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Systems of Accumulation and the Evolving MEC

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1. Introduction

The limitations of the Developmental State Paradigm were discussed in the introductory chapter to this volume. This chapter offers an alternative approach to the DSP through use of the notion of systems of (capital) accumulation and its specific application to South Africa's evolving political economy, which we characterise as the 'Minerals-Energy Complex' (MEC) following Fine and Rustomjee (1996).¹ In this, we reveal what a systems of accumulation approach can achieve relative to what the DSP cannot. The argument is focussed on South Africa but relates also to more general theoretical questions about the relationship between the general tendencies of capitalist development, how to specify capitalist formations, the role of 'middle-range theory', and how to account for ongoing differentiation within global capitalism. We seek to marry abstract laws and tendencies of capitalist development with the analysis of specific class relations, social formations, and their many concrete determinations. Whilst capital has powerful tendencies which universalise features of development, these never settle nor are they reproduced in exactly the same way in concrete social formations. Analysis needs therefore to trace the particular historical development and articulation of capitalist relations. In particular, we argue that through an emphasis on class relations and dynamics situated in the context of the world economy, it is possible to integrate:

- i. different spatial scales of analysis in a manner which recognises that national capital relations are conditioned by global capital relations, but that they also contribute to and are constitutive of the global whole;
- ii. economic and political analysis (including the state) through emphasis on evolving class relations and conflicts and how these are reflected in patterns of accumulation and economic and social reproduction;
- iii. the role played by finance and its impact on class formation;
- iv. labour into the analysis through foregrounding understanding of capital as a social relation.

In South Africa itself, the term MEC has gained some currency, and has been employed (and extended) in a number of recent analyses (eg Bond and Ndlovu 2010; Hallows 2010; Marais 2011; Mbeki 2009). And the term has even been referred to casually by members of the South African Chamber of Mines – though on the assumption that the domination of the economy by mining and energy is a good thing. Rigorous understanding of the MEC needs it to be tied firmly both to its 'parent' notion of a system of accumulation and to a broader theoretical understanding of the abstract tendencies and dynamics of capitalism on a world

¹ For some account of intellectual origins of the MEC, see Fine (2010).

scale. The separation of different dimensions of analysis is a general limitation of institutionalist economics, especially given its predilection for ‘methodological nationalism’, and its insistence upon the importance of institutions without adequately tying them to an underlying political economy of capitalism. Emphasis on institutions, or on corresponding middle-range theory more generally, is also a limitation of some Marxist political economy such as the Regulation School or Social Structures of Accumulation approach. To develop concrete historical analyses, Marxist political economy best proceeds by linking together the abstract and the concrete in a unified framework or dialectic of mediations.

In many respects, this is exactly the opposite what has been attempted by the immediately mentioned approaches when they have been applied to South Africa. For the Regulation school, as with Gelb (ed) (1991), the notion of Fordism was hi-jacked and forcibly married with apartheid to offer the notion of racist Fordism. Thus, one indisputable empirical characteristic, institution even, was analytically imposed upon Fordism, irrespective of its theoretical and empirical merits otherwise.² It soon gave birth to its flec-spec, post-Fordist version, ISP (1995), an even more blatantly superimposed and alien analytical construct on South African realities, Fine (1995).

Otherwise, Heintz (2002, 2010) has sought to incorporate South Africa into the Social Structures of Accumulation approach. In its construction, this is more attuned to South African realities than the Regulation approaches, but draws more or less arbitrarily and judiciously upon empirically observed characteristics of the South African formation to frame the structures of accumulation. But why is one characteristic chosen rather than another and how to identify the causal factors that underpin these characteristics and their interaction, especially when accumulation is punctured by crises of the social structures (such as the demise of apartheid)?

In short, such approaches suffer from some combination of imposing “foreign” frameworks on South Africa and deploying more or less casual empirical observation as a theoretical factor that inevitably is found to be both justified on its terrain of application and suspended from deeper, systemic explanation. But is the MEC (as the South African system of accumulation) open to the same criticism of being middle-range and/or empiricist. Significantly, the MEC was first proposed in the context of specific rejection of the DSP (although lessons were drawn from the South Korean experience), Fine and Rustomjee (1996). This was because of judgement that the state-market dichotomy as analytical prime-mover is particularly inapplicable to South Africa where class relations and interests have been formed through both the state and market according to the interests acting upon and through them. And, unlike JK Galbraith’s military-industrial complex, with which it shares at most a partial nomenclature, the MEC is not formed simply out of coincidence of given interests. Rather, the MEC is the historically derived dynamic of capitalist accumulation peculiar to South Africa’s political economy.

Our discussion of South Africa, therefore, relies, however implicitly, on a more general theoretical argument as well as providing close analysis of an important case study, the most industrialised society in Africa, where discussion of the notion of the Developmental State, DS, has most recently been particularly intense (see Ashman, Fine and Newman 2010a;

² The result was essentially underconsumptionist with the claim that racially restricted consumption constrained domestic mass production.

Edigheji 2010).³ We have argued previously that, despite the self-pronounced desire to become a DS, South Africa is particularly *unlike* one as understood in the literature on East Asia and more broadly, where high rates of growth were the product of high levels of investment in strategic industries, creating a pattern of production and investment, which would not have arisen without state intervention and, famously, ‘getting prices wrong’ in pursuit of domestic industrialisation (Amsden 1989). South Africa instead has, since the defeat of apartheid in 1994, been in key respects the antithesis of a DS. The Government explicitly adopted a neoliberal macroeconomic framework from 1996 onwards with the Growth, Employment and Redistribution (GEAR) programme. Despite its name, GEAR was neither employment-centred nor redistributive. The results of the deregulation of financial markets, tariff reduction and trade liberalisation have been capital flight and deindustrialisation combined with (sectoral) corporate concentration and the relative absence of strategic industrial policy.⁴

As a consequence, South Africa’s pattern of economic and industrial development remains heavily skewed towards the industries around which racial segregation and apartheid grew, highly dependent on world commodity prices and vulnerable to currency crises when commodity prices collapse, and lacking in secondary industrialisation and employment, while financialisation and capital export have contributed to widening inequality, jobless growth and lack of investment. Indeed calls for South Africa to become a DS gained momentum in response to growing anger and frustration with the lack of post-apartheid change and achievement, and the ANC announced its intention of becoming a DS in a discussion document (ANC 2005) which, despite having implemented them itself, criticises Washington Consensus policies for failing to bring about economic development. The notion of a DS has, then, become politically contested, uniquely so and beyond the realms of academia, in terms of disputing its substantive content: for some, it is a platform around which to mobilise for greater state intervention and reform in the interests of the majority; but for others it is the ideological form taken by neoliberal business as usual. This is indicative of a tension within the South African state between the discursive shift in using the DS to create a ‘New Growth Path’⁵ and the substantial continuities which remain in policies and outcomes that have prompted that shift.

This chapter, then, makes some arguments about South Africa but is also theoretically self-aware. For, a critical question for Marxist political economy is how to move from abstract

³ In Ethiopia also the ruling party has declared itself in favour of becoming a Developmental State. Prime Minister Meles Zenawi presented a paper titled ‘African Development: Dead Ends and New Beginnings’ at the Policy Dialogue Initiative in London in 2006 which declared neoliberalism a failure in Africa and advocated a Developmental State model based on East Asia. See

http://cgt.columbia.edu/files/conferences/Zenawi_Dead_Ends_and_New_Beginnings.pdf

⁴ Over one million workers in the formal sector lost their jobs between 1994 and 2002. In 2002 the narrow definition of unemployment was 27 percent of the workforce, and 45 percent of the workforce according to the broader figure which includes those no longer actively seeking work. Income inequality also increased between 1994 and 2002 and continued to be highly racialised (Cronin 2002).

⁵ “The New Growth Path: The Framework”, Economic Development Department, South Africa, 2010.

categories of value and capital to an understanding of concrete forms of class society in time and space – ascending from the simple or the abstract to the complex and combined – the concrete being the unity of many determinations, a movement which also goes from the concrete to the abstract in a two way process (Marx 1857; Ilyenkov 1982). How do we integrate theory, history and empirical analysis without collapsing into empiricism? How do we move from capital to capitalism and then to understanding the differences which exist within capitalism? How do we operationalise Marxist theory in a historical and dynamic context, uniting abstract tendencies and concepts to the empirical analysis of the concrete within a unified framework. This requires the close examination of the specific way that capitalist value relations – including the state form that expresses and mediates class relations - are constructed, organised, reproduced and also influenced by class struggle itself. And, whilst capital relations are conditioned by global capital relations, they also contribute to, and are constitutive of, the global whole.

These are questions beyond our scope here, but we suggest that the notion of a system of accumulation, conceived in a particular way, can be extremely helpful in moving from abstract concepts to diverse concrete realities. But such ‘middle-range’ concepts, whilst necessary and revealing to a greater or lesser degree however they are composed, are not a substitute for general, systemic theory, which remains at best implicit and at worst fudged if confined to Merton’s (1968) exposition of middle-range theory. Accordingly, a system of accumulation (not necessarily a national entity) can be seen in broad or narrow terms. Narrowly, it can, for example, be specified as a core set of industrial sectors, with strong linkages with one another and relatively weaker linkages with other sectors as demonstrated through input-output tables. This is important empirically, as we shall see, though it is compatible with a technicist conceptualization that we reject. For such core sectors need to be located in relation to the state, finance, class relations and value creation, and how these impact across society as a whole. As will be discussed in greater depth, South Africa is dominated by a ‘Minerals-Energy Complex’ incorporating core sectors, but this dominance needs to be understood in conjunction with (not at the expense of) broader considerations (Fine and Rustomjee 1991). As a result of the particular articulation of class relations in South Africa, manufacturing has been confined to a limited number of industries around primary production and remained weak in capital and intermediate goods sectors. Both apartheid and post-apartheid economies have failed to diversify out of the core base within the MEC, and this structure of production remains critical to understanding South Africa’s enduring levels of mass unemployment and its large reserve army of labour (Ceruti 2010). We argue that the MEC has changed over time in the light of both domestic and international developments which have combined to produce, through the actions of both state and capital, the financialisation of the South African economy alongside its continuing concentration on core MEC sectors. These interactions – both domestic and global – combine to reproduce the specific contemporary form of the MEC as an evolving system of accumulation.

In this light, we now proceed by specifying the system of accumulation specific to South Africa and the distinctiveness of the MEC analysis as developed by Fine and Rustomjee. Then, we look at the historical development of the MEC, placing emphasis on the evolution of class relations, before looking at the MEC since 1994 under the impact of neoliberalism and financialisation. Fourth we look at the shifting DS debate in South Africa, arguing that this needs to be situated in terms of the reaction against the neoliberal policies of GEAR. In closing remarks, we comment upon how the DSP has dovetailed with recent political and policy developments within South Africa.

2. An Abbreviated History of the MEC as a System of Accumulation

So what then is the MEC? It is the specifically South African system of accumulation, that has been centred on core sectors around mining and energy, and which has evolved with a character and dynamic of its own that has shifted over time. This system of accumulation has determined the economic trajectory of South Africa since the discovery of diamonds and gold in the second half of the nineteenth century to the present. Since the emergence of capitalist relations in mining, South African economic development has been shaped by an array of interdependencies between fractions of capital, industrial sectors and the state.

The conglomerate structure of the South African economy has its origins in mining. Capitalist relations were first established on the diamond fields of the Northern Cape. ‘Diggers’ Democracy’ initially prevailed in the diamond fields of the Northern Cape, where the ‘individual small digger was paramount’ and legislation curtailed the number of claims per (white) miner (Innes 1984 p. 23). But this was transformed in the space of thirty-five years, from 1867, into a monopolistic structure centred on De Beers Consolidated, with a corresponding reform of legal and political relationships, governed by the need to minimise costs by ensuring large quantities of cheap labour (Innes 1984). The gold fields were first proclaimed in 1886, and a process of capital restructuring parallel to that on the diamond fields took place, and far more rapidly. Involvement of the diamond magnates in gold mining accelerated this process of consolidation, and monopoly institutions such as the joint-stock company or mining finance houses and groups reflected the character of British capitalism of the time. Labour control was intensified through formal labour stratification established in the gold law of 1886, whereby the owners of the means of production were to be exclusively white, and ‘non-whites’ were only tolerated on the fields if they were in the service of white men (Innes 1984).

By the time of the formation of the Pact Government in 1924, consolidation across mining and industry had taken place with the Anglo American Corporation (under the control of the Oppenheimer family) at the centre of economic power. Consolidation in this period strengthened monopoly control and brought new areas under the dominance of mining capital. But as Innes argues (1984, pp. 111-112), ‘Consolidation was not carried through without the eruption of severe economic crises in both branches of the industry; without an intensification of open class conflict through the launching of savage onslaughts against workers in gold (in 1922) and diamonds (during the depression); and without the development of considerable internecine strife and restructuring (especially in diamonds).’ Industrial development and diversification up to this point were confined to the development of industries to which mining was backwardly linked, most notably explosives for blasting. By 1911, the chemicals industry was the largest subsector of manufacturing, with explosives making up the largest share.

With the rise of Afrikaner nationalism, attempts were made by the state to create and support its own Afrikaner capital giving rise to a disjuncture between economic power, in the hands of ‘English’ mining capital, and the political power deployed by the state.⁶ The success of this was, however, conditioned by the generation of a surplus in mining and the extent to which part of this surplus could be deployed in subsidising Afrikaner capital. In reality the state was far from monolithic, and industrial development during the interwar period

⁶ For some classic references for what follows, see Kaplan (1974, 1977 and 1979), Davies (1979), O’Meara (1983) and Davies et al (1976).

inevitably reflected an uneasy compromise between English mining capital and Afrikaner capital, with a mutual interest in generating and sharing the surplus out of mining as well as in the exploitation of black (migrant) labour on mines, farms and more generally. In the interwar and immediate post-war period, then, core MEC sectors drove the economy, furnishing a surplus for the protection and growth of Afrikaner capital.⁷ The establishment of state corporations in electricity, steel and transport (to reduce the cost of industrial inputs) constituted a major step in this accommodation across the economic power of the mining conglomerates and the political power of the Afrikaners, an uneasy compromise of evolving fractions of classes and their interests forged through both the state *and* the market. The repressive labour system was a common bond across all capitals and against labour. But this acted to strengthen core MEC activity rather than bring about diversification into related sectors, leading to a vacuum in intermediate and capital goods and a failure to accrue economies of scale and scope other than within core MEC sectors. Whilst Afrikaner capital remained weak and small-scale, it could not be promoted on the basis of a broader policy for industrialisation but nor could mining capital be deployed for the same purpose without the danger of an unacceptable political backlash (and risk of appropriation against state-supported, diversifying mining conglomerates). The corresponding failure to diversify out of the MEC is signalled in part by the absence of coherent state policy both for broad aggregate industrial sectors of the economy and for certain subsectors of manufacturing as a consequence of the disjuncture between economic and political power (Fine and Rustomjee 1996).

Towards the end of the interwar period it was increasingly recognised that, if Afrikaner capital was to be able to compete with English capital, it could do so only on the basis of larger scale and state support. The Afrikaner Economic Movement was initiated in 1934 and was shaped at the first Economiese Volkskongres (People's Economic Congress) in 1939. It was primarily based initially upon Afrikaner populism, small-scale enterprise and farming. But a notable accumulation and consolidation of Afrikaner capital did take place in the mining sector with the formation of Anglovaal in the early 1930s, albeit with no direct state assistance. In contrast to the European financing utilised in the rest of the mining sector, Anglovaal grew through indigenous equity financing. Increasingly, though, small-scale, whilst still heavily supported by tariff protection and subsidies, was losing out to larger-scale capital in influence. But, despite the increasing significance of larger-scale capital, the weight of Afrikaner capital in national economic activity was not rising, and became the target of concerted action.

Accordingly, the National Finance Corporation (NFC) was created in 1949 not long after the National Party came into power in 1948. The NFC provided an instrument for the channelling of short-term funds into the hands of government bodies. For the first time, there was a major institution in the financial sector that allowed for deposits to be invested into treasury bills and mining debentures rather than having short-term funds re-deposited in London. This development marked a major step in changing the interplay between English capital and the state. Rather than relying solely upon private capital, or finance from Britain, Anglo American Corporation was able to access NFC financing for the development of the Orange Free State Gold Fields. The success of the development of the Gold Fields in turn channelled financing to the state which benefitted from the 'spread' between deposits and investment through the NFC. This deepened the interdependency between the state and English capital and provided the conditions for the further erosion of the disjuncture between English and Afrikaner capital, (Fine and Rustomjee 1996).

⁷ See also Fine and Rustomjee (1992).

These processes of consolidating Afrikaner capital and integrating it with English capital continued into the 1950s with state intervention in industry focused on large-scale investments in electricity⁸ and the establishment of Sasol in the fuel and chemicals industry through the involvement of the Industrial Development Corporation (IDC). These sectors were both heavily dependent on demand from the mining sector, and their development contributed to the growth of the MEC core. The 1950s thus saw the growing presence of Afrikaner capital in finance as well as its increasing penetration into core MEC sectors and the strengthening of several important groups including Volskas, Sanlam and Rembrant.⁹ These groups were highly centralised and involved in a number of diverse and overlapping activities and, together with Anglovaal and AAC, were able to exert their influence across most sectors of the economy.

The 1960s saw increasing interaction between Afrikaner and English capital and the consolidation of the conglomerate structure, which accelerated with the Sharpeville massacre and the consequent withdrawal of foreign capital and ownership by domestic conglomerates in their place. This trend continued into the 1970s with the increased penetration between English and Afrikaner capital and between different factions of Afrikaner capital. By the 1980s, the 'six axes' of private capital which had come to dominate all sectors of the economy, including finance, increased in strength and cohesion through extensive concentration across most of the productive sectors. These six conglomerates - Anglo American Corporation, Sanlam, SA Mutual, Rembrant, Anglovaal and Liberty Life - controlled 84.30% of the Johannesburg Stock Exchange in 1985 (Fine and Rustomjee 1996).

The disjuncture between English and Afrikaner capital had eroded sufficiently to allow coordinated industrial policies to be effective and for diversification out of MEC core activities to be possible. But, with the collapse of the post-war boom and the Bretton Woods system based on gold at \$35 per ounce, and the sharp rise in oil and energy prices, a huge premium attached to expansion of production of both gold and energy. As a result, an industrial strategy for diversification was scarcely considered let alone adopted. Instead, the 1970s witnessed an extraordinary state-led expansion of gold and energy production including huge growth in Eskom power generation and the construction of the Sasol II and III plants to convert coal to oil (as a defence against sanctions). In addition to coal mining, electricity and chemicals, the 1970s also saw the expansion of several other manufacturing industries within the MEC core, including aluminium, titanium and platinum smelting. During this period, the apartheid state more resembled a DS than at any time in South Africa's history, with its expanded role in large-scale investment in targeted sectors and coordination of its operations with private capital (Freund 2011).

Into the 1980s, the burgeoning crisis of apartheid also precluded a state and/or private strategy for industrial promotion. But, whilst the core MEC industries remained central to the economy, capital controls and economic sanctions meant that profits generated internally that were not illegally transferred abroad, were confined to accumulation within the South African economy. This gave rise both to further conglomeration across the economy and to the expansion of a huge and sophisticated financial system. Paradoxically, the development of the financial sector saw reductions on the share of investment in long-term physical assets

⁸ State intervention on the electricity sector also acted to strengthen Afrikaner capital in mining through coal contracts from Eskom. See Clark (1994).

⁹ Together with Anglovaal and AAC, these Afrikaner groups would constitute three of the six axes of capital that would come to dominate the South African economy throughout the apartheid period .

(particularly in the non-MEC sectors) as financial conglomerates reoriented themselves towards short-term and speculative investments, reflecting broader shifts in finance and banking at the global level as well as a shift towards monetarism as economic orthodoxy. MEC conglomerates representing both English and Afrikaner capital shifted increasingly towards outward orientation from the 1970s exemplified by high levels of illegal capital flight between 1980 and the debt memorandum of 1985 which saw a strengthening of capital controls (Mohamed and Finnof 2005). Towards the end of the 1980s, with the anticipation of political transition, physical investment by the private sector at this time was focussed on high capital-intensity projects that were dependent on export marketing as a strategy to keep their assets out of reach of the post-apartheid state to as great an extent as possible (Fine and Rustomjee 1996).

3. The Continuing Centrality of the MEC

At the sectoral level, the MEC provides an analytical description of historical industrial development in South Africa as skewed in favour of mining and related industries and the failure of the emergence of a diversified industrial base. Industrial development in South Africa has been centred on a core set of industrial sectors organized around mining and related activities, which exhibit very strong input-output linkages between them, and relatively weaker linkages with other sectors.¹⁰ Table 1 shows the identification of the MEC core sectors based on input-output tables published by Quantec for 2010. The core-MEC sectors remain the same as those identified by Fine and Rustomjee (1996) based on input-output figures for 1988. 64.4% of productive inputs into the MEC sectors come from the MEC core itself and 53.0% of output from MEC sectors goes back into the MEC core as inputs. The weakness of linkages between the MEC core and non-MEC manufacturing - non-MEC manufacturing sectors draws 23% of its inputs from the MEC core and provides just 6% of inputs into the MEC sectors as a whole - in part explaining the extent to which the development of the MEC sectors has occurred at the expense of other manufacturing activities.

Table 1. The Interdependence of the MEC input/output linkages 2010

<i>MEC subsector</i>	<i>Share of inputs from MEC sectors (% of total)</i>	<i>Share of output to MEC sectors (% of total)</i>
Coal mining	26	90
Gold and uranium ore mining	55	5
Other mining*	23	77
Coke and refined petroleum products	88	18

¹⁰ Fine and Rustomjee (1996) identified the following core MEC sectors based on the input-output linkages between them (and relatively weaker input-output linkages with 'non-MEC' sectors): coal, gold, diamond and other mining activities; electricity; non-metallic mineral products; iron and steel basic industries; non-ferrous metals basic industries; and fertilisers, pesticides, synthetic resins, plastics, other chemicals, basic chemicals and petroleum.

Basic chemicals	77	60
Other chemicals and man-made fibres	67	37
Plastic products	68	30
Non-metallic minerals	73	8
Basic iron and steel	82	59
Basic non-ferrous metals	91	59
Metal products excluding machinery	70	41
Machinery and equipment	63	53
Electricity gas and steam	53	47
Non-MEC manufacturing	23	6

* The category other mining includes: extraction of crude petroleum and natural gas; service activities incidental to oil and gas extraction, excluding surveying; mining of iron ore; mining of non-ferrous metal ores, except gold and uranium; stone quarrying, clay and sand-pits, mining of diamonds (including alluvial diamonds), mining of chemical and fertilizer minerals; extraction and evaporation of salt; mining of precious and semi-precious stones, except diamonds; asbestos; other minerals and materials nec; service activities incidental to mining of minerals.

Data source: Input-output tables, Quantec 2011

This descriptive identification of the MEC reveals the historical importance of the MEC core sectors as a site of accumulation within the South African economy in and of itself. In 1924 the relative contribution of the MEC sectors to GDP stood at around 20%. With a share of 16% of GDP, mining made up the bulk of activities at this time. Between 1924 and 1960 the contribution to GDP of the MEC core fluctuated between 17% and 26%, albeit with a decline in the share of GDP from mining from over 20% in 1933 to just 7% in 1971. The MEC's contribution to GDP fell in the 1960s from 22% to about 17% but rose to a high of 32% in 1980.¹¹ Between 1994 and 2010, the share of MEC sector output to GDP continues to be significant, fluctuating between 21% and 23% even if shifting in composition¹² (figure 2). MEC sectors continue to be an important earner of foreign exchange making up just below 60% of total exports. Moreover, mining has increased its share of total exports since 2007, largely because of the rise in gold prices following the onset of the global financial crisis (figure 3). By contrast, non-MEC manufacturing was stagnant between 1960 and 1990, fluctuating within a narrow band of 15-17% of GDP (Fine and Rustomjee 1996, p81). Non-MEC manufacturing has declined since the 1990s from 22% in 1990 to under 15% in 2010 (Figure 1).

¹¹ The expansion of the MEC in the 1970s was largely driven by massive state-led investment in electricity generation and petrochemicals.

¹² While gold and coal mining have been in decline, the mining share of MEC output has been maintained by the expansion of platinum mining in the other mining category.

Figure 1. GDP contribution of the MEC 1970-2010

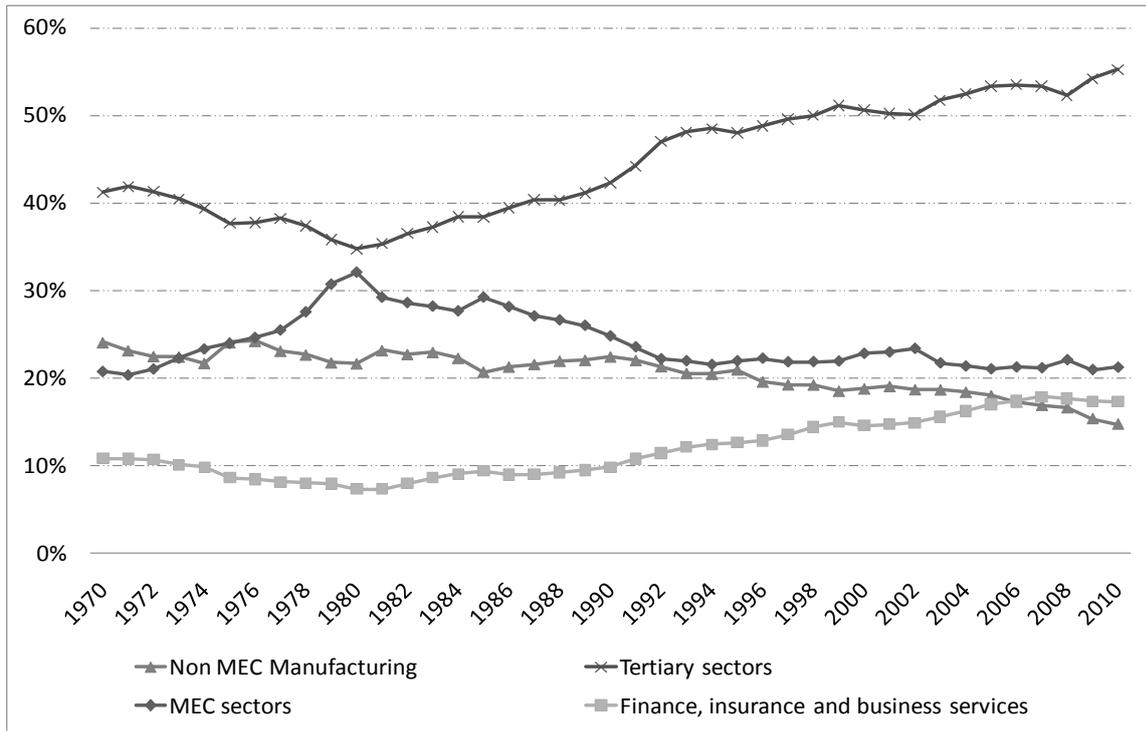


Figure 2. GDP contribution of MEC sectors

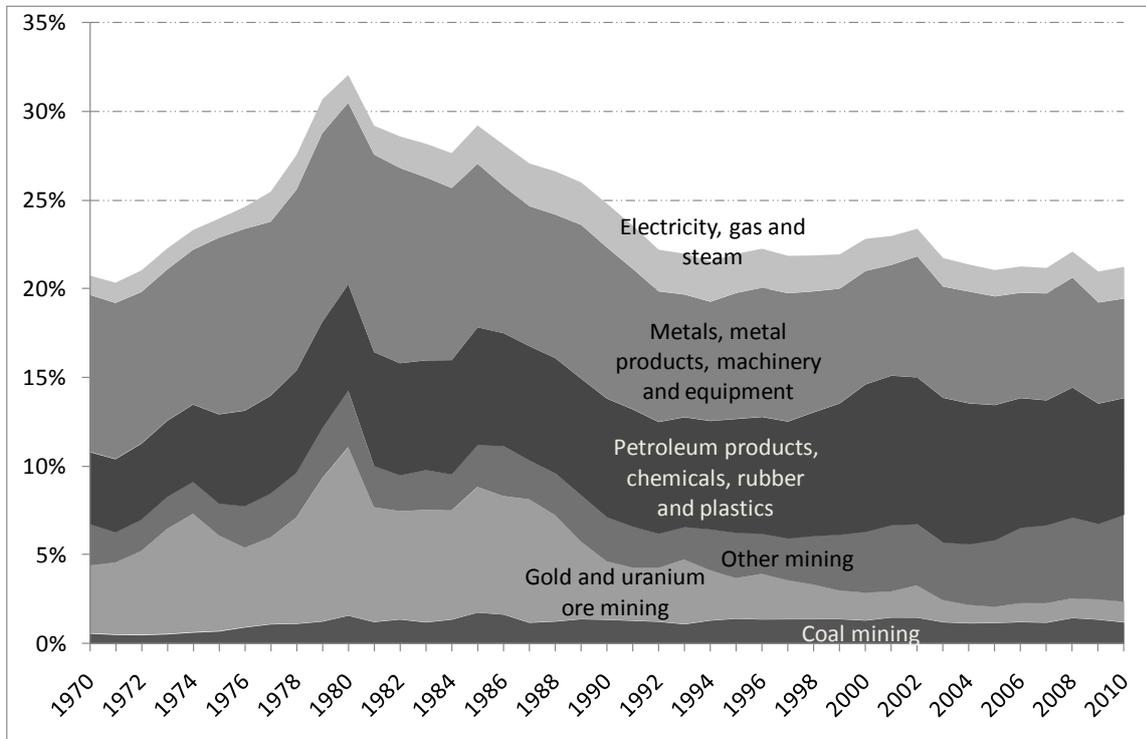
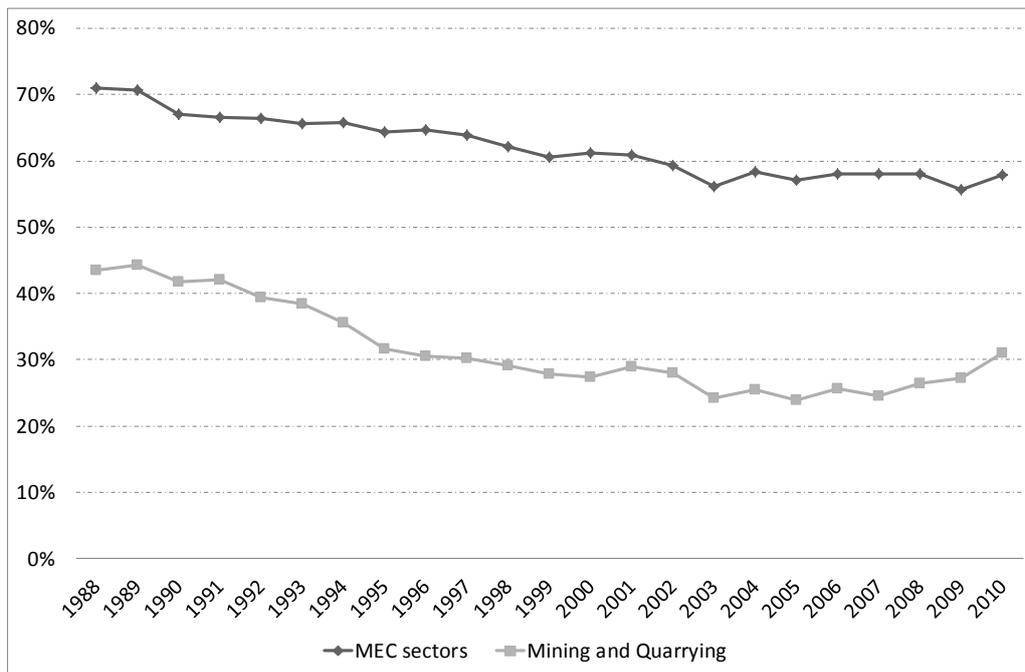


Figure 3. MEC exports as a percentage of total export value

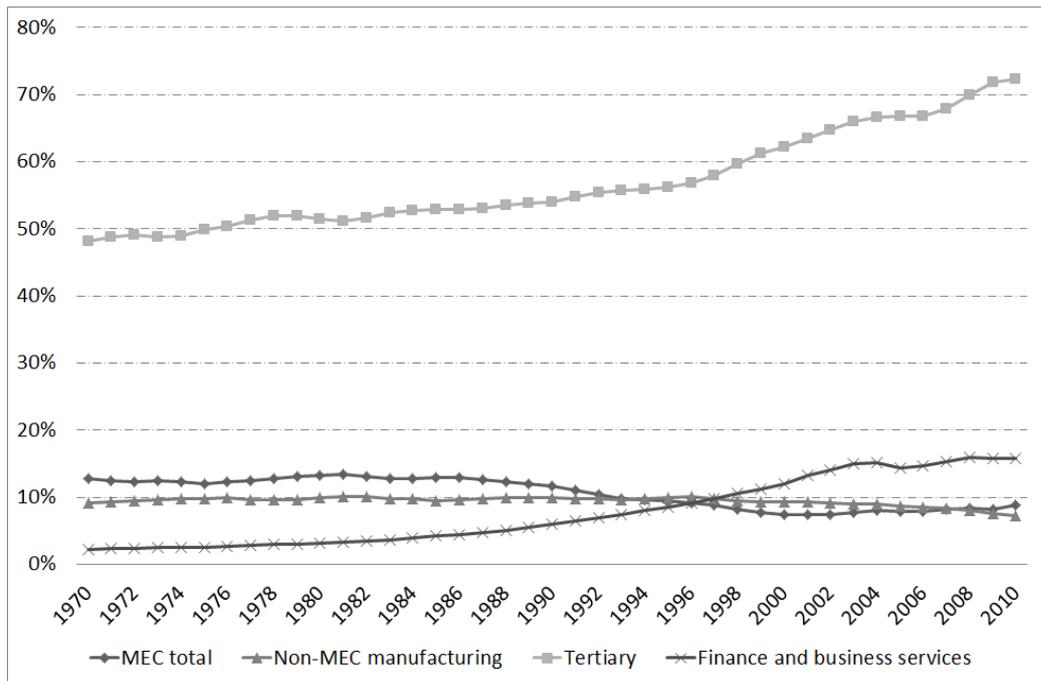


A key correlate of the persistence of such a sectoral bias in the industrial composition of output in South Africa is the chronic level of structural unemployment. The unemployment rate has increased since the end of apartheid, together with inequality, and stood at 25% in the first quarter of 2011.¹³ Productive activity within the MEC core tends to be highly capital-intensive and the weakness of linkages between the MEC core and other productive sectors means that its expansion has few multiplier effects across the economy as a whole. Figure 4 shows the sectoral shares of total employment. Employment within the MEC core has been in decline since the late 1980s from 1.4 million in 1987 to 1.1 million in 2010 (employment numbers within the MEC were at their lowest point since 1994 at just under 0.9 million in 2001). The share of total employment of the MEC core has fallen below that of non-MEC manufacturing, despite the relatively small and declining weight of the latter.

Over the past decade, the services sector has seen dramatic expansion in terms of its share of GDP and employment, and has been regarded as central to solving the unemployment problem, at least in the short term (ANC 2006, Tregenna 2008). Much of this expansion has taken place in finance and business services, along with wholesale and retail. Employment in these sectors has been highly casualised and precarious (Mohamed 2009, Tregenna 2008). In addition, much of the employment in retail and wholesale, and other personal services, has resulted from debt-driven consumption that came with an expansion of credit in the decade or so prior to the global financial crisis and is, thus, highly susceptible to sudden changes in economic conditions (Mohamed 2009).

Figure 4. Sectoral shares of total employment

¹³ Inclusion of discouraged workers into the calculation for unemployment increased the rate to one third of the labour force.



Tables 2 and 3 show the share of fixed capital stock and changes in capital stock across economic sectors between 1970 and 2009, respectively. The relative shares of capital stock across economic sectors have remained remarkably unchanged since 1970. The 1970s and 1980s saw enormous physical investment in MEC sectors and, despite, a decline in physical investment in the 1990s, the noughties has seen an increase in investment across MEC sectors, and especially in mining, while manufacturing sectors in general and non-MEC manufacturing in particular have experienced an absolute decline in capital stock (Ashman et. al 2010b).

Table 2. Fixed capital stock as a percentage of total fixed capital stock in the economy

	<i>1970</i>	<i>1980</i>	<i>1990</i>	<i>2000</i>	<i>2009</i>
Mining total	6.11%	6.32%	8.59%	7.90%	8.02%
MEC sectors total	15.12%	19.91%	23.30%	22.20%	21.26%
Manufacturing total	8.94%	12.00%	12.10%	13.94%	12.33%
Non-MEC manufacturing	4.03%	3.56%	3.55%	4.05%	4.10%
Non-MEC manufacturing (less autos)	3.65%	3.20%	3.13%	3.45%	3.44%
Tertiary sectors	67.94%	66.20%	65.19%	67.07%	68.45%
Finance, insurance and business services	22.55%	20.40%	21.89%	22.57%	22.42%

Table 3. Change in capital stock (R billions at 2005 prices)

	<i>1970-1979</i>	<i>1980-1989</i>	<i>1990-1999</i>	<i>2000-2009</i>
Mining total	43.47	79.549	0.372	60.703
MEC sectors	177.56	162.34	28.72	127.07
Manufacturing total	104.86	46.42	76.87	44.87
Non-MEC manufacturing	17.85	15.17	20.97	30.78
Non-MEC manufacturing (less autos)	16.56	12.22	16.71	24.48
Tertiary sectors	494.17	279.63	187.09	527.25
Finance, insurance and business services	130.95	127.92	65.69	156.69

4. The MEC Today

In short, post-apartheid economic development has been marked by the persistence of the MEC as the dominant system of accumulation, although in a different form with the evolution of class relations that has taken place with, and since, political transition. The post-apartheid period has seen the strengthening of the influence of capital over the state and policy; a reduction in the concentration of capital among the six large conglomerates through capital restructuring driven by the need to update outdated (centralised) corporate and managerial structures; increased financialisation and international expansion of the

conglomerates; and the shifting structure of capital through , Black Economic Empowerment, BEE, deals – the enrichment of those with political and other connections through varieties of means but rarely functional to capital accumulation as opposed to surplus appropriation. A number of commentators, even if broadly sympathetic to the MEC-approach, have remarked upon the decline of the importance of the MEC in modern South Africa (Bond 2005, Chabane et al 2006; MacDonald (ed) (2009)) on the grounds of the increasing sectoral share of output and employment in the tertiary sector. We argue that such a conclusion is drawn from an overly technicist reading of the MEC as limited to the sectoral structure of the economy (i.e. the empirical outcome of the MEC in terms of composition of output alone, and possibly intersectoral linkages, important though these are) to the exclusion of an understanding of evolving class relations and the persistence of the MEC in increasingly globalised and financialised forms at times beyond its traditional core. On this reading, then, the MEC has survived more or less intact over the post-apartheid period. This is not to say it has remained unchanged, quite the opposite, just as it has experienced significant change in the past (as with incorporation of Afrikaner capital, growth of financial interests tied to the MEC, and growing conglomerate ownership across the economy). In particular, the South African economy over the post-apartheid period has been driven by financialisation and globalisation. These have dominated both the low pace of domestic accumulation and the form and composition taken by the restructuring of the domestic economy. Whilst the MEC core sectors have strengthened, the fastest growing sector in the economy over the last twenty years has been finance and related services, now taking as much as 20% of GDP, although 40% of the population benefit from no financial services at all. Domestic levels of investment are half those generally acknowledged to be necessary for DS status.

Financialisation has not only produced credit-based consumption based on speculation in housing markets, it has been accompanied by unprecedented levels of capital flight, much of it illegal and managed by big corporations through transfer pricing. This illegal capital flight was extensive during the apartheid period but it has now attained new heights (Ashman, Fine and Newman 2011). Such levels of capital flight place the economy permanently on the cusp of instability, with interest rates being held high in order that volatile short-term capital inflows can compensate for long-term outflows. The exchange rate has been held at a high level with the effect of making capital outflows worth more in foreign currency to those who benefit from them, whilst making it ever more difficult to sustain both the exchange rate and economic growth. And whilst the orthodox macroeconomic policy of GEAR was supposed to attract FDI, growth in FDI inflows between 1996 and 2002 was around 2% per annum and this figure would be lower if we removed capital inflows from South African corporations that have been relisted abroad (Cronin 2002) and the acquisition by overseas capital of shares in two of South Africa's big four banks. Moreover to the extent that the conglomerate structure has been dismantled, it has been only to create sectoral monopolies whose profitability depends upon high prices and not productivity increase. Industrial policy has been token, with the only major exception being the auto industry. Absent has been any commitment to secure long-term finance for investment in labour-intensive domestic production to meet domestic consumption of basic needs, thereby creating jobs, alleviating unemployment and addressing the inequalities inherited from apartheid.

5. The Shifting Developmental State Debate in South Africa

The democratic transition in South Africa also saw the transition of the ANC government from its ideological roots in the Freedom Charter to the apparent wholehearted embracing of

neoliberalism. By 1994, the ANC had abandoned almost all of the socially progressive policies that had been developed, notably by the ANC's Department of Economic Policy (DEP) from 1990 and the Macro Economic Research Group (MERG) between 1991 and 1993 as the ANC prepared to take office in the first democratic election. By the time it did so, the Reconstruction and Development Programme (RDP) was the only remaining policy programme with progressive policies, juxtaposed with the neoliberal macroeconomic framework that was made explicit in the implementation of the Growth, Employment and Redistribution (GEAR) programme in 1996. The inclusion of the RDP in the ANC's 1994 election manifesto was largely driven from below by trade unions and civic organisations, 'and adopted only rather more opportunistically by the core group of the ANC senior leaders, it emphasized the centrality to the planning process of both the meeting of the populace's basic needs and the active empowerment of that populace in driving its own development process' (Saul 2001, p. 439). The RDP thus appeared as an add-on to the broader developmental strategy based on trickle-down and growth through liberalisation. This is in stark contrast to the centrality of progressive social and economic policies within the strategy of 'Growth through Redistribution' that was envisaged in the policy documents of the DEP and the MERG.

The main protagonists in the South African DS debate have been the left within the ANC Alliance who have harnessed the concept in their critique of the Government's adoption of neoliberal policies in general, and the Mbeki administration in particular. The concept has been particularly important for the South African Communist Party (SACP) for whom it has been intellectually central in their understanding of the National Democratic Revolution.¹⁴ (SACP 2008) The DS debate started to gain momentum when it became clear that GEAR had failed to deliver on almost all aspects of growth and development. In face of widespread anger and frustration at the lack of change and achievement since the demise of apartheid, the ANC projected itself as offering a prospective DS, casually referencing the US-funded Marshall Plan for reconstructing post-war Europe, the experience of the East Asian NICs, and the European Union as examples of successful economic development in the twentieth century (ANC 2005).

A flurry of academic interest immediately attached itself to the notion of the South African DS following this declaration of intent. Much of the analysis of the DS in SA has been couched in terms of institutional capacities (as in the DSP in general) and assessing 'developmentalism' in light of capacity to formulate appropriate policies, mobilise and allocate resources in line with identified policy targets, as well as monitoring and evaluating policies and their implementation. On this basis, the conclusion has been drawn that the South African state, while not powerless, is weak in terms of its capacities (Gumede 2008; Pillay 2007; Southhall 2006; van Dijk and Croucamp 2007). The weakness of state capacity has, however, been exaggerated. There are numerous examples where both the state and the private sector exhibit high levels of capacity, with the staging of the FIFA World Cup in 2010 as just one; if only similar effort had gone into housing for the poor as for the building of stadia.

¹⁴ Despite its origins in the left of the ANC Alliance, the DS debate has been less promoted by the Congress of South African Trade Unions (COSATU). Prior to the mainstreaming of the DS debate within the ANC from 2005, COSATU had been relatively silent on the notion. While general supportive of a South African DS, COSATU's understanding of it conforms to the ANC's relatively shallow reading of the experiences of late industrialisation in East Asian economies, as effectively pursuing top-down reforms around industrial policy with no consideration for the role of labour or broader aspects of development (Pillay 2007).

The DS debate marked the battlefield within the increasingly divided ANC between supporters of Mbeki and, then Deputy President, Jacob Zuma, with many commentators speaking of an inevitable split of the ANC. (McGreal 2007, BBC 2008) The South African DS became a political project of the Zuma camp in direct opposition to Mbeki as the orchestrator of South Africa's neoliberal policies. The ANC's internal power struggle came to a head in December 2007 at the 52nd ANC Annual Conference in Polokwane, where Mbeki suffered a humiliating defeat, with Zuma taking 60% of the vote. In September 2008, Mbeki was forced to step down as President before completing his second term in office.

At the ANC policy conference in June 2007, there was talk of a 'broad consensus' over the need for a DS with correspondingly more government intervention. It inspired a renewed flurry of academic activity around the DS, notably the Sanpad conference in June 2007 and the Human Sciences Research Council (HSRC) 'Conference on the Developmental State in South Africa' in 2008 – the proceedings of which have, ultimately, been published in volumes edited by Maharaj et al (eds) (2010) and Edigheji (2010), respectively.¹⁵ In this respect, as suggested in the opening Chapter, the DS has indeed become a buzzword and fuzzword.

6. Concluding Remarks

South Africa, then, offers a relatively unusual example of the intersection between academic endeavour and immediate political manoeuvring, with the DS serving as both conceptual and political football. For the latter, and policy-wise, the 2006 National Industrial Policy Framework (NIPF) and subsequent Industrial Policy Action Plans (IPAP) of 2007 and 2010 have reflected, at least in principle, an increasingly interventionist approach to industrial policy, targeted at the generation of decent and sustainable employment. On coming into office, President Jacob Zuma undertook a dramatic reshuffling of the Cabinet with appointments of prominent figures from the left of the ANC Alliance in key positions relating to economic policy. Rob Davies, member of the SACP central committee, was appointed Minister of Trade and Industry while prominent trade unionist Ebrahim Patel was appointed as Minister for Economic Development, heading up the new Department of Economics Development.

In its purported aim of building a strong institutional structure around economic policy making and implementation, the Zuma government has sought a compromise between the right and the left in the ANC tri-partite Alliance, incorporating the former through appointment of Pravin Gordhan as Minister of Finance alongside his predecessor Trevor Manuel as head of the new National Planning Commission housed within the Presidency. The transition from Mbeki to Zuma has also seen a change in the discourse coming from the ANC from the need for South Africa to become a DS, to the need for South Africa to charter a 'New Growth Path' (NGP) on which there is apparent consensus within the ANC.

This can be seen in terms of a number of pronouncements from the new Government. Thus, "Now is the time to lay the groundwork for stronger growth going forward, and for growth that gives rise to more jobs." President Jacob Zuma, State of the Nation Address, 11 February 2010. And, "The negative, unintended consequences of this [old] growth path are manifold

¹⁵ The HSRC project was engendered as a way of providing intellectual legitimacy for the DS as a political project. The intellectual content of the conference and subsequent edited volume turned out to be highly critical of the concept of the DS in general and the notion of South Africa as a DS in particular.

they include large and unsustainable imbalances in the economy, continued high levels of unemployment and a large current account deficit. These weaknesses have been exacerbated by the global recession. Taken together these challenges are enormous and make it critical that we upscale our industrial policy efforts.” Rob Davies, Minister of Trade and Industry, National Assembly Statement on IPAP2, 18 February 2010. Whilst, “ in growing the wider economy, broadening participation, deepening trade and strengthening our revenue base, we have recognised that a new growth path is needed, that industrial policy has to be founded on a well-considered action plan and that we need to do more to promote a dynamic economy, capable of responding both to domestic demand and international opportunities.” Pravin Gordhan, Minister of Finance, Budget Vote Speech, 11 May 2010. And, “Faced with these realities and the challenges of very high inequality and deep levels of poverty, we are working on ways to improve the employment performance of the economy and create many more decent work opportunities and better social outcomes. We call this the development of a new growth path.” Ebrahim Patel, Minister of Economic Development, on the occasion of the debate on Budget Vote 27: Economic Development, in an extended public committee meeting of the National Assembly, 23 March 2010.

In this light, rather than simply abandoning the DS agenda as a conduit to, but not of, power, the NGP strives to serve as yet another false unifier for consensus, both departing in major part from, and yet flexibly reinventing, the DS to suit. For Minister Patel, and those on the left, a fully functioning South African DS provides the means by which the NGP is achieved (EDD 2010). Yet, despite the apparent commitment to a progressive, redistributive agenda, Ministers Patel and Davies face serious obstacles in their ability to pursue this further, not least because of the compromises attached to the NGP/DS dualism. And we have sought to establish that these compromises derive from the evolving class nature of South Africa as a system of accumulation, in which the MEC has played a continuing if shifting role, especially through capital-intensive accumulation within the domestic economy currently underpinning the globalisation and financialisation of domestic conglomerates (not least through a tolerated if illegal capital flight).

Of course, in the world of scholarship, such complicity is not inevitable. The DS can be reinvented once more to be more progressive, and more inclusive both of agencies other than industrialists and of economic and social activity other than industry. But, if the DSP is to succeed in its goals, in South Africa or otherwise, it will need to be more mindful of how class relations and systems of accumulation inform the role of the state and the global market, and their determinants, rather than vice-versa.

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