

# **Debt, uneven development and capitalist crisis in South Africa: from Marikana microfinance mashonisas to Moody's macroeconomic monitoring**

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## **ABSTRACT:**

*The power, vulnerability and destructiveness of financial markets have spiraled out of control in a South Africa that by 2012 was amongst the most unequal, economically volatile and protest-intensive in the world. The scourge of debt made itself felt in many sites, but of interest in both criticizing and promoting solutions is the 'scale jumping' required from SA's national insertion into the world financial system, entailing the Reserve Bank setting interest rates at a level amongst the world's highest over the past two decades, in turn leading to unpayable levels of unsecured consumer debt at a time microfinance was suddenly discredited as a development strategy. The macro and micro financial problems fused in the course of the Marikana Massacre of August 2012, when from local 'mashonisa' loan sharks to the Moody's rating agency, mineworkers who led contagious wildcat strikes confronted the local financial crisis by displacing it into the national economy. Yet that only heightened the contradictions, and without a genuine 'debt relief' solution at both scales, the society will continue to unravel.*

As we will observe using contemporary South Africa as a case study, at regular intervals financial circuits of capital exacerbate capitalism's economic, social and environmental inequality.<sup>1</sup> This is most true during periods of 'financialisation' in which the underlying production of value shrinks in monetary terms, compared to bogus financial capitals being generated. What occurs then is the amplification of uneven and combined development.

Finance creates unevenness because some circuits of capital (and the spaces that host them) 'grow' much faster as accumulation processes build upon each other, even to the extent of dangerous speculative bubbling, while other areas are more decisively 'redlined', starved of credit, disinvested, blighted and drained of savings, having been declared 'unbankable'.<sup>2</sup> And finance is part of 'combined' development because the combination of capital with the non-capitalist – i.e., households, women's roles in social reproduction, mutual aid systems, untitled land and pre-capitalist social tradition, state social services, environment and many other areas not yet touched by commodification – means, as Rosa Luxemburg put it a century ago in *The Accumulation of Capital*, 'Only the continuous and progressive disintegration of non-capitalist organisations makes accumulation of capital possible.'<sup>3</sup> In this case, as we see in the first section of this article, the abuse of the 'non-capitalist' goes sufficiently deep into South Africa's financially-illiterate semi-peasantry as to illustrate the transition from racial-apartheid oppression to class-apartheid via the same class of white males who ran the state until 1994.

Throughout modern history, there are many examples of overaccumulation crisis accompanied by more extreme uneven and combined development, including

financialisation. Measured as the world economy, capitalism has suffered sporadic eruptions during the periods 1815-48, 1873-96, 1917-48 and 1974-present. In South Africa, dating to the early 19<sup>th</sup> century, there were periods of local capitalist crisis characterised by excessive debt and financial speculation, geopolitical machinations and overaccumulation: early crises of the 1810s-60s; the turbulent emergence of the financial-mining nexus during the 1870s-80s; the centralisation of financial-mining capital during the 1880s; the relationship between financial speculation and politics during the 1890s-1900s; the reassertion of local control during the 1910s; financial restructuring of local economic geography during the 1910s-20s; international financial collapse during the 1930s; gold-related recovery of the 1930s-40s; the rise of Afrikaner finance during the 1930s-50s; the financing of post-war development; and the recent rise of finance from the 1980s.<sup>4</sup> In one effort to relate finance and uneven development in South Africa, Ben Fine and Samantha Ashman observe,

financialisation has been identified as a causal factor in the evolution of national financial systems/systems of accumulation. But various factors at various different levels causally mediate the processes of financialisation in dynamic ways and so financialisation should not be seen simplistically as a force for convergence. Instead financialisation needs to be incorporated into conceptions of the variegated and combined and uneven nature of capitalism and the uneven and interdependent development of national and regional capitalisms.<sup>5</sup>

To explore such conceptions, this article traces finance across scales, from micro-household in Marikana to macro-economy as mediated by Moody's, with the aim – in the conclusion – of considering non-capitalist political (and policy) interventions that would address the debt crises emerging at several levels. A great many *capitalist* strategies aimed at resolving debt crises have been attempted, especially the notorious 2008-09 bank bail-outs or, a few years earlier, the kind of debt relief granted in which, following write-off of non-repayable debt stocks at the time of the Gleneagles G8 meeting and 'Make Poverty History' advocacy in 2005, the Paris Club of 'donors' actually compelled a 50 percent increase in annual debt payments in relation to export revenues from low-income African countries in subsequent years.<sup>6</sup>

To understand the way finance amplifies uneven and combined development requires reviewing how the external funding sources were drawn away from the standard functions of credit in lubricating production, within a context of worsening 'overaccumulation' of capital during the 1970s-80s, and into circuits of capital that built up their own speculative momentum in the 1990s-2000s; this is the objective of the third section of this article. That momentum was sufficiently strong as to soon reach the limits of unsecured household debt loads, especially for low-paid workers, including the mineworkers of the platinum belt, as discussed next. And as shown in the subsequent section, the momentum of financialisation has been sufficiently strong as to push the SA economy into such a payments deficit – with profits, dividends and interest outflows soaring through the 2000s – that *The Economist* rated South Africa the riskiest of 17 peer emerging economies by early 2009. At the same time, the underlying capacity to earn surplus value faded, what with much sharper class struggles – especially in the extractive sectors of mining and agriculture – just as another national debt, 'ecological', emerged, pushing the country's *actual wealth* ('adjusted net savings') into negative territory.<sup>7</sup>

By spelling out these features of debt from the personal to the economic and political-ecological, we are compelled to consider (in the concluding section) how resistances have emerged, what narratives make sense, and which social forces are aligning to tackle the

problems of a debt-ridden South African economy and society.

### **Marikana's microfinance mashonisas**

'Mashonisa' is the name given to the ubiquitous usurer in black South African townships; the isiZulu word means 'to impoverish' (or 'to sink'), hence the moneylender is immediately identified as central to micro-scale uneven development. Mashonisas are joined by microfinance institutions and formal banks in offering 'unsecured credit' – i.e., without a property, automobile or furniture that permit the lender a lien for capital recovery in the event of nonpayment – which is often associated with stop-payment systems arranged by the mines, or with harsh debt-collection tactics if not. It did not take long before the lenders' role in mineworker finance was identified as central to the worst police massacre in a half-century, at the platinum-belt town of Marikana 100km northwest of Johannesburg on August 16, 2012.

The known facts behind the murder of 34 men on a wildcat strike against Lonmin, that afternoon, can be summed up in six considerations:

- the provincial police department, backed by national special commando reinforcements, ordered several thousand striking platinum mineworkers – rock drill operators – off a hill where they had gathered as usual over the prior four days, surrounding the workers with barbed wire and firing teargas;
- the hill was more than a kilometer away from Lonmin property, the mineworkers were not blocking mining operations or any other facility, and although they were on an 'unprotected' wildcat strike, they had a constitutional right to gather;
- as they left the hill, 34 workers were killed and 78 others suffered bullet-wound injuries, all at the hands of police weapons, leaving some crippled for life, with 10 shot dead while moving through a small gap in the fencing, and the other two dozen murdered in a field and on a smaller hill nearby, as they fled;
- no police were hurt in the operation – although it appears that a sole miner with a pistol fired the first shot – and the police attempted a clumsy cover-up;
- 270 mineworkers were arrested that day, followed by a weekend during which state prosecutors charged the men with the 'murder' of their colleagues (under an obscure apartheid-era doctrine of collective responsibility), followed by an embarrassed climb down by the national prosecutor after the society registered utter disgust; and
- there was no apparent effort by police to discipline errant troops in subsequent months, except when before-and-after photographs supplied by police showed that weapons were planted on dead mineworker bodies, ostensibly to imply there was a threat, and indeed the police moved again and again to intimidate Marikana activists in the wake of the massacre, including murdering – with rubber bullets one Saturday morning – a popular local councilwoman (from the ruling party) who sided with the ANC.<sup>8</sup>

These are superficial observations, however, and the major questions about why the Marikana workers were so desperate soon emerged in several investigations by economic journalists. The typical rock-drill operator's take-home pay was said to be in the range of

\$511 per month, with an additional \$204/month as a 'living out allowance' to spare Lonmin and other employers the cost of maintaining migrant-labour hostels. Most workers were from the Eastern Cape's Pondoland, Lesotho and Mozambique; many therefore maintained two households, having families to support in both urban and rural settings. In spite of structural changes in the mines that blurred the distinction between shop steward and foreman, hence drawing National Union of Mineworkers (NUM) local leaders into a cozy corporatist arrangement with the mining houses, NUM and its competitor unions had organized the majority of labour on the vast platinum fields.

But controlling the workers was another matter. For South Africa's share of world platinum reserves is more than 80 percent. The belt stretches in a distinct arc around the west side of the Johannesburg-Pretoria megalopolis of ten million people, and up towards the Zimbabwe border. The area also has vast gold and coal deposits. Tens of thousands of workers who subsequently went on wildcat strikes in the Northwest, Limpopo, Free State, Mpumalanga, Northern Cape and Gauteng Provinces did not do so out of the blue. They began leaving NUM in droves from late 2011 because of its worsening reputation as a 'sweetheart union' whose general secretary even recommended that 9000 Lonmin workers be fired for not heeding back-to-work commands in 2011. The workers had participated in various forms of labour and community-based protests over the prior few years, as the 350 percent price increase for the metal during the 2002-08 boom left the main companies – AngloPlats, Implats and Lonmin – extremely prosperous, without evidence of trickle-down to the semi-proletarianised workforce.

In the immediate wake of the massacre, predictable media bias allowed the impression to emerge that police were "under attack" by irrational, drugged and potentially murderous men from rural areas in, who used "muti" (traditional medicine) to ward off bullets. Plenty of press reports and even the South African Communist Party's official statement refer to the workers' pre-capitalist spiritual sensibilities, to try to explain why they might charge towards the police, through a five-meter gap in the barbed wire, with their primitive spears, 'panga' machetes, and wooden sticks. It is actually far more likely that, with one exception (who did fire at police), the men came through the gap in the fence and began edging alongside it, rather than running directly at the line of heavily armed police. The police claim six handguns were recovered from dead, wounded and arrested mineworkers, but this also awaits verification given that there is strong evidence of police planting weapons on corpses (as their own photographs demonstrate in revealing before-and-after shots that led to a separate investigation).

At the core of the Marikana conflict was that 3000 Lonmin rock drill operators demanded a raise to \$1420/month as a basic gross 'package' amount; they struck for over a month (three weeks beyond the massacre) and ultimately received what was reported as a 22 percent wage package increase, which in turn catalyzed prairie-fire wildcat strikes across the immediate mining region and then other parts of the country in September-November (Figure 1). But indebtedness was central to the desperation conditions that prevailed at Marikana and so many other mining towns, although all manner of other social, gender, economic, environmental and political factors are also critical. Finance appeared to amplify the underlying conditions of uneven and combined development, the more that became known about the miners' household finances.

The first attempt to locate Marikana mineworkers within the circuits of microfinance capital was made by *Mail&Guardian* reporter Lisa Steyn in early September:

The pool of workers, many of whom have moved into the area from as far afield as the Eastern Cape, has created a fertile breeding ground for microlenders and banks willing to offer unsecured amounts to individuals. There are at least a dozen operators, big and small, offering micro loans in Marikana. Miners said they could access loans of up to 50 percent of the value of their net pay... Interest rates of 5 percent a month are charged, excluding a service charge of \$5.70 a month and an initiation fee of a maximum of 15 percent on the value of the loan... Miners told the *M&G* they settle outstanding amounts at the end of the year using their annual bonuses. Two miners said the high cost of finance did not worry them. One said he could afford it. Both said their issue was with Lonmin – they wanted a minimum wage of \$1420 a month...

Miners say most Lonmin workers take full advantage of the promises of ‘quick and easy’ cash on offer. Cash-loan outlets the *Mail & Guardian* visited said their clients, most of whom work for the mine, take out an average unsecured loan of \$113 to \$170 with 30 days to repay. A leading player in this market is Ubank, which has the third-largest market share after African Bank and Capitec... For short-term loans, the average amount lent over a year to a Ubank customer is \$212 and the average unsecured loan amount over a 12-month period is \$1570, taken over a loan period of between 12 and 36 months...

‘I don’t think people go for cash loans because they are broke. It’s the way they advertise themselves. It makes it seem so easy,’ another Lonmin employee said. Don van Asperen, general manager for Tshelete, which owns three cash-loan stores in Marikana, says mine workers make up 90 percent of its clientele. These clients will often repay their debt and take out another loan immediately, or one to two weeks later. ‘Some take two or three loans out each month. It’s a sad, vicious cycle,’ Van Asperen admits. ‘But that’s just the culture around the mines.’<sup>9</sup>

At *Business Day*, columnist Ron Derby added new insights about the worker debt crisis:

Miners aren’t necessarily in the lowest pay bracket compared with other workers in the South African economy. Could their demands for a minimum salary of \$1420 not be driven by debt and the ever-rising costs of servicing that debt? While the South African economy is nowhere near returning to those heady days before the last global recession, we’ve witnessed unbridled growth in unsecured lending in the past couple of years. Data shows that the rand value of unsecured credit granted in the first quarter of this year rose to \$2.49 bn, from \$1.90 bn in the first quarter of last year.

The biggest local success story from this signature lending has been Capitec, whose shares on the JSE have more than tripled over the past 36 months African Bank has also been one of the bigger beneficiaries. The big three, Nedbank, Standard Bank and FirstRand, have also looked to become more aggressive in this space more recently.

But there have been some questions raised about the growth in unsecured lending. Last month, a report by the National Credit Regulator called for stricter regulations and tighter monitoring, saying it was concerned about low levels of disclosure of the full cost of unsecured credit. Despite assurances by banks, consumers are becoming impoverished by the weight of loans and the associated administration costs.<sup>10</sup>

This was followed by a deeper inquiry into the internal logic of high finance costs by the business news agency *Moneyweb*, whose reporter Malcolm Rees filed a September 2012 story, ‘Financially illiterate miners debt shocker’, upon identifying one of the mechanisms that made loans’ compound interest and penalties soar:

The miners’ spiralling debt problems could be one of the catalysts for the strikes at Lonmin’s Marikana mine because ‘lawyers have charged more than double the initial loan amount in legal fees. In the extreme workers have been charged fees in excess of ten times the original amount lent. Combined with interest and other charges this has led to instances where workers have been invoiced for amounts three to 15 times the initial loan amount to clear their debt’...

*Moneyweb* is in possession of statements issued by five separate legal firms operating in the

Rustenburg area in which apparently excessive charges were imposed. In one of the most striking examples of excess, law firm Steyn Attorneys charged a miner \$5519 in legal fees, excluding VAT, in addition to a collection commission of \$130 for the recovery of a \$125 loan. The unfortunate defaulter has paid \$1328 on his \$125 loan but still sits with an outstanding balance of \$350...

In another example attorneys F&F van der Walt Attorneys charged \$23 for items in addition to a \$3.67 collection commission on repayment amounts of \$33.67 against debt incurred for outstanding school fees. After a 5 percent charge imposed by the employer for their efforts of giving effect to the garnishee order this defaulter is clearing a mere \$11.60 from his debt for each \$34 taken from his salary, tantamount to a monthly interest charge of 200 percent. Says F&F van der Walt Attorneys, the 'debtor has a recourse if he is not happy with attorney's fees by requesting that it be taxed by the Courts Taxing Master'...

According to rule 8.1.1.1.2 of the Law Society of the Northern Provinces, whose members include attorneys operating at the Rustenburg platinum belt, collection attorneys may only charge collection commission 'at the rate of 10 percent on the amount collected ... (and) collection commission covers all attendances and work done in connection with the receipt of a payment and accounting to a client in respect of a payment'. Grobler Vorster argue that the 10 percent commission rule does not include costs incurred in connection with securing and imposing of the garnishee order but only relates to the actual collection of the debt repayments. In its view the \$2.34 charges the defaulter has incurred for receiving a Grobler Vorster SMS; the \$11.37 letters and the \$15.54 charges for the calculation of the defaulter's balance are all costs not covered under Rule 8.1.1.1.2 and are thus justified. In all Grobler Vorster have whacked this particular defaulter with charges roughly equivalent to the capital amount of his debt.<sup>11</sup>

Marikana's workers are, today, victims not only of exploitation at the point of production, but also of super-exploitative debt relations, in which financial desperation is compounded by legal abuse, carried out by the same race/gender/class power bloc – white male Afrikaners (Grobler, Voster, Steyn, van Asperen and many others) – who in the same geographical settings in their earlier years were apartheid beneficiaries. The move to liberalized economic relations in 1994 shifted the power system from one of direct coercion in the spheres of labour control (especially migrancy from Bantustans under apartheid-allied dictators) and socio-political power, to indirect coercion by finance and law. The formalized migrancy system and evolution of labour relations on these mines did not improve the socio-economic conditions of workers, given the rising debt burden.

But this is not just a Marikana story, it is a more general reflection of super-exploitative processes associated with usury, according to Rees:

According to Kem Westdyk from Summit Garnishee Solutions, whose company audits garnishee orders on a range of major blue chip companies as well as state departments, anywhere between 10-15 percent of SA's workforce has a garnishee order issued against him. Westdyk estimates that, on average, each of these orders, issued against at least a million workers, would see attorney and other debt collectors overcharge in the region of \$23-\$57. This would suggest that to the tune of between \$23 million and \$57 million a year may be exploited from SA's workforce by collection attorneys and other debt collectors. Other reports have the figure at \$341 million.<sup>12</sup>

The overindebtedness of South African workers was not surprising, given a household financial status that has degenerated since 1994. This is obvious in relative terms: wages as a share of the social surplus fell from 55.9 percent in 1994 to 50.6 percent by 2010, which in absolute terms translates to \$17 billion, according to economist Dick Forslund.<sup>13</sup> But in addition, much greater inequality in wage income was also a factor, contributing to a rapid rise in the Gini coefficient over the same period. One reaction by the working class was to

turn to rising consumer debt, to cover rising household consumption expenditures. Having risen rapidly to \$4.96 billion in late 2007, the outstanding unsecured credit load registered with the national credit regulator had risen to \$13.75 billion by March 2012.<sup>14</sup> This is a huge load, for according to Rees, '*Moneyweb* reports indicate that at least 40 percent of the monthly income of SA workers is being directed to the repayment of debt.'<sup>15</sup>

The problem stretched beyond the working class, for the economy had become addicted to consumer credit. By all accounts, if there was a factor most responsible for the 5 percent GDP growth recorded during most of the 2000s, by all accounts, it was consumer credit expansion, with household debt to disposable income ratios soaring from 50 percent to 80 percent from 2005 to 2008, whereas overall bank lending rose from 100 percent to 135 percent of GDP. As noted below, the credit was partly secured – but on the back of the most speculative real estate market in the world. Credit overexposure began to become an albatross around 2007, however, with non-performing loans rising by 80 percent on credit cards and 100 percent on bonds compared to 2006. Full credit defaults as a ratio of bank net interest income soared from 30 percent at the outset of 2008, to 55 percent by the end of the year. By late 2010, the main state credit regulator, Gabriel Davel registered 'impaired' status for 8.3 million South African borrowers, a rise from 6.1 million impaired borrowers in 2007: 'There are a variety of mechanisms through which the 'reckless lender' can transfer the cost of default to its competitors. For instance, by applying coercive collection mechanisms, it ensures that its payment get prioritized and that the client default elsewhere, or cut back on household expenditure, school fees etc.'<sup>16</sup>

The borrower's pull-factor must be matched by a banker's push factor, if uneven and combined development follows the logic of overaccumulated capital's predatory lending, as spelled out earlier. This was the case, Rees found, in considering the need to push loans on low-income borrowers.

*Moneyweb* is also in possession of credit checks and affordability assessments, provided by a range of entities, which appears to point to instances of reckless lending. In cases, borrowers who have a history of default and who are currently defaulting on existing debt have been provided with new unsecured credit facilities, some in excess of \$11,360. A Western Cape-based NGO has since furnished *Moneyweb* with copies of credit checks which appear to point to abuse on behalf of one SA's largest collections firms. The NGO, which has been investigating credit agreements, court judgments and emoluments attachments (garnishees), has described a situation of systemic abuse in the collections industry. It told *Moneyweb* that it is 'especially concerned with the increases in the advancement of reckless credit,' to the lower income markets.<sup>17</sup>

These revelations occurred at a time the world's leading intellectual critic of microfinance, Milford Bateman, was visiting South Africa. In article he wrote for a leading Johannesburg newspaper, *The Star*, as well as *Le Monde Diplomatique*, Bateman exclaimed, 'We have perhaps just witnessed one of the most appalling microcredit-related disasters of all in South Africa. Extreme over-indebtedness by workers apparently helped precipitate the Marikana massacre on August 16.' He compared the local situation to other microfinance meltdowns:

Thanks to a number of 'boom-to-bust' episodes precipitated by over-lending, microcredit has come to be rightly known as the developing world's own 'sub-prime' financial disaster, with 'meltdowns' in Bolivia, Bosnia, Pakistan, Nicaragua, Morocco and most catastrophically, in India, site of 250 000 suicides by indebted farmers.

Even in Bangladesh, where it first became a ubiquitous feature in the life of the poor, it is now accepted that there is no genuine evidence of any positive impact on poverty thanks to microcredit. In the site it started in the late 1970s when Yunus made a personal loan to an informal trader – the village of Jobra near Chittagong – today the local population is just as poor as ever, and the only change of any note is that a very significant section of the community is now in very serious debt to the local microfinance institutions.

Most recently, spectacular microcredit profiteering was also taking place in Mexico, Nigeria, Bosnia and India. All told, the accumulated evidence produced by independent researchers and evaluation experts now shows conclusively that microcredit simply does not reduce poverty and deprivation in the longer run. Not surprisingly, the microcredit model has come seriously undone all across the globe...

Microcredit was sold to the world by Muhammad Yunus and his acolytes as a simple, and simply fantastic, intervention that would help the poor escape their poverty. Perhaps nowhere more than in the horrific experience of the Marikana miners has such faith been shown to be misplaced, and the potentially catastrophic results of desperation-level micro-debt revealed with such awful clarity.<sup>18</sup>

There are also many precedents in South Africa for failed microfinance, and the entire sector went through a major shake-out during prior economic crises, especially in 1998 when many microfinance NGOs went bankrupt because the national interest rate rose by 7 percent within just two weeks, generating extreme financial stress.<sup>19</sup> Initially, the sector's problems also reflected the pent-up surge of formal sector banking facilities made available to the black majority after the end of apartheid, so microlenders had difficulties competing. But the crucial problem, even the African National Congress Economic Transformation Committee conceded in 2005, was financial overaccumulation in a context of extreme uneven development:

The commercial micro-lending sector has rapidly reached the limit of its expansion. The nature of its business model is such that it can only extend financial services to the salaried workforce. The vast majority of the 'unbanked' fall outside this category. Furthermore, the objectives and institutional culture of the high street lender can hardly be considered appropriate for the implementation of an asset-based community development strategy.<sup>20</sup>

That meant, according to practitioner Ted Baumann, that rural people were unable to generate surpluses sufficient to make loan repayments: 'Unlike peasantries elsewhere in Africa, South Africa's rural poor lack access to basic means of production, such as land, because of unresolved issues of comprehensive settler dispossession. They live in crowded rural villages squeezed between commercial farmland (no longer exclusively white) and tourist-oriented game reserves.' Likewise for urban residents, income-generating activity is 'constrained by South Africa's manufacturing and retail sectors, the most advanced in Africa, which relegate small-scale trading and manufacturing to the margins. Because of their lack of access to productive resources, South Africa's poor are almost totally dependent for their survival on the output of the formal economy.'<sup>21</sup>

For consumer credit researcher Deborah James, the post-apartheid state is to blame: 'Its 'neo-liberal' dimension allows and encourages free engagement with the market and advocates the freedom to spend, even to become excessively acquisitive of material wealth. But it simultaneously attempts to regulate this in the interests of those unable to participate in this dream of conspicuous consumption. Informalization intensifies as all manner of means are devised to tap into state resources.'<sup>22</sup> But these resources are relatively scant, as a result of the overall nature of the transition from apartheid to

neoliberalism, in part because of the importance of a different – but related – financial policing process operating at the national and global scales, of which the highest profile institution is Moody's.

### **Moody's macroeconomic monitoring**

At the same time microfinancial chaos was buffeting the mineworkers, the Moody's ratings agency offered its opinion about Marikana and the wildcat strike contagion, in the form of a threat to downgrade both South Africa's and the big mining houses' credit ratings:

If the [Lonmin 22 percent wage raise] agreement were to spur calls for similar wage hikes at other mines, it would be credit-negative for rated miners with exposure to South Africa, that are facing other event risks, including potential increased taxes as an alternative political response to calls for nationalisation and ongoing exposure to lawsuits arising from medical claims.<sup>23</sup>

Indeed, as more concessions to militant unions were granted within the next few days, Moody's followed through on the threat, lowering the state's status from A3 to BAA1: 'The revision reflects Moody's view of the South African authorities' reduced capacity to handle the current political and economic situation' and to implement the National Development Plan proposed by Manuel and warmly endorsed by the neoliberal Democratic Alliance Opposition. Remarkd *Business Day* commentator Ron Derby, 'The politics in the ruling ANC make it near impossible for any of those proposals to see the light of day.'<sup>24</sup>

The National Development Plan proposals are entirely consistent with the way the country has been run – not least by Manuel as finance minister from 1996-2009, then planning minister – since the early 1990s, resulting in a great many economic (and social, political and environmental) contradictions, evidence of which was to be found in Marikana's labour conditions and microfinance markets. Moody's was not being especially fickle towards South Africa, for such views reflected more general biases towards state intervention. The arrival of Moody's in South Africa in 2003, after many years of providing ratings from afar, occurred in the wake of its adverse performance as Enron's rating agency, for which it gave investment-grade ratings until a few days before the company's December 2001 bankruptcy. According to Alexander Cockburn,

Banks with huge sums at stake allegedly pressured Moody's to keep quiet, even though Moody's had privileged access to Enron's internal financial operations. Today, the world's credit system is strained to bursting point by such financial scams as CDOs (collateralized debt obligations) which are bundles of debt instruments, ranging from junk bonds through subprime mortgages. Moody's and the other rating agencies have played a crucial role in putting the CDOs together in the first place... As Prof. Robert Pollin of U Mass/Amherst remarked last week to me, 'We could say the Bubble and crisis occurred because people like Moody's rating agency always misread the build up of bubbles. They assume the rise in asset prices represents something fundamentally different about the economy, and then open the floodgates for financial speculation. Based on this, we should rather be talking about the stability of U.S. and global financial markets coming under immediate pressure due to the fact that market analysts, like Moody's, don't have a clue as to what they are talking about.'<sup>25</sup>

At the time, even before the massive shocks of 2008-09, Moody's was sufficiently honest to unveil (in a report, 'Archaeology of the Crisis') the structural power of financiers and credit agencies: 'Accepting the existence of crisis is the Faustian pact that policymakers have

made with the financial industry. However, the pact is an implicit one, as policymakers are reluctant to concede that they will have to intervene in extreme situations – that is when almost no capital cushions could be large enough to absorb truly exceptional problems.<sup>26</sup> Interprets Cockburn, 'In other words, says Moody's man, capitalism is impelled by competitive pressures that are often profoundly anti-social in consequence and lurches from lurches from crisis to crisis – on average roughly 7.5 years apart since the late 1800s, as the late Charles Kindleberger once demonstrated – that in the end require the intervention of the state, which has to save the system from the consequences of the market's excesses.'<sup>27</sup>

By August 2011, however, Moody's and Standard and Poor's decided that the US government's powers of intervention needed to be limited, and the latter downgraded Washington's rating from AAA to AA+. According to Mark Weisbrot of the Center for Economic and Policy Research,

It is clear that these credit rating agencies have a political agenda. Like most of Wall Street and the politicians that they can buy, they want the US government to cut spending and reduce its deficit. They are not particularly concerned about the more than 22 million Americans who are unemployed, involuntarily working part-time, or have given up looking for work altogether. They would prefer a 'grand bargain' on spending that cuts senior citizens' Social Security benefits. Today's statement is a form of political corruption on the part of the credit rating agencies. It's perhaps different from the corruption that led Moody's to give AAA ratings to more than 46,000 residential mortgage-backed securities between 2000 and 2007, many of which turned out to be worthless. Or the investment grade rating that the agencies gave to Enron until four days before its bankruptcy, or to Lehman Brothers until a few days before its collapse. Many of these ratings were likely influenced by the fees that the credit ratings agencies earned from the institutions whose securities they were rating. And did I mention that Moody's, S & P, and Fitch get about 90 percent of the revenue that the multi-billion dollar ratings industry generates? Or that they make about 98 percent of the ratings? There is nothing like a lucrative oligopoly to encourage all kinds of corruption... Moody's wants us to be scared of the federal debt, so as to advance a right-wing agenda.<sup>28</sup>

Moody's attempts to police the system and to shrink social policy (e.g. the US Medicare and Social Security systems) superfluous to capital's needs, put political leaders under severe duress. Gwede Mantashe, the South African ruling party's secretary general, came under similar pressure in May 2012, at the time a \$3 billion toll road controversy emerged and Gordhan's proposed subsidy for businesses to hire young people – seen as a subminimum wage by trade unions – was hotly contested. As *Business Day* reported,

Mantashe wants the government to be 'given the space to do its work', warning that challenges to projects already funded could damage South Africa's creditworthiness and cripple delivery. There are concerns that delays in the implementation of government decisions such as Gauteng's e-tolls and the youth subsidy could dent South Africa's credit rating, making it difficult for the country and state-owned enterprises to raise funds on the international market... Moody's Investors Service, which put South Africa under negative watch last year, warned last week the delayed implementation of the toll system was a 'perfect' example of how popular pressure could force changes in policy. The ratings agency downgraded the South African National Roads Agency in March due to uncertainty over repayment of the state-guaranteed \$2.27 billion loan used to upgrade Gauteng's highways. Treasury spokesman Jabulani Sikhakhane supported Mr Mantashe's call. 'We are fully in support of the ANC secretary-general's comments and we call on all South Africans to heed them.'<sup>29</sup>

Long supported by Moody's, the Treasury was central to the way the deracialization of

apartheid transpired during the 1990s. The era can be considered an elite transition from white Afrikaner political rulers to blacks in Pretoria, with Johannesburg's white English-speaking capitalists retaining overall control of the economy, yet permitted to disinvest their apartheid-era wealth.<sup>30</sup>

By way of background dating to the 1970s, like the deeper disease afflicting the world economy, South Africa's long-term economic decline can be traced to a 1970s-80s crisis of overaccumulation and falling corporate profits that closely resembled the trend in the United States.<sup>31</sup> This crisis was instrumental in ending apartheid; related factors were tightened financial sanctions and rising class and social struggles. A crucial point was mid-1985 when (after extensive local unrest and international solidarity) major New York and London banks withdrew lines of credit from the apartheid regime; the stock market was closed; exchange controls were imposed, and a US\$13 billion default was declared.

With Swiss bankers providing bailouts during the late 1980s and the IMF moving in to give renewed advice, the overarching philosophy of neoliberalism had been adopted by the late apartheid regime by the early 1990s. This was reflected in a dramatic increase in the real interest rate – a 12 percent rise over 18 months – to tame inflation, privatisation of the state iron and steel corporation (initially bought by Afrikaner capital and then sold to Arcelor Mittal), introduction of a Value Added Tax to shift the burden of rising state deficits to poor and working people, a shift to small 'capital subsidies' instead of ongoing operating and maintenance subsidies on public housing, and the 'Normative Economic Model' that in 1993 locked in liberalization strategies. The period was marked by a power shift away from 1980s-era sanctions-induced dirigisme carried out by the militaristic *securocrats*, towards *verligte* (enlightened) Afrikaner economic bureaucrats in the finance ministry and central bank (*econocrats*), supported strongly with advice and renewed legitimation by white English-speaking business interests and their thinktanks (Urban Foundation, Consultative Business Movement) as well as the Bretton Woods Institutions, during the 1990–1994 negotiations.<sup>32</sup>

This period included South Africa's longest depression (1989–1993), and just as a slow recovery began, so too did the most crucial phase of the transition. In 1993, long-standing ANC promises to nationalize the banks, mines, and monopoly capital were dropped; Nelson Mandela agreed to repay US\$25 billion of inherited apartheid-era foreign debt; the central bank was granted formal independence in an interim constitution; South Africa joined the General Agreement on Tariffs and Trade on disadvantageous terms because Pretoria's application for developing country status was rejected by U.S. Trade Representative Ron Brown; and the International Monetary Fund provided a US\$850 million loan with standard Washington Consensus conditions attached, including reducing wages and maintaining a high interest rate. Soon after the first free and fair democratic elections, won overwhelmingly by the ANC, privatization began in earnest; financial liberalization took the form of relaxed exchange controls; and interest rates were raised to a record high (often double-digit after inflation was discounted).<sup>33</sup>

By 1996, a neoliberal macro-economic policy was formally adopted, and from 1998 to 2001, the ANC government granted permission to South Africa's biggest companies to move their financial headquarters and primary stock market listings to London, representing an extraordinary case of capital strike that left reinvestment in South Africa at a durably low rate (only after 2005 did Gross Fixed Capital Investment rise, but this was largely a function of state projects associated with the 2010 World Cup). Given the lack of

productive investment, the financial markets were doomed to build speculative bubbles, especially in real estate and shares. The long term trend was of financial delinking from a shrinking investment base, as banking and insurance functions rose from 5 to 13 percent of GDP over the transitional quarter century (Figure 2). The Johannesburg Stock Exchange closely tracked that of New York, including the mid-2011 crash (Figure 3). As a result of such vulnerability to the likes of Moody's and international financial agencies, by 2011, South Africa was compelled to maintain the second highest prevailing nominal interest rate in the world, after Greece, just to cover its capital shortage and insufficient internal savings, no matter that the JSE and real estate investment funds were still full of liquid capital in search of profitable outlets (Figure 4).

Many of these contradictions emanate from the capitalist economy, especially the lack of new net investment, due to overaccumulated capital (aside from an inflow of capital-intensive machinery which shrunk employment during the mid and late 1990s). As a result, joblessness worsened even into the first quarter of 2012, when most other countries showed job growth in nominal recoveries. As a result of capital flowing outwards instead of into local investment, South Africa's current account deficit soared to more than 8 percent of GDP. This was due nearly entirely to outflows of profits and dividends, a downward slide since 2001 (when the main JSE firms were allowed to relist abroad), thus warranting *The Economist's* risk ranking of SA as worst of 17 peers in February 2009. Amongst these, the SA economy had the highest current account deficit, the third highest short-term debt as a share of forex reserves, and the fifth highest bank loan to deposit ratio:

Economists used to pay most attention to the solvency of governments, and hence their debt-to-GDP ratios. But today, the biggest risk in the emerging world comes not from sovereign borrowing, but from the debts of firms and banks. As foreign capital dries up, they will find it harder to refinance maturing debts or to raise new loan... Large [current account] deficits need to be financed, but banking and portfolio inflows are now scarce, and even foreign direct investment, which used to be seen as less volatile, has fallen sharply this year... A useful measure of financing risk is short-term debt (due within 12 months) as a percentage of foreign-exchange reserves. Anything above 100 percent, implying that debts exceed foreign exchange, should ring alarm bells. The third indicator, the ratio of banks' loans to their deposits, is one measure of the vulnerability of banking systems. When the ratio is over 1.0 [SA's was 1.09 at the time], it means that the banks depend on borrowing, often from abroad, to finance domestic lending and so will be squeezed by the global credit crunch.<sup>34</sup>

The problem here was not necessarily state economic activity, but the perceived need in Pretoria to cover the huge outflow of corporate profits and dividends. This meant South Africa's foreign debt ratio soared from US\$25 billion in 1994 to nearly US\$80 billion by late 2008 and US\$125 billion by 2012, with one First National Bank economist estimating that debt services charges would begin to reach those of the 1980s, i.e., a default danger zone (Figure 5). Another reflection of vulnerability to investor moods was that SA's currency crashed by more than 15 percent within a month-long period on six separate occasions: 1996, 1998, 2001, 2006, 2008 and 2011, probably the worst record over the last fifteen years experienced in any medium or large country.<sup>35</sup> Another reflection of vulnerability was the excessive local consumer credit expansion (Figure 6), a large part of which was based upon mortgage bonds, given South Africa's enormous real estate bubble, the world's highest (389 percent larger in 2008 than in 1997, double the height of second place Ireland's bubble), according to an *Economist* survey.<sup>36</sup>

By 2010, with unemployment still at a near-record level, a corporatist macro-micro policy orientation only slightly different than the prevailing *status quo* was introduced in the 'New Growth Path,' but the most honest description of the limits of the existing neoliberal framework came from Trade/Industry Minister Rob Davies, who identified inherited distortions in a February 2010 speech:

South Africa's recent growth was driven to too great an extent by unsustainable growth in consumption, fuelled by credit extension. Between 1994 and 2008 consumption driven sectors grew by 7.7 percent annually, compared with the productive sectors of the economy that grew by only 2.9 percent annually. This has meant that even at the peak of our average annual growth – 5.1 percent between 2005 and 2007 – unemployment did not fall below 22.8 percent. Manufacturing – which constitutes a sizeable chunk of our value added production – has not enjoyed sufficient dynamism. This is mainly because the relative profitability of manufacturing has been low as a result of a number of factors.<sup>37</sup>

Internally, domestic state borrowing was kept under control, and although the decline in corporate tax revenue drove the budget deficit to a near-record 7.6 percent of GDP in 2009 and a bit less in 2010, South Africa was not pursuing a classical Keynesian strategy. The state was instead carrying through with massive (often irrational) construction projects contracted years earlier, such as the World Cup stadia. Anticipated increases in state spending based on ruling party promises – especially for job creation (500,000 new jobs were promised, but, in fact, 2009–2010 would see 1.3 million job losses) and the launch of a National Health Insurance – were deferred by the new finance minister, Pravin Gordhan. Only in mid-2011 was the health plan proposed as a *Green Paper*, with a still-delayed start, insignificantly-sized pilot projects, and many loopholes that would allow the private sector to continue health financing for the wealthy. As another reflection of a weak commitment to a post-apartheid welfare state, the share of social spending in the total budget only rose from around 50 percent during the mid-1990s to 57 percent at the peak of the crisis (from 12.5 to 15 percent of GDP), boosted only by social grant transfer payments mainly to the elderly and single mothers.

The huge bubble in energy resources (including coal), minerals, cash crops, and land disguised the extent of vulnerability for countries like South Africa, and indeed the early 2000s witnessed increasing optimism that the prior (late 1990s) emerging markets currency crises could have been overcome within the context of the system, simply through strategic bailouts and ever faster liberalization. Moreover, even before the resources boom, by 2001, the rate of profit for large South African capital was restored from an earlier downturn from the 1970s to the 1990s, to the ninth highest rate amongst the world's major national economies (far ahead of the U.S. and China), and very high profits continued through the 2000s.<sup>38</sup>

But resurgent corporate profits were not a harbinger of sustainable economic development in South Africa as a result of persistent deep-rooted contradictions. To sum up, over the 1994-2012 period, these are:

- South Africa witnessed GDP growth during the 2000s, but this fact did not take into account the depletion of non-renewable resources – if this factor plus pollution were considered, South Africa would have a *net negative* per person rate of national

wealth accumulation of US\$245 per year (for 2005), according to the World Bank based on conservative assumptions;<sup>39</sup>

- South Africa's economy became much more oriented to profit-taking from financial markets than to production of real goods, in part because of extremely high interest rates, especially from 1995 to 2002 and from 2006 to 2009;
- the two most successful major sectors from 1994 to 2004 were communications (12.2 percent growth per year) and finance (7.6 percent) while labor-intensive sectors such as textiles, footwear, and gold-mining shrunk by 1 to -5 percent per year, and overall manufacturing as a percentage of GDP also declined;
- the Gini coefficient measuring inequality rose from 0.64 to 0.69, and this was racialised, as black households lost 1.8 percent of their overall income (including wages, salaries, and unearned income) from 1995 to 2005, whereas white households gained 40.5 percent;<sup>40</sup>
- total unemployment doubled to a rate of around 40 percent at peak (if those who have given up looking for work are counted; otherwise around 25 percent, and just 6 percent for whites);
- overall, the problem of *capital strike* – large-scale firms' failure to invest – continues, as gross fixed capital formation hovered around 15 to 17 percent from 1994 to 2004, hardly enough to cover wear-and-tear on equipment, and the subsequent uptick was brief and state-led, for most of the largest Johannesburg Stock Exchange firms – Anglo American, DeBeers, Old Mutual, Investec, South African Breweries, Liberty Life, Gencor (now the core of BHP Billiton), Didata, Mondi, and others – shifted their funding flows and even their primary share listings to overseas stock markets mainly in 2000–2001;
- the value of the Rand continued crashing (against a basket of trading currencies) six times, which is the worst record of any major economy and reflects the vulnerability of South Africa regarding international financial markets due to steady exchange control liberalization (there was a loosening of currency controls on 30 occasions starting in 1995);<sup>41</sup>
- the outflow of profits and dividends originating from these firms is one of two crucial reasons for South Africa's current account deficit that has soared to among the highest level in the world (in mid-2008, it was exceeded only by New Zealand), and hence it is a major danger in the event of currency instability;
- the other cause of the current account deficit is the negative trade balance during most of the recent period; a balance that can be blamed on a vast inflow of imports after trade liberalization and an export growth it could not keep up with;
- another reason for capital strike is South Africa's sustained overproduction problem in existing (highly monopolized) industry, as manufacturing capacity utilization especially in de-industrialized sectors such as clothing, textiles, footwear, appliances, and electronics fell substantially from the 1970s to the early 2000s;
- corporate profits avoided re-investment in plant, equipment, and factories and instead sought returns from speculative real estate and the Johannesburg Stock Exchange: there was a 50 percent increase in share prices during the first half of the 2000s, and the property boom (largely beneficial to white homeowners in established suburbs) was unprecedented.

Evidence of the weakness of South Africa's economy at that stage was especially poignant in the sector that was the fastest growing during the *false* boom: construction. From the early 2000s, the economy's main growth engines were construction, finance and commerce, just as in so many other neoliberal sites. During the first quarter of 2009, the real sector crash was, indeed, mitigated by a construction industry that grew 9.4 percent due to infrastructural investments of rather dubious medium-term merits: 2010 World Cup stadia (which failed to cover operating costs after the soccer matches), an elite rapid train service for Johannesburg–Pretoria used only by professionals given its high cost (US\$14 for the airport–Sandton route), the persistently failing (albeit generously subsidized) industrial complex at Coega, the world's third- and fourth-largest coal-fired electricity generators (Kusile and Medupi), mega-dams, and expansions to airports, ports, roads, and pipelines. But these big projects aside, the number of building plans registered in 2008 was already 40 percent lower than in 2007 and declined further thereafter.<sup>42</sup> None of the trends described above offered those at the bottom of society any hope for a decent life.

### Conclusion

From Marikana mineworkers' microhousehold financial crises to macroeconomic fragility under the influence of Moody's fiscal watchdogs, the South African economy suffered debt peonage at local and national scales, as well as many sites in between. Since these debt levels are bound to increase as a share of income, in view of an inclement shift from 'hedge' to 'speculative' to 'Ponzi' financing – as the post-Keynesian economic theorist Hyman Minsky described the debt trap and as the Marikana case demonstrates very explicitly already – the danger of unpayable debt mounts in South Africa. The problems described above, in short, reflect how finance amplifies uneven and combined development. While a temporal fix permits some of the problems to be displaced into the future, they become even more difficult then, given how much further the overall accumulation pattern has, meantime, degenerated.

What can be done, and what prior examples can we point to of debt crises being managed by ordinary people and governments? Consider the micro-scale, where the normal impact of debt secured by a stop-order payment on salary is to atomise and divide borrowers. In a prior era, dating to the late 1980s, this was not the case, because secured credit on houses was the basis for combined labour-community collective repudiation of debt. What became known as the 'bond boycott' strategy was popular in oppressed black townships, as over-indebted borrowers banded together to gain strength for collective defaults. A revival of this tactic would be a logical progression for a micropolitics of resistance in Marikana and so many other similar situations. The SA bond boycotts began in the wake of a new era in home bonds: 200,000 mortgages were granted in townships during the late 1980s. The long 1989-93 recession left 500,000 freshly unemployed workers and their families unable to pay for housing.

The tactic therefore moved from the site of the Eastern Cape (Uitenhage) Volkswagen auto strike to the Johannesburg area around 1990, as a consequence of two factors: shoddy housing construction, for which the homebuyers had no other means of recourse than boycotting the housing bond; and the rise in interest rates from 12.5 per cent (-6 per cent in real terms) in 1988 to 21 per cent (+7 per cent in real terms) by late 1989, which in most

cases doubled monthly bond repayments. As a result of the resistance, township housing foreclosures could not be consummated due to refusal of the defaulting borrowers (supported by the community) to vacate their houses. The leading financier's US\$700 million black housing bond exposure in September 1992 was the reason that its holding company (Nedcor) lost 20 per cent of its Johannesburg Stock Exchange share value (in excess of US\$150 million) in a single week, following a threat of a national bond boycott from the national civic organisation. Locally, if a bank did bring in a sheriff to foreclose and evict defaulters, it was not uncommon for a street committee of activists to burn the house down before the new owners completed the purchase and moved in. Such power, in turn, allowed both the national and local civic associations to negotiate concessions from the banks.

Today, when borrowers are atomized and isolated, the 'repo man' tends to resort to threats and practices of violence, so this is not a decision to be taken lightly. In its most successful manifestation, in Mexico in early 1995, interest rates jumped from 14 to 120 per cent and thereby catalysed the 'El Barzon' – the yoke – movement, which gathered a million members to renegotiate debts on the basis of the financial reality, 'I don't deny I owe – but I'll pay what is just!'

Is there scope for jumping scale with this tactic, along the lines of the default that Rafael Correa developed based on the Ecuadoran experience of Odious Debt? This included the 2007 renegotiating of the foreign debt, the 2008 debt audit, the 2008 default on interest payments on Odious Debt. In the same spirit, a 2004 Cape Town meeting of Jubilee Africa members from Angola, Cameroon, Cote d'Ivoire, the Democratic Republic of Congo, Kenya, Mozambique, South Africa, Swaziland, Zambia, Tanzania and Zimbabwe, and partners from Brazil, Argentina and the Philippines working on a comprehensive Illegitimate Debt Audit demanded that their national governments pursue this postneoliberal agenda:

- full unconditional cancellation of Africa's total debt;
- reparations for damage caused by debt devastation;
- immediate halt to the Highly Indebted Poor Country initiative and Poverty Reduction Strategy Papers and the disguised structural adjustment programme through the New Partnership for Africa's Development and any other agreements that do not address the fundamental interests of the impoverished majority and the building of a sustainable and sovereign Africa; and
- a comprehensive audit to determine the full extent and real nature of Africa's illegitimate debt, the total payments made to date and the amount owed to Africa.

To proceed, however, required the political will that was so manifestly lacking in post-apartheid South Africa, in spite of the country's extremely high social protest rate. The ANC government managed to keep a firm lid on the contradictions, even while these played out in a palace coup that ended Mbeki's reign prematurely, in 2008.<sup>43</sup> Were there such will, several other financial sector reforms could have been pursued: imposition of exchange controls (such as were applied by Malaysia in 1998 and Venezuela in 2003), bank nationalisation (as many Northern countries are doing by way of bailouts), and fiscal stimulation (as many national states were encouraged to do by even the IMF during 2008-09, in order to avoid global depression).

Prior to 2001 when Latin Americans became more active, the most important sovereign defaults were Russia's in August 1998, Brazil's of 1987 and South Africa's of 1985. A few small countries with rogue regimes or completely bare treasuries also fall into regular default, including Zimbabwe. Others like Nigeria occasionally suffer poor foreign exchange

management and miss payments, notwithstanding large oil-related inflows. To deal with these rare cases which were largely a function of emergency inability to pay, the UN Conference on Trade and Development has suggested extending to the international scale some form of national bankruptcy procedure (along the lines of the US Bankruptcy Code Chapters 9 and 11).<sup>44</sup>

These national strategies are most crucial, notwithstanding the need, ultimately, for global financial regulations. John Maynard Keynes argued from the bottom up in his attempt to reconstruct an international financial architecture for the post-war era: 'the whole management of the domestic economy depends upon being free to have the appropriate interest rate without reference to the rates prevailing in the rest of the world. Capital controls is a corollary to this.'<sup>45</sup> This would have allowed a global solution to debt crises, in the form of an 'International Currency Union' based on:

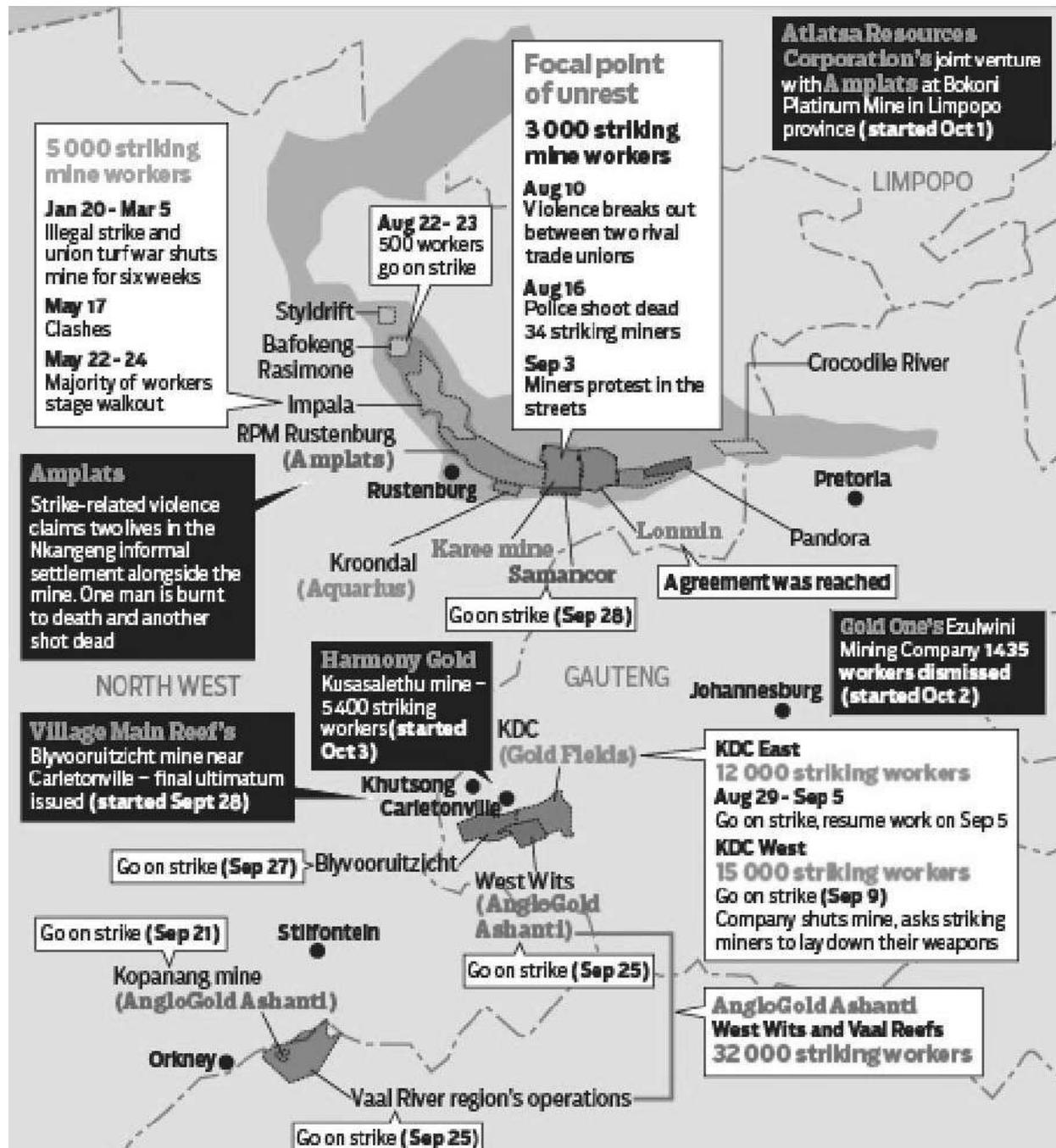
a general and collective responsibility, applying to all countries alike, that a country finding itself in a creditor position *against the rest of the world as a whole* should enter into an obligation to dispose of this credit balance and not to allow it meanwhile to exercise a contractionist pressure against the world economy and, by repercussion, against the economy of the creditor country itself. [original emphasis]<sup>46</sup>

The bottom-up strategy may find leadership from Latin America, but the balance of forces are too adverse to expect a restructuring of global financial architecture in Keynes' image in the near or even distant future. But that doesn't mean states lack agency; several serve as examples of selective delinking or at minimum, like China or India, capable of controlling currencies so as to protect their economies from crisis contagion and global financial volatility. With respect to national integration into the world economy historically, the South African precedent worth considering is the 1930s era of selective de-globalization during which South Africa's growth per capita was the highest in its modern history, thanks to import-substitution industrialization that also raised black wages in relation to white wages at the most rapid rate ever (Figure 7).<sup>47</sup> This was the period, in short that there was *less* uneven and combined development, less financialisation and more rapid recovery from capitalist crisis.

Still, the most impressive contemporary form of this approach continues to take shape from below, through a variety of deglobalisation and decommodification strategies for basic needs goods. These strategies are exemplified in South Africa by the national Treatment Action Campaign and Johannesburg Anti-Privatisation Forum which have won, respectively, antiretroviral medicines needed to fight AIDS and publicly-provided water. The drugs are now made locally in Africa – in Johannesburg, Kampala, Harare, and so on – and on a generic not a branded basis, and generally provided free of charge, a great advance upon the US\$15,000/patient/year cost of branded AIDS medicines a decade earlier (in SA in 2012, more than 1.5 million people receive them). The water in Johannesburg is now produced and distributed by public agencies (Suez was sent back to Paris after its controversial 2001-06 protest-ridden management of municipal water). It is only through such an explicit commitment to combatting uneven and combined development, sector by sector – and perhaps again one day against the financial industry, similar to the early 1990s – that South Africans can tame financialisation as just one symptom of capitalist crisis, but one that does so much extreme damage unless checked by social power.

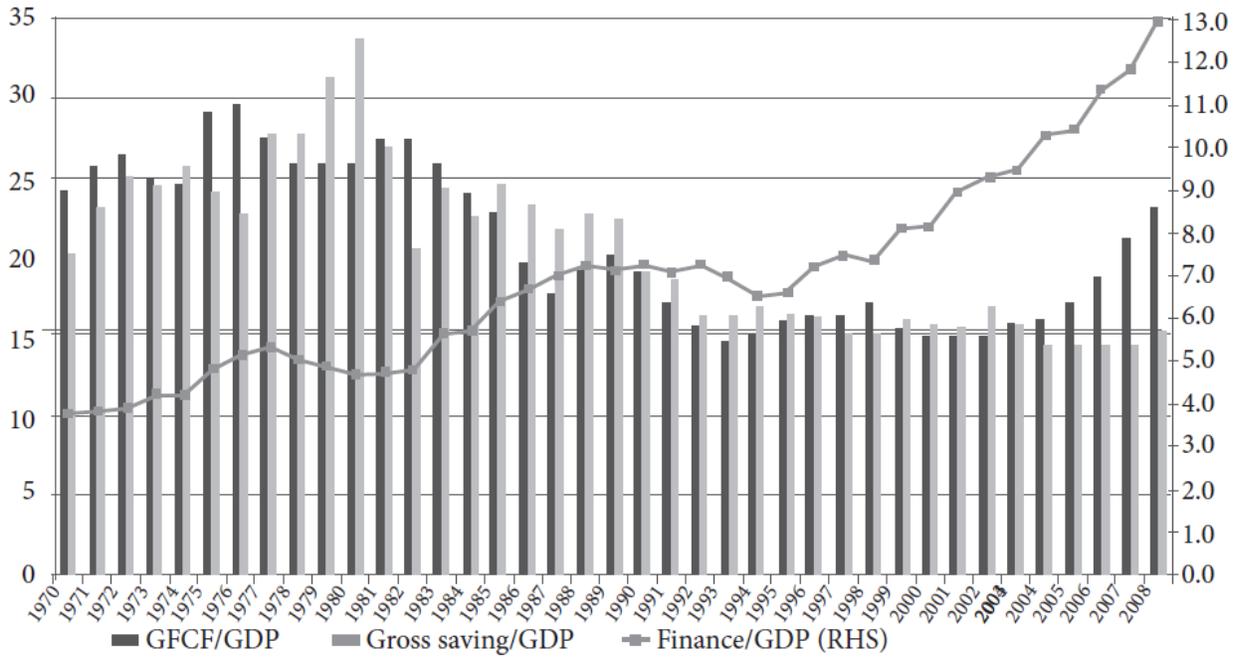
**FIGURES AND TABLE**

**Figure 1: After Marikana, the wildcat strike wave**



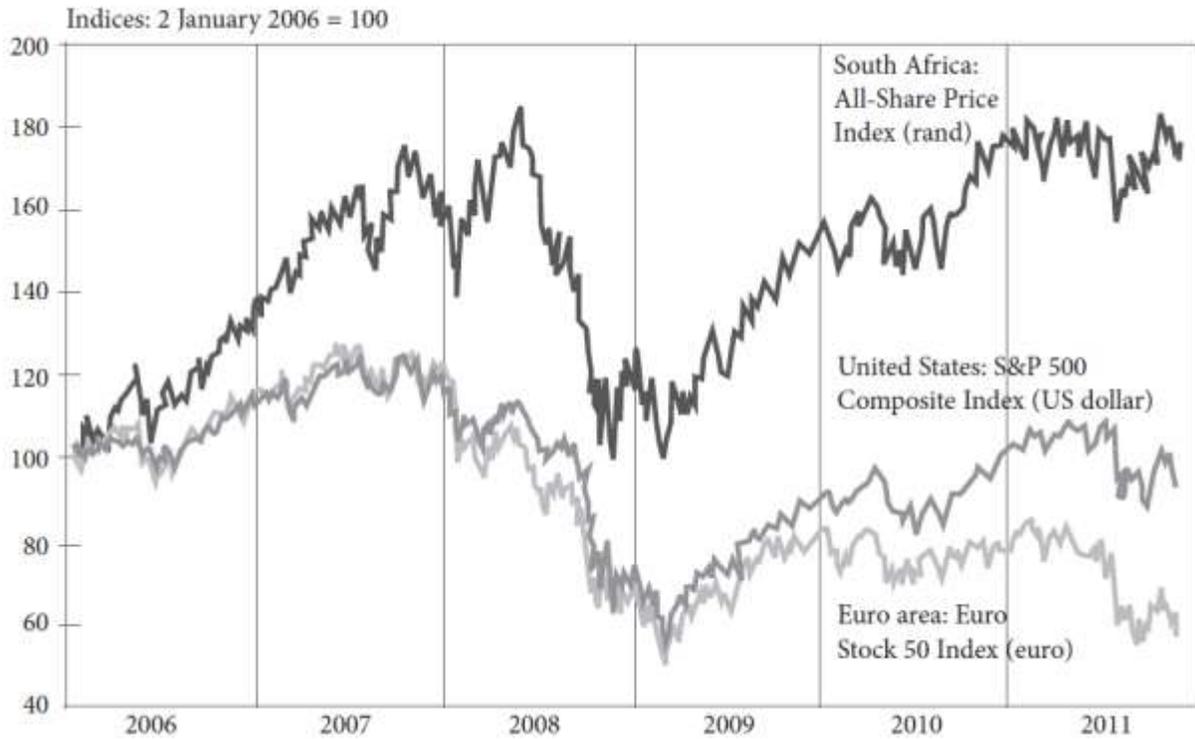
Source: CityPress

**Figure 2: Double delinking between finance/investment, and investment/savings**



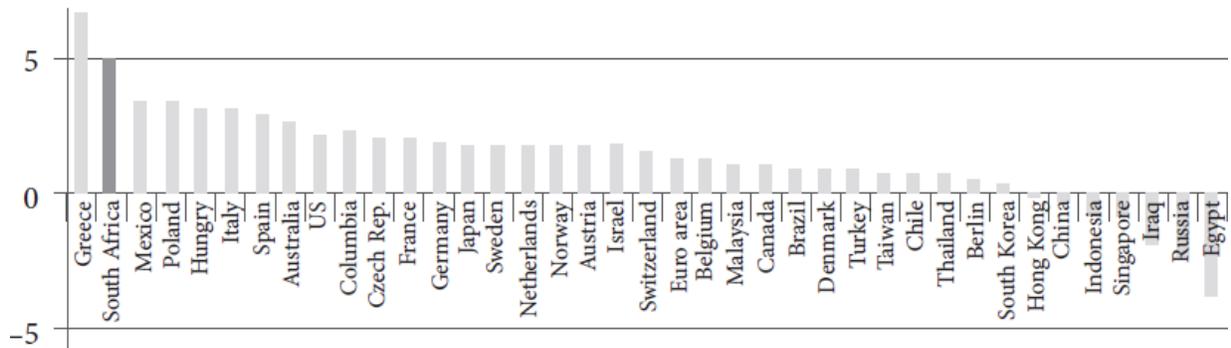
Source: International Monetary Fund

**Figure 3: Stock market roller-coasters**



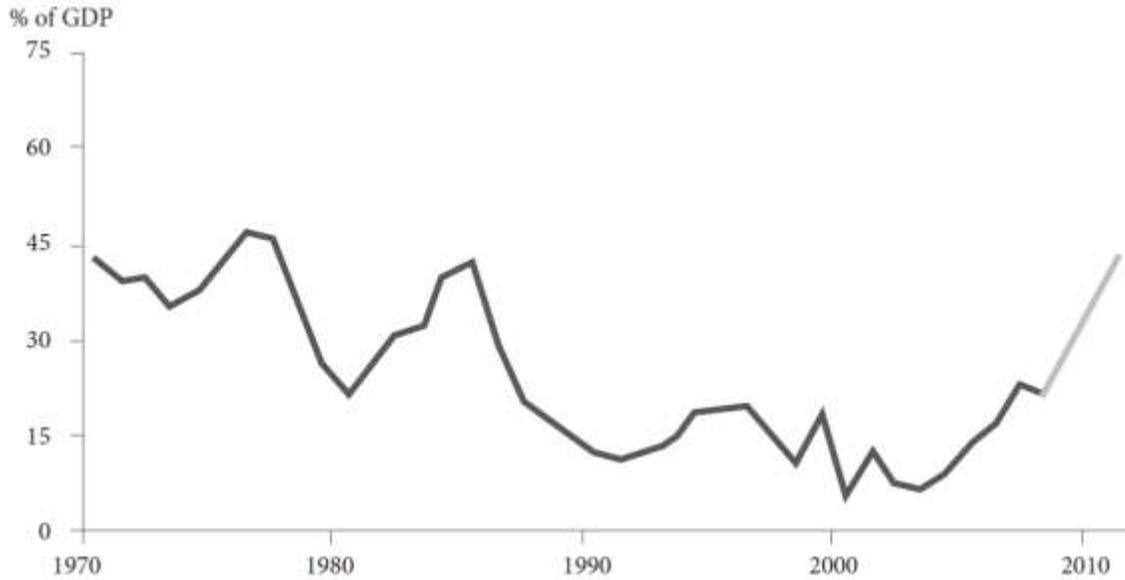
Source: SA Reserve Bank

**Figure 4: Nominal interest rates comparing SA and main trading partners, 2011**



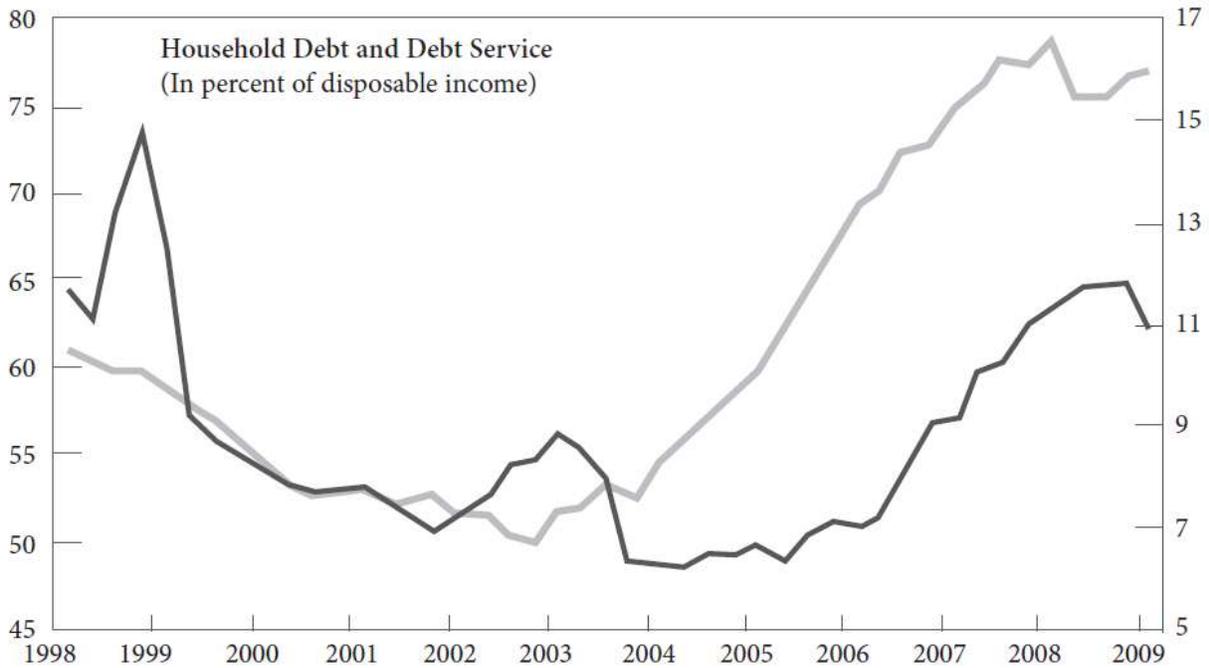
Source: SA Department of Trade and Industry

**Figure 5: Foreign debt**



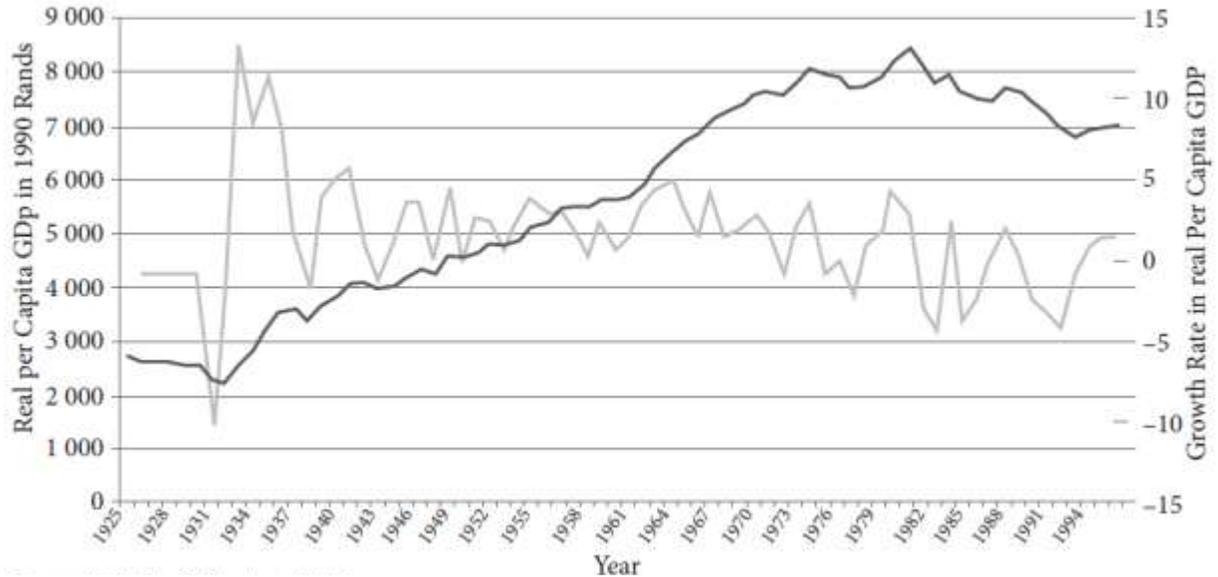
Source: First National Bank

**Figure 6: The rise of consumer credit and repayment stress**  
 (light line is debt stock on LHS, dark line is repayment rate on RHS)



Source: International Monetary Fund

**Figure 7: Long waves of deglobalised growth and globalized decline**  
 (dark line of real per capita growth on LHS; per capita annual change rate on RHS)



Source: Fedderke and Simpkins<sup>48</sup>

**Table 1: South Africa's relative real estate bubble, 1997-2008, percentage real change**

Switzerland	24
Italy	104
France	152
China	n/a
South Africa	389
Sweden	145
Japan	-33
Canada	66
Germany	n/a
Spain	184
Australia	163
United States	84
Singapore	n/a
Denmark	119
Netherlands	90
New Zealand	102
Ireland	193
Hong Kong	-35
Britain	150

*Source: The Economist*<sup>49</sup>

## Notes

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1 The literature on financialisation in South Africa includes several article-length political-economic studies that set the context for the shift from productive circuits in the context of capitalist crisis, including S Ashman, B Fine and S Newman, 'Amnesty International? The Nature, Scale and Impact of Capital Flight from South Africa,' *Journal of Southern African Studies* 37, 1, pp7-25; S Ashman, B Fine and S Newman, 'The Crisis in South Africa: Neoliberalism, Financialization and Uneven and Combined Development,' in L Panitch, G Albo and V Chibber eds, *Socialist Register 2011: The Crisis This Time*, London: Merlin Press, 2011; S Ashman, B Fine and S Newman, 'Systems of Accumulation and the Evolving Minerals-Energy Complex,' in B Fine, J Saraswati and D Tavasci eds, *Beyond the Developmental State: Industrial Policy into the 21st Century*, London: Pluto, 2013; and S Mohammed, 'The State of the South African Economy,' in J Daniel, R Southall, P Naidoo and D Pillay eds, *New South African Review*, Johannesburg: Wits University Press, 2010. The finest historical overview is B Fine and Z Rustomjee, *The Political Economy of South Africa: From Minerals-Energy Complex to Industrialization*, Boulder: Westview Press, 1996. More recent book-length accounts include S Adams, *Comrade Minister*, New York: Nova Science Publishers, 2001; N Alexander, *An Ordinary Country*, Pietermaritzburg: University of Natal Press, 2002; F Barchiesi, *Precarious Liberation*, Pietermaritzburg: University of KwaZulu-Natal Press, 2011; P Bond, *Cities of Gold, Townships of Coal*, Trenton, NJ: Africa World Press, 2000; P Bond, *Unsustainable South Africa*, London: Merlin Press, and Pietermaritzburg: University of Natal Press, 2002; P Bond, *Against Global Apartheid*, London: Zed Books and Cape Town: University of Cape Town Press, 2003; P Bond, *Talk Left, Walk Right*, Pietermaritzburg: University of KwaZulu-Natal Press, 2004; P Bond, *Elite Transition*, London: Pluto Press, and Pietermaritzburg: University of Natal Press, 2005; B Freund and H Witt, eds, *Development Dilemmas in Post-Apartheid South Africa*, Pietermaritzburg: University of KwaZulu-Natal Press, 2010; G Hart, *Disabling Globalization*, Pietermaritzburg: University of Natal Press, and Berkeley, University of California Press, 2002; M Legassick, *Towards Socialist Democracy*, Pietermaritzburg: University of KwaZulu-Natal Press, 2007; B Maharaj, A Desai and P Bond, eds, *Zuma's Own Goal*, Trenton, NJ: Africa World Press, 2011; H Marais, *South Africa Limits to Change*, London: Zed Books and Cape Town: University of Cape Town Press, 2000; H Marais, *South Africa Pushed to the Limit*, Johannesburg: Jacana, 2011; V Padayachee ed, *The Development Decade?*, Pretoria: University of South Africa Press, 2006; S Terreblanche, *A History of Inequality in South Africa*, Pietermaritzburg, University of KwaZulu-Natal Press, 2003; S Terreblanche, *Lost in Transformation*, Johannesburg: KMM Review Publishing Company, 2012.

2 My own accounts are P Bond, 'Uneven development', in P O'Hara, ed, *The Encyclopaedia of Political Economy*, London: Routledge, 1999, pp. 1198-1200, available at [http://www.marxmail.org/faq/uneven\\_development.htm](http://www.marxmail.org/faq/uneven_development.htm); and P Bond, 'Finance capital', in P.O'Hara, ed, *The Encyclopaedia of Political Economy*, London: Routledge, 1999, pp.345-347. These arguments, which have become more acute in recent years, follow from early 1980s studies of accumulation processes by David Harvey and the late Neil Smith, e.g. D Harvey, *The Limits to Capital*, Chicago: University of Chicago Press, 1982 and N Smith, *Uneven Development*, Oxford: Basil Blackwell, 1984.

3 R Luxemburg, *The Accumulation of Capital*, New York, Monthly Review Press, 1968 [1913]; and available at [www.marxists.org/archive/luxemburg/1913/accumulation-capital/](http://www.marxists.org/archive/luxemburg/1913/accumulation-capital/); for recent interpretations.

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