

CHAPTER 4

WHO REALLY ‘STATE-CAPTURED’ SOUTH AFRICA? REVEALING SILENCES IN POVERTY, INEQUALITY AND STRUCTURALLY-CORRUPT CAPITALISM

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Abstract

The ‘state capture’ of South Africa’s parastatal agencies and government departments typically has been seen in a binary mode, with a narrative critical of two competing factions (‘Zuptas’ and ‘WMC’) within the African National Congress. A review of post-apartheid financial and corporate influences over public policy ranging from macro-economics to social grants, as well as analytical shortcomings of status quo analysts, suggests a different kind of state capture. The neo-liberal bias of state policy is especially obvious when World Bank interventions – including the recalculation of inequality rates – are compared to the suffering of growing numbers of poor and unemployed people. But even if their grievances are ignored, this is suffering that is not silent. Creative resistances have emerged, often revealing a surprising counter-power against the state and capital.

1 Introduction

Unless there are illusions that the renewed leadership of the African National Congress (ANC) under President Cyril Ramaphosa will reform anti-poverty policies, it is vital to consider the narratives of poverty and inequality that emerged in the 1994-2019 era. This assists us to understand policy limitations that resulted in widespread socio-economic violence against the vast majority of South Africans. These policies are anticipated to continue with no substantive changes, aside from worsening austerity, parastatal commercialisation and privatisation, and other neo-liberal (pro-corporate) policies.

The credit ratings agencies’ ‘junk’ (non-investment grade) ratings onslaught against South African state and parastatal securities mostly occurred against Jacob Zuma’s government in mid-2017 after he fired Finance Minister Pravin Gordhan, but the business sector’s crisis of confidence persisted into Ramaphosa’s rule starting in February 2018.

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Dating back a quarter of a century, the entire post-apartheid era's record of worsening poverty and inequality is vital to consider, not only the 2009-2018 era of Zuma's mismanagement. During this period of political freedom, the extreme forms of structurally-corrupt capitalism consolidated in a fusion of two major political forces: the 'White Monopoly Capital' (WMC) business elite which carefully blended old and new money without disrupting accumulation processes; and a new upstart network centred on the Gupta brothers and their state allies, nicknamed the 'Zuptas' (with a second network of ANC leaders benefiting from bribes doled out by the parasitical, Watson-controlled Bosasa company). The latter entails a more explicitly disruptive agenda of patrimonial accumulation.

The explicit distinction between the two modes of influencing state policy (WMC and Zuptas) so common in the recent era – and repeated in a fierce debate between Ace Magashule and Mavuso Msimang – disguises more than it reveals. According to ANC Secretary-General Magashule, delivering the Walter Sisulu Memorial Lecture in May 2019,

[o]ur mandate is to expropriate land without compensation, our mandate is to nationalise the Reserve Bank, our mandate is to transform the financial institutions and banks in order to serve the needs of our people, our mandate is to implement national health insurance, our mandate is to implement the minimum wage, our mandate is to stop retrenchment of the working class, our mandate is to stop privatisation of state own enterprises, our mandate to achieve free and universal education, our mandate is the transfer of the political and socio-economic power into the hands of the overwhelming majority of our people, Africans in particular, and the black people in general.¹

Addressing Magashule's own corruption, Msimang replied that Magashule and those applauding him engaged in

fatuous factional platitudes ... in that crass act, the little people involved managed to desecrate the memory of the ANC's pre-eminent unifier and national builder ... These exalted airheads took turns rubbishing the Zondo and other commissions into state capture; denouncing WMC, and other such populist slogans. In their myopia, they forgot that it was their revered President Jacob Zuma who appointed the Zondo Commission, albeit against his will. A video clip currently doing the rounds in WhatsApp chatrooms has Zuma making derisive references to the commissions set up by President Cyril Ramaphosa to probe the rampant levels of corruption, the abiding legacy of his administration ... The ANC no doubt deserves the leaders it elects. Riddled with poisonous factions, it gave Magashule its thumbs-up for the Secretary-General position; this, despite the baggage he was already carrying in corruption allegations. Magashule has a mission: He wants all and sundry to know that his loyalty lies not with Ramaphosa but first and foremost with Jacob Zuma. He took the first available opportunity after the December 2017 Nasrec conference to let his supporters in Pietermaritzburg know that the Ramaphosa presidency would last but a short five years and that 'the real ANC would be back after five years. It's just a matter of five years. So, let us

1 A Magashule 'Walter Sisulu Memorial Lecture' Mangaung, 18 May 2019, <https://www.politicsweb.co.za/archive/we-are-surely-coming-for-what-is-ours--ace-magashule> (accessed 28 May 2019).

focus. Let's work hard. *Mayibuye iANC* that we know.'

In September 2018 Magashule was on his disruptive trail again as part of a clandestine group, involving Zuma, Supra Mahumapelo, former North West premier; Meogko Matuba, ANC Women's League Secretary-General, and Thanduxolo Sabelo of the KZN ANC Youth League, who met at the Maharani Beach Hotel. And so he has continued despite pitiful claims of working for a united ANC ... Books imputing scandal are written about our Secretary-General; his former office as premier is raided by the Hawks in search of evidence that might disclose acts of corruption; like the immediate past-President, he is a self-confessed friend of the Gupta brothers, the nemesis of every decent South African; the list continues *ad nauseam*.²

Indeed, for those suffering wishful thinking about an ANC leadership that will probably come to be known as the 'Ramazupta' regime because of this power balance, or for those researchers intent on legitimating existing power structures when studying poverty, inequality and the state's willingness to address these maladies, apparently some things simply *cannot be named*. These include deep-seated processes of capitalist corruption and theft that are sometimes termed 'accumulation by dispossession'.³ To do so would threaten received diagnostic wisdom and require a radically new socio-political strategy, in addition to upsetting an important methodology recently established by the World Bank: rejigging the Gini Coefficient to pretend that there are dramatic improvements in inequality as a result of state social spending.

More honest experts despair about how difficult it is to address post-apartheid inequality under conditions of neo-liberalism, including a team led by Thomas Piketty in the *World Inequality Report 2018*.⁴

In contrast to Brazil and the Middle East, inequality increased significantly over the past decades in South Africa. The trade and financial liberalisation that occurred after the end of apartheid, coupled with the failure to redistribute land equally, can help to explain these dynamics.

For having dogmatically promoted macro-economic neo-liberalism and the failed willing seller, willing buyer land reform policy, World Bank staff stand implicated, and hence their silence discussed in coming pages is entirely comprehensible.⁵ The Bank's role in South African accumulation by dispossession – with major investments and loans in apartheid (billions committed from 1951-1967), and post-apartheid at Lonmin (\$150 million in commitments), Medupi (\$3,75 billion) and CPSNet1 (22 per cent of ownership) – also helps to explain the exceptionally optimistic tone

2 M Msimang 'Cry the beloved ANC!' *Daily Maverick* 21 May 2019, <https://www.dailymaverick.co.za/article/2019-05-21-cry-the-beloved-anc-ace-magashules-lecture-should-not-have-been-done-in-walter-sisulus-name/> (accessed 28 May 2019).

3 D Harvey *The new imperialism* (2003).

4 F Alvaredo et al *World Inequality Report 2018* (2018) 75, <http://wir2018.wid.world/files/download/wir2018-full-report-english.pdf> (accessed 28 May 2019).

5 P Bond *Elite transition* (2014).

adopted.

This chapter considers South Africa's main debates around poverty, unemployment and inequality, on the one hand, and rampant economic corruption, on the other. By ignoring the roots of these miseries and failing to address their interlinkages, most mainstream researchers and commentators are reduced to reiterating a simple narrative:

- Apartheid was a tragedy whose legacy can be addressed by deracialising capitalism.
- In the process, inequality must be addressed through more sensible economic policy, a generous social policy and a growing middle class to ensure stability
- Redistribution policy – especially social grants and progressive taxation – is sound.
- Yet implementation difficulties continue, what with the ruling party's 'cadre deployment' wrecking the civil service, among other capacity constraints.
- Outright corruption – the Zuma-Gupta patrimonial nexus – is also debilitating.
- So the way forward is to restore macro-economic discipline, maintain conservative fiscal policy, tackle state and especially parastatal corruption, and rebuild the credit ratings agencies' confidence in South Africa.

This chapter, in contrast, offers a very different interpretation based on the opposite narrative:

- Apartheid was not economically irrational for capitalism during the twentieth century but instead was mostly functional – until systemic protest and sanctions began to become debilitating, skilled-labour supplies became constrained, the limits of (mainly white) consumer markets were reached, and financial crisis hit hard in 1985.
- Today that legacy continues in its most profound manifestations, including the still racially-biased labour market, migrancy and the structured production of inequality ('uneven development') in nearly all other social spheres.
- The inequalities of wealth and income that soared after apartheid ended reflected a series of neo-liberal policy choices, in a context of the economy's hastened integration into the world economy on disadvantageous terms.
- Implementation shortcomings also partly reflect policy distortions.
- Systemic socio-economic corruption is largely due to a factor typically ignored in South African narratives until mid-2017, namely, corporate economic crime.
- Finally, if a different power balance emerges – one more sensitive to the interests of poor and working-class people, especially women, the youth, the elderly and environmental activists – then new macro-economic, social and ecological policies should be adopted (with the objective of changing relationships between national and global circuits of capital, restructuring the dominant fractions of capital, and escaping from the dominance of international credit rating agency analysis, diagnosis and policy advice).

To generate the second narrative requires identifying several gaping silences in the first, especially insofar as corporate corruption and neo-patrimonialism have generated large state flows of resources into the

hands of the wealthy. That is the objective of this chapter.

2 Inequality, the state and its ‘capture’

In his book *The anti-politics machine* Stanford University anthropologist James Ferguson criticised the World Bank’s understanding of Lesotho as a ‘traditional subsistence peasant society’. Ferguson observed how, in the process, apartheid’s migrant labour system was explicitly *ignored* by the Bank, although remittances from Basotho workers toiling in mines, factories and farms across the Caledon River accounted for 60 per cent of rural people’s income. Ferguson concluded that ‘[a]cknowledging the extent of Lesotho’s long-standing involvement in the modern capitalist economy of South Africa would not provide a convincing justification for the “development” agencies to “introduce” roads, markets and credit”’.⁶ Using Michel Foucault’s discourse theory, Ferguson showed why some things *could not be named* by the Bank: To do so would violate a dogma, namely, that the central problems of poverty can be solved by applying market logic. Yet it was that most important of market relationships – (super)exploited labour – that *caused* so much misery.

In several 2014–2018 reports about South African inequality, World Bank staff and consultants have claimed that Pretoria’s progressive taxation and pro-poor social spending have dramatically reduced the Gini inequality coefficient, even if not adequately.⁷ In an oft-repeated conclusion, the main Bank consultant, Nora Lustig, ignores most state transfers to the rich yet praises South Africa for ‘the combination of a large redistributive effort with transfers targeted to the poor and direct taxes targeted to the rich’.⁸ In their book compiling inequality research from eight countries, Inchauste and Lustig confirm that ‘South Africa is the most redistributive of all the countries examined here. Nevertheless, it

6 J Ferguson *The anti-politics machine* (1994).

7 G Inchauste & N Lustig ‘The distributional impact of taxes and transfers’ Washington DC, World Bank (2017), <https://openknowledge.worldbank.org/handle/10986/27980> (accessed 28 May 2019); G Inchauste et al ‘The distributional impact of fiscal policy in South Africa’ Policy Research Working Paper WPS 7194 (2015); N Lustig ‘Inequality and fiscal redistribution in middle-income countries’ CEQ Working Paper 31, New Orleans, Center for Inter-American Policy and Research, Department of Economics, Tulane University, and Inter-American Dialogue (2015); N Lustig ‘Inequality and fiscal redistribution in middle-income countries’ (2016) 7 *Journal of Globalization and Development* 17–60; I Woolard et al ‘How much is inequality reduced by progressive taxation and government spending?’ *Econ3x3* (2015), <http://www.econ3x3.org/article/how-much-inequality-reduced-progressive-taxation-and-government-spending#sthash.nuwTTm2n.dpuf> (accessed 28 May 2019); World Bank Fiscal policy and redistribution in an unequal society. South Africa Economic Update 6, 1 November 2014, <http://documents.worldbank.org/curated/en/2014/11/20339043/south-africa-economic-update-fiscal-policy-redistribution-unequal-society> (accessed 28 May 2019); World Bank ‘South African poverty and inequality assessment discussion note’ (2016) <http://ccs.ukzn.ac.za/files/World-Bank-South-Africa-CN-Discussion-Note-28-Jan-2016.pdf> (accessed 28 May 2019); World Bank Jobs and inequality (2018), <http://documents.worldbank.org/curated/en/368961522944196494/pdf/125011-REPLACEMENT-PUBLIC-SAEU-APRIL-2018-Edition-11.pdf> (accessed 28 May 2019).

8 Lustig (2016) (n 6) 20.

remains the most unequal country after taxes and social transfers – even more so than other countries before any fiscal intervention.⁹

How to handle this paradox? Like those Bank staff who ignored the most basic realities of Basotho workers' economic insertion into the circuits of (apartheid era) South African capital yet mull over why poverty persists, so too do the new analyses explicitly ignore the most obvious facets of post-apartheid South Africa's neo-patrimonial power relations: *those resource transfers that benefit mainly white, wealthy households, corporations and their investors*. Bank data and methodology are deficient, and the conclusion that Bank staff reached – that Pretoria's fiscal policy is extremely redistributive towards poor people – is hasty and unfounded.

The World Bank's 2014-2018 publications were also highly political, for they were (and are) prone to be abused so as to promote a budget-cutting agenda. To illustrate, '[y]ou have to look at both the taxing and the spending sides of government policy – and, on that basis, South Africa can claim to have one of the world's most redistributive public purses', claimed *Business Day* associate editor Hilary Joffe.¹⁰ Others to endorse the Bank's inequality reduction claims included Investec Bank chief economist Brian Kantor, BrandSouthAfrica manager Simon Barber (in the journal *Foreign Policy*), commentator Jonathan Katzenellenbogen, Rothschilds banker, and former finance and planning minister Trevor Manuel.¹¹ There are scores of other economists and even political economists who have since then uncritically cited the Bank's analysis (some 67 mainly positive citations were recorded by mid-2019, including by otherwise critical scholars such as Padayachee and Breckenridge).¹²

On the one hand it is a pleasing narrative, especially that South Africa's otherwise disreputable state machinery indeed is ensuring a degree of resource transfer to the poorest citizens, in spite of all the grievances so regularly expressed in service delivery protests. On the other hand, this

9 Inchauste & Lustig (2017) (n 6) 9.

10 H Joffe 'World Bank tax study holds important lessons for SA' *Business Day* 12 November 2014, <http://www.bdlive.co.za/opinion/columnists/2014/11/12/world-bank-tax-study-holds-important-lessons-for-sa> (accessed 28 May 2019).

11 S Barber 'South Africa's ANC moves from detente to entente with a dynamic private sector' *Foreign Policy* 18 November 2014, <http://www.foreignpolicy.com/sponsored/southafricaat20/in-south-africa-a-new-plan-for-private-sector-growth> (accessed 28 May 2019); B Kantor 'Address poverty in SA and let inequality look after itself' *ZAeconomist* 20 November 2014, <http://www.zaeconomist.com/sa-economy/address-poverty-in-sa-and-let-inequality-look-after-itself/> (accessed 28 May 2019); J Katzenellenbogen 'SA's choice: Crisis or reform?' *Politics Web* 11 November 2014, <http://www.politicsweb.co.za/politicsweb/view/politicsweb/en/page71619?oid=797617&sn=Detail&pid=71616> (accessed 28 May 2019); T Manuel 'Confronting the challenge of poverty and inequality' Helen Suzman Memorial Lecture, Gibson Institute for Business Studies, University of Pretoria, 7 November 2014, <http://www.politicsweb.co.za/politicsweb/view/politicsweb/en/page71656?oid=798431&sn=Detail&pid=71616> (accessed 28 May 2019).

12 K Breckenridge 'Biometric capitalism and the future of history' Inaugural lecture, 19 May 2017, <http://www.wits.ac.za/news/latest-news/inaugural-lectures/2017/biometric-capitalism-and-the-future-of-history.html>; V Padayachee 'Inequality, macroeconomics and financial instability' (2017) 31 *International Review of Applied Economics* 429-436.

echo chamber is more important because it brazenly justifies the creeping austerity that became obvious at the time the Bank began publishing its reports on inequality.

By early 2015 the country's highest-profile economist, Iraj Abedian, warning of imminent credit rating agency downgrades to junk status, made a prominent call – on the front page of *Business Day* the very day of that year's budget speech – to avoid this outcome by cutting social grants 'way below inflation'.¹³ The tone for this early version of austerity was partly set by the World Bank, for even after cuts in the social wage were made in February 2015, the Bank's Woolard et al remarked that 'South Africa's fiscal deficit and debt indicators signal that there is limited fiscal scope to spend more to achieve even greater redistribution'.¹⁴

In response to the question 'how much is inequality reduced by progressive taxation and government spending,' the World Bank answers that the Gini coefficient (which measures income inequality) is reduced from a 0,77 market income level to 0,59, having adjusted household incomes 'comprehensively' so as to assess the impact of government revenue and expenditure.¹⁵ This leaves two immediate problems for our consideration (prior to exploring the matter of corruption). First, the Bank and Van der Berg research cannot be considered 'comprehensive', because countervailing data simply is *ignored* (repeatedly so). Second, nevertheless, a variety of neo-liberal commentators have regurgitated this wild Gini reduction claim in the course of their own efforts to promote fiscal austerity, consistent with the agenda of the so-called WMC bloc. Judging by the 2015 version by Woolard et al of the claim in the South African e-zine *Econ3x3*, my own and other attempts to get to the bottom of the methodology and number crunching have been utterly futile, for they are also ignored.¹⁶

Second, the Bank and others maintain these views by refusing to acknowledge the underlying realities of 'state capture' by WMC. Even in mid-2019, as this chapter goes to press, the leading research published so far on this vital matter not only is sub-standard due to incompleteness, but is politically biased in a way that continues to increase inequality in the world's most unequal large country.¹⁷ However, the over-reach of WMC alongside the Gupta-centred nexus gives new opportunities for rethinking

13 L Ensor 'Nene urged to make real commitment to fiscal discipline' 24 February 2015, <http://www.bdlive.co.za/economy/2015/02/24/nene-urged-to-make-real-commitment-to-fiscal-discipline> (accessed 28 May 2019).

14 Woolard et al (n 7) 8.

15 Woolard et al (n 7).

16 As above; P Bond, 'Bretton Woods Institution narratives about inequality and economic vulnerability on the eve of South African austerity' (2015) 45 *International Journal of Health Services* 415; D Forslund 'World Bank finds itself in a Gini fix' *Mail&Guardian* 17 March 2016, <https://mg.co.za/article/2016-03-17-world-bank-finds-itself-in-a-gini-fix> (accessed 28 May 2019).

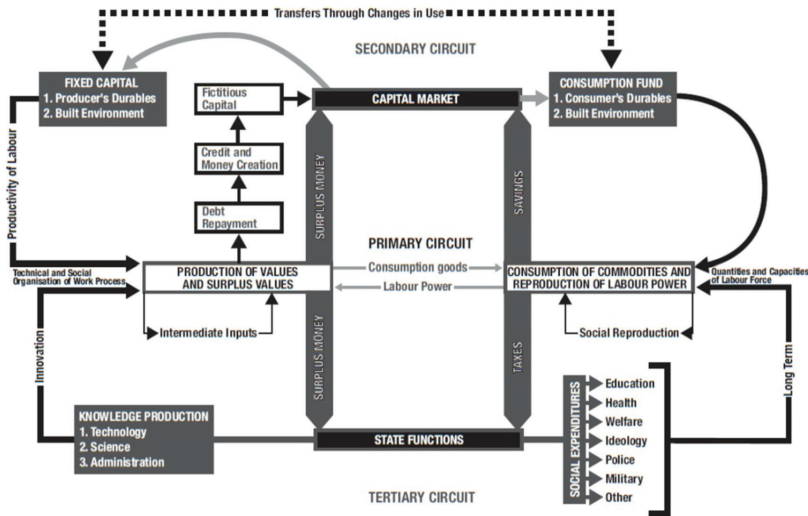
17 H Bhorat et al *Betrayal of the promise*, Stellenbosch 2017, https://www.scribd.com/document/349418506/Betrayal-of-the-Promise#from_embed (accessed 28 May 2019).

our analysis and politics.

3 The political economy of the capitalist state

To begin, what must we do to properly frame the thorny question of whether state taxation and spending are progressive or regressive? The main roles for a state in modern societies such as South Africa are not only the minimal necessary functions for reproducing capitalism, but assuring that legal contracts are honoured, facilitating exchange through a well-functioning monetary system and maintaining a monopoly of violence. As David Harvey’s diagrammatic representation of ‘three circuits of capital’ shows (Figure 1), there are many other activities beyond the factory that ensure that a market system generates surpluses at the point of production, in the primary circuit of capital, even if they are ‘realised’ elsewhere, in the secondary and tertiary circuits.

Figure 1: The state within modern capitalism’s three circuits



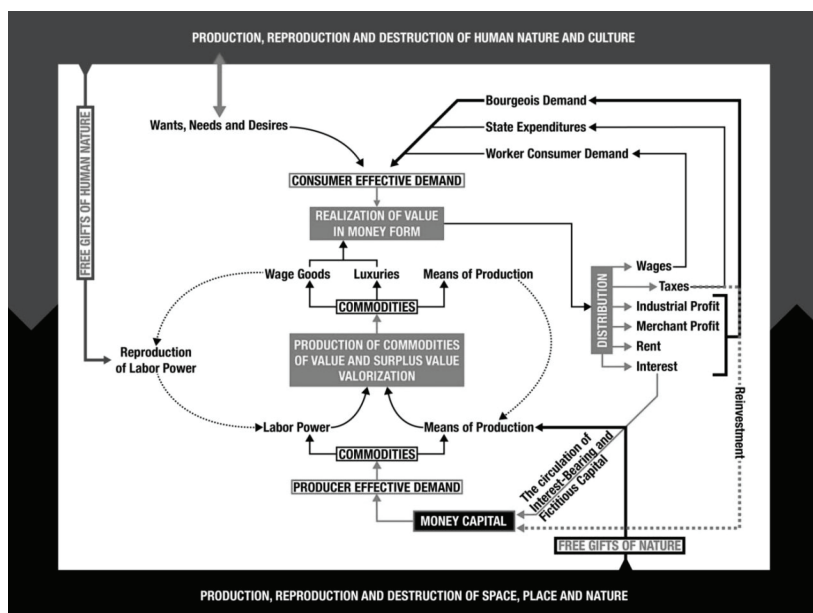
Source: David Harvey¹⁸

To facilitate capital flows into the primary circuit at the right speed and in the proper amount, states typically provide financing and regulation support. The secondary circuit is where states manage the built environment. In the tertiary circuit, the state often is most visible: Levels of taxation are established, science and technology are subsidised,

18 D Harvey *Marx, capital and the madness of economic reason* (2017).

security forces are funded, and the labour force is renewed by judicious spending on the quantities and capacities of workers available for the market (through education, health, welfare and ideological inputs). Bank staff might have avoided the embarrassment of only counting pro-poor state spending, by considering these other vital functions of a state to the capitalist system's ongoing reproduction. By 2017 Harvey actively integrated into capital's primary, secondary and tertiary logics two other dimensions: the highly-gendered socio-cultural reproduction of labour and ecological characteristics representing 'free gifts' within capitalist/non-capitalist relations (Figure 2). These are also facilitated by state action (or inaction).¹⁹

Figure 2: Capital in the context of social reproduction and environment



Source: David Harvey.²⁰

Harvey had revived the theory of imperialism by tracing the capitalist/non-capitalist relationships back to Marx's idea of primitive accumulation, including

conversion of various forms of property rights (common, collective, state, etc) into exclusive private property rights; suppression of rights to the commons ... colonial, neo-colonial and imperial processes of appropriation of assets

¹⁹ As above.

²⁰ As above.

(including natural resources) ... and ultimately the credit system as radical means of primitive accumulation.²¹

Such forms of primitive accumulation were often dismissed by vulgar Marxists as merely examples of 'cheating in exchange' (or simply plunder in many cases). By implication, they argued, these kinds of profiteering power grabs distract attention from the most profound process of accumulation: capital's exploitation of labour at the point of production.

However, a more sophisticated approach to the state's management of crisis tendencies – including their geographical displacement ('shifting'), temporal displacement through credit ('stalling') and accumulation by dispossession ('stealing') – suggests that we must consider all the functions of the state in this sort of analysis of fiscal incidence, especially those that directly benefit capital. That challenge is precisely what the World Bank and its consultants chose to ignore, as discussed in the next part.

As the final parts point out, the Bank was not alone. After all, the idea of state capture by a patrimonial set of corporate elites goes back at least to the Marx-Engel Communist Manifesto framing in 1848: 'The *executive* of the modern state is but a *committee* for managing the common affairs of the whole *bourgeoisie*.' According to then ANC Treasurer Zweli Mkhize, who at the time (October 2017) was speaking to the Johannesburg Mining Indaba, '*This issue of state capture is a huge embarrassment*. We take it as a form of corruption. This is something we have not experienced before.'²² Yet state capture of the apartheid state by WMC certainly was experienced before, and capture of the post-apartheid treasury by the financial industry – especially three international credit ratings agencies – was entirely obvious. Transcending a unilateralist interpretation of corruption is vital to understanding the broader generation of inequality.

4 World Bank inequality denialism

As noted above, there are many sites where the Bank's inequality research can be read and debunked. A few myths appear durable. According to the Bank,²³

South Africa spent more than other countries on its social programs, with this expenditure successfully lifting around 3,6 million individuals out of poverty (based on US \$2,5 a day on a purchasing power parity basis) and reducing the Gini coefficient from 0,76 to 0,596 in 2011.'

Were millions lifted out of poverty? In reality, many more millions were *pushed down into* poverty since 1994, especially thanks to neo-liberal policies such as the Growth, Employment and Redistribution policy, in which two

21 Harvey (n 18) 145.

22 L Majiet & S Motha 'State capture a huge embarrassment: Zweli Mkhize' Johannesburg, *Jacaranda FM* 4 October 2017, <https://www.jacarandafm.com/news/news/state-capture-huge-embarrassment-zweli-mkhize/> (accessed 28 May 2019).

23 World Bank 'South African poverty and inequality assessment discussion note' (n 7).

Bank economists played central roles.²⁴ That failed strategy, which made South Africa far more vulnerable to global capitalist crisis, is today barely mentioned, and only as historical artefact. It dramatically reduced South Africa's resilience to cope with general economic meltdowns, volatile funding inflows, rapid currency devaluations, commodity market crashes and illicit (and licit) financial outflows.²⁵

In contrast, the macro-economic context was regularly labelled in the mainstream media as one of 'stability' at least until 2008. Indeed, even though the budget deficit had exceeded 6 per cent in 2009, Moody's upgraded South Africa's investment-grade rating. Although it had dropped to around 4 per cent in 2017-2018, a junk rating was imposed on South Africa by Standard&Poors once a more Zuma-aligned finance minister – Gigaba – was appointed and the incumbent, Gordhan, was fired.

To bean-count poverty, the Bank used a South Africa poverty line of \$2,5 per day, or R15,75 per day (R473 per month) in 2011 currency, the date of the last available poverty census data (when the R/\$ rate peaked at a strong 6,3). That is much lower than StatsSA's estimate of the Upper Bound Poverty Line (UBPL), when food plus survival essentials cost R779/month in 2011, or R26/day. The percentage of South Africans living below the poverty line then was 53 per cent. At the University of Cape Town SA Labour and Development Research Unit, Josh Budlender et al argued that StatsSA was too conservative and the ratio of poor South Africans actually was closer to 63 per cent.²⁶

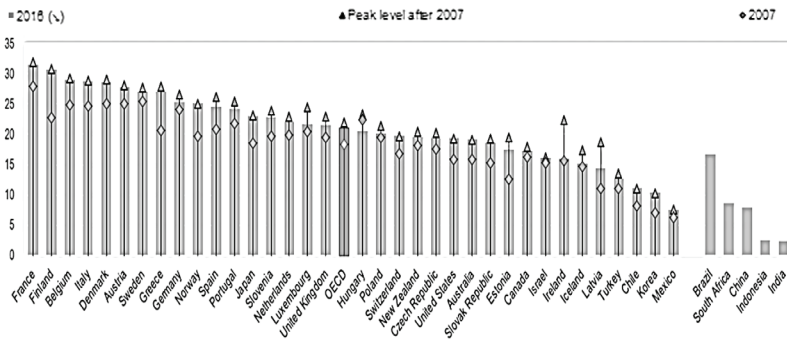
If so, it is extremely doubtful that a net 3,6 million people (more than 7 per cent of South Africans) were lifted out of poverty from 1994-2011; it is perhaps plausible only if the Bank's much lower R473 per month poverty line is used. Ignoring local realities, in which the number of poor people has soared by at least ten million (given the population increase since liberation), the Bank imports its own exceedingly ungenerous standards as to what it means to suffer poverty.

24 Bond (n 5).

25 As above.

26 S Budlender, I Woolard & M Leibbrandt 'How current measures underestimate the level of poverty in South Africa' *The Conversation* 3 September 2015, <https://theconversation.com/how-current-measures-underestimate-the-level-of-poverty-in-south-africa-46704> (accessed 28 May 2019).

Figure 3: Public social spending as a percent of GDP, 2007, peak level after 2007 and 2016



Source: OECD 2017²⁷

Next, consider the Bank's claim that Pretoria 'spent more than other countries on its social programmes', which does not specify 'other'. Of the world's 40 largest countries measured regularly by the Organisation for Economic Cooperation and Development, only four had *lower* social spending ratios than South Africa, as a share of gross domestic product (GDP) (Figure 3). (That ranking has not altered substantially in recent years.) The overall OECD country average spending is 22 per cent. South Africa has lagged in the 8 per cent range, less than half of the level of Brazil. Indeed, from 2012-2016 five social democratic countries – France, Finland, Belgium, Italy and Denmark – regularly spent 30 per cent of GDP on social spending. Within a peer group assessed by the OECD, only Indonesia and India rank substantially lower. There have not been convincing assessments of whether OECD 'social spending' – including free tertiary education in some sites, and generous pensions for civil servants – genuinely is redistributive. The South African case, however, has some spectacular instances of neo-patrimonial – or 'crony capitalist' or 'corporate welfare' – examples to consider.

These claims lead to the proposition – without caveat – that from 1994-2011 social spending cut the Gini Coefficient from 0,77 to 0,59. However, this claim depends upon a profound silencing: The Bank does not bother to calculate pro-corporate subsidies and other state spending that raise rich people's income indirectly (for instance through capital gains). According to the Bank, '[t]he social wage refers to the redistributive elements of the government budget'. There is no mention of redistributive elements within

27 Organisation for Economic Cooperation and Development *Educational opportunity for all: Overcoming inequality throughout the life course* (2017), http://www.keepeek.com/Digital-Asset-Management/oecd/education/educational-opportunity-for-all/public-social-spending-as-a-percentage-of-gdp_9789264287457-graph6-en#.Wjz9gXlx3Z4#page2 (accessed 28 May 2019).

state spending that are biased *towards the wealthy*: For example, defence, public order and safety that in a typical year (in this case, 2015) cost 13 per cent of the national state budget; debt servicing (paid to the state's creditors often as deferred income) worth 10 per cent; and 'economic affairs' worth 9 per cent, of which 60 per cent was economic infrastructure.

To illustrate why such pro-corporate state spending biases income distribution, it should be clear that capital gains (enjoyed mainly by richer people) often accrue via rising corporate share value for those firms or wealthier households in the vicinity of a new road, railroad, port or airport. These gains are simply ignored by the Bank, along with a variety of corporate tax breaks that also benefit the rich. Also ignored is systemic corruption by corporations, which in 2016 were estimated by high-ranking treasury official Kenneth Brown to be overcharging on an annual R600 billion worth of state procurement contracts by 35 to 40 per cent.²⁸

Indeed, treasury has made two major shifts in fiscal policy since apartheid: lowering corporate taxes dramatically, from a standard rate on profits of 56 per cent in 1994 to 28 per cent by 2010, a fact that went unmentioned by the Bank; and acquiescing to 'illicit financial flows' that have increasingly escaped South Africa through false invoicing and other tax avoidance strategies. These illegitimate profits also increase shareholders' capital gains, hence contributing to inequality. The Washington non-governmental organisation (NGO) Global Financial Integrity estimated that illicit flows cost South Africa an annual \$21 billion from 2004-2013 (the seventh worst level in the world), peaking in 2009 at \$29 billion.²⁹ These are also not mentioned by the Bank.

However, the Bank was impressed by South Africa's

provision of free basic services (mainly water, sanitation, electricity, and refuse removal), and social protection mainly in the form of social grants, primary health care, education (specifically no-fee paying schools), enhancing access to productive assets by the poor (eg housing and land), as well as job creation through the Expanded Public Works Programme.

But the Bank team evades the devils in the details, thus failing to discover how such spending is also biased.

To illustrate, 'free basic water' was first piloted in Durban during the late 1990s and became national policy in 2001. But after a tokenistic 6 free kilolitres per month, the price of the second block of the water within the tariff was raised dramatically (a typical municipal tactic). By 2004 the overall price of water to Durban residents had doubled (even after inflation is discounted). In response, the lowest-income third of households cut back monthly consumption from 22 to 15 kilolitres, while the highest-income third cut back by only 3 kilolitres per month (from 35

28 World Bank 'South African poverty and inequality assessment discussion note' (n 7).
 29 D Kar & J Spanjers *Illicit financial flows from developing countries: 2004-2013*, <http://www.gfintegrity.org/report/illicit-financial-flows-from-developing-countries-2004-2013/> (accessed 28 May 2019).

to 32 kilolitres). This data, drawn from what is still the most rigorous local research on water pricing (by a local municipal official), apparently cannot be cited by the Bank, as it would unveil the extreme degree of municipal-scale neo-liberalism.³⁰

Another unmentionable feature of services pricing concerns the Bank's biggest-ever project loan: \$3,75 billion granted in 2010 to Eskom to finance the corruption-riddled, oft-delayed Medupi coal-fired power plant. Repayment of that loan plus other financing has raised the price of electricity to poor people by more than 250 per cent since then. However, tellingly neither the loan, the borrower, the project nor the soaring cost of electricity is mentioned by the Bank, nor are Eskom's special pricing agreements with BHP Billiton and Anglo that set their electricity prices a tenth as high as what poor households pay. As the latter pay ever higher prices, they are compelled to buy less electricity and to turn to dirty forms of energy – wood, coal and paraffin – which in turn impose yet higher healthcare or productivity costs on black residents, especially women.³¹

The Bank's pro-rich bias extends across much state 'social' spending, but the divergent *quality* of fiscal policy is never measured, even though then treasury deputy director-general Andrew Donaldson in 2014 admitted that most public spending combined with semi-privatised systems 'entrenches inequality between rich and poor'.³² Such a finding – even on a high-profile economists' e-zine where the same Bank team published its research in October 2015 – dare not be cited by Bank staff.

Without addressing these kinds of rebuttals to their arguments, it is surreal for the Bank to repeatedly declare that '[n]ot only are South Africa's main fiscal instruments progressive overall, the degree and structure of progressiveness is such that these instruments achieve significant reductions in income inequality'.³³ As one reflection of how dubious the alleged social spending benefits are for recipients, the country's single largest budgetary commitment is to education. Yet the quality of a public school depends mainly upon its location, and access in turn mainly depends upon residential proximity. Both race and class segregation of cities and towns therefore determined whether a young learner would obtain a good education as a function of being within a 5 kilometre catchment radius of a decent school.

Most South African public schools produce an extremely low-quality education. The World Economic Forum's *Global Competitiveness Report 2015-16* rated South African education as the worst of 140 countries in terms of science and mathematics training, and 138th in overall quality. If

30 P Bond 'Water, health and the commodification debate' (2010) 42 *Review of Radical Political Economics* 445.

31 P Bond *Politics of climate justice* (2012).

32 A Donaldson 'Enabling growth: Redistribution priorities for South Africa' *Econ3x3* 12 November 2014, <http://www.econ3x3.org/article/enabling-growth-redistribution-priorities-south-africa> (accessed 28 May 2019).

33 Woolard et al n 7) 15.

education spending is meant to be a proxy for human capital investment (in terms of Bank logic), in many cases the result is better considered *disinvestment*.³⁴ As leading educationalist Nicholas Spaull remarked after studying 1994-2011 outcomes,

with the exception of a wealthy minority, most South African pupils cannot read, write and compute at grade-appropriate levels, with large proportions being functionally illiterate and innumerate. As far as educational outcomes, South Africa has the worst education system of all middle-income countries that participate in cross-national assessments of educational achievement.³⁵

The wealthy minority's public schools are sufficiently funded and produce extremely good education in part because of top-up systems in which parents contribute further funds. Thus, it could just as easily be argued that inequality is *amplified* (not mitigated) by the tokenistic manner in which public education is provided to the low-income majority. This is not really a controversial assertion, even if ignored by Bank researchers. As even Donaldson acknowledges,

[i]n areas such as education, health care and urban transport, service provision tends to evolve in differentiated ways ... the result is a fragmented, unequal structure in which the allocation of resources and the quality of services diverge.³⁶

Combined with semi-privatised systems, such public spending, he admits, 'entrenches inequality between rich and poor'.

Indeed, access to most municipal services – for instance, rubbish collection which occurs regularly in mainly white neighbourhoods, but rarely if at all in the shack settlements that house a third of a typical city's residents – reflects extreme *quality* differentiation that results not only from racial apartheid, but from ongoing segregatory processes associated with market-related residential locations. Durban set a 'sanitation line' to divide the more than two million residents within the city's 2001 city limits who would be serviced with flush toilets, from those in former KwaZulu-Natal peri-urban areas that would be compelled to use a low-quality form of dry sanitation known as urine diversion toilets (in effect, a new bucket system). As Forslund pointed out in his critique of the Bank, it is the low quality of state services that drives many white, upper-class citizens away from public facilities, *hence making it appear that the beneficiaries of the services are overwhelmingly poor and black*.³⁷

This story is fairly typical of maldistributed state resources. Many of the largest spending categories are even more biased to supporting corporations, such as the Presidential Infrastructure Coordinating Commission's proposed Strategic Investment Projects, promoted strongly

34 World Economic Forum *Global Competitiveness Report 2015-16* (2015), <http://reports.weforum.org/global-competitiveness-index/> (accessed 28 May 2019).

35 N Spaull 'South Africa's education crisis' Centre for Development and Enterprise Working Paper, Johannesburg, October 2013.

36 Donaldson (n 32).

37 Forslund (n 16).

in the National Planning Commission's National Development Plan.³⁸ The first two of these are a coal export line from Limpopo to Richards Bay and the South Durban Dig-Out Port, costing R800 billion and R250 billion, respectively, which eventually aim to extract and export 18 billion tonnes of coal and to increase container traffic by a factor of eight, respectively.

Could South Africa's treasury spend more on genuinely redistributive infrastructure and services? In relative terms, Pretoria's capacity to serve its citizenry steadily shrunk in comparison to the size of the economy, for across the terrain of social and public policy, government's 'general services' role in GDP rose from 16,2 per cent in 1994 to 17,3 per cent in 1998, but fell back to 15,8 per cent by 2002 and 13,7 per cent in 2012. Reflecting the cost-recovery approach to service delivery and hence the inability of the state to properly roll out *and maintain* these functions, the category of GDP components termed 'electricity, gas and water' declined steadily from 3,5 per cent to 2,4 per cent to 1,8 per cent of GDP from 1994 to 2002 to 2012. The cutbacks were not due to the elimination of fraud and waste (certainly not in Eskom's case, given its corruption-riddled management); instead, the state was underspending in general, compared to peers.³⁹

Had there been political will – instead of a cynical stinginess by a succession of finance ministers – state fiscal support for the social wage would not have been terribly difficult to raise in absolute and relative terms. This was partially attempted, but in a tokenistic way, by broadening the inherited, formerly racially-delineated social programmes such as the child grant and pension, to include all South Africans. The expansion entailed a fiscal commitment that was actually quite limited, with state social spending never exceeding a 3 per cent increase in GDP beyond 1994 levels. As the Financial and Fiscal Commission reported, even dating back to 1983, social transfers rose from only 1,8 to 4,5 per cent of GDP through 2007 and, as a result, 'post-1994 expansion of the grants system has not threatened fiscal sustainability'.⁴⁰ From an inherited budget deficit of -7,3 percent in 1993, the treasury shrunk the deficit and even achieved a primary budget surplus of more than 1 per cent by 2008, before the subsequent economic meltdown forced a renewal of (moderate) deficit spending.

As the most common subsidy in the most households, the child support grant 'now reaches 11,7 million children. Grant payments have risen from 2,9 per cent of GDP and now amount to 3,1 per cent', according to the World Bank.⁴¹ However, if raising the number of welfare grant recipients from 2,6 million in 1994 to 16 million two decades later was achieved by adding a meagre 0,2 percent of GDP, then the amounts provided are merely tokenistic. The child grant was only R425 per month in 2019-2020,

38 National Planning Commission 'National Development Plan: Our future – Make it work' Executive Summary, Pretoria, Office of the Presidency, 2012.

39 Bond (n 5).

40 Financial and Fiscal Commission 'Submission for the division of revenue 2011/12' Midrand, 6 September 2011, http://pmg-assets.s3-website-eu-west-1.amazonaws.com/docs/100602FFC_0.ppt (accessed 28 May 2019).

41 World Bank *Fiscal policy and redistribution in an unequal society* (n 7).

that is, about a third of the StatsSA (after-inflation) upper-bound poverty line and far less than the R50 per day that would represent a more realistic poverty measure. There is no mention of such tokenism by the Bank – only a remark that such spending may now be ‘unsustainable.’

Indeed, the Bank endorses the South African government’s ‘apparently sound policy’ on redistribution. As a result, pervasive poverty and inequality must therefore be blamed on weak implementation. The Bank cites a lack of state capacity, poor logistic management, corruption, collusion, cronyism, political interference and unsuitable public administration models. What cannot be named is that a great many socio-economic policies adopted – often with Bank fingerprints (such as GEAR) – not only are tokenistic but thoroughly ‘neo-liberal,’ that is, market-oriented and hence advancing the economic agenda of the already wealthy.

The Bank’s 19 000-word ‘South African poverty and inequality assessment discussion note’ refuses to even mention research by South African political economists most critical of post-apartheid neo-liberal policies, for instance, Sampie Terreblanche, Hein Marais, Gillian Hart and William Gumede (whose books are among the most cited academic works about South Africa’s transition).⁴² The reason for wilful blindness by the Bank could be related to these writers’ attempts to explain why South African capitalism causes poverty and inequality, namely, the extreme neo-apartheid exploitation systems amplified after apartheid by neo-liberal policies the World Bank deems ‘sound’.

The Bank’s chief consultant on this kind of research, Nora Lustig, was asked (by the author) why more accurate assessments of the state’s pro-corporate fiscal beneficiaries – as listed above – were not attempted, so as to offset the extreme bias generated by only incorporating social spending. She replied: ‘Your questions are very valid. Regretfully, we have yet to figure out a solid methodological approach to allocate the burden/benefit to households of the list of interventions you list.’⁴³

Numerous other analysts have likewise failed to enquire critically into the race, gender and class incidence of state budgets, for instance, in 2016 including Keith Gottschalk; Leon Schreiber; Ongama Mtimka; and Alan Hirsch. Other high-profile researchers – Hirsch; Stephen Devereux; Jeremy Seekings; Seekings and Nicoli Nattrass; and Frans Cronje; have generously praised South African social policy as pro-poor.⁴⁴

42 World Bank ‘South African poverty and inequality assessment discussion note’ (n 7).

43 Lustig (2016) (n 7).

44 K Gottschalk ‘South Africa’s finance minister tackles wastage, boosts confidence’ *The Conversation* 24 February 2016, <https://theconversation.com/south-africas-finance-minister-tackles-wastage-boosts-confidence-55338> (accessed 28 May 2019); A Hirsch *Season of hope: Economic reform under Mbeki and Mandela* (2015); A Hirsch ‘South Africa’s budget promises will require buckets of political capital’ *The Conversation* 25 February 2016, <https://theconversation.com/south-africas-budget-promises-will-require-buckets-of-political-capital-55395> (accessed 28 May 2019); L Schreiber ‘South Africa budget 2016: Nifty political footwork may not be enough’ *The Conversation* 24 February 2016, <https://theconversation.com/south-africa-budget-2016-nifty->

In sum, the World Bank and similarly ideologically-inclined researchers have meticulously measured *selected* elements of state taxation and spending which have an inequality-reducing effect in a *selected* component of well-being (household income) – as measured using a *selected* quantitative measure, the Gini coefficient – but this is not a satisfactory basis from which to draw overarching distributional conclusions.

Bank staff and researchers have at the same time ignored systemic state-induced inequalities that shape distributions of income and of wealth (including capital gains) and broad human welfare. Indeed, the ‘market distribution’ or ‘pre-fiscal’ distribution of income is already the systemic outcome of an inequality-producing economy that, in all likelihood, is substantially shaped and supported by state action that has long favoured wealthier people and the corporations in which they invest.

5 The fight between hostile brothers: The ‘Zuptas’ and ‘White Monopoly Capital’

The argument so far is that the South African state by no means is a generous redistributive vehicle responsible for inequality reductions. One reason is the class character of society and, by implication, the state. The final part of this argument entails linkage of the subsidisation of the wealthy, on the one hand, with, on the other, the rise of corruption within a state whose waste of resources not only is prodigious but distributionally regressive. The latter point is ideologically contested, in a manner that is worth contemplating, for if a full accounting of the bias towards subsidising the wealthy were to be rapidly researched, the relative weight of two major fractions of the capitalist class would be unveiled: WMC and the Zuptas.

However, first, in this context, it is vital to be aware of the way in which Mkandawire criticises mainstream neo-patrimonialism theory as applied to African ruling elites: ‘Neo-patrimonialism can be interpreted as building on methodological communalism where the community serves as the foundational unit of analysis and from whence macro-level phenomena are derived.’⁴⁵ The warning is useful, yet once one considers

political-footwork-may-not-be-enough-55344 (accessed 28 May 2019); O Mtshaka ‘South African finance minister forced to walk a difficult political tightrope’ *The Conversation* 25 February 2016, <https://theconversation.com/south-african-finance-minister-forced-to-walk-a-difficult-political-tightrope-55345> (accessed 28 May 2019); J Seekings ‘Visions, hopes and views about the future: The radical moment of South African welfare reform’ in S Dubow & A Jeeves (eds) *South Africa’s 1940s: Worlds of possibilities* (2005) 44; J Seekings & N Nattrass *Policy, politics and poverty in South Africa* (2015); S Devereux ‘Social protection in South Africa: Exceptional or exceptionalism?’ (2011) 32 *Canadian Journal of Development Studies* 414; F Cronje ‘SA service delivery “no failure”: SAIRR’ *Press statement*, Johannesburg, 11 September 2012, <http://nepadwatercoe.org/south-africa-sa-service-delivery-no-failure-sairr/> (accessed 28 May 2019).

45 T Mkandawire ‘Neopatrimonialism and the political economy of economic performance in Africa: Critical Reflections’ (2015) 67 *World Politics* 563–567.

other more populist labels regarding the same phenomenon – ‘crony capitalist’ or ‘corporate welfare’ – the logic of neo-patrimonial state capture becomes clear.

In South Africa the fear of the specific Zuma-Gupta form of state capture began in 2011 with the replacement of numerous state-owned enterprise directors with men close to the Gupta brothers, by Minister of State Enterprises Malusi Gigaba. The immigrant brothers showed how powerful their connections were in 2013, when a provincial politician rerouted R30 million from agricultural development accounts to fund a wedding, one which became notorious because the main party of guests from India used Zuma’s official air force airport. The auditing firm that approved this financial arrangement, KPMG, in 2017 suddenly found itself the subject of extreme disapproval. That same politician became national mining minister in 2015 and immediately joined the Guptas in Switzerland to pressure Glencore to sell the Optimum coal mine to the Zupta’s Oakbay firm.

Concern about what was being called the ‘Zupta’ nexus rose to a new level when in December 2015 Zuma fired finance minister Nhlanhla Nene, following his refusals to countenance Eskom’s nuclear build programme – said to be worth R1,4 trillion – as well as other parastatal projects. Nene’s successor, Desmond van Rooyen, was understood to be close to the Gupta family and, thus, within four days Zuma was pressured by bankers (from ABSA, Goldman Sachs, Investec as well as Standard Bank’s Shanghai co-owners) to switch Van Rooyen with Gordhan. Resentment by Zuma was palpable, but apparently he feared the extreme wrath of what soon became known as WMC.

By 2016 the Guptas and Zuma’s son Duduzane (who was the brothers’ main black partner) had called in Bell Pottinger, the London consultancy, to craft public perceptions against WMC. (The phrase had existed in South Africa’s left and nationalist traditions, but at a very low level of public awareness.) A large cache of e-mails from within the Zupta network revealed much of the Gupta strategy. When Bell Pottinger’s (white) team began working, they engaged in ethically dubious activities including Twitter ‘sock-puppet’ robots, and as these were discovered, within 18 months the company was itself suffering such reputational damage that its clients left and it went into receivership.

Meanwhile, as a more durable reflection of state capture, the critical problem for budgetary management was that the existing management failures – for instance, within Eskom and Transnet in relation to power plant and pipeline megaprojects (where costs had risen by tens of billions of rands) – soon became costly. A R600 billion state guarantee facility had existed for many years so as to give lenders confidence in relation to Eskom, South African Airways and other deficit-ridden state enterprises. However, these institutions’ repeated financial crises became ever more serious.

In one project, the manufacture and installation of coal-fired power plant boilers worth R60 billion, the Japanese firm Hitachi was prosecuted by the United States Securities and Exchange Commission for what was considered a bribe of the ANC's funding arm known as Chancellor House, so as to win the 2010 contract in what had become a disputed tender. Although the US agency had reached an agreement whereby Hitachi paid a \$19 million fine to the US government, no one in South Africa bore responsibility. Gordhan then was finance minister, and by then there certainly appeared a culture of corporate corruption facilitated by the state.

By 2017 a number of dubious consultancies began to be exposed through the leaked e-mails, including McKinsey's at Eskom via a Gupta front company, Trillian Management Consulting, but in spite of the involvement of Bell Pottinger, KPMG and McKinsey, throughout the period until mid-2017 elite society's main line of cleavage was Zupta versus WMC. However, in mid-2017 that line was blurred at a public discussion in the University of the Witwatersrand's Great Hall, by two of South Africa's leading economic personalities, Gordhan and Abedian.⁴⁶

There, for the first time, the either/or narrative gave way to both/and. The enabling role of international auditing firm KPMG in the scandal was a useful handle, but instead of focusing on one firm, they made an unusually passionate case against WMC (although the two obviously would not name it as such given its controversial recent past). A very few voices have made the same point, such as the leading trade union federation's policy director Neil Coleman who asked, 'Do we have to choose between a predatory elite and WMC?'⁴⁷ The question became especially poignant in December 2017 when Cyril Ramaphosa was elected ANC President in a close contest with Nkosazana Dlamini-Zuma, but was joined by a new deputy, the controversial David Mabuza, as well as Secretary-General Ace Magashule and his deputy Jessie Duarte, in a combination that epitomised the fusion of WMC and the Zuptas.

Condemning firms far beyond the Zupta nexus in late 2017, Gordhan explained the deeply-rooted character of South Africa's culture of corporate corruption.⁴⁸ He despaired of internal reform and industry self-regulation, and concluded that 'mass protest action' is required against big capital and parastatals, perhaps to the bitter end, such as Bell Pottinger experienced. Protest against corporate injustice remains one of South Africa's greatest strengths, the World Economic Forum indirectly acknowledged the same day as Gordhan and Abedian spoke, in its *Global*

46 University of the Witwatersrand 'KPMG: What lessons have we learnt?' Johannesburg, 29 September 2017, <https://www.youtube.com/watch?v=qB6eIh27qgE> (accessed 28 May 2019).

47 N Coleman 'Do we have to choose between a predatory elite and white monopoly capital?' *Daily Maverick* 21 April 2017, <https://www.dailymaverick.co.za/opinionista/2017-04-21-do-we-have-to-choose-between-a-predatory-elite-and-white-monopoly-capital-part-one/#.Wj0JgHlx3Z4> (accessed 28 May 2019).

48 University of the Witwatersrand (n 46).

Competitiveness Report 2017-18.⁴⁹ Dating back to 2012, South African workers have been considered the world's most confrontational in the Swiss-based forum's survey of 14 000 executives, a position they lost only in 2018 (coming in fifth).

On the other side of the class struggle, the accountancy firm PriceWaterhouseCoopers (2018) regularly names Johannesburg's corporate rulers as the world's most prone to corruption – especially procurement fraud, money-laundering, asset misappropriation and bribery – and acknowledges that 80 per cent of these managers engage in crime (such as the 35-40 per cent overcharging on state procurement). Indeed, government politicians and bureaucrats are often blamed first for corruption, yet according to Transparency International (TI) they are amateurs compared to the world-leading private sector. South Africa as a whole was only perceived as seventy-third least corrupt out of 175 countries in 2019 (Figure 4), and according to TI, the worst post-apartheid degeneration occurred during 1996-1999 (from twenty-third to thirty-fifth) under Nelson Mandela, and during 2003-2008 under Thabo Mbeki (from thirty-fifth to fifty-fifth).⁵⁰ Both adopted economic policies considered exceedingly friendly to WMC, for example, dropping crucial exchange controls, casualising the labour market and lowering the corporate tax rate. These policies, continuing under Zuma, were so lucrative that the International Monetary Fund regularly reported that South African firms had average profit rates amongst the top five of all major economies.⁵¹ The World Bank acknowledged that the highest-income 1 per cent doubled their consumption of national income from 10 to 12 per cent in 1990-1994 to 18 to 20 per cent since 2008.⁵²

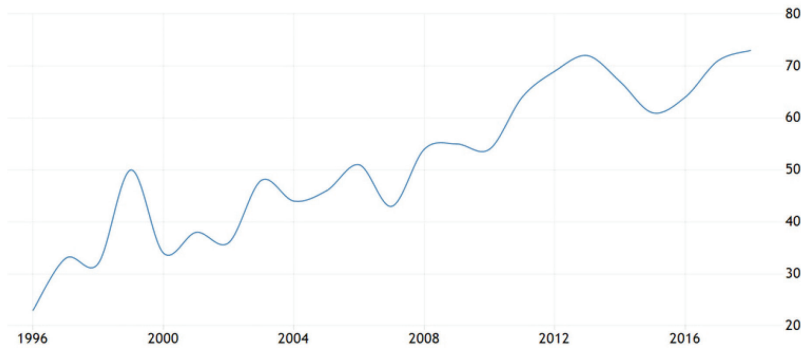
49 World Economic Forum Global Competitiveness Report 2017-18 (2017), <http://reports.weforum.org/global-competitiveness-index/> (accessed 28 May 2019).

50 Transparency International 'Corruption perceptions index' (2019), https://www.transparency.org/cpi2018?gclid=EAIaIQobChMIuejz5ob_4AIVF4uyCh0zsgdDEAAAYASAAEgILCfD_BwE (accessed 28 May 2019).

51 International Monetary Fund 'South Africa: 2016 Article IV Consultation' (2016).

52 World Bank *Taking on inequality* (2016).

Figure 4: South African state corruption index, 1996-2018 (out of 175 countries)



Source: Transparency International (December 2018)⁵³

The dilemma here, according to Gordhan, was a neo-patrimonialism within white business: ‘There’s a particular culture in the dominant part of business in South Africa, or some sections of that business, that we’ve inherited from our past, in the sanctions-busting era. Elements of that DNA are still persisting, 23 years later.’ He asked plaintively, ‘Are we able to actually say that firms are able to command the kinds of leadership that is required to change the culture after many years of doing things in a particular way, within large companies?’ Abedian, who in 2017 quit insurance company Munich Re’s local board due to its ongoing KPMG contracts, confirmed: ‘There is an embedded culture where national resources are for the benefit of the rich ... What we should be doing first is looking at the actions of those who sit on boards of insurance companies, banks and investment companies.’⁵⁴

In contrast to no-holds-barred truth-telling by Gordhan and Abedian, many others retain an either/or Gupta/WMC bias. As Oxford political lecturer Jonny Steinberg complained in *Business Day* in mid-2017, debates he was then having with (pro-Zuma) interviewees were frustrating:

It seems that we believe what we believe; any new evidence simply fills the contours of the story we are already telling. Mine is that an unholy alliance of politicians and bureaucrats in hock to a rich family has hijacked public institutions. Theirs is that global corporations have stolen SA.⁵⁵

⁵³ Transparency International ‘Corruption perceptions index’ (2019).

⁵⁴ University of the Witwatersrand (n 46).

⁵⁵ J Steinberg ‘KPMG and McKinsey sagas do not shift voters’ beliefs’ *Business Day* 29 September 2017, <https://www.pressreader.com/south-africa/business-day/20170929/281500751447457> (accessed 28 May 2019).

Likewise a group of academics led by Mark Swilling and Ivor Chipkin had issued a major 2017 report on corruption that focused entirely on that unholy alliance, not mentioning the broader context or WMC practitioners.⁵⁶

Far more balance was achieved in a 2017 article by Brunette et al of the Public Affairs Research Institute. Pointing out that the rise of right-wing politicians in India and Brazil was due in part to personalistic campaigns against their predecessors, they argued:

Zuma is at the head of a mass political tendency. He expresses a radical, right-wing or capitalist Africanism, one that emerges from prominent black business and professional associations and parts of the African National Congress party machine. Instead of debating and analysing this tendency's merits, anti-corruption politics shifts discussion to whether it is legitimate at all. Our contention is that this is an illegitimate, disenfranchising move.

Anti-corruption politics is also increasingly the vehicle for another political tendency. Given its need to build a broad coalition, this tendency expresses a moderate non-racialism or a social liberal Mandelaism. But for many, especially younger South Africans, these expressions can barely be connected to their realities. This political tendency, instead, is rooted firmly with an elite, comprising the businesses and professionals that have been the primary beneficiaries of the post-apartheid regime.

Both anti-Zuma moderates and Zumaist radicals have co-ordinated sophisticated media campaigns to keep their narratives alive. These have been premised on 'public spectacles': rallies, marches and counter-marches, court cases, press conferences, seminars, pickets, sleep-outs, occupations, church services and funerals. More worrying is the crescendo of tactical leaks, revelations and political statements, often overwrought in their coverage, and transparently collaborative efforts of politicians, activists, editors and journalists. The polarised discourse around Zumaist ideas has limited alternative visions for the country...

Among moderates, the terms 'WMC' and 'radical economic transformation' are rejected as ideological hokum. In the same breath, we are bluntly introduced to the 'mafia state', the product of a 'silent coup', the result of 'state capture', leading to 'state failure'. Many of these odious soliloquies are delivered with thinly-veiled racism, using long-expired terminology once applied to post-colonial African states. Others only intend to sanitise opportunists with their own pasts, no doubt positioning for the next round of primary accumulation. They strongly protect the national treasury and move it beyond reproach, outside of politics – the demonstrably anti-poor effects of its business-friendly economic approach remain uncritically ignored.

Both elite groups claim to be for the poor, but neither is concerned about giving power to the poor. Instead, they are making weapons to use against poor people should they come into power.⁵⁷

⁵⁶ Bhorat et al (n 17).

⁵⁷ R Brunette et al 'Elite struggle over Zuma is making weapons against the poor' *Daily Maverick* 14 June 2017, <https://www.dailymaverick.co.za/article/2017-06-14-op-ed-elite-struggle-over-zuma-is-making-weapons-against-the-poor/#.Wj0M6Xlx3Z4> (accessed 28 May 2019).

6 Social resistances

Breaking out of the binary constructed by both elite groups is vital, just as is the proper accounting of whom the state's spending benefits most. The utter incapacity of the World Bank to conduct such studies is evident, but upon requesting data on distributional incidence of state spending from StatsSA, their staff confirmed that no such analysis was ever conducted.

In turn, it is up to South Africa's legions of social activists to balance the power wielded by both sets of elites. The activists' hostility to multinational corporate exploitation is by no means new. Since the origins of white-settler profiteering during the Dutch East India Company invasion in 1652, later amplified by the likes of Cecil Rhodes and Ernst Oppenheimer's Anglo American Corporation, resistances arose from grassroots, labour, communist and nationalist (both Boer and black) activists:

- hundreds of Western multinational corporations and banks – which ignored anti-apartheid sanctions called initially by Albert Luthuli;
- pharmaceutical corporations which denied access to life-saving AIDS medicines – until the Treatment Action Campaign demanded an end to monopoly patents, thus raising average life expectancy from 52 in 2004 to 64 a dozen years later;
- post-apartheid's public-private partnerships including municipal water firms (Suez, Biwater and Veolia) and Gauteng's highway e-toll managers (Kapsch Trafficom) – which were repelled by unions, township activists and the Organisation Undoing Tax Abuse;
- the Zurich-based FIFA organisation – whose 2010 World Cup ran into numerous local protests;
- collusive construction, bread and cell-phone companies, and bankers manipulating the currency – all prosecuted by the Competition Commission, in turn fuelled by social outrage;
- Lonmin's labour exploitation and illicit financial outflows – fought by the mining union AMCU, as well as other unions and lawyers successfully suing major mining corporations for silicosis and asbestosis damages;
- the World Bank in several controversial roles – as apartheid lender (Jubilee 2000 and Khulumani demanded reparations), Lonmin investor (Marikana grassroots feminists and the Wits Centre for Applied Legal Studies), primary creditor for Eskom's corruption-riddled Medupi coal-fired power plant (Lephalale community critics and Earthlife Africa) and lead owner of Net1-CPS, the social-grant disburser which illegitimately debit-ordered millions of poor people (until Black Sash forced its CEO's firing in mid-2017);
- three credit ratings agencies from Manhattan (Standard&Poors, Fitch and Moody's) and allied financiers who since 1994 influenced the treasury to make repeated cutbacks in social spending, infrastructure and higher education – fiercely contested (albeit indirectly) via myriad service delivery protests and the #FeesMustFall student movement; and
- three Gupta brothers from Saharanpur, Uttar Pradesh and then Johannesburg, along with their allies in British, US and German corporations – demonised and forever brand-degraded.

In all these confrontations the system's self-correcting mechanisms appear broken. The World Bank's Inspection Panel showed itself to be toothless on several occasions. If South Africa's Independent Regulatory Board of Auditors belatedly 'finds KPMG guilty,' Abedian wrote in 2017, 'the maximum penalty will be a paltry R20 000. Big deal!'⁵⁸ Instead, calls for much stronger corporate punishment were regularly heard in 2017. According to *Daily Maverick* columnist Richard Poplak, 'We need to go after the likes of KPMG and Bell Pottinger, and bury them – not just because they're complicit in Zuma's state capture project, but because they're shitty institutions that do shitty work and they deserve to die.'⁵⁹ At the mid-2017 event, Gordhan applauded that day's national anti-corruption marches by labour and Communists. As he argued to the Wits audience, 'While debates like these are important, in our political culture it's mass action that eventually counts, it's the involvement of people who are willing to put some effort into bringing about changes, that actually makes a difference.'⁶⁰

The involvement of people is indeed vital, and to the extent that there have been genuine victories against neo-liberalism, these are deeply instructive as to the core elements of a more robust and enduring post-neo-liberal politics. They include early service delivery protests which catalysed a free basic services policy providing at least tokenistic supplies of water and electricity (at least 25 litres per person per day and 50 kWh per household per month), a small monthly welfare grant to 17 million people (nearly a third of the population), and – much more substantively – the commoning of HIV/AIDS medicines.⁶¹

South Africa's successful campaign for HIV/AIDS medicines reflects four features that any political agenda against poverty and inequality should embrace: *decommodification* (of drugs costing over \$15 000 per year that are now free); *destratification* of access (now numbering over three million South Africans); *deglobalisation of capital* (generic medicine production facilities now exist in many African cities); and *global solidarities* against powerful multinational forces. Jumping scale, South Africa's Treatment Action Campaign (TAC) confronted global Big Pharma, the South African and US governments, and the World Trade Organization. In 2004 prior to medicines access, life expectancy was 52 years, and a decade later it rose to 62: an extraordinary post-neo-liberal victory.

The future of a South African post-neo-liberalism depends upon whether resistance politics continue to focus upon these four themes, and

58 I Abedian 'The KPMG failure – Ethical test for SA business and company directors' *Daily Maverick* 11 September 2017, <https://www.dailymaverick.co.za/article/2017-09-11-op-ed-the-kpmg-failure-ethical-test-for-sa-business-and-company-directors/> (accessed 28 May 2019).

59 R Poplak 'The end of law, the end of democracy' *Daily Maverick* 20 September 2017, <https://www.dailymaverick.co.za/article/2017-09-20-trainspotter-the-end-of-law-the-end-of-democracy/> (accessed 28 May 2019).

60 University of the Witwatersrand (n 46).

61 Bond (n 5).

whether the activists collectivise their experiences, moving from local to national terrains of struggle. Ongoing mass campaigns in water, electricity and university education for many years had faced fiscally conservative finance ministers, especially Manuel, Nene and Gordhan. The latter rejected student demands for R25 billion in additional annual spending to make higher tertiary education free. In October 2015 a few thousand students won stunning short-term victories after national protests on consecutive days at parliament in Cape Town, the ANC's national headquarters in Johannesburg and the President's Pretoria office.

In addition to a (real) 5 per cent fee cut, nearly all universities also agreed to 'in-sourcing' of low-paid university workers. Then in late 2017, Zuma's last promise as ANC leader was to find R15 billion in the 2018 budget and, from there on, around R40 billion per year to offer 90 per cent of students free education, by raising state funding of tertiary education from 0,68 per cent to 1 per cent of GDP. To be sure, this was a populist gesture widely interpreted as consolidating support for the Zupta camp in the following day's ANC presidential race between Ramaphosa and Dlamini-Zuma, but it was still declared as a victory by students and their supporters.

Like the fight for a policy ensuring free basic supplies of water and electricity, the campaign for free tertiary education teaches the importance of scale-jumping, in a myriad of physical micro-space contestations, because they were only successful by moving from micro-sites to generate a sense of national purpose. Yet there are evident limits to the thousands of township-based 'service delivery protests' that occur each year. In part due to localism, community activists often do not identify the source of harm (for instance in the national treasury) beyond the immediate geographical settings of the slums.

Two more caveats are in order, regarding the possibility of a national power shift, without which the activists are likely to remain within their issue-specific silos. First, residents' grievances against immigrants have sparked tragic conflict. The xenophobic attacks that became national news in 2008, 2010 and 2015 were only one of the dangers of turning inward against the Other close at hand. This violence targeted immigrant workers as well as shop keepers from Somalia, Ethiopia, Pakistan and Bangladesh, whose economies of scale had swamped the market and threatened local residents' much smaller 'spaza shops'.⁶² Second, an epidemic of domestic, gendered violence among a patriarchal South African working class is another self-destructive way that the scale of politics of social grievances has telescoped backwards, in this case into the home.

Another major factor must be mentioned in any consideration of worsening South African inequality: the 'Fourth Industrial Revolution' (4IR). The phrase encapsulates a new round of technological disruptions

62 As above.

(including job displacement) caused by robotics, artificial intelligence, big data surveillance and marketing algorithms (such as socio-political manipulation), blockchain (allowing crypto-currencies to undermine national monetary sovereignty), nanotech and biotech, and so forth. The 4IR's popularisation in South Africa began in 2017 when the Swiss-based World Economic Forum held an Africa-wide conference in Durban, following the network's introduction of 4IR technological 'leap-frogging' advocacy in Kigali in 2015.

In South Africa the concept has been appropriated by quite destructive forces, so social resistance is not far behind. The 2018 Brazil-Russia-India-China-South Africa (BRICS) summit in Sandton was an opportunity for BRICS Business Council Chairperson Iqbal Survé and his *Independent* media group to assiduously promote the 4IR. A few weeks before the summit he had hoped to launch his own Sagarmatha 'unicorn': the term for a \$1+ billion initial public offering fund-raised by a tech firm on a stock market, in this case based on his controversial Ayo tech base which enjoyed major state pension fund subsidisation (Sagarmatha is a Nepalese word for Mt Everest). However, Survé had vastly over-reached, with subsequent critiques of his ethics and accounting gimmicks destroying the venture as the Johannesburg Stock Exchange prohibited its listing, and he was fired from the BRICS body within months. (Under the influence of Survé and the BRICS South African *sherpa* Anil Sooklal, the body even adopted what ultimately was a hollow 2018 theme: 'BRICS in Africa: Collaboration for Inclusive Growth and Shared Prosperity in the 4th *Industrial Revolution*'.)

The demise of the main South African propagandist for the 4IR was not the concept's only problem. Given how much renewed unemployment, poverty and inequality were likely to emerge from fresh bursts of capital-intensity, and given how serious South African activists were about *socialising advances in technology for broader gains, not corporate profits*, it is useful to consider several 'Fourth Industrial Counter-Revolutions' that were either successful or that are now underway.

Table 1: The Fourth Industrial Revolution in South Africa, and counter-revolutionaries

4IR: Fourth Industrial Revolution trends	SA manifestations of degenerate 4IR	4ICR: Fourth Industrial Counter-Revolutionaries
rampant application of Intellectual Property and monopoly patents, thereby excluding poor people from life-saving innovations, especially in public health services	Big Pharma corporations supplied Anti-RetroViral (ARV) medications for AIDS, but at a cost of R100 000 annually (before 2004), aided and abetted by South African leaders Thabo Mbeki, Alec Erwin and Manto Tshabalala-Msimang, by Al Gore and Bill Gates from the U.S, by Western states and by the World Trade Organisation's Trade Related Intellectual Property System (WTO TRIPS).	<i>Treatment Action Campaign</i> , their labour allies and lawyers, the <i>Constitutional Court</i> , courageous <i>journalists</i> , some senior <i>African National Congress (ANC) officials</i> , and generic medicines firms together rejected IP barriers to ARV access and won WTO TRIPS exemptions in 2001, compelling roll out of free drugs to 5 million, thus raising life expectancy from 52 to 65 since 2005 (1998-2005).
elitist education, driving more working-class people into debt or out of tertiary education	Black, working-class students suffered greater rates of 'financial exclusion' at universities, as well as post-school debt defaults.	<i>#FeesMustFall</i> won tuition waivers for 90% of university and technikon students (2015-17).
social media mind-manipulation	Bell Pottinger, the broadcaster ANN7 and the Gupta brothers' bot army declared war on those politicians, journalists and civil society who were allegedly associated with 'White Monopoly Capital' (albeit making such claims without a genuine left agenda, purely as a juvenile Zumite defence mechanism).	SA's opposition parties (especially the <i>DA</i> and <i>EFF</i>), journalists (especially <i>amaBhungane</i> and <i>Sunday Times</i>) and nearly all other activists in left-wing, centrist and right-wing civil society, as well as Johann Rupert and allied Western Multinational Corporations, together gave Bell Pottinger and ANN7 corporate death sentences, and sent the Guptas into Dubai exile (2016-17).

gradual repression of liberal rights and of social justice activism	The Department of State Security engaged in worsening repression during the Mbeki-Zuma regimes, including the (ill-fated) Protection of State Information Bill.	<i>#Right2Know</i> battled against the 'Secrecy Bill' and, alongside conscientious ANC MPs, prevented it from becoming formal law in 2013 (2011-19).
surveillance of citizens' movements by states and capital	SA National Road Agencies Ltd (Sanral) and Kapsch established 'e-toll gantries' across Gauteng's highways to enforce payment for road use, <i>even though apartheid and post-apartheid housing markets force working people to live far from city centres.</i>	<i>Organisation Undoing Tax Abuse (Outa)</i> , and <i>Congress of SA Trade Unions (Cosatu)</i> successfully protested in the streets and courts to protect the vast majority of Gauteng road users who boycotted gantries and e-toll bill payment (2010-19).
ultra-commodification of everything, using advanced financial technology	The World Bank's International Finance Corporation and CPS Net1's strategy of 'financial inclusion' included raiding millions of poor people's monthly social grants – so as to debit for microfinance, cellphone and other undesired 'services'	<i>Society</i> , disgusted by revelations of abuse collected by <i>Black Sash</i> and its lawyers, acted on behalf of 17 million monthly victims, compelling the state to make the SA Post Office distributor of grants (resulting in massive losses for CPS Net1) (2013-18).
danger of excessively job-killing robotics	Major banks – catalysed by Nedbank – launched automation to replace thousands of workers with hundreds of robots	<i>SA Society of Banking Officials (Sasbo)</i> protested the jobs massacre, but so far unsuccessfully (2018-19).
danger of excessive technological control through robotics and Artificial Intelligence (AI)	The leading South African expert, Elon Musk, warns, 'AI is a fundamental risk to the existence of human civilization... the danger of AI is much greater than the danger of nuclear warheads.'	<i>Musk's</i> consciousness-raising includes a film (<i>Do You Trust This Computer?</i>), regular public statements as well as a twar with Mark Zuckerberg, calling for greater protective regulation against AI abuses (2017-19).

danger of geo-engineering and nanotechnology especially applied to the climate crisis	South Africa has been a pilot site for extreme levels of GMO agriculture and zany climate strategies (such as Carbon Capture and Storage, and dropping iron filings into the ocean to create algae blooms)	<i>Biowatch</i> monitors genetic engineering, while <i>Earthlife Africa</i> , <i>groundWork</i> and progressive environmentalists oppose 'false solutions' to climate chaos, while demanding mass replacement of coal and nuclear power with renewables
danger of blockchain and crypto-currency distortion of state monetary sovereignty	One poll (by Hootsuite, in February 2019) found 10.7% of SA internet users invest in Bitcoin and other crypto-currencies, the highest rate in the world (the global average is 5.5%); the three crypto exchanges are Luno, Altcoin Trader and OVEX	<i>Cosatu</i> and the <i>National Union of Metalworkers of SA</i> (Numsa) regularly advocate much stronger exchange controls, especially against the Illicit Financial Flows that are amplified by crypto-currencies
pro-4IR corporate control of mass media	<i>Independent</i> newspapers engaged in relentless 4IR propaganda (without any hint of its adverse effects), especially as Iqbal Survé pushed his failing 'Sagarmatha unicorn' and Ayo tech businesses, while serving as 2018 head of the BRICS Business Council until the Council was fired in October 2018	#Right2Know organisation and academics (e.g. <i>Jane Duncan</i> and <i>Mike Kwet</i>) remain vigilant about corporate media power (2012-19), and various <i>competing media organisations</i> blew the whistle on the Public Investment Commission's subsidisation of Ayo and the <i>Independent</i> group.

The 4IR may ultimately represent one of those sites of struggle where progressive South Africans can again lead the world towards social justice. However, disunity in the ranks remains a brake on progress. Considering the fast-shifting terrains of battle, across a myriad of issue areas, political forces representing two distinct ideologies are emerging to fight neo-liberalism in the period ahead. First, the fight-back against white South Africans' resurgent and often virulent racism returned popularity to the Black Consciousness philosophy of Steve Biko. This form of identity politics began re-ascending in 2015 with the impressive #RhodesMustFall student campaign on Cape Town's Table Mountain, a struggle that toppled

the Cecil Rhodes statue at Africa's leading university.

Second, there is a resurgent class-community fusion (perhaps with environmental justice opportunities) emerging, which initially surfaced in response to state violence against labour, notably the massacre of 34 platinum mineworkers at Marikana on behalf of the Lonmin mining house in 2012. One result was a split between renewed socialist sensibilities of the country's largest union, the National Union of Metalworkers of SA (NUMSA), and the residual nationalist loyalties of the Congress of SA Trade Unions. The fusion of metalworker socialism, anti-neo-liberal social movement traditions and community radicalism briefly surfaced under the rubric of the name 'United Front' in 2014-2015, to connect a multitude of left-leaning civil society groups.

However, NUMSA shifted its sometimes whimsical attention to a different sphere by 2018-2019: the Socialist Revolutionary Workers Party. That turned out to be yet another damp squib, as the party won only 25,000 votes in the May 2019 election, around half of what was needed to even get a sole parliamentary seat. Thus, while sometimes promising as fragmentary insurgencies, resistance politics have thus far been small-scale and momentary, just as was witnessed across the world during the 2008-2015 anti-neo-liberal upsurges, especially the 2011 uprisings, urban protests and Occupy Movement.

Amidst this turmoil the multi-faceted South African left is most visibly represented by an unprecedented round of radical electoral politics, inspired partly by the support of more than a million voters for the Economic Freedom Fighters and its leader, former ANC Youth League president Julius Malema, in the 2014 elections. From 6 per cent in 2014, the party won 8 per cent in 2016's municipal elections and helped unseat ANC regimes in Johannesburg and Tshwane. In 2019 the party won 11 per cent in spite of renewed evidence of corruption and attacks on journalists. Part of the formula Malema and other EFF members of parliament adopted with some success during Zuma's reign was a willingness to launch ferocious attacks on ANC personalities, on neo-liberalism and on ingrained corruption. In terms of his party's popularity and impact, Malema may have found the route to a national post-neo-liberal political presence, although many left-liberals believe the EFF's deviant characteristics are so severe as to warrant the label 'fascist'.

The final organised left force to note is the South African Communist Party (SACP). However, it has mainly 'tailed' the ruling party, playing an occasionally decisive role in internal leadership squabbles, but not contributing to the theory or practice of socialism beyond insiderism. This is likely to change, however, given that Ramaphosa will be compelled to impose more extreme forms of austerity (partly due to state-owned enterprise failure), in a context in which his ANC leadership colleagues David Mabuza, Ace Magashule and Gwede Mantashe remain controversial both for corruption and, certainly in Magashule's case, for

fronting Zuma-era political forces. As the forces pulling centrifugally on the ANC, SACP and Congress of SA Trade Unions strengthen in coming years, the fractures will grow and the main economic and fiscal decisions will even more decisively favour capital.

In a country facing such intense geographical, social and sectoral segregation as South Africa, as well as fragmented left politics, the challenge of unifying local grievances and the forces they have birthed into a national ideology of post-neo-liberalism remains. The fight may be considered most fierce when it takes on poverty, inequality and state capture – that is, social democratic and liberal reforms. Nevertheless, that ideology in this part of the world takes the name, first and foremost, of socialism. The class struggle cannot stop there, obviously, and must now also firmly grapple with full human liberation on grounds of race, gender, sexual preference, different-abledness and socio-ecological relations. If anywhere on earth the conditions are ripe and contradictions are reaching breaking point, it is in South Africa.

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