The State, Accumulation and Class Formation after Apartheid

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Debates in the labour movement and in the socialist left more generally tend to pay relatively little attention to the nature of the state as a structure, and point to a fairly vague understanding of the role of the state in the economy.

Debate on the state as a structure tends to focus on issues like personalities, policies and parties. This does not pay much attention to the larger system – the structured organisation – of the state in which these three elements operate. That structure exists *continuously* despite changes in personnel, policies and politicians, and shapes all of these. Looking at the deeper nature of the state requires looking beyond what is most obvious.

Debate on the state in the economy tends to centre on issues like the impact of corruption, the impact of inefficiency and state failings, and the impact of regulations and taxes. This does not pay much attention to the state itself as an economic force – an owner, employer, capitalist, site of accumulation and major spender – and lends itself to the sort of view that the "economy" is basically about the private sector, the private firms, and shares on the Johannesburg Securities Exchange (JSE). As an example, the state's Black Economic Empowerment (BEE) scorecards for the economy that talk about black ownership, measure the *private* sector and ignore the state.

Is "White Monopoly Capital" (WMC) still a useful Concept?

Labour and left debates on the economy often focus on the ongoing power of what is called "white monopoly capital": the large, apartheid-era, capitalist firms that were inherited by the new South Africa.

Regardless of the ways this notion has been opportunistically used by certain politicians, there is no doubt that WMC existed in apartheid, that the South African economy has historically had a "monopoly capitalist" structure – domination in each sector by a few huge firms – and WMC has also continued to play an important role post-apartheid.

By 1987, over 83.1% of all shares on the Johannesburg Stock Exchange (JSE) – now the Johannesburg Securities Exchange – were owned by four giant companies, with Anglo-American (despite the name, a South African company) owning 60.1%, followed by Sanlam at 10.7%.[1] With the 1990s transition, the "Big Four" were not subject to any penalties, were largely exempted from the Truth and Reconciliation Commission (TRC), and benefited massively from post-apartheid economic policies and state contracts (for example, construction in preparation for the 2010 World Cup).

In all parts of the private sector of the economy, the pattern of a few giant companies persists. One effect is persistent price-fixing by cartels – in sectors ranging from concrete to bread – exposed by the country's Competition Commission over recent years. These large private firms – mainly rooted in the pre-1994 period, historically white-owned and dominated, with a corporate culture marked by the apartheid era – might correctly still be termed "white monopoly capital" or WMC.

[1] Congress of SA Trade Unions (COSATU). 1987. *Political Economy: South Africa in Crisis*. Johannesburg: COSATU Education Unit. p. 19.

Beyond WMC #1: the changing Private Sector

However, it is important to note that there are some important developments that require us to be careful about simply describing the post-apartheid economy as one based on WMC.

The old WMC firms have restructured – usually slimming themselves down, focusing on fewer areas and operating more internationally – and their role on the JSE has fallen sharply:

- For example, the Anglo-American of the 1980s, at its height, controlled key parts of the economy across a white range of sectors, such as consumer goods (for example, SA breweries), retail (for example, Edgars), banking (for example, FNB), and manufacturing (for example, African Steel).
- Today, Anglo-American is basically "a globally diversified mining business."[2] Anglo-American has sold many of its holdings in banks and retail, in favour of a mining focus, and globalised aggressively. Anglo moved its main share listing from the JSE to the London Stock Exchange in 1999. Its single biggest current project is in *Brazil*, not South Africa. It is currently only seventh on the JSE, and controls less than 10% of shares, compared to the over 50% of the 1980s.
- BEE has meant that around a quarter of JSE-listed company directorships are held by "black" people (this includes Indian, Chinese, Coloured, black African), and the proportion of senior managers in the private sector who are black stands at 32.5% by 2010.[3] Obviously this is disproportionate – it means whites, and white men particularly, are still at the centre, but this is still a radical difference with 1980s WMC which was 100% white and 99% white men.

Beyond WMC #2: "Denationalisation"

Second, the opening of the economy has led to a host of foreign firms listing on JSE, so that some of the biggest firms on the JSE are no longer South African-based:

- While South African companies controlled 83.1% of JSE shares in 1987, by 2012, foreign investors held 37% of all shares, and 43% of industrial shares, on the JSE[4] (this does include some South African capital re-entering via channels elsewhere, but is a massive change).
- So, while 10 companies still control 50% of JSE capitalisation, a substantial part of this ownership is not traditional WMC.

Beyond WMC #3: the State as Heart of the Economy

Third, the state apparatus is itself a massive economic force, in total bigger than the largest examples of WMC even at its height in the 1980s:[5]

[2] "At a Glance." https://southafrica.angloamerican.com/about-us/at-a-glance

[3] Sibanyoni, M. 10 October 2010. "Black Directors Arrive on JSE." City Press; R. Southall. 13 February 2012. "South Africa's Fractured Power Elite," paper presented at WISER seminar, University of Witwatersrand.

[4] Jones, G. 8 July 2013. "'Double Negative Whammy' Risk for JSE." BDLive.

[5] Mohamed, M. 29 February 2012. "Blacks own More than 13% of Land.'" *The Citizen*; Rumney, R.

- Even in the 1980s, the state was the biggest single employer, landowner, income earning institution, and by any reasonable measure, the dominant "monopoly capital" in electricity, rail, roads, forestry, television, sectors of banking, higher education and elsewhere.
- In the 1980s, if we include state-owned firms, a different picture of the economy emerges than that if we focus just on *private* firms: three of the ten largest firms in SA in 1979 were state-owned, namely SAR&H (now Transnet, at number one), ESKOM (third), and ISCOR (ninth). If we combined Anglo-American Corporation and De Beers (fifth and eighth) – in fact the same firm – it comes out just slightly larger than SAR&H.[6]
- Even the 13% of land for black Africans in former homelands was effectively held by the state in "trust," and controlled by state-paid kings and chiefs

A focus on private firms – of which WMC in the form of Anglo-American and Sanlam and others were key examples –hides this huge part of the picture.

- The 1990s transition did not remove state "monopoly capital" nor significantly erode the enormous state presence in a wide range of sectors. The 1990s transition saw the state remain the single largest landowner in the country, holding land through state corporations, municipalities, government departments and the homelands system (with the exception of outside of Zululand, which was transferred to the king on the eve of the 1994 elections).
- The state receives more income from South Africa than any other single institution operating in the country.
- This means that today, a powerful and wealthy (and mainly black) elite in the state sector controls up to 30% of the economy *through the state*, including state banks (e.g. the Industrial Development Corporation, Land Bank, Ithala Bank), asset funds (like the Public Investment Corporation/ PIC), state corporations (e.g. ESKOM and South African Airways/ SAA), state facilities (e.g. the water grid and harbours), mass media (e.g. South African Broadcasting Corporation/ SABC), a world-class weapons industry (e.g. Denel), high-end research (e.g. the universities), plus a quarter of the land, including more than half (55%) of all land in Gauteng and the Western Cape.
- These are not marginal assets: ESKOM was (in 2018) the fourth largest single Africa-based profit-making corporation by turnover, and is a state-owned multinational corporation active in 34 countries. If we combine the Transnet structures listed in the Top 500 African companies, Transnet comes in at number ten.[7]
- The state-owned PIC is the largest asset manager in Africa, and owns around 12.5% of the JSE – spread over different companies, and including 30% of Lonmin. If PIC investments on the JSE were led in single, distinct company right now, it would be the fourth largest firm on the JSE, around 2.5 times larger than Anglo, which is seventh.[8]

[6] "Who Owns South Africa: An analysis of state and private ownership patterns." In Daniel, J., R. Southall and J. Lutchman. (eds.). *State of the Nation: South Africa 2004-2005.* Pretoria: HSRC.

[7] The Africa Report. July-September 2019. "Top 500 African Companies." 108: 83-97.

[8] Total JSE capitalisation in March 2019 was USD 982.56 billion (March 2019), or roughly ZAR14.1 trillion (mid-2019 exchange rate). PIC investments, representing 12.5% of total JSE capitalisation, must then come to ZAR 1.1 tn. The

- And, as noted earlier, by 2010 around a quarter of JSE-listed company directorships were held by "black" people and the proportion of black senior managers in the private sector at a third. This was directly due to power exerted *by the state* on large private firms to meet employment equity and other BEE targets.

Beyond WMC #4: the State as Site of Accumulation

As writers like Jon Hyslop[9] and Shawn Hattingh[10] have noted, the state is *itself* a site of enrichment. This was true under the apartheid National Party (NP) and is true today, post-apartheid, under the ANC.

Hattingh notes the danger of focusing solely on Zuma, and seeing all of the scandals as simply being linked to his clearly flawed personality, as this misses the point that states are used as sites of accumulation and that the state is always used for personal gain by the powerful.

The reality, however, of the 1994 transition was that there was no black capitalist class of any real power at the time; the main parts in the private sector were dominated by a small economic elite of major companies, i.e. WMC. This made it extraordinarily difficult for a new capitalist layer to move into the core of the private economy. It was essentially captured already by a small elite: before the 1940s, mostly South African "English" and "Jewish" capital, but by 1990, also including a powerful "Afrikaner" capital.

Moreover, white capitalists were assured that their wealth would not be touched. In return, the ANC was allowed to take over the state. In other words, capitalism was maintained, including the harsh exploitation of the black working class, but the faces in the state changed.

What this meant was that "the state became the key site through which an ANC elite could build itself into a prosperous black section of the ruling class."[11] The methods used include:

- Large **salaries and perks** for top positions in the executive, parliament, government departments and in state companies. By one estimate, if Zuma's salary and perks such as security, vehicles and expenses for his wives for the first term of his Presidency were added together, the cost would come to over R500 million. In fact, a recent survey revealed that Jacob Zuma was the fourth highest paid head of state in the world, surpassed only by America's Barack Obama, Canada's Stephen Harper and Germany's Angela Merkel, in that order respectively.

- An extremely rapid **Africanisation of the management of the state companies**: media tends to focus on this as "cadre deployment" – the fact the appointees were often party

top three JSE-listed firms by market capitalisation by 2018 results were Anheuser-Busch (ZAR2.3 tn), British American Tobacco (R1.8 tn), and Naspers (R1.4 tn). In mid-2019, Anglo was valued at ZAR 425 bn, and in seventh place on the JSE: https://www.sashares.co.za/top-100-jse-companies. Note three qualifications in these calculations: figures were rounded up, the calculation was modestly skewed by use of exchange rates in mid-2019, and the calculations assume the PIC does not have holdings in the top three.

[9] Hyslop, J. 2005. "Political Corruption: Before and after apartheid." *Journal of Southern African Studies*, Vol 31 (4): 773-789.

[10] Hattingh, S. 2 April 2015. "Is it Just Jacob Zuma?" Pamabazuka News. https://www.pambazuka.org/governance/it-just-jacob-zuma

[11] Hattingh, S. 2 April 2015. "Is it Just Jacob Zuma?" Pamabazuka News. https://www.pambazuka.org/governance/it-just-jacob-zuma

loyalists, and in later years, Zuma loyalists – but this misses the point that it effectively placed a new black elite in control of some of the largest South African firms, including control over contracts and tenders.

- State power provides **access to tenders**, especially key deals related to public-private partnerships fostered by GEAR, but also including long-standing contracts with the private sector, which have long existed, including the contracts for coal with ESKOM. There are tens of thousands of such contracts, from the municipal level up.
- State power also enables the state to push for BEE, affirmative action, and empowerment charters in the private sector.
- In order to influence the state, private companies also engage in appointments of political allies to key private sector positions – Ramaphosa is a key example – and blatant bribery, as we have seen in the Arms Deal – with Zuma a key example – as well as sponsorships and grants.

Not a uniquely South African or ANC or African Process

Note that, as issues around the funding of the DA and EFF have shown, and DA and EFF municipalities have shown, this by no means unique to ANC.

Such methods were heavily used by the NP apartheid state, including:

- Moving state accounts to Volkskas (now ABSA), which was then a fairly small Afrikaans owned bank.
- Capture of the state companies, in a rapid process of Afrikanerisation.
- Reallocating state contracts – for example, contracts for coal supplies – to Afrikaner-owned firms like Glencore, a new mining firm owned by SANLAM.

Third, such methods are not unique to South Africa, or even to poor countries. They are central to

Russia (including used by Putin), Italy (sometimes including organised crime networks), and even the USA – often at the city level, with municipal contracts, but also at the national level, including scandals around the Clintons (Democrats) and Dick Cheney (Republican).

Beyond WMC #5: the Ruling Class is more than Capitalists

What this means is that South Africa is controlled by a **single ruling class,** divided into two sectors:

- A (largely white) private sector elite.
- A (largely black) state elite.

This class is united at both a deep structural level, through common interests and interdependence, and at a more conjunctural level, by current neoliberal programmes and alliances, among which note can be made of the Growth Employment and Redistribution (GEAR) strategy of 1996 or the fact that almost every single Cabinet minister is a shareholder in one or more private companies.

The state, of course, also controls the means of coercion and administration. This includes the military (one of the five largest in Africa), the police, and the state administrative machinery, with more than a million officials.

Standard images of the post-apartheid economy partially capture the reality: "blacks have political power" (or, more accurately, a black elite has state power), and "whites have economic power" (or, more accurately, a white elite has private corporate power).

Crudely, this captures a simple truth: a (mainly black) political *elite*, its power centred on the predominant ownership and control of means of administration (e.g. the state bureaucracy) and coercion (e.g. the police) through the state, is allied to a (mainly white) economic *elite*, its power centred on the predominant ownership and control of means of production (e.g. the mines) through private corporations. These two sectors comprise, together, the **South African ruling class, forming its two wings.**

Their alliance is not held together by the corruption of a few people, or by incorrect programmes, not by poor state leadership, and not even by the ANC, all of which can be changed.

Nationalisation: Solution or Illusion?

The idea that nationalisation is, in any size, shape or form, socialist, is therefore quite debatable. Is it just a means of *shifting resources between* the wings – the private and state wings – of the ruling class, not shifting them to the working class? If so, state ownership is not working-class ownership.

Advocates of nationalisation should pause to consider the existing mess. In the 2013/14 financial year, South African Post Office executives failed to meet most planned targets, misspent R2.1-billion on tenders, and stumbled from crisis to crisis; while Post Office workers waged a series of massive strikes in 2013 and 2014. It emerged that top managers – who plead poverty when faced with workers' demands for higher wages and better jobs – awarded themselves a 26% wage increase.

It is also incorrect to see the state's operations as more desirable, with problems like political cronyism, waste, corruption, lack of maintenance and investment a mainstay of both the apartheid National Party (NP) and post-apartheid ANC periods.

The State Elite is not a Comprador Layer

The state elite is not a negligible layer, but people who control – through the state – major means of administration and the means of coercion. In addition, state elites control major means of production through the state, including state-owned operations and banks. This also means that this layer has resources of its own. Furthermore, through high salaries, perks, corruption, awarding state contracts to family members, state corporations, and the direct exploitation of state workers, the state serves as a site of wealth accumulation for the state elite.

The black elite, whether in the state, or in the private sector, is an *active* part of this system, and its beneficiary – not a bought set of black faces, not a "petty bourgeoisie," not a "comprador" layer, but a powerful sector of the ruling class, in its own right, with its *own agenda* based on its *own resources.*

It cannot form a reliable ally of the working class, partly because its class interests and very existence rest upon the ongoing subjugation of the working class, partly because it is part of an elite pact of class domination with private capital, and partly because its own agenda – survival and expansion – must clash with working-class interests.

The Rise of NP and ANC Neoliberalism and the changing Ruling Class

The left and labour focus on WMC has the very real merit of revealing both continuities with the past and part of the present problem, but it sidesteps massive changes in the private sector, including denationalisation and Black Economic Empowerment (BEE) and ignores the economic size and power of the state sector. The onset of neoliberalism in the late years of apartheid under the NP (from 1979) and the acceleration of neoliberalism under the ANC (from 1993) changed the picture.

Tough capital controls that previously made it almost impossible for South African companies to move most of their assets outside the country despite political turbulence and economic decline, noted David Kaplan,[12] forced WMC to develop into giant conglomerates *within* the country. Despite limited exports of capital – Anglo had more investments in the USA than Unilever, according to one estimate[13] – the strict capital controls meant Anglo evolved from being a mining house to having massive holdings in agriculture, industry, retail and media. The existing monopoly structure in mining (and state industry) was now systematised widely.

It was ANC-led liberalisation of capital and other controls that allowed Anglo to relocate its primary listing to London in the 1990s. Looser regulations were part of growing efforts to position South Africa as an attractive "emerging market," and growing global flows of foreign investment have seen the JSE change. The NP had pioneered neoliberal measures in the 1980s, mainly through austerity, sales of major state companies like ISCOR and SASOL, and tax reforms, but did not allow capital flight.

The ANC continued these, but also opened the economic gates on a scale unseen since the early 1920s. It became more attractive to invest – sometimes, some would say primarily, for short-term profits and speculation – but it also became easier. Notably, from 2004, foreign companies could list directly on the JSE. It also allowed big firms – Anglo among them – to relocate their listings abroad, and shift from a conglomerate centred on South Africa, to a global multi-national, with a radically declining role in South Africa.

[12] Kaplan, D. 1983. "The Internationalisation of South African Capital: South African foreign direct investment in the current period," paper presented at "Southern African studies: Retrospect and Prospect" conference, University of Edinburgh, 30 May-1 June: 206-208.

[13] Innes, D. 1984. *Anglo American and the Rise of Modern South Africa.* New York: Monthly Review Press. pp. 234-236.

Conclusions and Questions

These points raise key questions for working class strategy. What do they mean for political parties participating in the state or winning state power? If such behaviour is normal, how useful is it to pose the problems in terms of a moral dynamic – corruption – rather than a structural one – class?

Competition for state positions is closely linked to competition for resources. Does this help explain why political parties fragment, or what conflicts between politicians are involved? Those who were purposefully excluded by the Mbeki faction were instrumental in backing Zuma in order to gain access to the top of the state and the wealth it would bring.

Many in the opposition continue to believe that simply removing the president will solve the problems, but do we not, perhaps, need a proper challenge to the system that enables power and wealth accumulation for the few, as Hattingh argues?

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