone unwind it. Carol (Mkele's) shareholding was split across all these trusts … Although Carol had a 22% share in the consortium … because of her burgeoning loan account and encumbered shares, she couldn't just … cash in her shares and leave….
>
> In terms of the company's shareholding, when it was time to update Bosasa's annual BEE certificate, all this lily-white-over-the-age-of-fifty-owned company had to do to claim the right amount of points was to appoint a corrupt verifications agent and pay them R20 000 for every level they wanted the company raised by. One has to wonder who checks on the people on the ground who issue these verification certificates. I am almost certain that up to 75% of white-owned companies are doing exactly what Bosasa did to raise their BEE ratings and it appears that it's easier for government to look the other way than to do any digging of their own.

## *LEGISLATIVE AMENDMENT AND EFFORTS TO CRACK DOWN ON ABUSE*

The reaction of the Broad-Based Black Economic Empowerment Commission to this abuse of trusts has been both strange, and extreme. Strange because the Commission has adopted a set of filters for approving the BEE status of certain trusts that have no basis in law, regulations or government policy on BEE. Extreme – because the new stance will deprive the most deserving empowerment beneficiaries of their long-standing, official BEE status. This means less broad-based participation in BEE and the threat to cut off BEE benefits from charitable trusts that benefit black children, black women and poor black communities.

The B-BBEE Commission was formed as an entity within the DTI after June 2016, following a major legislative amendment. The Commission is headed by a commissioner – who was appointed by the Minister in early 2019 – and its job is to oversee the implementation of the B-BBEE laws.

In an effort to address the problems of fronting, the commissioner decided that empowerment had to involve "real black ownership". This meant that there had to be identifiable black beneficiaries (with ID numbers) and that the beneficiaries should be able to exercise real rights of ownership, such as receiving dividends directly and voting their shares in company meetings. These rules would make it very much easier for the Commission to verify whether or not a B-BBEE transaction was transformative in fact and compliant with the law. The problem is that this approach leaves out a lot of truly transformative empowerment arrangements that were purposefully designed not to benefit black *individuals* as such, but to give black communities and black organisations a share in the economy.

For example, a B-BBEE transaction would channel dividends from shares to a bursary fund for black students, through an NGO that arranged the transaction and was the legal owner of the shares – usually via a trust. Or an NGO would use its B-BBEE share dividends to fund education projects in poor, black communities. In neither of these cases could the beneficiaries be identified individually in advance. In neither case could the B-BBEE beneficiaries participate in company management or vote shares in meetings. But in both cases, the transactions provided benefits to black communities who were previously excluded from ›› economic participation because of racist laws and poverty. And they did this by reducing inequality and poverty. This sort of B-BBEE does not give perpetual benefits to one black individual – it provides particular benefits to a broad base of black beneficiaries. This sort of empowerment has been welcomed and supported by government in the past – and it should continue into the future.

The scale of the broad-based schemes is hard to measure, because their reporting is not consolidated. Anecdotes about these investments and their impact in terms of employment, dividends and effective black empowerment could fill volumes.

*New Agenda* recognises that there are different varieties of B-BBEE. We could not oppose the advantages given by government to black entrepreneurs who tender (legitimately!) for government business. This sort of B-BBEE does indeed further the national transformation agenda in many respects. But should it be the only variety of empowerment promoted by government, just because it can be structured to comply with the preferences of the Commission for "simple" empowerment?

This analysis is difficult to present because it is complicated, a lot of it is secret (the Commission hides its policies and actions behind the screen of confidentiality [Cohen, 2020]) and ultimately it appears completely inexplicable. Why would the ANC government want to take BEE benefits away from poor black communities, workers and NGOs? Why would it penalise innovators who have managed to structure share transactions with businesses that benefit the broader black community?

## *THE MEANING OF BLACK OWNERSHIP*

The DTI has wrestled with the meaning of 'black ownership' for many years – ever since the consultations with stakeholders on the major changes in the law that accompanied the Broad-Based Black Economic Empowerment Amendment Act No 46 of 2013. The first sign of trouble came in May 2015 – before the Commission was formed. Suddenly, the DTI issued a "clarification notice".[8]

"It came as a bolt from the blue," said Tony Balshaw at Mazars (Le Roux, 2015). Without consultation, the DTI announced that the number of BEE ownership points that could be earned by black participants in Broad-Based Ownership Schemes (BBOS) and Employee Share Ownership Plans (ESOPs) had been reduced to only 3 points out of the available 25 points. These schemes would count for much less than individual share ownership. This was a fundamental change to the Revised BEE Codes that had just come into effect.[9]

Analysts said that the significant cut in the B-BBEE ownership points that could be claimed by many companies removed any significant benefit of including employees, communities or foundations in black ownership structures. Some of the largest, established BBOS with either union members, or black community projects as shareholders, would receive limited black ownership recognition (Le Roux, 2015a; Transcend Corporate Advisors, 2015).

Three days later, on 8 May, the DTI issued a media statement to clarify the clarification notice: the lower ownership points would only apply to transactions after 1 May 2015. Adams and Adams, another law firm, commented that, "it can be safely assumed that the recognition of ownership rights based on B-BBEE Schemes, as we know it, is probably a thing of the past and one will have to carefully consider the implications when implementing empowerment transactions going forward" (2015). Then, four days after that, the DTI completely withdrew the clarification on ownership in a new notice in the *Government Gazette*, signed by then Minister Rob Davies.[10]

Davies, spoke to the Portfolio Committee on Trade and Industry in Parliament on 19 May 2015. He acknowledged the DTI had made a mistake in sending out a message that collective "schemes were not encouraged, when in fact the opposite was the case". However, he said that DTI had confronted a number of "dodgy" ESOPs. He also referred to consultations on the revised codes which had led to the identification of "mischief" in terms of a number of these collective schemes. This had been the motivation for putting a cap on the number of points that could be earned. But the notice had now been withdrawn and it was "back to the status quo". A task team had been appointed to look at the "mischief" and how it would be fixed in a smarter way. He emphasised that the DTI wanted to strengthen those parts of the B-BBEE Codes which would allow black people to become real and effective participants in the productive economy in the country. B-BBEE was a tool to bring black people into important roles and positions in a productive economy.[11]

The historical record shows that the DTI officials have long standing problems with granting ownership points to "any of the following Black natural people in the measured entity:

2.2.3.1 Black Designated groups;

2.2.3.2 Black participants in Employee Share Ownership Programme;

2.2.3.3 Black people in Broad-Based Ownership;

2.2.3.4 Black participants in Co-operatives."[12]

The record also shows that there is a strong faction within the DTI that seeks to favour individual black ownership in B-BBEE transactions. They think government transformation policy should be focused on creating black capitalists. If share transactions that benefit the poor and the disadvantaged no longer earn investors points to boost their empowerment

**“The new approach leaves out a lot of truly transformative empowerment arrangements that were purposefully designed not to benefit black *individuals*, but to give black communities and black organisations a share in the economy.**

rating, they will have to be redirected to black individuals. There are plainly people in the DTI who believe this is a good thing.[13] They lost their first, clumsy battle in 2015 – but they came back in 2019. And this time they had full ministerial support.

## 2019: *‘SCENT’ OF A SLEDGEHAMMER*

The assault against Broad-Based Black Economic Empowerment came from what should have been the least expected quarter – the B-BBEE Commission itself. It started in April 2019, with a letter to the majority of broad-based trusts to inform them that the newly-minted Commission did not regard them as black-owned, but as illegal black ownership fronts (as defined in the legislation). They had “to rectify their ownership structure and undergo reverification of their BEE status or face investigation for fronting.”[14] (We have not seen the letter, we were told it is ‘confidential’ – but the press has.)

This letter posed a major threat to the very existence of the many broad-based trusts whose participation in investments was based on being recognised as a vehicle of empowerment at an ownership level. It was also preposterous. How could government believe that an entity such as the Mineworkers Investment Company (MIC) or the Mineworkers Investment Trust (MIT) is fronting?

Mary Bomela, the CEO of the MIC, which is owned by the MIT, said “The MIT represents a broad base of black beneficiaries from the National Union of Mineworkers, their dependents, and the communities they come from or in which they live. These are all black individuals, and predominantly black, rural women given the focus of some of the programmes being funded by the MIT such as the Mineworkers Development Agency. The MIT also has a long track record of supporting this beneficiary base many years before the Codes were published.”[15]

Many of the trusts immediately appealed to Minister Ebrahim Patel to gazette a clarification that broad-based ownership schemes are legitimate black owners. These included the Kagiso Charitable Trust, the MIT, HCI, the WDB Trust, Ditikeni Trust and Wiphold Trusts.[16] This should not have been a problem, but a year and a half later, Sidwell Medupe, the departmental spokesperson, said that issueing the clarification notice that the schemes had requested was still under consideration.[17] The 2019 letter – which is neither based in law or official government policy – has had a chilling effect on the ability of broad-based schemes to develop their investment portfolios for almost two years.

Bomela said in November 2020: “The current lack of policy certainty is placing in jeopardy the investments held by the trusts and their continued ability to reduce poverty, improve skills and create black entrepreneurs … Growth and expansion initiatives valued at millions of Rands – which would not only stimulate black ownership of the economy, but also its overall recovery – have had to be put on ice. Transactions which would stimulate the growth of these trusts and the economy as a whole are stalled because of the uncertainty and the scent of ‘investigations’.”

Louisa Mojela, co-founder and group CEO of pioneer women’s empowerment vehicle Women Investment Portfolio Holdings (Wiphold), told the *Sunday Times*: “Instead of more BBBEE there is going to be less.” She said that “uncertainty over the interpretation of the codes by the commission has created an untenable environment for Wiphold because investors are wary of entering into empowerment transactions if there is doubt about the black ownership status of their BEE partner. The more confusing the policy the more of a disincentive it is for potential business partners wanting to invest in BBBEE trusts … Wiphold and other pioneer empowerment vehicles have been pleading with the department of trade and industry to publish a clarification notice, but to no avail.”[18]

The ability and power of the minister to intervene is beyond question. The B-BBEE Act specifically states that the Commission is “an entity within the administration of the Department” (Section 13B (1) ) and that “The Minister may issue directives of a general nature, which are consistent with this Act, to the Commission concerning the performance of its functions and the Commission must comply with any such directive” (Section 13B (4) ).

## 2021: *A TWO-FACED DEPARTMENT DELAYS AND DECEIVES*

So why has the minister failed to act? The BBOS have sent “many letters” and have “made repeated calls on DTIC19 to clarify the situation” (Bomela, 2020). The most recent was on 9 February (Paton, 2021a and b). But they ➤➤

get the run-around from government. Wiphold commented: "You talk to the commissioner and she says one thing. You talk to the minister and the minister says another thing … You have a commissioner who seems to be fighting and wanting to come up with her own interpretation of this policy. Then you talk to the department and they seem to be understanding and supportive of our broad-based ownership."

Mojela reflected on a meeting with Patel in 2019, in which the commissioner was also present: "[H]e expressed support for our view and acknowledged the commendable work that our trusts have carried out for the betterment of South African communities." Spokesperson Sidwell Medupe said in November 2020 that DTIC "affirms that we recognise the use of broad-based ownership scheme structures for BBBEE ownership" (Paton, 2020). The unequivocal statement made by Director-General Lionel October to Parliament in 2015 said:

> … the ownership card remained unchanged and full points would be awarded for narrow-based and broad-based and the *status quo* prevailed. DTI fully retracted the [May 2015 clarification] notice and it had been publicly explained…. The proposal of the hybrid model and the capping [ownership points for BBOS] came up during the consultation process. The Minister [first] indicated that it could work for future transactions, but the implication was that many companies doing full broad-based empowerment would have been excluded from getting full points in perpetuity. The Minister then withdrew the proposal after understanding the full implications. This needed to be put to rest because the Department was focusing on its communication strategy to explain that absolute legal certainty had been established (PMG, 2015b).

There has been no change in the law or regulations since 2015 – so how can it be that the Commission can 'interpret' the same law to mean something entirely different? Why has the DTIC allowed the Commission to undermine its previous assurance of "absolute legal certainty"? Significant business opportunities have been lost and lasting damage has been done. A formal clarification from the DTIC was requested for two years, without result.

*Business Day* published an editorial in November 2020 headed: "Broad-based BEE commissioner has gone rogue: The broad-based BEE commissioner is abusing her power and only minister Ebrahim Patel can stop her." This is an extreme statement about both a public official and a government minister. The MacBook dictionary says that the phrase "go rogue" – often used to describe elephants – means to "behave erratically or dangerously, especially by disregarding the rules or the usual way of doing something". To say the commissioner has "gone rogue" is to condemn both the commissioner and the minister (who has failed to call her to account).

This is too easy an explanation – blaming it all on an out-of-control commissioner and a minister who fails to give leadership and direction. There are material reasons why government wants to move to a new, tighter form of empowerment, that needs less emphasis on the 'broad base'.

The BBOS have found Minister Ebrahim Patel and his department to be two-faced in their interactions. The BBOS need to understand that there are advantages for the minister – and the department (all its factions) – in moving towards a model of BEE that is based on state support for individual black capitalists and their firms. Performance targets are easier to achieve when BEE points can be scored by fewer companies. Reporting on compliance is easier for the department when criteria are narrower.

But the main reason is to make BEE a more efficient engine for building the black middle class in the private sector, rather than through public sector employment (the main vehicle to date). This is vital for the ANC, as budget difficulties are compelling government to limit both employment and salary levels in the civil service.

Cynical observers will also see a potential here for what Karl von Holdt has termed "managed corruption" (2019: 21). With narrow criteria for BEE and better enforcement, concessions at the margin are easier to valorise. Kickbacks to individuals or party can be extorted more easily when it is clear what the rules are – and what adjustments need to be made (by both regulator and applicant) to move a compliance rating from level 2 to level 1. They are angling to make the B-BBEE Commission the gatekeeper for government contracts.

## *GATEKEEPER FOR GOVERNMENT CONTRACTS*

The Commission has a way to go before it can come to the fore as a credible gatekeeper, but it is barely two years old. The assault on BBOS is a case of picking the low-hanging fruit first. BBOS represent levels of flexibility in the law that regulatory rent-seekers need to set aside. The compromise most likely is that past transactions will be exempted and allowed to retain their points, while new transactions will be bound by the stricter B-BBEE rules. This is exactly what was attempted in 2015 – in the 8 May press statement[20] – but was abandoned in the face of pressure. The pressure from the BBOS worked in 2015 within days. In 2019, more intense lobbying and pressure has yielded no results in more than two years.

The BBOS would be well advised to reduce their expectations and change their tactics – to plead that their existing investments should be accorded recognition for full ownership points – and make new plans for their future. The government has other plans for BEE going forward.

The Commission reports every year on compliance with BEE legislation – and things are not going at all well. The majority of "measured entities" are still not compliant with the law in their reporting.

- The 2019 Commission report on the national status and trends on Broad-Based Economic Empowerment showed a decrease in the number of compliance reports that had to be submitted by JSE-listed entities, from 43% in 2018 to 42%.
- State-Owned Enterprises all have to comply with B-BBEE legislation – but most do not. In 2019, only 43 organs of state (15% of the total) complied.
- A journalist from *Business Day* said that the findings of the report suggest that efforts through BEE — meant to address the injustices of apartheid and colonialism — are failing (Phakathi, 2020).

Private sector compliance is totally voluntary – unless the company is listed on the JSE or does business with the state.[21] And here there are major incentives for ensuring you get a good BEE rating – by hook or by crook (Cohen, 2020). So the Commission is confronted with many instances where companies claim BEE status irregularly. This is often by using complicated company ownership structures – which may include trusts (where beneficiaries can be hidden without breaking any laws).

The refuge of the Commission is to tighten and restrict criteria for recognising BEE ownership. The 2015 attempt to reduce ownership points for BBOS and ESOPS was described by then Minister Rob Davies as using "a rather large sledgehammer to hit a fly" (PMG, 2015a). In 2019, the Commission used a fly-swatter – and this has been successful, so far. They did not illegally and unprocedurally seek to change the law;[22] they simply 'interpreted' the law. The Commission's letter and the delays and fudging by the DTIC and the minister since then have caused great harm to the BBOS and undermined their standing (Seoka, 2020).[23]

Turning BEE into an effective tool – regulated by the B-BBEE Commission – is increasingly important for government, so that the billions spent on public procurement are effectively used for transformation, and to boost the participation of black people in jobs and leadership positions in the economy that remains dominated by whites. But this should not be at the expense of cutting broad-based empowerment schemes off at the knees. Ending BBOS is not inevitable. It does not have to happen.

Things can take a different course if some people make better choices. They have every reason to do so. The DTIC should issue the clarification notice requested by the broad based investment schemes, and without further delay.

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ENDNOTES

1 The late Prof Ben Turok, founding editor of *New Agenda* and previous Director of IFAA, said in 2019: "While welfare is necessary, we need a primary focus of spending on development.... [P]overty and unemployment can only be overcome by deliberate interventions by the state to draw people into economic activity. Investment itself, however, will not lead to redistribution. We have to develop redistributive fiscal mechanisms which ensure that not only the wealthy benefit from such investment ..." (Open letter to President Ramaphosa with 16 co-signatories). 'The need for public debate on macroeconomic policy'. *Daily Maverick* 16 July. Available at < https://www.dailymaverick.co.za/article/2019-07-16-the-need-for-public-debate-on-macroeconomic-policy/ > (Accessed 30-Dec-20)

2 https://anc1912.org.za/freedom-charter

3 *The Economist* wrote on 14 November 2020: "Corrupt procurement deals are ubiquitous in South Africa. So much so that the country coined the term 'tenderpreneur' to describe politically connected winners of public contracts."

4 Smith, M. South Africa's growth traps: a summary of Bhorat, Cassim & Hirsch (2014) *New Agenda* 61 page 23. c.f. United Nations University World Institute for Development Economics Research (UNU-WIDER) Working Paper 155/2014.

5 Commissioner Ntuli said that, "Over 80% of the complaints received by the Commission relate to fronting." PMG (2020).

6 There is a huge legal literature on this. "Fronting" was first defined legally in guidelines issued in 2005. But it has been an issue since the very start of democracy in South Africa. An intricate definition of fronting is now in Section 1 of the B-BBEE Act No 53 of 2003 – as amended in 2013. Fronting can lead to fines, an administrative penalty of 10% of turnover and the possibility of jail time for directors (Crotty, 2020).

7 http://bbbeecommission.co.za/wp-content/uploads/2016/09/Consolidated-B-BBEE-Act-2013.pdf >

8 Notice 396 of 2015 *Government Gazette* 38764 of 5th May 2015.

9 The Amended Broad-Based Black Economic Empowerment (B-BBEE) Codes of Good Practice took effect on 1 May 2015 (Revised Codes). Webber Wentzel (2015) commented that by referring to this notice as a "clarification" (rather than as an "amendment"), the DTI had sought to avoid the provisions of the B-BBEE Act.

10 "Revised Notice of Clarification" *Government Gazette* 38799 Notice 444 of 2015. 15 May 2015. "(the notice that contained paragraph 1(d) relating to Broad-based Scheme and Employee Share Schemes ("ESOPS")) is withdrawn. Cited in CTF (2015).

11 Paragraph assembled from PMG (2015a). Also see the statements by the DTI in PMG (2015b).

12 Citation of the original paragraph 1(d)

13 Messrs Tambani (then the DTI head of BEE in 2015) and October (Director General), who were responsible for paragraph 1(d), conceded that the issue of downgrading the ownership points had not been raised by DTI in the long "final consultations" on the amended codes. Both said there was a need for the codes to promote "active participation' (Paton, 2015).

14 *Businesstech* quoting Sanjay Kassen of ENSafrica, a law firm.

15 Mary Bomela: "BBOS and the BBBEE Commission: Proposed Q&A for interviews, 17 November 2020".

16 Paton (2020) and Paton (2019) quoting Consultant Ajay Lalu, whose firm, Black Lite, advises companies on BEE transactions.

17 Sidwell Medupe – statement made on 23 November 2020 (Paton, 2020). Medupe is Media Liaison Officer for the DTIC and the departments spokesperson who issues media releases on behalf of the B-BBEE Commission.

18 Quoted in Barron (2020).

19 DTIC is the Department of Trade, Industry and Competition, the 2019 successor department to the DTI.

20 "...this provision will not have retrospective effect and that B-BBEE deals concluded prior to 1 May 2015 will not be affected." Quoted in Adams and Adams, 2015.

21 Section 13G of the B-BBEE Act makes it compulsory for all JSE listed entities, organs of state, public entities and SETAs to submit compliance reports on B-BBEE to the B-BBEE Commission on an annual basis.

22 In 2015, law firm Webber Wentzel said that in its view the controversial clause 1(d) "constitutes a fundamental amendment to the Revised Codes" and contravened "the provisions of the B-BBEE Act (as the empowering legislation) which requires that any amendments to the B-BBEE Codes must first be published in draft form and be open to the public for comment for 60 days" (Webber Wentzel 2015).

23 In making this major change in B-BBEE in this way, the DTIC has by-passed both Parliament and public consultation.

# Reply to Chief! Garu Zenzile Khoisan: What happens when issues of land and heritage clash?

Editor's note – In *New Agenda* 78, Chief! Garu Zenzile Khoisan, leader of the Gorinhaiqua Cultural Council, argued in favour of the massive and controversial proposed development of the River Club at the Two Rivers Urban Park in Observatory, Cape Town. This development is on land that is now privately owned, but which is significant to the Cape Peninsula's Khoi and San people who were the historical custodians of the area. After the development plan was announced, representatives of the local indigenous people, as well as local stakeholders, found themselves divided by bureaucratic disputes around spatial planning and its consequences.

Invoking the concept of "cultural agency," the First Nations Collective (of which Chief Zenzile is a member) argues that it got the developers to revise their proposal to include a world-class facility where the First Nations Collective will permanently collate and curate their heritage, practise their craft and culture, tell their own stories and train their own people.

Chief Zenzile said that indigenous people should use cultural agency to effect an objective, rather than getting gridlocked in the bureaucratic planning system. "Through this act of agency, we cut our own path of destiny through a minefield," he wrote.

Other stakeholders take another position entirely. We have continued the debate in this issue of *New Agenda* by including other points of view. We publish a response from the Observatory Civic Association which argues that the planned development represents the interests of capital and is the product of an alliance between the developers and one section of the Khoi nation, helped by powerful influencers. The argument is made that development would be better achieved by recognising the cultural and historical significance of the area at the confluence of the Liesbeek and Black rivers and respecting the area as part of South Africa's intangible heritage.

We also publish an article by Tauriq Jenkins who is Supreme High Commissioner for the Goringhaicona Khoi Khoin Traditional Indigenous Council, under Paramount Chief Aran. He argues that most Khoi groups strongly oppose the proposed development and regard the contest with the developers as yet another battle to defend Khoi and San heritage, being fought today on the very site on which the First Nations defended it against colonialist attack in 1659.

The Institute for African Alternatives (IFAA) has devoted much space to this debate – and hosted a lively but very well moderated forum on this issue last year – because our democracy is supposed to be about accommodation and reconciliation, and open debate. This extends beyond the River Club dispute to encompass issues of land usage, spatial justice, land redistribution, history and heritage, the environment, and the challenges faced by those who have a claim to the land. In this case, a group of cultural stakeholders who demand the right to defend their heritage are pitted against community activists who are concerned that an alliance with capital enables one group to exercise undue influence over other groups in decision-making in urban development. This dispute also shows the consequences of what was termed 'divide and rule', as an agreement between stakeholders becomes ever more elusive.

# The River Club development: What is really at stake?

*By Leslie London*

Leslie London is chairperson of the Observatory Civic Association. He has been a human rights activist in the health sector for many years and has become involved in civic democracy, more recently helping to found, with other civic activists, the network of Civic Action for Public Participation (CAPP), which is committed to building participatory governance at local municipal level.

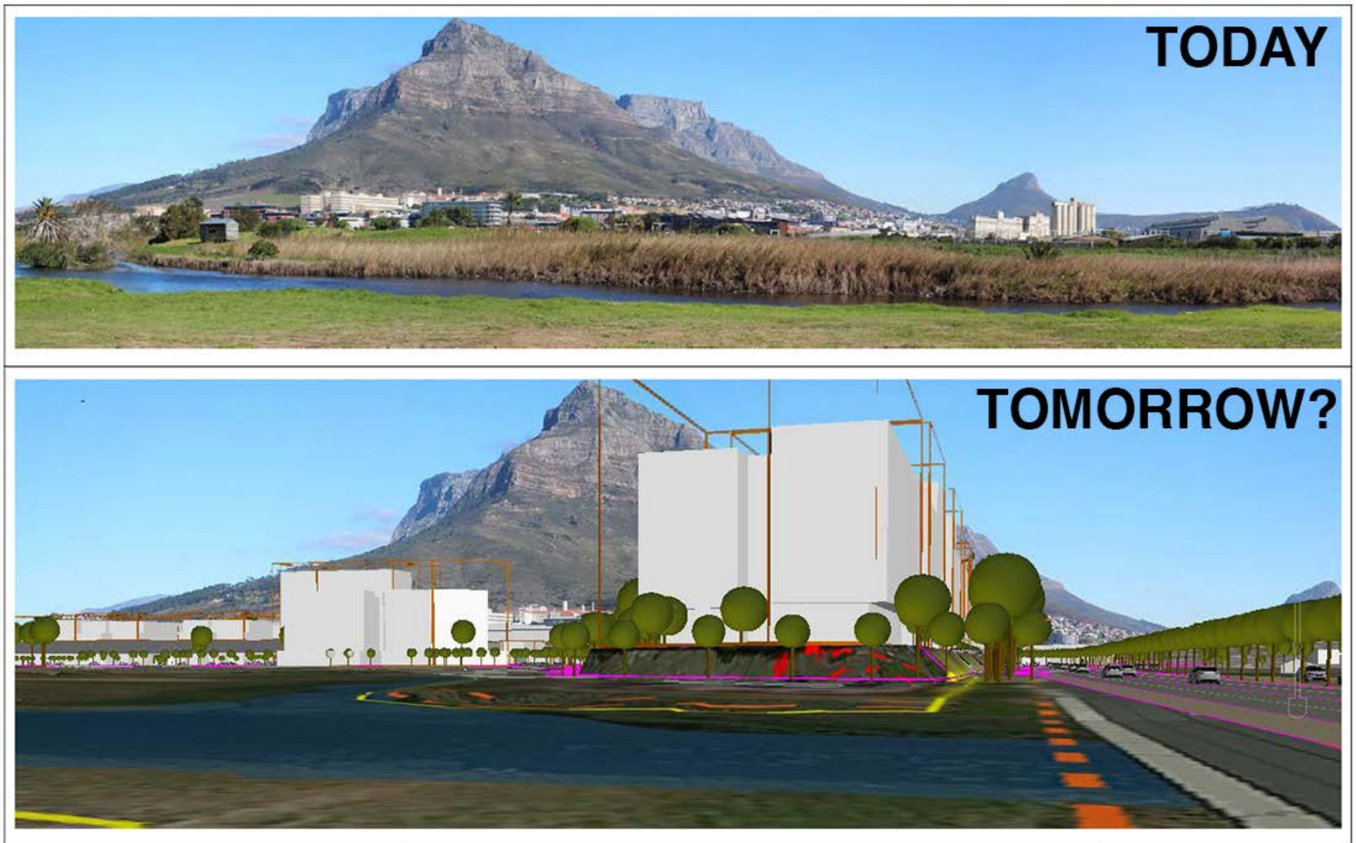
There is no doubt that the River Club redevelopment is controversial. There are many reasons for that. Firstly, it is redevelopment of land that was once public land, owned by PRASA but sold off to a private entity at way below market rates in 2015, at a time when State-Owned Enterprises were being gutted by profiteers. Secondly, it is land that everyone recognises as spiritually significant and deeply important for the Khoi people and for South Africa as a whole. It is slated for inclusion in the National Khoisan Liberation route in recognition of its symbolism as a site of first resistance to settler domination. It has also been proposed as a UNESCO heritage site, along with the South African Astronomical Observatory next door, which was founded in 1820. Thirdly, it is a site with an important wetland and a riverine course that requires protection for climate change mitigation.

As a flood plain, it was zoned as Open Space to recognise the importance of maintaining both its heritage and environmental significance. To build in a flood plain is completely contrary to urban planning policies and requires massive and very destructive earthworks to infill the flood plain. Because of the huge cost of such massive construction, the developers have proposed a development of colossal proportions, much higher and denser than any existing urban cluster nearby, and they are proudly declaring that this will be the South African headquarters of the international Amazon corporation. The developers specifically discounted any alternatives that were less dense and less imposing on the environment because they would not make sufficient profit to meet the massive capital investment.

Thus, this is not just a development on the River Club land (which floods regularly every few winters). This is a monument to the thirst for profits by private developers who have seized the opportunity to make billions by imposing a monstrous development on a small piece of privately owned land within a larger area that the City had declared a protected urban park. While the rest of the Two Rivers Urban Park remains under a public participation process to consider a new spatial development plan, this 14.7ha piece of land at the apex of the two rivers (the Liesbeek and the Black) will have placed upon it 150 000 square meters of concrete, a development even denser than Cape Town's mixed residential/commercial Century City alongside the N1 motorway.

The developers first took umbrage when the Observatory Civic Association drew a comparison with Century City. However, at the rezoning of the area in 2020 the Chair of the Municipal Planning Tribunal (MPT) used it as a compliment, and City Planners agreed to a specification in the plan that a further 10ha of public land should be made available to enable the development; this is private benefit at the expense of public interest.

How did this development gain approvals when it was neither supported by Heritage Western Cape (HWC), the competent heritage authority in the approval process, nor by the City's own Department of Environmental Management? The answer lies in the fact that the development was subject to a sick system of development approvals in the City of Cape Town, a system that serves the interests of large developers and political conflict in the DA-controlled City of Cape Town Municipality (Olver,




srk consulting | RIVER CLUB VIA
Views from Viewpoint 2 – current view (top) and simulated view (bottom) | Project No. 478320/42A

2019). The confluence of developers' interests, big capital and political leadership that is pursuing power is the minefield described by Zenzile Khoisan in the previous issue of *New Agenda*. To understand why this particular development is exploitative rather than liberatory one needs to understand the background.

## *THE HISTORY OF THE RIVER CLUB*

The River Club lies on land appropriated by the first colonial settlers and subsequently owned by the South African Railways at the start of the 20th century. The origin of turning a low-lying floodplain and wetland, unsuited to housing or industrial purposes, into sports fields and recreational facilities can be traced to one of the findings of the *Carnegie Commission of Inquiry into the Poor White Problem, 1929-32*, which declared that "poor whites" required improved welfare, education and socialisation. The issue of extreme poverty among white workers became highly politicised in the mid 1920s and the early 1930s. The government attempted to provide employment through large state-run projects and a significant number of skilled and unskilled white workers were employed at the Salt River Railway Works at that time.

The Great Depression of 1929 impacted hugely on the economy of South Africa, aggravated by a severe drought which caused a migration of largely unskilled 'poor whites' from the rural areas to the cities. The South African Government Railways and other large state employers provided a variety of mechanisms for socialisation, involving sport, welfare, nutrition and recreation.

The welfare programme in the Liesbeek River Valley was therefore part of a general initiative to provide poverty-stricken and socially depressed white workers with healthy social outlets and improve their quality of life. The fields and club facilities were for the exclusive use of white railway workers, while black workers were pushed further to the periphery. By the time the Nationalists came to power in 1948, the River Club had become a feature of a social system designed to provide leisure opportunities to white workers and a solution to the 'poor white' problem, whilst negating any connections of indigenous peoples to the land, a familiar tenet of apartheid philosophy.

The facility operated on South African Railways land had been zoned ›› as Open Space until 19 May 2015 when Transnet elected to sell the property. Liesbeek Leisure Properties (LLP) (Pty) Ltd, the long-term tenant, exercised its right of first refusal and purchased the property for R12 million plus VAT. LLP PTY then sold the property to Liesbeek Leisure Property Trust (LLPT) within a few months for R100 million. The land was zoned as Private Open Space, and allowed to be used for recreational purposes, but was still designated as unsuited for housing or mixed-use development because it lay in a flood plain and had important heritage and environmental significance. However, the prospect of massive speculation by moneyed developers and their financiers to turn a sacred floodplain into a gargantuan and very dense mixed-use development could not be ignored.

## *THE APPROVAL PROCESS*

Under the National Environmental Management Act (NEMA), the River Club developers had to secure an Environmental Authorisation to proceed. Various consultants contracted by the River Club's Environmental Practitioners examined the feasibility of the development, and prepared a Draft Scoping Report (2016), a Revised Scoping Report (2017), a Draft Basic Assessment Report (July 2019) and a Final Basic Assessment Report (BAR) (April 2020). Despite multiple critical comments by Interested and Affected Parties, the proposal did not respond to public concerns other than to alter the relative distribution of the heights of the buildings planned for the very densely developed site. The result was 150,000 square metres distributed across 18 buildings that would be between 20 and 44m high. This would radically alter the character of the open space, which was the hallmark of the riverine valley, and require infill of the original course of the Liesbeek River. As HWC noted, the position of the developers remained "intractable" and each iteration of the Heritage Impact Assessment (HIA) was simply "a further re-statement of the views of the applicant, with no true evaluation of HWC's concerns".

One of the key elements of the BAR was the need to identify and map heritage resources and develop heritage indicators for the site through an HIA. The developers' initial HIA was presented to the Observatory Civic Association in February 2018 where the notion was first peddled that recreating a river course where the current artificial canal runs (a canal created during apartheid, without any input from Khoi leaders, to redirect the Liesbeek), could preserve the area's heritage. No attention was paid to the importance of open space in preserving the history of the site as a place of first resistance to colonial intrusion. Indeed, the HIA consultants could not name one First Nation group with whom they had consulted to develop their HIA report, when asked about this in a public meeting in 2018.

Because of the imminent threat to heritage, in April 2018 HWC issued a Provisional Protection Order that required the River Club site to be graded for heritage importance before any development could be considered. The Protection Order was rapidly appealed by the developers, supported by the City of Cape Town, the Department of Public Works and Transport (DPWT), and the Department of Environmental Affairs and Development Planning (DEADP) in the Western Cape. Here were three provincial government entities lining up with developers to stop another government entity from protecting heritage. Indeed, in her appeal, the Head of DPWT expressed her concern at the challenge posed by the HWC Protection Order *to the developers*.

The Ministerial Heritage Appeal Tribunal sat over the next 18 months and finally dismissed the appeal in April 2020, but not before rebuking government departments for their divide-and-rule tactics and for failing to cooperate on a matter of intense heritage importance. Three things were notable about this process.

Firstly, the Protection Order was very strongly supported by a range of First Nation groups opposed to the development, along with civic associations and NGOs. There was no First Nation support for the development. The First Nations Collective, to which Chief Khoisan Zenzile belongs, was not present at all during the first set of hearings in 2018 when it was clear that all First Nation groups in the room were opposed to the development and expressed their agency in resisting the destruction of a sacred site. It is unclear if the First Nations Collective even existed at that time. What is clear is that the developers were exposed at the Heritage Appeal Tribunal for having failed to consult Khoi groups over their proposed development. One Khoi chief demanded that unless the development was stopped, he would call for the land to be expropriated without compensation by President Ramaphosa, so strong was his opposition to the development.

The appearance of the First Nations Collective and its notion of agency only became apparent after the developers were faced with a big headache – they had no Khoi support for their project. This means that the agency described by Chief Khoisan Zenzile was only possible because of the agency of other Khoi groups, along with civics and NGOs, whose steadfast opposition forced the developers to look for support amongst the Khoi.

Secondly, the role of DEADP in joining the developers in appealing the Protection Order is significant, since DEADP is the decision-making department for NEMA Environmental Authorisation. DEADP's appeal argued that the Protection Order (under Section 29 of the National Heritage Resources Act, [NHRA]) was unnecessary because heritage matters would be addressed through the HIA under Section 38 of the NHRA. In doing so, DEADP would make


the final decisions (under a Section 38 HIA process) and not HWC (through its Provisional Protection Order). As shown later, DEADP omitted to take into account the requirements of the NHRA when it granted Environmental Authorisation against the wishes of HWC in August 2020.

Thirdly, the process of public hearings for the Heritage Appeal Tribunal was marred by the distribution of a series of *prima facie* defamatory emails sent from a false address purporting to be coming from the A|Xarra Aboriginal Restorative Justice Forum. The emails defamed Khoi leaders who opposed the development as well as civic and NGO representatives and others who were seen as taking the same stance. Various insults were made, labelling opponents with terms such as "fake", "gay dog", "descendants of colonialists", "collaborator", "institutional violence you are perpetrating against us, the indigenous people", "we will hold you to account", "fabricating", "misfits", "inkruipers", "conmen", "fugitives", "fronts", "snake oil salesmen", "desperados", "extortionist", "scam artist", "swindler", "fraud", "hypocrite" and people who "hijack".

Leaders who opposed the development were singled out as purportedly guilty of abusing and misusing statutory heritage processes with malicious intent to deny First Nation heritage and 'Indigenous Rights' and they were warned that they would be held 'accountable'.

These emails were fake, condemned as false and inflammatory by the A|Xarra Forum, and were found to have metadata suggesting they were authored by one of the heritage consultants working for the developers. Both the developers and the consultant denied being the source of the emails, but the fact that such emails were distributed signals the high stakes involved in opposing the development and the lengths to which those who were in favour of it were prepared to go to silence opponents. Khoi leaders who dared to speak up were labelled traitors to the Khoi cause.

Fourthly, in rejecting the appeal the Tribunal issued a directive which also lamented this 'divide and rule' behaviour and severely criticised public officials who foment discord. For example, one of the public officials wrote to the secretary of the committee, copying the developer and various » other agencies, including the DEADP official who awarded the Environmental Authorisation, asking it be distributed to "the relevant parties".

Consistent with the Tribunal's position, HWC, in its evaluation of the applicant's HIA – which was issued as its Final Comment in February 2020 – deemed the HIA as failing to meet the requirements of Section 38 of the NHRA because it did not identify the intangible heritage of the site and develop heritage indicators for future development, but rather revised their heritage assessment to suit the development. According to NEMA, the decision-making authority (DEADP) was supposed to engage with the heritage authority (in this case HWC) before coming to a decision. However, the DEADP allowed the developers to submit a further addendum to their HIA in March 2020, which they used to justify bypassing HWC. Not surprisingly, HWC has declared such irregular action illegal and is one of 10 organisations and 11 individuals who have appealed the Environmental Authorisation issued by DEADP to the River Club development in August 2020.

Another significant appellant is the Department of Environmental Management of the City of Cape Town, whose appeal details 13 categories of irregularities, inconsistencies and misinformation relating to heritage, environment and planning matters. It is the City's Environmental Management Department that called attention to the fact that the development is not consistent with the City's own climate change policies, nor does the development recognise the intense intangible heritage of the site, which will "impact adversely and permanently on this heritage resource".

Despite such objections, including those from the Goringhaicona Traditional Council (speaking on behalf of several sovereign traditional houses and organisations viz. the !Aman Traditional Council under Paramount Chief Marthinus, Taaibosch Kei Koranna Royal House under Ka'i Bia Taaibosch, Kai !Korana Transfrontier under Khoebaha Arendse, the Cochoqua Royal Council under Paramount Chief Johannes, the Southern African Khoi and San Kingdom Council, the First Indigenous Nation of South Africa, the Federation of First Peoples of South Africa, A|Xarra Restorative Justice Forum (It is a straight line not a diagonal line), !khoraIIgauIIaes Council, IKhowese Nama Traditional Council, the Western Cape Khoi and San Kingdom Council) DEADP went ahead and on 20 August 2020 granted the Environmental Authorisation for the River Club which is now under appeal.

## *THE APPROVAL PROCESS – THE CITY OF CAPE TOWN REZONES THE PROPERTY*

Hardly had the ink dried on the Authorisation when the developers had their rezoning application to the City Planners reactivated, the second key permission needed to proceed. However, this application had been submitted more than two year before and since then many new relevant documents had emerged. Surprisingly, the only new documents permitted into the process by the City were those selected by the developers. Interested and Affected Parties, who had initially commented on the rezoning application in September 2018, were not privy to seven new documents submitted to a Special Municipal Planning Tribunal (MPT) called in September 2020 to consider the rezoning application. The municipal planning bylaw enables the City Planners to require re-advertising of a development application if two years have passed since the first submission or if new information relevant to the application becomes available. On both counts, the City Planners should have re-advertised the application. It was more than two years old, and new documents of relevance should have been made available for public comment and served before the Tribunal for it to be able to make a reasoned assessment.

For example, the developers had revised their stormwater assessment in 2019, but it was not made publicly available. Flooding is one of the key adverse impacts of the infill and the River Club is regularly flooded. Moreover, the developers included in their documentation for the Tribunal their Environmental Authorisation from DEADP of 20 August but not the appeals by the 21 organisations and individuals. They included their supplementary Heritage Report by their consultants (March 2020) but not the Final Comment from HWC (Feb 2020) pointing out why the HIA failed to meet the requirements of the law.

When appellants asked for these new documents to be tabled, they were told in no uncertain terms that this was not possible because the applicant (the developers) would not have seen them. This was neither true (since the developers knew these documents but left them off the rezoning application), nor fair, since the developers were permitted to include documents that Interested and Affected Parties could not have seen but who were precluded from adding new evidence. This dual standard, favouring the developer over objectors, is well known to communities across Cape Town, who see the Tribunals as acting for the developers rather than impartially balancing community interests with broader development.

Not surprisingly, the MPT rushed to approve the development, gushing over it as a victory for Cape Town, welcoming the economic benefits and comparing the future development to Century City.

But let's understand that the MPT consists of planners – either from the private sector or City Planners who believe development approvals are a sign of progress. There is no citizen voice and comments by Interested and Affected Parties are not taken seriously. When activist group Ndifuna Ukwazi noted that spatial justice was about recognising the deep connection of the Khoi people to the land and that the development could not be justified as an act of justice, they were disregarded. When the Observatory Civic Association pointed out the patent unfairness of the process by which the developers could present material unchallenged, we were scoffed at. And when the Goringhaicona disputed the narrative spun by the developers and exposed the ongoing ethnocide represented in the greed of developers in appropriating sacred land for an Amazon headquarters, they were dismissed as outcasts with no claim to the land.

In the surprising matter of why the development was not re-advertised, it was stated in the MPT by one of the developers' planners that the application was reviewed in terms of a City Standard Operating Procedure (SOP) which found that it was not necessary to re-advertise. When we asked the City Planners for a copy of this SOP, there was apparent confusion and no such SOP was produced. It then transpired that the planner who stated this in the Tribunal, and who is now employed by the developers, had for many years previously been the head of planning for the City. His insider knowledge was all that was needed to help bypass the tricky problem that the City had not followed its own planning bylaw. Indeed, the practice of large developers employing former public officials to help them with approvals is documented in Crispian Olver's expose of the City administration (2019).

Moreover, none of the Tribunal members have the requisite competence to assess heritage matters and they relied wholly on the developers' consultant, who disparaged the Goringhaicona as a tribe of drifters and outcasts, based on an ahistorical and simplistic view of some entries in a colonialist's diary. The developers characterised the existing remnant of the Liesbeek River as a "neglected stormwater gutter", completely annihilating the intense connection voiced by First Nation groups to the river and its surrounding land (as well as omitting to mention that the mistreatment of the Liesbeek by human action is responsible for its current poor state). The developers portrayed the Gorinhaiqua, the group supporting the development, as the "custodians" of the River Club land, yet they were a small group of Khoi, and could not speak for the Khoi as a whole. In fact, the development has now promised the Gorinhaiqua Cultural Council control over the features of the development said to represent the inclusion of First Nations' heritage as a design informant viz., an indigenous garden for medicinal plants used by the First Nations; a cultural centre; a heritage-eco trail; and an amphitheatre for use by both the First Nations and the general public. An autonomous legal entity led by the Gorinhaiqua Cultural Council will be responsible for its governance, planning, management, operations, maintenance and sustainability.

However, more than 60 First Nation groups, civic associations and NGOs, have come together to apply to have the Two Rivers Urban Park graded as a provincial heritage resource, recognising that heritage cannot be preserved in a sea of concrete that obliterates the open space and intangible heritage of the site. This is an unprecedented show of unity across First Nation groups and civil society organisations and exposes the lie that those who oppose the development are serving their own narrow interests.

The approvals of the River Club say less about the autonomous decision-making of the Khoi (or some of the Khoi who have the support of rich and powerful developers) than about the corrupt system of development


approvals we have inherited in the new South Africa. It is a system geared toward the rich and powerful. It is not a system where ordinary people have a voice. It is a system where money counts and where influence can allow some voices to speak while silencing others. We have seen an intense propaganda machine unleashed claiming that it is a major victory to have Amazon establish its behemothic headquarters on a sacred floodplain, ignoring the huge environment and heritage costs.

If LLPT really wishes to celebrate our province's rich history and heritage, it can recognise the intense importance of the river confluence and its open space as precious intangible heritage, slated for inclusion in the National Khoi and San Heritage Route as a national legacy project. Develop a park for the people of Cape Town. That would really undo apartheid spatial planning.

REFERENCE

Olver, C. (2019) *A House Divided: Battle for the Mother City*. Johannesburg and Cape Town: Jonathan Ball Publishers. NA

# When it flows, it floods

*By Tauriq Jenkins*

Tauriq Jenkins is Supreme High Commissioner for the Goringhaicona Khoi Khoin Traditional Indigenous Council under Paramount Chief Aran

In 1996, the Khoi and San were not part of the Constitution. Then President Thabo Mbeki's "I am an African" speech, with the founding of South Africa's Constitution, would remain in its nascent stage until the fullness of the African body was completed.

For it is in the unmistakable lines of a shared history of resistance that we ultimately are one nation. Above all else we are African.

At the confluence of the waters of the Black River and the Liesbeek River, the Khoi collectively sustained the longest resistance against colonial oppression which fanned out across the subcontinent for 169 years. It spanned 16 Khoi wars, the last five of which were fought together with the AmaXhosa in the East. David Stuurman and prophet leader Makhanda fought side by side and were captured and taken to Robben Island.

Our matriarchal guide, Krotoa, brought with her an umbilical connection with the Dutch. We share a history too with Portuguese, English, Irish, Scottish, German, Flemish, French, Swiss, Russian, Greek and Turkish influences. The intermingling of these groups forged mixed groups, and the etchings of the Afrikaans language began to emerge on the banks of the Liesbeek River as first frontier.

Our claim is the human claim. The controversial development on the floodplains of the oldest urbanised river valley in South Africa is a tale of where much of what we have become begins. At the foot of Devil's Peak, which forms part of the Hoerikwaggo, a mountain that rose from the sea and is older than the Himalayas, is the Liesbeek river. The memory of it speaks to the root of mankind itself. The Observatory itself was built on a hill where our ancestors navigated the stars and with the kindred and sentient fellowship of the Quagga, Cape Lion and Blue Buck. Their permanent departure from the valley and the face of the earth, together with the Cape San, flowed from the genocidal menace of colonial conquest and theft.

The embankments on what is today's Two Rivers Urban Park (TRUP) are a place of return. It is the place of the first victorious line of defence against a colonial aggressor, Francisco D'Almeida, the Portuguese viceroy who vanquished India in 1510. It is also the place of loss – the First Frontier War in 1659, theft of land, the first evictions of the indigenous Khoi Khoi, the deployment of agricultural slaves in 1657 with the establishment of the Free Burgher Farms. This is where we came undone.

Today, the most significant heritage battle ensues with a threat of a R4.5 billion development on its sacred terrain. It is led by a local developer backed by an enterprise with coffers amassed as the VOC (Dutch East India Company) itself did at its peak 360 years ago. The significant impact of the genocidal smallpox epidemics on the Khoi and San notwithstanding, part of the TRUP is Ndabeni, the first black township which was built to quarantine migrant (mostly Xhosa-speaking) labourers when the city was hit by the bubonic plague.

Contrary to the historical inclusive nature of the site according to the Heritage Appeal Directive, which is being challenged in the High Court[1] by the Western Cape Department of Transport and Public Works (DTPW), "conservation efforts to preserve the heritage of the indigenous First Nations' people and communities and protect their cultural rights have been hamstrung by the 'politics of divide and rule'."[2]:

> Notable and alarming at the same time, is the concern that government officials who are meant to serve the people of this country and should be loyal and respectful towards each other, are perceived to form alliances with other tiers of government and developers, instead of aligning the scarce resources, with experience skills and expertise to cooperatively solve complicated heritage issues, internally, and in good faith.

The Municipal Planning Tribunal's decision to rezone a Public Open Space to one for mixed use development is being appealed by Interested and Affected Parties. So is the Environmental Assessment by the

> **The controversial development on the floodplains of the oldest urbanised river valley in South Africa is a tale of where much of what we have become begins.**

Province's Department of Environmental Affairs and Development Planning (DEADP) which found nothing environmentally problematic about 150,000 square metres of concrete on a flood plain. The heritage authority, Heritage Western Cape, outright rejected the Heritage Impact Assessment that was prepared for the developer as part of the River Club proposal. It also rejected the Heritage Impact Assessment (HIA) of the Two Rivers Local Spatial Development Framework, a macro draft framework that is critiqued as favouring the bulk development being proposed on the River Club while ignoring the precepts of the existing 2003 Two Rivers Urban Park Local Spatial Development Framework.

The HIA and its supplementary reports erred in the transmutation of its interviewed subjects into an all-encompassing authoritative commenting body claiming to speak on behalf of "most of the Khoi and San". The First Nations Collective (FNC) needs to be challenged on its establishment, constitution, authority and functions. While many are well known leaders within the various Khoi formations, we challenge the extent to which the leaders in this collective carry the mandates of the organisations mentioned in the report.

Further objectors to these rulings include 20,000 people, institutions such the South African Astronomical Observatory (SAAO), the South African Institute for Architecture, and 60 civic and Khoi and San groups. The City of Cape Town itself has appealed the Environmental Assessment (EA).

How is it, amidst all of these appeals, that the developer is whipping up a narrative of a done deal?

## *MANUFACTURING CONSENT*

The United Nations Declaration on the Rights of Indigenous Peoples (UN Declaration) states:

> Article 2: Indigenous peoples and individuals are free and equal to all other peoples and individuals and have the right to be free from any kind of discrimination, in the exercise of their rights, in particular that based on their indigenous origin or identity.
> Article 8 1. Indigenous peoples and individuals have the right not to be subjected to forced assimilation or destruction of their culture.
> Article 8.2. States shall provide effective mechanisms for prevention of, and redress for: (a) Any action which has the aim or effect of depriving them of their integrity as distinct peoples, or of their cultural values or ethnic identities; (b) Any action which has the aim or effect of dispossessing them of their lands, territories or resources.
> [e) **Any form of propaganda designed to promote or incite racial or ethnic discrimination directed against them.**]

Liesbeek Leisure Properties Trust (LLPT) said it has "always approached this project with maximum transparency and has remained committed to all planning approval processes as required by law"[3] and would "gladly" make its case in the appeal process.

The developer has in recent articles claimed that this development is supported by the overwhelming leadership of the Khoi and San. The truth is that the majority of the Khoi groups have vehemently objected to his development. The developer states:

> The project will also serve as a first-of-its-kind landmark in the City for the First Nations people to reclaim, memorialise and share their heritage with the greater public. The planned Heritage Cultural and Media Centre will be operated by the First Nations people and will provide critical job opportunities to members of these communities. This initiative follows extensive and constructive engagements with the senior Indigenous Khoi and San leaders comprising the First Nations Collective.[4]

There has been no open discussion in the formulation of how this "reclaiming" and "memorialising" will be "operated" by the First Nations people. The notion of providing critical job opportunities has no figures, no description, and who exactly the beneficiaries are remains elusive. The developer maintains:

> We have had many robust interactions with all of the First Nations representatives, who have an interest in the area, whose histories and inputs have been »

respectfully incorporated throughout the planning and design of the reimagined River Club space.[5] In fact, the majority of senior indigenous Khoi and San leaders in the Peninsula have expressed their full and unequivocal support for the redevelopment, and we are appreciative of the learnings they have inculcated.[6]

This is simply not true.

The name of the group mentioned is the First Nations Collective, an unregistered body comprising the interviewees of a report commissioned by the developer in support of the development.

The article in *New Agenda 78*, "Navigating a minefield to assert agency" (speaking for the FNC) stated:

> Having been trivialised and bludgeoned into invisibility we elected to directly approach Jody Aufrichtig, representing the registered owners, about the redevelopment proposal. We have found the developer, Liesbeek Leisure Trust, open and empathetic to our concerns, which were placed on the table in a frank exchange of views.
> We believe that the developer has grasped the intense pain that has been associated with the bludgeoning of our narrative. As such, this developer, unlike any other government, corporate or social entities with which we have engaged, has made a firm commitment to ensure that the footprint of the Khoi and San's history of resistance, and its modern-day resurgence, is incorporated into the development plan.
>
> Through this engagement, the First Nations Collective has secured an area in the centre of this development, which is of great cultural significance to us. This part of the redevelopment site has been set aside for building a fully-fledged heritage centre, a functional indigenous garden and cultural praxis site, a world-first international indigenous media and communication centre, as well as an amphitheatre where the best of Khoi and San art, culture and music can be showcased.[7]

The claim that Jody Aufrightig has done more for the Khoi with his "empathetic" ear than anyone else, including the government, needs to be challenged. What is certain is that since 1652, every single governing administration, including post-1994, has been guilty of the marginalisation and gross disenfranchisement of the Khoi Khoi and San. The colonial splintering of identities in communities stripped away a connection to the soil, the environment and the notion of being African. This locates the Western Cape, in particular, as a perpetually primed terrain for conquest, manipulation and division.

The report produced by service provider AFMAS Solutions[8], commissioned by the developer, goes out of its way to discredit the Goringhaicona, and is reminiscent of smear documents that surfaced last year targeting all leaders of organisations that are against the development. It aims to write the Goringhaicona out of history. The Goringhaicona in its various submissions has condemned epistemological violence as an act of attempted ethnocide.

However, the area was signed off by President Cyril Ramaphosa and the cabinet in August 2020 as part of the Khoi and San National Liberation and Resistance Route.[9] The Department of Arts and Culture has also tried to have it added to an updated tentative Unesco list as a World Heritage Site. The promulgation of the Traditional and Khoi-San Leadership (TKSL) Act 3 of 2019,[10] although deeply problematic and not close to an answer on key questions on land and restitution, indicated a symbolic shift towards further recognition of the Khoi and San. The Protection, Promotion, Development and Management of Indigenous Knowledge Act (IKA)[11] was signed by the President in 2019. So, in the legislative context, what makes the developer exceptional? His offerings are in two parts:

> [The development will include a] … fully-fledged heritage centre, a functional indigenous garden and cultural praxis site, a world-first international indigenous media and communication centre, as well as an amphitheatre where the best of Khoi and San art, culture and music can be showcased.[12]
> The developer has also committed to cleaning up and indigenising the ecology of the area and to ensure that the spiritual and cultural symbols of the Khoi and the San find resonance within the proposed development plan.[13]

The idea of the cultural media centre is a brokered package, impoverished of curatorial, archival or historical considerations. Nor are its custodianship and sustainability plans clear. A wound made for profit. As a 'zwischenzug'[14] it will usurp a complex and hard-earned

> **Today, the most significant heritage battle ensues with a threat of a R4.5billion development on its sacred terrain**

integrated effort towards restorative justice taking place outside of the boardroom of the River Club.

The proposed development is inconsistent with national legislation and provincial and municipal spatial frameworks. The Liesbeek is one of the City's important fish-breeding rivers and should be conserved as such. Part of the City's Biodiversity Network, it is also a Protected Area in terms of the National Environmental Management Protected Areas Act and is also protected by the City's Municipal Spatial Development Framework (MSDF) as a biodiversity conservation area with wetlands and aquatic habitats. An agreement is in place with CapeNature for their ecological management in perpetuity. The proposed development intends to fill in the river and wetland habitats.

Significantly, in spite of the FNC assertions, there has been no downscaling of the concrete or 150,000 square metres of commercial bulk since their engagement. What is worse is that the sacred Liesbeek River is described "as a storm water ditch" by the developer and destined for infill without any objections from the FNC. Notably since their arrival on the scene, the commercial footprint has increased.

Furthermore, the collective has not submitted any comment against the devastating environmental concerns. It has remained silent on the most salient – on the need to decolonise the framework of how heritage resources are being determined and the principles of true co-design and meaningful engagement.

This begs a deeper analysis of the notion of "agency", referred to in the article in *New Agenda* 78. It would appear the FNC is currently only acting within the parametres of what the developer wants.

The City's Environmental Management Department (EMD) goes on to say in its appeal against the Environment Assessment for DEADP:

> The social issues revolving around cultural appropriation and social impact have not been expounded on sufficiently, the First Nations narrative appears to not be totally inclusive of all relative groups (Para 2.3.7 page 2913).

This is further reinforced in the final comments of HWC (para 97) which noted:

> ... the scope of engagement resulted in a number of groups electing to not participate fully; the research process was contested by participants in the engagements; the impartiality of the research questions is not clear to the committee; the methodology for the engagement does not appear to follow accepted oral history interviewing protocols (for example. no ethical clearance forms were supplied); the confusion between this report and the DTPW-commissioned report brings the ethics around the engagement into question.

Augmenting this observation is the note in the EMD description of the development that:

> The implementation of these mechanisms is to be assured through an institutional arrangement which establishes within the Property Owners Association (or similar) an autonomous legal entity led by the Gorinhaiqua Cultural Council that will be responsible for the governance, planning, management, operations, maintenance and sustainability of the indigenous place-making mechanisms" (para 2.2. p 2908).

This information is in the 2019 supplementary HIA report which was not circulated for public comment by the Municipal Planning Tribunal.

Paragraph 91 of the Heritage Appeal Tribunal Directive commented that:

> The policy of maintaining control over one's subordinates or opponents by encouraging dissent between them, thereby preventing them from uniting in opposition, is evident in this matter. Conservation efforts to preserve the heritage of the Indigenous First Nations people and communities and protect their cultural rights, have been hamstrung by the 'politics of divide and rule'. In a divided and disparate society that can benefit from and become unified through knowledge of each other's cultures and heritage, the current situation is not a good scenario to be in and this is unfortunate. ➤➤

There is sadly no agency under such conditions. Rather it is turning out to be an injustice for everyone. This is a foil to divide and conquer a complex formation of Khoi and San groupings that continue to seek unity despite insurmountable challenges. The Khoi and San Kingdom Council of Southern Africa, the Nama, the Goringhaicona, !Aman Traditional Council, !khoraIIgauIIaes Council, IKhowese Nama Traditional Council, the entire Korana across all provinces reject the River Club proposal, as do revivalist umbrella organisations such as the First Indigenous Nation of Southern Africa (FINSA), the Democratic Federation of Indigenous People SA, the A|Xarra Restorative Justice Forum and the Western Cape Khoisan Legislative Council. Of the peninsula Khoi sovereign formations, the vast majority rejects this development. Coupled with this are the Abathembu, and the Pondomisa kingdoms that are kin to the Korana, who in an unprecedented act of unity have merged in defiance of the divisive Verwoerdian tropes of the "Nguni threat" that have also entered into the contemporary political discourse on land.

The Congress of Traditional Leaders of South Africa (Contralesa) does not support the AFMAS Solutions report, despite the name of the body appearing in it. The Cochoqua are stated as supporters of the development. However four of the five Cochoqua houses in the Western Cape are confirmed to have rejected the development. The National Khoi and San Council is plagued with perception issues of transparency. In the Western Cape, on a variety of issues, this body has Brexited itself from its own, leaving a trail of bewilderment and dissatisfaction, Rooibos being a trigger word. The banks of Liesbeek became an occupied territory in 1657, and since the war fought against the Khoi in 1659, the DNA of the VOC, it appears, has remained. In reality what exists now is an unprecedented united front towards a World Heritage Site, not the vision of a dystopian Amazon.com Disneyland for tourists and the wealthy to sojourn.

The developer paradoxically has attempted to narrow the 21,629 objectors of a petition[15] heralded by the Observatory Civic Association as a "handful of residents" by publicly decrying how he is "sick of all the lies".[16] The NIMBY (Not In My Back Yard) accusation against the Two Rivers Urban Park Association and the Observatory Civic Association is a strawman built by the same inventors of the Biscuit Mill in nearby Woodstock. Framed as "regenerative" projects, the Biscuit Mill, as well as the Woodstock Exchange, are toe-to-toe with the City's maximal thinking of utilising land close to the CBD "appropriately". The Biscuit Mill has been critiqued as a gentrification catalyst. Its primary client base, tenants, as well as beneficiaries, do not reside in Woodstock. Locals increasingly struggle to afford rental hikes, while plans for social housing projects have been mired in controversy.

In Observatory, the developer faces a unified force of environmental, civic and Khoi and San agencies for recognition of a World Heritage Site, a common concern, that recognises this as a Ground Zero precinct that will begin a process of deep healing.

It is a cheap form of racial hypocrisy for him to paint a narrative of Observatory's antagonism for his development as the view of only a handful of selfish white property owners. Observatory is long known as a diverse, bohemian, activist community. In 2020 the OCA objected to the attempted "constructive" eviction by the City of Cape Town (during the lockdown) of the Singabalapha (We Belong Here) informal settlement in Observatory.[17] Many of these residents are members of the OCA, as are residents of the Willow Arts Collective, formerly known as the Circus, located next to the Hartleyvale Stadium. Mayoral Committee Member Cllr Badroodien in a 786 Radio interview on Friday 29 January 2021, called residents "land invaders stalling necessary upgrades in the area".

In a debate hosted by the Institute for African Alternatives on 15 October 2020, the closing of the venue, Tagore's, which has since closed down, was singled out as proof of racial and class antagonism in the area. The same venue included a gallery for the first exhibition of Khoi and San art with some of the most talented fine arts work by Khoi activist artists.

On some arrangements the developer's documents are more clear. The LLPT in its supplemental Heritage Impact Assessment Report (December 2019) made it clear:

> … the implementation of these mechanisms is to be assured through an institutional arrangement which establishes within the Property Owners Association (or similar) an autonomous legal entity led by the Gorinhaiqua Cultural Council that will be responsible for the governance, planning, management, operations, maintenance and sustainability of the indigenous place-making mechanisms.

The FNC, in fact, only came into being AFTER the Heritage Appeal Tribunal heard the hard facts that First Nation groups had been overlooked by the developers. Though earlier informal contact with the developer by one or two entities did occur, the FNC did not exist when Khoi leaders opposed the development in 2018. In fact, in 2018, some of the FNC sat with us and cried at the Tribunal. The next time we met in the same venue, things had changed. So, while leaders in that cohort claim a long history of Khoi activism,

> **The truth is that the majority of the Khoi groups have vehemently objected to his development.**

they were nowhere at the landmark Tribunal until the concept of a media centre, amphitheatre, herb garden, and heritage trails emerged on the table. So the question would be: what were the circumstances that fuelled the level of agency that gave credence to the FNC?

In 2017, the TKSL Act had not been signed, nor the bill on Indigenous Knowledge Systems, and the heritage matter of the Khoi was legally in limbo awaiting the signing of a white paper on intangible heritage. The Tribunal was the turning point. What was feared most by the developer and DEADP, DTPW and the City of Cape Town was what was to be said for the first time on record. A story of 360 years when Jan Van Riebeeck put up his palisade fence.

The AFMAS Solutions report commissioned by the benevolent developer stated:

> Operationalizing the Social Compact: The First Nations Collective led by the Gorinhaiqua Cultural Council, in discharging its traditional duty of custody over not only the River Club site, but all of the precincts of the Two Rivers area; and in exercising its internationally recognized right of Indigenous cultural agency, is in the process of establishing a legal entity that will be responsible for the post-establishment governance, planning, management, operations, maintenance and sustainability of the aforementioned Indigenous place making mechanisms. This entity will be a fully autonomous Indigenous entity, whose Indigenous access and negotiated rights, as articulated above – as the elements of the First Nations Imperative – will be enshrined in a formal agreement between the envisaged First Nations legal entity led by the Gorinhaiqua Cultural Council, and the Community Property Association of the development.[18]

If there was a real cultural agency, then the FNC could have said to the developer put that development aside, and talk to us about pain.

The Liesbeek Leisure Properties Trust has been allowed to dictate the negotiations where the result is a victory for a small group of local white men, including one of the wealthiest billionaires in the world who lives in Seattle, USA.

## *CONCLUSION*

We owe our essence to the rivers, the stars, the land, and the sacred animals, many of which are no longer in existence. We have lost to oblivion the Blue Buck, Quagga and the Cape Lion, all of whom were hunted to extinction soon after access to the Liesbeek River was denied. We always remember and miss them, and meet them in awe and reverence in our dreams.

We say no to the concrete on the floodplain, to infill of the river, to the loss of memory to a mall with hotels. We will not bid the kingfisher farewell. We say no to the violence against nature, to the violence of apartheid spatial planning, to the violence of the false claim that this is all done with the full consent of the Khoi and San. The Goringhaicona does not consent to this development. Not in a thousand years. Not in a million years. Never.

It's time we all pause to heal. We are of |Gamirodi !Khais, the "place where the stars gather".

ENDNOTES

1 https://www.groundup.org.za/article/legal-spat-between-provincial-departments-over-river-club-development/
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3 https://www.dailymaverick.co.za/article/2020-09-17-city-appeals-against-provincial-authorisation-of-r4-billion-river-club-development/
4 https://theriverclubct.co.za/wp/wp-content/uploads/2020/12/River-Club-Press-Statement-NEMA-and-Rezoning-Approvals-Final.pdf
5 See the illustration at https://www.groundup.org.za/article/r4-billion-river-club-development-clears-major-obstacle/
6 https://mg.co.za/opinion/2020-09-29-river-club-redevelopment-is-a-triumph-for-the-future-of-first-nations-heritage/
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8 https://theriverclubct.co.za/wp/wp-content/uploads/2020/01/AFMAS-Solutions-FInal-River-Club-First-Nations-Report.pdf
9 http://www.dirco.gov.za/docs/2020/cabinet0610.htm
10 https://www.gov.za/sites/default/files/gcis_document/201911/4286528-11act30of2019tradkhoisanleadership.pdf
11 https://static.pmg.org.za/42647_19-8-Act6of2019ProtectPromoDevelopManagementIndigenousKnowledgeAct.pdf
12 https://ifaaza.org/navigating-a-minefield-to-assert-agency/#more-1723
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18 https://theriverclubct.co.za/wp/wp-content/uploads/2020/01/AFMAS-Solutions-FInal-River-Club-First-Nations-Report.pdf NA

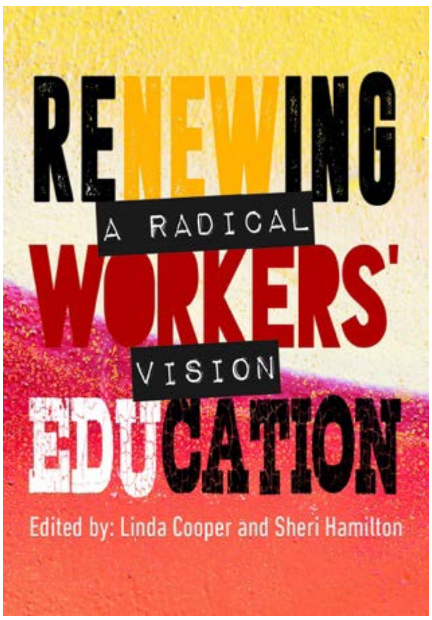
# Renewing workers' education: A radical vision

Linda Cooper and Sheri Hamilton (eds.)

Publisher: HSRC Press 2020

*Review by Rahmat Omar*

Rahmat Omar worked in Cosatu's National Education Department and at the SWOP Research Institute at the University of Witwatersrand. Her last position was that of senior lecturer in adult education in the Institute for Post-School Studies at UWC.




Workers' education was once the most prominent feature of South Africa's trade union movement. Grass-roots education mobilised a highly organised mass-movement of workers that struck the hammer-blows that brought down the apartheid regime. Rahmat Omar reviews a new book of essays.

This book raises important issues in the current context where workers' organisations are grappling with shrinking resources and in which workers' rights, livelihoods and living standards are being eroded in South Africa's 'elite transition' from apartheid.

Recurring themes in the book are about workers' education in the context of the rise of precarious work resulting from work reorganisation, outsourcing, casualisation and informalisation of work, which is seen as "the present and future of work" (p. 157). The hard-won rights and benefits gained by workers in formal employment through earlier struggles and sacrifices are threatened as all workers face insecurity in the context of ongoing retrenchments and work reorganisation, which downgrades them to various forms of precarious work. These processes have led to divisions in the workforce, diminishing of the role and power of the labour movement and a decline in workers' education.

These arguments carry echoes of a pessimistic 'end of labour' thesis that suggests, as Standing argues in his book on the "precariat", that trade unions have become irrelevant as a result of the informalisation of work (2011). Castells argues that under network capitalism labour is becoming "localized, disaggregated, fragmented, diversified, and divided in its collective identity" (Castells, 1996: p 475). In Castells' view, the informalisation of employment has made collective organisation impossible and the labour movement seems to be "historically superseded" (1997: p 109).

It is clear that the authors in this book do not support the arguments associated with the "end of labour thesis". On the contrary, they present case studies and discussions about the role of workers' education in mobilising and organising workers who are involved in these changing work contexts. Chapters on workers' education in South Africa are supplemented by chapters on workers' education in Namibia, Nigeria and Canada as well as a chapter on experiences and ideas about strengthening education for informal workers in Kenya, Uganda, India, Brazil, Colombia and South Africa.

## *LEARNING FROM HISTORY*

The chapters by Sikwebu and Grossman reflect on the central role of workers themselves as active agents in processes of struggle, learning and making history. Sikwebu sees workers' education as "structuring a process of appropriation by workers of their own history" (p. 2). He highlights the need to avoid fetishising experiential learning and to recognise that there is a possibility of simultaneous education and mis-education, given the role of ideology and media which workers engage with as members of communities and society. The rise of xenophobia, chauvinism and other tensions inside the labour movement illustrate the point. Grossman focuses on a particular moment in the struggle of a group of dismissed workers for reinstatement, "studying history as they make history, documenting and using their own account of their own history as an educational, organising, agitational and mobilising weapon to share with other workers" (p. 29).

Moodley and Jauch discuss workers' education "as both a product and weapon of working class struggles" (p. 13). They argue that newly formed democratic unions in Namibia and South Africa gained wider support in the 1980s by linking workers' complaints at work with the broader political questions of liberation in their struggles against employers, multi-national corporations and colonialism/apartheid. In the post-independence/apartheid period, however, the assimilation of Namibian and South African trade unions into the capitalist mode of production "has had a direct impact on the shape and outlook of workers' education programmes" (p. 26) and political workers' education has become "merely one site of the broader struggle to bring about radical change to social, political and economic relations" (p. 13).

## *INSTITUTIONALISING WORKERS' EDUCATION*

The second part of the book focuses on structured education programmes initiated by traditional unions. Hartman and Pillay each present a critical discussion of the impact of women-only education programmes delivered through partnerships between unions and universities. Both chapters highlight the tension between the heightening of consciousness and sense of agency experienced by individual participants and the limited opportunities they had to "plough back" their learning in the context of their unions. Opportunities arose more directly for some women outside the union context through political activism and participation in churches and structures of the ANC and SACP (p. 91).

Ayeh and Udeh look at developments in the labour movement in Nigeria after 1999, following the unbanning of the Nigerian Labour Congress (NLC) after a protracted struggle against a military regime. They argue that systematisation of workers' education within the framework of the NLC's annual schools "has transcended 'stop-start' and ad-hoc education delivery for trade unionists" (p. 109). But the aim of building political consciousness among the working class towards a struggle for social change is yet to be achieved and can only be met with the spread of a counter-hegemonic view of capitalism within the labour movement.

Wa Bofelo discusses challenges presented by the formalisation and institutionalisation of workers' education in South Africa. He draws on debates in the 1980s about the possibility of combining "registration" and "struggle". He argues for avoiding simplistic binaries and for exploring possibilities for "holding the tension" between accreditation of workers' education programmes and an orientation towards heightening workers' consciousness and agency and pursuing an agenda for radical transformation of society (p. 64).

Moussouris and Van der Walt criticise "the contention on the left that it was the unions' embrace of the post-apartheid's stress on accredited, skills-focused education that crippled union education" (p. 200). They do not dispute that revolutionary education has been weakened, but challenge the argument that it was the focus on accreditation and developing vocational skills of individual workers which led to this weakening. They argue that vocational skills training and revolutionary education are not intrinsically or mutually exclusive, that it is necessary to have both and that anarchist and syndicalist education manages to balance the two imperatives as part of a larger "integral education" (p. 207). The central problem, in their view, is that the labour movement has turned away from revolutionary class politics and towards "a corporatist alliance with the state and capital – and that includes the ANC and SACP alliance – bringing in its wake top-down, intolerant Marxist-Leninist approaches to politics and education" (p. 211).

It could be added that the preoccupation on the left with accreditation and skills-focused education may explain the rather perplexing silence in Cosatu on literacy and adult basic education, which were underpinned by radical and transformative approaches and drew inspiration from mass literacy campaigns in revolutionary Cuba and Nicaragua.

## *EDUCATING WORKERS ON THE PERIPHERY*

A compelling feature of the book is the way it accepts the reality that traditional unions are unable or reluctant to "organise the unorganised" and focuses on workers' education within initiatives to mobilise and organise workers involved in various forms of precarious work.

Bonner nevertheless demonstrates strong links and continuity "with the best traditions of workers' education and [contends] that these links could be deepened to the mutual benefit of traditional and new worker movements" (p. 115). Hlatshwayo's case study focuses on the work of the Casual Workers' Advice Office (CWAO) in Germiston, Ekurhuleni in supporting education and organising initiatives for precarious ›› workers. A chapter on Canada looks at the situation of workers employed by temporary agencies (or labour brokers) and how they collectively talk through their conditions and possibilities of change. Choudry, Henaway and Shragge discuss the daily organising work of the Immigrant Workers' Centre (IWC) in Montreal. They argue that temporary workers and migrant workers have become "permanent and core features of the way many capitalist economies are organised" and that there is an urgent need to move "beyond the limits of traditional unionism and build a broader working class movement that supports the struggles of both temporary and permanent employees, of unionised and non-unionised workers regardless of national origin and immigration status" (p. 141).

Von Kotze pushes the "non-union education" boundary further by focusing on a drama project of the Popular Education Network involving unemployed women from a working class community in Cape Town. The women devised a play and worked through some of the painful and difficult issues they faced in their daily lives – such as daily food shortages, insecurity in housing, domestic violence, drug-related violence and the stigma surrounding diseases such as TB and HIV. Their story-telling activities became part of an educational process through which they could move "beyond the sharing of familiar experiences, towards analysis of the link between personal troubles and social, economic and political issues" (p. 161). She suggests that an earlier history of workers' education through cultural action in South Africa, which was "interrupted in the 1990s", is currently undergoing resurgence and renewed interest.

## *RETHINKING WORKERS' EDUCATION*

The three contributions in Part 4 theorise workers' education from different political perspectives. Hamilton focuses on "Rebuilding workers' education on Marxist foundations: Reclaiming ideas of working-class struggle and socialism". She argues that the pedagogy of workers' education must be rooted in concrete struggles for rebuilding trade unions and other organisations of the working class. These struggles can be "guided by Marxism, which is the basis for transforming the consciousness of workers to struggle for the socialist transformation of society" (p. 196).

Moussouris and Van der Walt discuss the revolutionary potential of workers' education in their chapter, "Anarcho-syndicalism and union education in South Africa".

Cooper discusses the current crisis in workers' education in a reflective chapter on workers' education and working-class hegemony. Cooper argues that Gramsci's concepts of "hegemony" and "counter-hegemony" and his ideas about the educational value of "praxis" provide tools to guide current struggles. She associates renewing workers' education not simply with re-establishing a working class movement, but also with building solidarity between organised and unorganised workers and with those involved in struggles outside the workplace, including struggles for environmental justice, climate change, women's rights, LGBT+, land and other struggles.

## *CONCLUSION*

The strength of this collection is how it seeks to recover lessons from decades of union experience in legal, collective bargaining, education, literacy and cultural campaigns to build workers' organisation and contribute to social, economic and political change.

However, the authors recognise how upheavals in politics, globalisation and capitalism have made a world that is fundamentally changed. Building working class solidarity – through campaigning, mobilising, organising and education – must recognise that migrant, casual, temporary and informal sector workers, who may not be organised at all, are a permanent feature. Therefore renewing workers' education needs to look beyond "organised labour".

The authors represented in the collection do not share the same conception of workers' education but, as the editors remark, they all have a commitment to reclaiming a radical vision of workers' education that is linked to struggles for "advancing the social, economic and political interests of the working class" (p. xii). The authors engage with both local and international experiences and make a wider contribution to the debates on workers' education and adult education. Their perspectives, arguments and ideas highlight that struggles in different contexts can promote independence of workers' education from capital and the state.

Overall, the book succeeds in its aim of making a contribution to an under-researched area in the literature and can, as intended, become an important resource for unionists, social movement activists and workers.

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# Remembering those we have lost

*It would be impossible to pay tribute to all who have died from Covid-19 by recording their stories. IFAA therefore singles out a number of reported deaths – whose specific circumstances and experiences raised public attention. Sourced from the media, IFAA offers this tragic list as a symbolic memorial to all South Africans we have lost to Covid-19. All their stories are as important as anyone else's and all belong in the history books that will one day record this tragic time.*

***FOREVER A FREEDOM FIGHTER – JACKSON MTHEMBU***

The Institute for African Alternatives (IFAA) deeply regrets the loss of a gentleman and a fighter, Mr Jackson Mthembu, who served as Minister in the Presidency before his untimely death following complications resulting from Covid-19. He was 62 years old. Previously the ANC Chief Whip in the National Assembly, he also spent years as the ANC spokesperson.

IFAA remembers him as a man of dedication and integrity. He spent most of his life in the struggle for democracy and IFAA sees his death as a severe loss for South Africa. The calibre of leadership that he brought to the ANC and the National Assembly served citizens across the political spectrum and he will always be remembered for his courageous and determined struggle to defeat apartheid.

Tributes for Mthembu poured in after the news of his death was reported, including condolences from a range of political parties. Health Minister Zweli Mkhize was reported as saying "a giant tree has fallen". At his funeral service President Cyril Ramaphosa said he had "lost a dear friend" and praised the late Mthembu for being in the forefront of the fight against Covid-19. The president thanked the medical team who he said had "done all they could" to save him.

A profile released by the office of the presidency reported that Mthembu had cut his political teeth in student politics as a leader of the 1976 uprising. His activism continued when he went on to study at the University of Fort Hare, resulting in his expulsion in 1980. An active figure in the emerging trade unions, he went on to work tirelessly in the United Democratic Front in the 1980s where he was appointed Deputy Regional Secretary of the province now known as Gauteng. He was detained repeatedly, suffering solitary confinement and other forms of torture at the hands of the apartheid security police. After his acquittal in the protracted 'Bethal Treason Trial' he went underground and continued his political activities.

Following the unbanning of the ANC he played a part in the Codesa negotiations and the Constituent Assembly that crafted the democratic Constitution. Since then he filled many strategic position in the party's leadership and was a member of the National Executive Committee since 2007.

***DR ANWAH NAGIA***

The respected community activist and businessman, Dr Anwah Nagia, succumbed to the Covid-19 virus on 28 September 2020. Until his passing he was the Chairperson of the District Six Beneficiary and Redevelopment Trust and had also previously been a founder member of the Palestine Museum. His many other activities as a business figure included Chairperson of Element Investment Managers, Executive Chair of Altius Investment Holdings and Non-Executive Chair of the Cape Town Market and Africa Commodities Group.

***STANLEY HENKEMAN***

The Director of the Institute for Justice and Reconciliation (IJR) died in mid-December due to complications related to Covid-19. In a statement, the IJR said at the time, "Stan's kindness and humanity made a deep impression on all of us, and we will miss him dearly. His legacy and passion for the IJR's vision of building fair, democratic, and inclusive societies will continue to inspire the Institute in years to come."

***SAM AND INDRANI PILLAY***

Sam Pillay, who ran the Chatsworth, KwaZulu-Natal anti-drug forum, has succumbed to Covid-19. For years a determined crusader against the scourge of drug abuse in his community, Pillay, who used to be a teacher, passed away only two days after the death of Indrani, also from Covid-19.

***MARIUS VAN HEERDEN***

Former South African 800m record holder who represented South Africa at the 1996 Olympics has died of Covid-19 at the age of 46.

***PHUMLA AND PHUMEZA LUGULWANA***

These twin sisters, aged 46, died of Covid-19 within hours of each other.

***LAURENCE DWORKIN***

Respected film maker, founder member of South Africa's Independent Producers Organisation, and co-founder in 1985 of Video News Services and Afravision Video Collective which documented and publicised apartheid state violence during the 1980s, died of Covid in May 2020 at the age of 64.

***AMOS KOMENI***

An active member of the South African Communist Party and project administrator in the office of the Deputy Speaker of the National Assembly since 2014, Komeni died of Covid-19 at the age of 60.

***DR CLARENCE MINI***

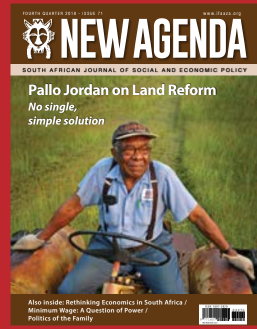
Dr Mini, who was appointed chairperson of the Council for Medical Schemes by former Health Minister Aaron Motsoaledi, passed away a month after contracting Covid-19 in May 2020. He was co-chairperson of the National AIDS Convention on SA and a trustee of the Government Employees Medical Schemes (Gems), as well as a board member of numerous medical institutions.

***PROF GITA RAMJEE***

An internationally renowned scientist in the field of HIV prevention, Ramjee was Chief Scientific Officer at Aurum Institute and before that Director of the HIV Prevention Research Unit at the SA Medical Research Council. She passed away in March last year due to Covid-related complications.

***SHONISANI LETHOLE***

Lethole died in Thembisa hospital in July 2020. He was admitted with breathing difficulties. His story was widely reported when it emerged that he had not been fed in hospital for 100 hours and 54 minutes. During that time he tweeted Health Minister Zweli Mkhize pleading for help.

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