Engaging the MEC: Or a Lot of My Views on a Lot of Things

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"The Ego Reminiscence Ratio (ERR) (the proportion of a person' speech devoted to their past – 'when I was …' and 'I remember when …' etc.) is supposedly higher among men than women, rises with age, on retirement leaps to a new high level, is higher in the evening than the morning, and rises sharply with the consumption of alcohol", Chambers (2005, p. 67).

1 Introduction

In a contribution reflecting upon ten or, more exactly, twenty years of the "MEC", I have found it more or less irresistible not to dwell upon my own intellectual history and its role in making the MEC. This may have meant that I have descended much too far into a sad exercise in self-indulgent nostalgia around my own contributions and flawed aspirations, and even been reduced to levelling recriminations against others involved.[2] But, hopefully, the account that follows is not entirely wasted in that its self-centredness does seek to offer something over and above a set of what are rapidly becoming forgotten intellectual traditions and the rationale for them. First is to emphasise the richness of the analytical content and energy that went into study of the MEC. Second is to promote the notion itself in scholarly, rhetorical and policy circles for still capturing better than any other term the continuing dynamic of the South African economy. And third is to inspire wider application of the MEC to the past, present and future although this needs to be done through a judicious combination of appropriate theory, its limitations and sensitivities to South African realities.

In this light, the following section gives an account of the way in which the "MEC" came into being as a result of my engagement both with the South African economy and the ANC as the latter took its first steps in drafting economic proposals with the prospect that they might be implemented. To begin with, I appear to go off on tangents, taking a step or two back from South Africa itself to highlight the broader intellectual, political and ideological influences at the time that informed the notion of MEC, ranging over Marxist value theory, the British economy, Thatcherism and more. As a result, the MEC is shown to have been a careful and thorough mix of theoretical and empirical elements, and not a terminological and dogmatic fix for empirical and polemical purposes. This is not the place to replicate a specification of the MEC but it is worth emphasising how much it has been misunderstood even by those who support it, let alone those who do not. For, whilst the MEC is centred on a core set of sectors, it is much more than this in the economic, political and ideological connections that it does or does not forge more generally. As such, it is an instance of what might now be termed a system of accumulation, applied to South Africa in particular, seeking to examine how specific, concretely defined, economic interests give rise to corresponding patterns of accumulation of capital and the consequences that flow from this as such a system evolves.

For this reason, and partly through exploration of the relevance of the developmental state literature for understanding the South African economy, considerable effort was spent in exploring the South Korean economy for comparative purposes. The results of this found their way into the beginning of Fine and Rustomjee (1997), and might now appear anomalous. A more general framework around linkages and agencies was also constructed to underpin the notion of system of accumulation, Fine (1992c),[3] and has been taken up by others such as Lee (2002) for the South Korean car industry and Saraswati (2007) for Indian IT, with other doctoral students working on topics such as South Korean and Japanese steel, and Nigerian oil. The point is to examine the rhythm of relations between state and private capital, patterns of outcomes including developmental success and failure, and the incidence of policy with corresponding causes and effects.

If section 2 provides the background to the launch of the MEC approach, section 3 offers an account of the generally negative, or lack of, reception encountered by the MEC once the post-apartheid government was in place. In a sense, the MEC suffered a fate parallel to that of the MERG (1994) project, if in the realm of ideas as opposed to policy, and much less acutely. The same forces that brought it into being were to disown it before there was any chance of secure and sound foundations across scholarship, rhetoric and policy.

This is despite, as argued in section 4, the continuing relevance of the MEC for understanding the South African economy. Here, considerable emphasis is placed upon the extent to which the post-apartheid economy has, at least until recently, been dominated by the globalisation and financialisation overhang attached to its domestic conglomerates. Directly and indirectly, policy has been dictated by, if not confined to, the imperative of allowing for the conglomerates' orderly and beneficial export of capital. On the other hand, it seems as if policy is now working itself once more towards a state-led expansion of the MEC-core, reminiscent of the 1970s, through renewal of public investment in state corporations, especially around energy and transport but with as much private participation as can be engendered (domestic conglomerate, FDI and, of course, parasitic BEE). This is a matter of enormous importance for contemporary debate, both in teasing out what is happening as well as in offering and strategising for alternatives.

In addition, section 5 suggests directions in which the MEC might be deployed in examining both the past and broader socio-economic aspects of the South African formation. Apart from history and policy, it ranges over topics such as labour markets (at some length), social and economic infrastructure, and technology, although these are only offered as suggestive avenues for further research.

The concluding remarks express concern over the fate of radical scholarship and thinking around South Africa, with concepts such as race, class and capital no longer deployed as once they were. Possibly greater attention to the MEC might offer some remedy by emphasising the economic without degenerating into economic reductionism, and by drawing on theory without neglecting specificity.

2 The History of the "MEC"[4]

I was first approached to contribute towards ANC economic policymaking in 1984. At that time, I was an academic at Birkbeck College, University of London, but I had also taken a half-time post on secondment as joint research editor to the Industry and Employment, I&E, Branch of the Greater London Council which was about to be abolished by Mrs Thatcher.[5] Its various activities were to be devolved to higher or lower levels of government, with the exception of five functions, including economics, for which it was considered there would be no need for a dedicated, London-wide authority.[6] Secure in the knowledge that its policies would never be implemented, and drawing upon its workforce of almost 200 including many economists,[7] I&E created a wealth of policy documents including the London Industrial Strategy, LIS, and the London Labour Plan, LLP, GLC (1985 and 1986), to both of which I was a contributing editor.[8] The first of these was heavily influenced, at least for a number of sectors, by the newly emerging flexible-specialisation, flec-spec, approach associated with Piore and Sabel (1984) which subsequently proved influential in South Africa through the Industrial Strategy Project, ISP (1995), see below. The Director-General of I&E was the inspiring Robin Murray, who fell for and propagated the flec-spec approach in a big way, having previously been based at the Institute of Development Studies, IDS, University of Sussex.

I was totally sceptical about the flec-spec approach, and this entailed considerable if generally cordial conflict with Robin Murray over the policy documents. My opposition was based on both theoretical and empirical reasoning, and was well-informed by knowledge of the literature as I had jointly taught with one of flec-spec's leading proponents, Jonathan Zeitlin, on a course on the economic history of the UK over the past century.[9] I was also mindful of the desire, if not the need, for the London Industrial Strategy both to make a grand statement (as political and ideological opposition to Thatcherism) and yet to be attached to some sort of rationale for the limited policies that the GLC was capable of implementing given its resources, powers and circumstances. For the UK, given the major role played by multinationals in Britain's deindustrialisation, and the decline of inner city manufacturing, the GLC was powerless to intervene in the major changes going on at that time in the absence of a supportive and determined central government that was most notably absent. Far from the veracity of flec-spec dictating GLC policy, the inability to intervene other than at the level of small-scale firms rendered it an attractive policy framework to lend ideological support to those limited GLC interventions that were within the bounds of possibility. In practice, such industrial interventions were little short of disastrous with, paradoxically, much loss-making compensated for by capital gains on industrial property purchased but never used for industrial workshops.[10]

The early eighties also marked the end of a period of concern about the long-term performance of the British economy, its having given way to debate around the putative productivity miracle of Thatcher's second term of office. Fine and Harris (1985) both critically assessed the earlier literature and also offered an explanation of its own, drawing upon a series of contributions on the performance of the British economy. We centred on the lack of coherent long-term industrial planning in the UK, pointing to the interaction between economic and political factors. British finance had been short-term and international in its orientation, unlike its West German and Japanese counterparts. Both in its lending and in its direct and indirect influence over policy - financiers in high places and the rule of the money markets, respectively - British banks had had no interest as such in providing long-term finance for, and as a lever upon the restructuring of British industry. This had itself been dominated by multinational corporations with global strategies, deploying the British workforce on the three low basis, low investment, low productivity and low wages. The latter reflected, contrary to popular wisdom, the weakness of the British trade union movement, despite its reputation for militancy, and especially in pushing successfully for industrial policy. In short, neither individually nor collectively through the state, were the three great powers in the UK able nor willing to adopt appropriate industrial strategy. Policy remained piecemeal, uncoordinated, without long-term objectives and, given these characteristics, subject to shifts and turns. In this respect, Thatcher's economic policies, even privatisation, were to be understood as highly interventionist, even if under the guise of <u>laissez-faire</u> ideology, and to reflect considerable continuity, rather than a break, with the practices of the past. In a word, work on the British economy had been informed by a focus on industrial restructuring as the basis for explaining and promoting economic performance and that the organisation and promotion of economic and political interests was decisive in governing outcomes.

At the same time as all of this, I was also serving as an economic advisor to the British National Union of Mineworkers, NUM. One of the outcomes of the year-long 1984/85 strike against pit closures, a concession to stop the pit deputies from joining the strike which would have closed all mines for legal reasons, was for the workforce to have the right to go to independent tribunal in case of proposed pit closure. Economic evidence submitted to the tribunals focused on the "social" costs of closure, comprising redundancy payments, unemployment benefit, lost output, lost direct and indirect taxes, and the knock-on effects to other industries, the local community and balance of payments through lost expenditure and sales.[11] On a wider scale, especially with the privatisation programme of the Thatcher government, it became apparent that coordinated expansion across state (nationalised industries) and private capital was being wasted from the past and jeopardised for the future, given linkages between coal, electricity, steel, water and car manufacture for example. For polemical purposes, I described this as if a kamikaze pilot were making his way through the input-output table of the British economy.

Other than the above, and my position within the British Communist Party as firmly opposed to its Eurocommunism sect that not only promoted new social movements but also increasingly saw class and trade unions as their antithesis, I had no qualification to advise on South Africa.[12] But, no doubt reflecting the ANC's first tentative steps towards constructing post-apartheid policy, I was asked to join a small group led by Laurence Harris, Economic Research on South Africa, EROSA, set up as the counterpart to the earlier RESA, Research on Education for South Africa. The latter had been organised by Harold Wolpe, and I involved myself in RESA as an outsider as much as I could. Inevitably, this placed me in contact with Harold's wider and earlier work concerning the reproduction of labour power and articulation of modes of production as well as the political formulations around colonialism of a special type and so on.

Because of longstanding work on the coal industry, my first task for the ANC, through the EROSA group, was to assess the prospects for mining. As a lefty with no particular previous experience of South Africa, my knowledge was predominantly gleaned from the anti-apartheid movement, with its emphasis in the economic sphere focusing on trade boycotts and the role of direct foreign investment by multinationals into South Africa. However, my entry into research was dominated by two publications, each of crucial and complementary significance. One was the Report of the Commission of Inquiry into the Electricity Industry, de Villiers (1983), and the other was Duncan Innes' (1984) account of Anglo-American. From the two publications, I gained an understanding, respectively, of the significance of the state and of domestic corporate capital in the economy, and, by means of a short and obvious analytical step, the interaction between the two. After more detailed research on mining and energy and on corporate structure, I early on formulated the notion that South Africa had been dominated by what I ultimately termed the minerals-energy complex, MEC.[13] In brief, the MEC is to be understood in terms of the concrete form of accumulation of capital taken in South Africa, centred on a core set of sectors, but reaching beyond them in terms of corporate control and influence. By the same token, the relations between private capital and the state are imperative to the nature and evolution of the MEC. It should be apparent how earlier work on the UK informed, but did not dictate, that for South Africa.

Having formed the notion of the MEC, it served as a focal point for academic and policy work over the next decade. Such efforts were primarily geared towards serving the ANC although, as part of a wider exercise in training and research. A two-year research project from the UK's Economic and Social Research Council was successfully applied for, beginning in 1990 and ultimately giving rise to Fine and Rustomjee (1997), with my co-author playing at least an equal part in filling out the analysis of the MEC, see also Rustomjee (1994). In policy work, I was heavily involved in MERG (1993), taking responsibility for the chapters on housing, schooling, electrification and health, quite apart from the inconsistent compromise with ISP, see below, in the chapter on industrial policy. MERG, as is often overlooked, had primarily been set up to develop research capacity not to deliver it. I remember very clearly being informed in early 1993 by Vella Pillay, then heading MERG, of the request from the highest level to prepare an alternative policy framework to that on offer from the World Bank and outgoing government. I responded with gentle resistance on the grounds that this would undermine the longer-run goal of creating indigenous capacity, with resort to outside expertise whenever something important or urgent was required.[14] But I deferred to the priorities of the moment (and the movement). However, by this time, both the substance of economic policy and the way it was produced (from on high at one extreme as with GEAR as opposed to organised root and branch discussion in the earlier period leading to the RDP) had changed dramatically. Within six months of its having been commissioned and even before it was published, the MERG Report was disowned by the leadership of the ANC. My work became oppositional and oriented primarily around the trade union movement, Fine (1994c, 1995a, 1997c and d, 1998b and c, and 2000). However, I was asked, to my surprise, by the then Labour Minister, Tito Mbweni, to serve as a foreign expert to the Presidential Labour Market Commission, LMC (1996).[15] But otherwise, this heralded a ten-year period of limited study of the South African economy, more by way of a collapse of demand than conscious and deliberate exercise of personal choice.[16]

The preceding gives some account of how the MEC emerged as an organising framework for understanding the South African economy – in light of attention to everything from input-output tables to Thatcherism. But there were also wider intellectual influences at work that are readily forgotten. Especially important were debates within Marxism, straddling Marxist political economy and value theory in particular, and the response to the influence of French Marxism, both Althusserianism and regulation theory. Whilst taking a firm stance on value theory, albeit expressed in an Althusserian vernacular for which I do not feel primarily responsible, Fine and Harris (1979) were more concerned both to define the current period of capitalism and to draw upon previous work on the British economy, Fine and Harris (1985). This involved emphasis on a dual periodisation of capitalism: by laissez-faire, monopoly and state monopoly capitalism and, correspondingly, by the internationalisation taken by the forms of capital as commodity, money and production. At the same time, the neo-liberal Washington Consensus was at its height of influence, together with concerted opposition in the form of the developmental state paradigm and adjustment with a human face.

This all created a heady mix of analytical elements with which to address the South African economic formation. In addition, especially in light of relative decline of the US and UK economies, defence economics had emerged to prominence primarily arguing both for crowding out effects (as opposed to tempering stagnationist tendencies, a position that had always been untenable despite its influence),[17] and more widespread undermining of economic performance through technology policy, etc. Inevitably, this brought the notion of military-industrial complex, MIC, to my attention, long associated with JK Galbraith (1967). But this notion seemed limited in addressing the US economy as a whole (as did the monopoly capital thesis for neglecting internationalisation) and discouraged, if anything, the adoption of the notion of MEC for South Africa for fear of unduly rigid structuralism, functionalism and misunderstanding by association.[18] But, in the event, reason and realism prevailed with the notion of the MEC understood as the form taken by the accumulation of capital as it evolved in South Africa, incorporating specific relations, sectors, structures and dynamics.

3 <u>The Reception of the MEC</u>

I am not in a position to pass serious judgement on the reception of the MEC in scholarly, policy and more popular discourse. I have not studied how and how much the idea has been deployed and am otherwise subject to bias irrespective of my own paternal/maternal rights. I am liable to take note of the use by others where it might otherwise escape notice but I have also, over a ten year period, been aloof from the South African scene. Being of a modest disposition, despite the evidence of this paper to the contrary, I have not sought to push the MEC on others and certainly not to investigate and applaud or contest its use or rejection. The exception that proves the rule is the debate between Bell and Farrell (1997 and 1998) and Fine and Rustomjee (1998).

For the first time, for the purposes of this paper, I made a Google search for "minerals-energy complex" and came up with 15,000 or so entries. I suspect this reduces to half if Amazon and the like and Patrick Bond are excluded. I also suspect that you need to score at least a million or so to be considered to have made any sort of impact.[19] But, possibly reflecting my prejudices, and despite the Google references across an impressive array of applications and users, generally extremely positive and/or taking it for granted, the MEC does not seem to be prominent. Most significant is the failure even to acknowledge it by those who would, presumably, reject it.

Why is this so or, more constructively, tracing where the MEC is or is not used, and how and for what purposes, is a potential source of investigation within the sociology of knowledge. From the earlier account, it is apparent that the MEC became associated very rapidly with dissident scholarship, rhetoric and policy stance. What follows is a harsh, even offensive, judgement but economic analysis and policy around the time of the transition became either the prerogative of mainstream, narrow-minded orthodoxy or of non-economists. The depth of understanding incorporated in the MEC may not have been appreciated in any sense of the term. Nonetheless, its close correspondence with the empirical realities of the South African economy did, and continues to, allow for it to be embraced at different levels of understanding. So the antipathy to the MEC runs deeper and must be sought elsewhere.

My first visit to South Africa was in 1987 at the request of the ANC to review the work of the Economic Trends, ET, group. ET was run by Stephen Gelb and was strongly supported from NUMSA through participation of Alec Erwin. The organising framework for ET was the idea of racist Fordism, inspired by Gelb. This was a point of difference with, from my perspective, the framework of regulation theory crudely imposed upon the South African economy, Gelb (ed) (1991). My impression of those engaging in the sectoral studies within ET was that it allowed them to do their research and they were prepared to go along with the framework as long as it did not get in the way. Very few positively used it, and it was probably inapplicable at any level of detail (and, reflecting an element of underconsumptionism, unable to address the fate of non-consumption sectors – why should gold and capital and intermediate goods be restricted by race).

It was, however, indicative of personal and intellectual opportunism that grew out of all proportions as the Industrial Strategy Project emerged out of ET. Intellectually, ISP took also took its inspiration from French Regulation theory, especially in its flec-spec, post-fordism version, and it was spearheaded by Raphie Kaplinksy (a disciple in this respect of Robin Murray at IDS) and gathered together a number of those who had previously studied at Sussex. Of course, from an MEC-perspective, irrespective of the merits of flec-spec in the wider world (its now having declined to nothingness other than in the perpetually evolving global commodity/value chain approach), the ISP had practically nothing to say about the major sectors of the South African economy and, with minor exceptions, ISP was inevitably self-limiting to those sectors that might be interpreted within its analytical orbit. To me, this seemed like the GLC rationale turned upside down. For it, you could only work with small-scale industry, so flec-spec was adopted. For ISP, flec-spec was adopted, so you could only work with small-scale industry.

Inevitably, ISP and MEC were entirely incompatible but ISP prevailed in discursive circles merely by weight of numbers, resources and connections. In retrospect, it has had little or no impact upon policy and, at most, survives on the margins most notably in the group around Mike Morris, whereas others including Kaplinsky have moved on, possibly as if they never subscribed to the approach.[20] At most ISP served the role of creating a smokescreen around debating and formulating industrial policy. In this respect, it conformed to two holy cows in the economic historiography of South Africa that the MEC approach had been determined to slaughter, not least in securing foundations for future policy and the challenges that it posed. First is the belief that South Africa's industrialisation had been based on a (failed) import-substituting industrialisation around consumer goods. On the contrary, this was to focus attention on the wrong goods and the wrong policies. For South Africa's industrialisation had been the consequence of development, if within limits, around the core MEC sectors. Accordingly, it remains the gap between this core and the consumer goods industries that needs to be filled by active intervention.

Second, then, South Africa's industrial policy had primarily been seen in terms of protection of consumer goods. But equally if not more important has been the support given to the MEC through the formation and promotion of state corporations such as ESKOM, ISCOR and SASOL, and the coordinated expansion of private and state capital around the MEC and MEC-related sectors. In this light, industrial policy for the post-apartheid economy looks very different from the intra-sectoral fiddling attached to the ISP and its failure to get to grips with the core structures, processes and dynamics of the MEC, let alone the entrenched economic and political interests to which they are attached.

4 Post-Apartheid Economy

Elsewhere I have argued that the post-apartheid economy has continued to be dominated by the MEC but with new features coming to the fore, Fine (2008a). From an early stage, it was emphasised that the South African conglomerates had been frustrated in their attempts to globalise their operations by exchange controls from 1985 and by the stigma attached to apartheid, Fine (1997c), and Rustomjee (1991) had studied illegal capital flight before working with me on the MEC. But globalisation has also increasingly meant financialisation of corporate governance. The two together have exercised a profound effect on the South African economy and, equally, on macroeconomic policy as the imperative of corporate shifting of capital overseas on favourable terms has underpinned the adoption of policies more or less indistinguishable from IMF orthodoxy. Incredibly, the South African economy now has a financial sector that is presumed to account for one fifth of its GDP. But how is it possible that so much by way of financial services should be required to move the real economy (and South Africa has a trade deficit in financial services and so cannot use the UK excuse of earning foreign exchange by providing services abroad)? The answer is that it cannot. Rather than finance servicing the real economy, it is the other way around. One quarter of the real economy is taken to support financial services which are then added on to the level of real output to make up GDP, see below.[21] Whilst there is much evidence to support this view, it does require further theoretical and empirical investigation of some sophistication.[22] Analytically, there is the need to close the gap between how macroeconomic policy is conceived, presented and implemented and how it responds to and promotes the process of capital export and speculation alongside the continuing functioning of other aspects of the economy.

This offers a very different starting point than the orthodoxy, not least the idea that the stability of the economy, however targeted, is being traded off – and possibly too strongly - against growth or other economic objectives such as expansion of expenditure on health, education and welfare. Such is the view of Stephen Gelb, with his account organised around the notion of a generally unachievable trilemma of exchange rate stability, independent monetary policy, and inflation targeting, Gelb (2005) for example. But this trilemma approach is based on a false analytical framework from within orthodox macroeconomics – one that separates the short run from the long run, is organised around equilibrium, and which treats monetary policy independently of its insertion within a financial system (as opposed to a limited set of markets for assets). This means that the decisive issue governing macroeconomic performance and policy for South Africa even within this narrow perspective, the pressure for capital control liberalisation for domestic conglomerate globalisation and financialisation, is more or less overlooked. The dilemma faced by policy was how to allow capital export as far as possible without bringing down the value of the Rand and, thereby, undermining the worth of capital export itself. This was complicated by the inflow of volatile short-term finance to fund the long-term outflow, something always placing the economy on the edge of financial crisis, thereby justifying neo-liberal macroeconomic management. Meanwhile, levels of investment within the domestic economy have remained limited, not primarily because of the lack of attraction to inward investment but because of the external orientation of domestic conglomerates and their failure to invest in the domestic economy at required levels.[23]

Yet, no one in the orthodoxy seems to be able to explain this lack of investment without descending into appeal to ad hoc factors that are blown out of proportion. Thus, in a major report from the World Bank, Clarke et al (2007, p. 14) conclude that the "investment climate is mostly favourable – power is cheap and relatively reliable, the burden of regulation is not excessive, corruption is low, the ports function relatively well, access to finance does not seem to be a major problem for most enterprises, and most people trust the court system". So, in order to explain why private investment has been so modest in South Africa, other reasons have to be put forward such as exchange rate instability, cost of skilled labour, labour regulation, and cost of crime, and even that their study is too early and insufficient time has passed for the favourable factors to have worked through. Significantly, these factors are only hypothesised after the others have failed (and should have been incorporated into the original analysis rather than used to excuse its failings). Capital flight by financialised domestic corporations is, though, notable for its absence! Gelb (2006, p. 4) himself even argues that it is the shadowy presence of alliance opposition to GEAR, despite its absence in formulation, that led to its failure in implementation, discouraging in-flow of capital as GEAR was not perceived to be credible enough.[24] No doubt, this also all weighed heavily on Trevor Manuel's mind as he reduced capital controls on domestic conglomerates and granted permission for them to list overseas.[25]

There is, of course, some evidence to support this interpretation of financialisation-globalisation overhang, although not as much as there should be because such matters have scarcely been investigated on these or other terms. But, indicative of the high level of pressure for disinvestment and how it has increased, Mohamed and Finnoff (2004, p. 2) estimate that <u>illegal</u> capital flight from South Africa rose as a percentage of GDP from 5.4% between 1980 to 1993 to 9.2% from 1994 to 2000. From the South African Reserve Bank, Wesso (2001) reckons from 1991 to 2000 that there was an overall net, foreign direct investment, FDI, capital outflow at R386m per quarter. This is not broken down into inflows and outflows and the impact of capital controls is set aside on the grounds that there is no reliable index for capital mobility so that there is no way to account for the impact of capital controls, p. 64. This is a bizarre neglect of responsibility – not to investigate the importance of something because it is difficult to index, especially in light of his own asserted judgement that volatility in net direct investment had been "mainly due to South African firms receiving exchange control approval to invest offshore", p. 68 (see also p. 75).

Chabane et al (2006) report on a different aspect of disinvestment by domestic conglomerates, providing evidence in support of the position adopted here. For, "Rather than London listings enabling conglomerates to raise capital to fund investments in South Africa, there has been a much more striking pattern of outward acquisition and investments … total stock of outward FDI has grown from $8.7billion in 1995 to $28.8billion in 2004", p. 559. Permission for listings, as pronounced by Trevor Manuel in his 2000 budget speech, has been dependent upon: foreign expansion being integral to the company, that it should be an international concern with high share of revenue outside of South Africa, that there should be monetary and balance of payments benefits, and an advantage (to whom?) in raising capital. It is not even clear whether all or some of these criteria need apply and, implementation in practice is discretionary, and secret in application and response by the Minister. There is reference to advantage and benefit to the company and to the balance of payments, although the connection between these and the broader contribution to the economy, and the disadvantaged within it, are diffuse to say the least!

Significantly, Chabane et al (2006) also report a peak of unbundling deals by domestic conglomerates in 1999, accounting for R80b, p. 555. This also coincided with a spate of mergers and acquisitions between South African and off-shore companies. It is surely not accidental that this followed the raising in the previous year of investment abroad limits to R50m per company outside SADC and R250m per company within SADC. Further raising of the limits and easing of controls have followed in subsequent years. But it does not take a corporate genius to work out that you get more out of the country if you break up a conglomerate into separate companies and benefit from multiple allowances![26]

More generally, the EIU (2007, p. 54) reports for South African financial services that, "The sector is one of the largest and most deregulated within the emerging markets, with sophisticated banking, bond and insurance markets accounting for around 20% of GDP and 1.3 million jobs in total …" But does it do its job. It would appear not. For, putting it unduly extremely, apart from taking one quarter of what is produced by the rest of the economy, financial services are, from a variety of perspectives, entirely unproductive. They produce nothing at all other than acts of exchange between willing parties and, increasingly, acts of exchange that only involve, at most, paper products. Yet, in an economy and society in desperate need of transformation, they have grown at almost twice the rate of GDP over the last decade or so but offer no services directly at all to 40% of the population.

In a sense, then, the highly financialised South African economy absorbs a quarter of what is produced and, to add insult to injury, leaves less produced as a consequence, as well as dictating much of macroeconomic policy. To sustain the Rand, for example, reserves were depleted from $4.3b at the end 1995 to $2.2b by the end of 1996. Much the same occurred again in 1998, with the use of $1.2b to protect the Rand. This all sheds light on the traditional defence given for South African macroeconomic policy. Trevor Manuel offered the following rationale before the inquiry into the collapse of Rand in December 2001, instigated by accusations that the collapse had been engineered by speculators to make money, and cited in Steyn (2004, p. 126), emphasis added:

> Some commentators have called for a "big bang" approach to exchange control relaxation. At the same time, however, most of the same commentators have recognised the complexities and pitfalls inherent in capital account liberalisation. Mindful of these complexities, government's stated commitment has always been clear and unequivocal – we are committed to a gradual process of exchange control liberalisation that takes into account critical <u>sequencing</u> considerations. A sustainable development path requires that certain <u>conditions</u> be in place before proceeding to full capital account convertibility.

This is extremely revealing for depending upon appeal to sequencing and preconditions before capital controls can be lifted. This is now accepted as appropriate, even by neo-liberal commentators after what has been the extent of financial instability created across the world economy by what is now perceived to have been too rapid a lifting of exchange and especially capital controls without preconditions in place. But, within Central Bank policy and the academic literature, these issues are primarily concerned with regulation, control and transparency of <u>short-term</u> capital movements. This is not what has been the South African problem but the long-term overhang of disinvestment attached to domestic conglomerates. Indeed, South Africa would pride itself on its degree of conformity to international financial standards, especially those necessary for allowing regulation of short-term capital movements.

In short, the problem is not one of preconditions and sequencing other than in handling the overhang of disinvestment by South African domestic conglomerates. As Steyn comments, "The debate about a 'big bang' rears its head every now and then. But Manuel prudently chose a gradualist approach, and reforms were timed to coincide with periods when the economy appeared able to withstand the change". But what was the change that was necessary to withstand could not be clearer:

> There can be no doubt that the easing of exchange controls contributed to the rand's slide during the period that Manuel has been finance minister. After years of isolation, the pent-up demand for foreign investment by institutional investors and companies was huge. The extent of this demand is illustrated by the fact that, from the introduction of the asset-swap mechanism in 1995 till its abolition in early 2002, institutional investors invested R100 billion abroad.

If, as is to be believed overall from the book in which Steyn contributes, Trevor Manuel is to be judged as a success in his macroeconomic policy, that success resides in managing the outflow of capital by the domestic conglomerates and, it should be added, presenting it as something else in terms of macroeconomic objectives.

Ten years ago, I did raise these issues sharply in terms of the role to be played by the South African financial system, Fine (1997c).[27] At that time, with the emergence of the post Washington Consensus, with Stiglitz to the fore, the idea of different types of financial system had been accepted by (non-neo-liberal) orthodoxy, especially with two ideal types – Anglo-Saxon and Japanese-German. Whilst the first putatively involved short-term financing through markets without commitment, the second was based on long-term investment with non-market coordination between banks and industry and presumed to overcome informational asymmetries and short-termism. Irrespective of the empirical veracity of such ideal types in practice, I argued that this overlooked the external power relations and dynamic governing both industrial and financial policy. South Africa, in particular, offered a striking example of both Anglo-Saxon-type banking and conglomerate ownership across banking and industry, with no apparent inner problems of coordination since both sides were owned by the same conglomerates. Consequently, the main issue for South Africa was, and remains, how to transform the financial system into one that provides finance for investment for both economic and social restructuring and development. If anything, I underestimated the importance of financialisation as such, seeing it as merely a means for globalising conglomerate's real activities rather than, increasingly, as a defining aspect of the current stage of capitalism, Fine (2007a).

Yet, over the past few years, there has also been a shift in the (macroeconomic) policy rhetoric away from GEAR, with explicit commitment towards more state intervention, especially in public investment. Worthy of more investigation is my suspicion that this represents a judgement that handling the overhang of globalisation and financialisation has been accomplished, and there is now to be a renewal of the state-led strategy characteristic of the 1970s, marked by the expansion of core and directly related MEC sectors.[28] At a more general level, this may also reflect a second phase in the neo-liberal project that has financialisation as its defining moment, Fine (2008c and e). An earlier phase, as a sort of shock therapy, simply released market forces as far as possible, with finance to the fore. Now, it requires the state not only to temper the worst excesses that have resulted (keeping the lights on) but also to intervene more extensively to support continuing financialisation as such (financial rescues at enormous cost) and, in the case of South Africa as more generally, its dependence upon the surplus produced elsewhere in the economy from which it cannot escape.

This is not to say that the MEC as a collaboration between state and private capital remained inactive during the GEAR period. Indeed, the state-owned Industrial Development Corporation, IDC, was the major domestic manufacturing investor in the period, often creating jobs at a capital cost of between R5m and R8m in capital per worker, hardly conducive to employment creation, Roberts (2004) for a wide-ranging discussion. But that this expansion of the economy, even around MEC sectors, should take second place relative to conglomerate globalisation and financialisation is strikingly illustrated by the electricity crisis, again subject to further research and as much as confidentiality, or secrecy, will allow. Ten years ago, as I was withdrawing from work on South Africa, electricity supply was so much in excess supply that power stations under construction were being mothballed. There was the prospect of export of power not only throughout Africa but also into Europe. Reports of capacity shortage and outages upon renewal of work on South Africa were initially received on my part with disbelief. But there's no denying when the lights go out or, of greater pertinence, when the mines stop working.

How did this come about? I am not convinced a full explanation is yet available and would involve close interrogation of individuals involved in decision making (not least through an open public enquiry). Within Africa and elsewhere in the developing world, in electricity and for other social and economic infrastructure, privatisation has not delivered, after an initial burst of enthusiasm, the necessary levels of investment. And nor has what has been delivered been entirely satisfactory in outcome, Bayliss and Fine (eds) (2008). Unfortunately, the emergence of South Africa's need for new capacity coincided with the late realisation and acceptance that privatisation was not going to deliver. For the last four or five years, the World Bank has accepted this and has fallen back upon a strategy of promoting state-led private participation. If the private sector won't do it by itself, the state must make conditions and resources more conducive for its participation. Significantly, the recent report on ESKOM from the World Bank, Kessides et al (2007), basically concludes that it had performed well but that it still makes sense to promote public-private initiatives where possible, something that has become a matter of dogma where previously the Bank sought to depend upon privatisation alone.

Even so, over the past fifteen years, there have been any number of plans for restructuring electricity supply. I recall in the early 1990s being invited to a one-to-one breakfast with Alan Morgan, then Chief Executive at ESKOM, at the Savoy Hotel, London. I am not sure whether either of us knew what the other was doing there, although he presumably had more of an idea than I did. I formed the impression, though, that, as a fishing exercise on his part in terms of ANC intentions, he had less of an agenda of his own to pursue than a desire to see settled the institutional framework within which to run the business.[29] It should be recalled that this was a time when any number of schemes were being proposed for the new democratic constitution, including a Swiss canton for the Afrikaners, and the same applied to the economy with scenario syndromes, including any number of schemes for the whether and the how of privatising electricity, itself complex across arrangements for generation, distribution and marketing quite apart from the issue of electricity supply to thoee previously unconnected.[30]

Such uncertainty has remained to the present day, in part contingent upon hope and uncertainty about how and how much the private sector would participate. This goes a long way towards explaining the failure to make the necessary investment in increasing capacity. For the decline in the reserve margin has slowly but steadily evolved over the past decade and recognisably revealed itself in acute form. And yet there has been no capacity added to generation between 2002 and 2006.[31] To some extent, this represents a failure of coordination across government departments with this, and corresponding powers, residing predominantly within the Ministry of Finance and the Presidency, at the expense of other Ministries. Otherwise, surely, those of Mineral and Energy Affairs, Trade and Industry and Public Enterprises would have collectively prevailed in expanding provision?

But of crucial importance, and generally overlooked, is the role played by the domestic conglomerates that have had much to lose themselves in the wake of the power cuts. Why did they not press for expansion of capacity on a timelier basis? Historically, of course, the conglomerates have benefited from, even taken for granted, state provision of by far the cheapest electricity in the world (together with profitable contracts for providing coal to power stations). Over the past decade, and for much longer,[32] their individual if not necessarily their collective interests have been served by globalisation and financialisation of their assets, and certainly not tying them up in ESKOM, privatised or otherwise. And the scale of investment required is staggering, over R300 billion over the first five year period alone or of the order of 17% of GDP.[33] In crude, crowding-out terms, it was a matter of government committing this investment itself or allowing the conglomerates the equivalent to export as capital oversees. Both sides seem to have made the same choice at their mutual expense in terms of electricity supply. Significantly, this need not have been the case by reference to different relations between the state and capital. With "negotiation" over the new minerals bill, Black Economic Empowerment essentially appropriated 25% of the nation's mineral resources at the expense of the conglomerates and worth R55 billion, Hamman et al (2008).[34] So, in this arena at least, the state was prepared to act to redistribute wealth but without regard to its creation through deploying such revenue for providing electricity generating capacity.

But there are much broader implications even than this. For, as far as industrial policy is concerned, it points to the absence of coherence and determination in policy in South Africa in a rather different way, the definition or understanding of industrial policy itself let alone how and whether it has been implemented. There has been an extraordinary narrowing of understanding of what is meant by industrial policy and the capacity to implement it. Striking is the claim of Morris et al (2004, p. 206) that, "The industrial policy designed by the Industrial Strategy Project … <u>and adopted by the new democratic South African regime</u> was founded on a view that 'competitive advantage must also be derived from intra and inter firm cooperation'", emphasis added. It is a moot point whether ISP offered very much by way of policy, whether it was adopted, and whether it engaged at all with the major policies being adopted and influencing the progress of industry. Appropriately, Dave Kaplan (2007, p. 91), a leading member of ISP and for a time Chief Economist at the Department of Trade and Industry, concludes that, "First, industrial policy should not, in the current context be too ambitious. Second, given limited governmental capacities, a more prominent role should be accorded to the business sector". As indicated, he bases these conclusions on the limited institutional capacity to deliver policy. This raises questions over why, if this is the case, industrial policy has not been more extensive (and failed), why existing capacity has been distributed as it has (to macroeconomic management and to the financial sector for capital export, and, of course, to BEE), and why it has not be distributed elsewhere, and what is being done to raise institutional capacity, Fine (2008a).

In this light, consider trade policy, for example. In the past, this was very much a matter of protection on demand to small-scale Afrikaner capital to secure survival. With minor exceptions, this has been cast aside in the post-apartheid period, with tariff reduction exceeding WTO membership requirements, MEC core sectors the main beneficiaries, and black labour-intensive employment the main casualty, Fine (1997c).[35] This paper also forcibly argued within the confines of orthodoxy itself that industrial as trade policy is fundamentally flawed in relying upon notions of effective rates of protection – as, outside a two-good world, such a notion cannot be properly defined theoretically, cannot be properly measured empirically even if it could be defined, and even if it could be defined and measured, effective rate of protection reduction is not necessarily beneficial. The broader conclusion is that trade cannot be considered legitimately in isolation from other elements of industrial policy. As you have to have a trade policy (even if neo-liberal), it follows that you have to take a stance, however wittingly, on other areas of policy with which it interacts.

By contrast, for Kaplan, a virtue is made out of a narrow definition of industrial policy, and a narrow definition is made into a necessity. For, in addition, Kaplan praises the Western Cape microeconomic development strategy as a model that might be followed by central government. But it is worth noting what view is taken by those themselves who have responsibility for implementing that model in light of the power crisis, citing McDonald (2008, Chapter 1):

> A survey of business attitudes in Cape Town undertaken in late 2006 by the Western Cape Investment and Trade Promotion Agency (Wesgro) underscored these corporate concerns. Some 71 per cent of firms interviewed cited "electricity reliability" as the second largest "constraint" on business growth in the city (after crime), noting that unreliable electricity supply had a "serious debilitating impact on their business".

From this can be drawn four implications. First, it is necessary to slaughter the two holy cows in the economic historiography of South Africa – that (flawed) industrialisation took place through protection of consumer goods, and that industrial policy was essentially a matter of tariff protection. Second, then, the notion of industrial policy should be much more widely stretched to incorporate whatever is necessary to guarantee industrial success including, as indicated here, the question of national and local power supply. Of course, this is not a matter of throwing in everything that you can think of but of incorporating those issues that are of significance to success for specific interventions. Third, as already suggested and more specifically, this is neither a matter of leaving power supply to the private sector nor of the absence of the institutional capacity of government to deliver. Rather, government has failed to intervene out of deference to the private sector. Fourth, and possibly most important, this all suggests that it is not possible to have an effective industrial policy unless it is extensive. For no, or little policy, even with limited capacity, can arguably be worse than an imperfectly implemented policy with ambition. Even if the conglomerates know best and have the best capacity, they do not necessarily do best – just as we would not, presumably, leave defence policy to the arms manufacturers on the grounds that they know best what are weapon capabilities and how to use them.[36] Those with superior resources may have unacceptable motives and pursue them dysfunctionally for the rest of the population and even for themselves – although South Africa's conglomerates are probably not ruing their failure to take on electricity supply on their own account.

Diversity of outcomes – for electricity supply, on the one hand, as opposed to BEE enrichment, on the other, through mineral leases - arises out of the tensions in the structures and dynamics of the MEC and its location within the South African economy today no less than in the past, as with the formation of state corporations in the 1930s but with limited integration across the rest of industry. It is necessary to see the present as the history of the post-apartheid economy in the making as the MEC unfolds even if it does not unravel.

5 <u>From History of "MEC" to History of MEC</u>

It was always my ambition as an academic that the MEC approach should be extended to incorporate other areas of study than the immediate and recent functioning of the South African economy and the policy implications that flowed from this. Inevitably, in rooting the MEC in its past and gaining a hold over its character and dynamic, the history of the MEC was engaged, both within Fine and Rustomjee (1997) and also on other occasions, most notably in Fine (1992a and 1994b) and Fine and Rustomjee (1992 and 1995). But, as with the slaughter of the holy cows of industrialisation and industrial policy, there is considerable re-investigation and re-interpretation of the past that might be engaged. This should go back to the emergence of mining, and draw readily on existing scholarship that has much more easily and fully identified the intersection of race, class and economic and political interests.

This might also go some way towards redressing the balance in existing MEC work in its undue pre-occupation with what capital (and the state) did as opposed to the actions of labour, trade unions and other organisations of resistance and change. Work had begun on South African labour markets, not least in view of attachment to the Labour Market Commission. But most of this remained unpublished.[37] My own approach grew out of a critique of segmented labour market theory. The latter has an interesting history. It arose out of the idea of dual labour markets, itself associated with a dual industrial structure of highly paid, careered, monopolised, capital-intensive stable employment as opposed to flexible low-paid, unstable jobs in a competitive sector.[38] Inevitably dual led to multiple labour markets in deference to empirical realities, and explanation for these structures was offered in terms of broad socio-economic determinants both from the nature of jobs supplied (industrial or employer characteristics) and who got to fill them (employee characteristics).

Until the mid-1980s, the idea of segmented labour markets was entirely rejected by mainstream economics in deference to theoretical and empirical models based on human capital (although these always left an unexplained residual by major socio-economic characteristics such as gender and race). Significantly, with the emergence of the market imperfections approach to economics, segmented labour market theory was appropriated by the mainstream, and is interpreted in terms of endogenously created labour market structures in which initial differences in worker characteristics could be exaggerated into much larger differences in outcomes. Despite this, mainstream empirical work on labour markets has continued to take human capital as its starting point as a means to measure levels of market imperfections in the rewards accruing to workers. In this vein, in an early contribution in the post-apartheid period, Hofmeyr (1994) argued that labour market outcomes had already become less discriminatory and more integrated (i.e. not segmented) because wage differentials had declined once correcting for "non-racial" attributes such as levels of education or regional location.[39]

This is interesting empirically but absurd analytically, Fine (1998b, p. 110),[40] since it takes major labour market determinants such as location and education as if they are not part and parcel of systemic racialisation and segmentation of labour markets. We know, for example, that the major source of differences in pay between men and women is due to occupational segregation. When men and women do the same job, they tend much more to be paid the same. So, if we correct for occupation in looking at pay differentials, they will be drastically reduced. And much the same applies to so many factors in which men are more favourably placed than women, and it is this that has to be explained in and of itself and in relation to the functioning of labour markets.

My own approach has been different from both mainstream and radical versions of segmented labour market theory, and is much more careful in understanding the nature of labour market segmentation and of segments themselves.[41] For each of the other approaches, if slightly differently, suggests that socio-economic factors are thrown together and generate labour market structures with corresponding outcomes in terms of workforce, wages and conditions. By contrast, although such factors are both present and of huge importance, they are complemented by and channelled through the <u>internal</u> workings and generation of labour market structures. These might be sectorally specific ("vertically" determined as, for example, in migrant labour to the mines), "horizontally" determined (fluidity across sectors as for those with generic skills or professions), or some combination of the two. In short, it is a matter of recognising not only that labour markets are segmented from one another, with correspondingly different outcomes, but that they also are internally structured and function differently from one another. In other words, labour market segments are only formed concretely out of the organisation, structures and practices attached to (access to) work itself and cannot be entirely read off from broader determinants. I suspect the simplest and most obvious way of recognising this is by reference to the South African mining labour force as opposed to its domestic servants for example.

To a welcome extent, the differentiation of the South African labour markets (not market) is being recognised (as is inevitably so for case studies of particular labour markets where specific internally generated conditions are acknowledged). It is essential, for example, to reject the idea of a simple dichotomy between formal and informal employment, since each category is itself highly differentiated in wages, conditions and mode of functioning. Further, the intensive effort on identifying the poor in South Africa, in which (un)employment is a key element, has also revealed corresponding differentiation of working conditions and categories of labour. But to explain these, identification of the internal workings of particular labour markets is imperative.

Consider, for example, the study of Heintz and Posel (2008). By simple scrutiny of the empirical evidence, they do acknowledge differentiation within the informal sectors, not sector. But they do so in order to emphasise the lack of <u>mobility</u> across the informal sectors, and take this (alongside overall levels of demand) as the determinant of low levels of informal activity and higher levels of unemployment relative to other countries. The problem here is that (im)mobility between sectors is being asked to do too much analytical and causal work.[42] It has to stand for race, gender, sector and all of the other internal and external factors that shape labour markets (and the extent of mobility itself). In effect, we are implicitly being asked to suppose what would be the effect of abolishing all occupational segregation within and between (informal) labour markets. This might offer a nice measure of labour market discrimination by access to jobs or otherwise but it does not allow us to understand how labour markets are structured and interact with one another.[43]

A more promising approach is to be found, in principle, in industrial sociology and, especially, labour process theory and an explanation for labour market segmentation built upon, but not reduced to, the division of labour within enterprises and the corresponding hierarchies that are formed out of technical change and command of production and/or work. Unfortunately, the pioneer of this approach in South Africa, Eddie Webster, has increasingly moved away from examining (the organisation of) work as such (itself a general trend across the literature with decline in labour process theory, and the associated industrial relations and sociology being redefined as human resource management) and has sought to impose a relatively crude external typology of work types on South African labour markets, see Webster and van Holdt (eds) (2005) for example, although this may be motivated by a wish to impose a calculus of economic interests upon heterogeneous sections of the workforce in terms of their wage and employment prospects under different types of policy.[44]

What is the significance of the MEC for all of this? First and foremost, the MEC is a major employer of labour and, consequently, is both a source of labour market segmentation and labour market segments, not least as its own more general dynamic both draws upon and contributes to economic and social reproduction. In this respect, there is a correspondence with the potential for the location of the MEC in the historiography of South Africa, since its formation and transformation of (racist) labour markets have been so peculiar. Second, as already indicated, even if not serving itself or in its related sectors as the direct employer of labour, the MEC has a more or less indirect influence upon segmentation elsewhere in the economy, not only influencing levels of employment and unemployment but also the more general conditions in which they operate (and much the same is true of state employment in setting standards in relation to which the private sectors function). Third, then, even where the MEC would appear to have no direct impact upon employment as in some if not across all of the informal sectors, it does, nonetheless, have a profound influence both by virtue of its presence in the economy as a general force and by vacating but constraining the space for alternatives. The most obvious example of this sort of thing, pervasive across the world if with peculiar characteristics within South Africa as elsewhere, is the retail system and its dependence upon both formal and informal types of retailing, Valodia et al (2007).

I am acutely conscious that the preceding account for labour markets has implicitly drawn upon a tripartheid structure of MEC core, MEC related, and MEC detached. The boundaries between these in practice are inevitably fuzzy, not least in the wake of financialisation and conglomeration as there are multiple criteria involved ranging over ownership and productive and other linkages. In addition, the nature of the connections in socio-economic terms are heterogeneous. As a result, the classification is admittedly rough and ready and at most serves as the basis for further investigation both within and between the categories themselves in order to specify their exact nature.

Three examples are illustrative. For MERG, for example, Zavareh Rustomjee identified what we dubbed a manufacturing-agricultural complex, MAC. This is highly differentiated across products and producers but the relations between manufacturing and agriculture have, not surprisingly, often been found to be mediated by the conglomerates. Similarly, for MERG, if in a different way, the role of MEC-finance had profound implications for provision of social and economic infrastructure, most obviously for electrification, insidiously so for the privatisation of health provision through insurance companies, and in the priority given to finance as opposed to simply building in provision of housing. Further, as argued in an early paper, the national system of innovation, or technological performance of the South African economy, has been profoundly influenced by the MEC, Fine (1993a). Essentially, these examples demonstrate the need to recognise both the capitalist nature of the South African economy, its specific features and their more general direct and indirect influence on economic and social life even where capital itself is not directly involved.

Concluding Remarks[45]

It should be apparent how earlier concerns confronted in work on political economy in general, in policy for the GLC and the British miners, and on the British economy, have had an influence on my understanding of the South African economy and on how economic and social policy needs to be understood and formulated. On the other hand, unlike the contributions of many others, neither an analytical scheme nor comparative experience has been imposed on South Africa in an as if way, from racist Fordism through flexible specialisation in the academic arena and from the unmistakeably neo-liberal GEAR to the rhetoric of developmental state in government practice and rhetoric, respectively.[46] Rather, analysis has proceeded from the economic and social realities of South Africa itself, as captured by the notion of the MEC both as an appropriation of those realities and an investigative tool. This involves an understanding pitched at different levels of analysis, ranging from consideration of individual sectors, for example, to the shifting configurations and dynamics of economic and political power. Whilst I believe that the case for continuing to understand the South African economy in terms of the MEC remains incontrovertible, I am sufficiently sensitive to the realities of the South African situation to recognise that this view remains little known let alone accepted. However, I can still press, whether through an understanding based on the MEC or not, that the major issues of political and economic power be addressed in understanding what is going on and formulating policy responses. Currently, the South African conglomerates may not make policy but they do heavily influence its scope and impact. Any chances for success depend upon their commitment, voluntary, coerced and/or transformed, to social and economic restructuring at home.

Such advice to putative policymakers has its counterpart in academic endeavour. The democratic transition in South Africa seems to have been associated with an equally remarkable shift in the orientation of scholarship, especially where political economy is concerned. Whilst the apartheid era was marked by oppositional scholarship of the highest quality and originality, not least in debating the relationship between capitalism and racism in the South African context, the associated methodologies and critical stances involved seem subsequently to have been lost. No doubt, there are a number of reasons for this: a loyalty to the ANC, the loss of academics to government posts, the shift in the broader intellectual environment, the imperatives of policymaking as opposed to oppositional polemics, the enhanced capacity for South Africa to be included as another case study for continuing or new orthodoxies, and so on. In other words, just as there have been powerful economic, political and ideological factors underlying the dynamic of South African industrial policy, and economic policy more generally, so there have been heavy influences behind what might be termed the neutralisation of the traditional radical perspectives attached to academic research on the South African economy. If I have managed to restore some of these, not least in terms of the heavily negative influence exerted by the World Bank from without and by government from within, I consider that I can congratulate myself on a job half done. To finish off, it is also necessary to persuade of the need to renew the commitment to an analysis of South African capitalism that is based on both continuities as well as shifts in the structures and dynamics of economic and political power in which the MEC continues to play a decisive role.

<u>Footnotes</u>

[1] Initial draft for discussion and only to be cited as such. Thanks to Vishnu Padayachee for comments on a first draft. This is the last of three papers written more or less simultaneously over the past couple of months. Inevitably, there is some overlap but it is relatively limited other than as indicated. Fine (2008a and b) focus more on the current character of the MEC and the putative character of South Africa as a developmental state, respectively, with the latter also addressed in Fine (2007b). Together these papers represent a renewal of work on South Africa after a ten year break and, in so short a time after so long an absence, inevitably fail to do full justice to material developments as well as the available literature. Apologies both to the reader and to those whose contributions have been overlooked and even misrepresented.

[2] The following does offer heavy critique of others that hopefully will cause neither offence, disappointment nor surprise. Those mentioned have been good friends and without whom much of what I have accomplished would have been impossible. The option is surely open for them to respond in terms of their own continuing contributions and trajectories.

[3] Note that this working paper was one of eleven that had been delayed in issue waiting upon my move from Birkbeck to SOAS. Six of these concerned work on the MEC, all but this one subsequently published in one form or another, the other five concerning detailed empirical research on UK acquisition of consumer durables!

[4] This section offers an expanded and revised account first given in an unpublished paper for a conference in Perth, Australia in 1999. Later versions of that paper excluded this account, Fine (1999) but added a critique of Webster and Adler (1999) who presented at the Perth Conference. The Perth paper itself was presented in first form at TIPS, Fine (1998b).

[5] My co-editor was Teresa Hayter.

[6] The others were general strategic planning, policing, ethnic minorities, and women. Greater London government was subsequently reinstated in 2000, by the Blair government, with transport as its major

function and with Ken Livingstone returning in triumph and continuing as Mayor until his defeat by Boris Johnson in May, 2008.
[7] Affectionately dubbed GLCSE since many of these were drawn from the CSE, the UK Conference of Socialist Economists.
[8] The London Financial Strategy was redlined as far as my participation was concerned. Ken Livingstone has been notably favourable to the City as a global financial centre and, as such, as an asset to the London economy.
[9] Sabel and Zeitlin (1985), for example, for the astonishing notion that mass production was, in a sense, a big historical accident, against which the beloved and idealised flec-spec is the delayed triumph of an alternative industrial logic.
[10] The true story of social criteria sacrificed to commercial imperatives and the wasted investments in, to put it kindly, undeserving firms has never been told. Loyalty to the GLC, especially under the threat of abolition, and simple lack of facts made available, has muted criticism. For the price of a drink, I am happy to redress the balance, and Vella Pillay, as a board member of the GLC's Greater London Enterprise Board, would have been able to tell even more. For an "official" account, see MacIntosh and Wainwright (eds) (1987). For critique of flec-spec in the South African context, see Fine (1995b) but also Fine (1998a, Chapter 4) for a more general critical assessment.
[10] See Fine (1997d) and Fine (1997f) for consideration of South African privatisation and, most recently, for Sub-Saharan Africa but of relevance for South Africa, Bayliss and Fine (eds) (2008).
[11] Tackling these issues was brilliantly pioneered by the late Andrew Glyn (1984). In the event, victory at the Tribunal proved Pyrrhic. The Coal Board still insisted on closure even against Tribunal recommendation, interpreting the wording of the agreement by the letter rather than the spirit, in the sense of only having to take Tribunal conclusions into account and not to be bound by them. The employer also threatened punitive redundancy terms in case the workforce undertook the option of Tribunal reference. See Fine (1990) for a full account for the issues covered in this paragraph. Note, though, that this experience came in handy given the opportunity in the Labour Market Commission, see below, to question Chris Stals, then Governor of the Reserve Bank and just prior to the announcement of GEAR. When asked the reason for high levels of unemployment in South Africa, he responded that the Bank's model indicated that real wages were too high. This led me to ask at what level of real wages would the Bank's model give rise to full employment, to which there was no answer, twtwna. Asked if there was a case for housing finance to be subsidised to generate employment and provide cheap homes, he responded that this was a microeconomic question but that he would have to advise government of the negative macroeconomic implications. Asked for his response to the idea of a subsidy to keep gold mines open, he replied this was a microeconomic question but that he would have to advise government of the negative macroeconomic implications. It was pointed out that gold contributed 40% of foreign exchange and this was surely a macroeconomic question, twtwna. Stals continued in post until 1999.
[12] As further background, the Alternative Economic Strategy (AES) had been put forward by the Communist Party of Great Britain and the left of the Labour Party in the context of decline of industrial trade unions but rise of white collar unionism. See London CSE Group (1979) for which I was a co-author as well as Fine et al (n.d.).
[13] My first EROSA (1987a and b and 1988) papers covered electricity, coal and gold. Until the DEP (Department of Economic Planning, later Policy) was established within South Africa, EROSA appears to have played a major research role in formulating economic policy although, like MERG after it, the primary goal was creation of indigenous research capacity. Note that the notion of mixed economy for South Africa, now forgotten, emanated from EROSA through Laurence Harris. It seems to have been designed to defend the role of the state in the economy whilst appeasing laissez-faire critics. In retrospect, it appears to have had the opposite effect, smoothing the way for GEAR through the RDP.
[14] It is worth noting that apart from holding an MSc in Economics through part-time study from Birkbeck (where I had taught),Vella had long held a senior post in the London office of the National Bank of China with major responsibility for currency holdings and dealings, and he continued after retirement to be economic advisor to the Bank until 2002. Whilst MERG was often dismissed as wildly unrealistic, it should be acknowledged that its head probably had more experience and training in the necessary pragmatism than those who were so readily dismissive.
[15] My colleagues at SOAS, John Sender and John Weeks, collaborated with Guy Standing to produce the ILO (1996) background report for the Commission.
[16] There were minor exceptions in writing, primarily reflecting an overhang from the past as opposed to new activity, Fine (1997a, b and e, and 1999) and Fine and Padayachee (2000 and 2001) after which a gap until 2007. I also did not push some of these papers for publication but I can offer electronic copies

of those interested for all unpublished papers cited here other than those of EROSA which would have to be found in hard copy and dusted off from an attic somewhere.

[17] For an account of its unusual origins in the work of Paul Sweezy, see Fine (1988, 1990 and 2008f).

[18] Nonetheless, I did furnish on demand a policy paper from EROSA on the South African military-industrial complex, inspired by the policy work on conversion (from military to civilian production) at the GLC and SAMIC's attachment to the MEC, EROSA (1992). See also Fine (1993a).

[19] By way of comparison, social capital, on which I have worked and published extensively, googles 11million entries and, when Fine is added, this reduces to half a million.

[20] Note that Dave Lewis has become more rounded in his stance on the MEC, possibly reflecting his co-directing the Labour Commission but especially in coming up against the conglomerates as head of the Competition Board. See Lewis et al (2004).

[21] In a study of Ghana, Boateng and Fine (2000), it was found that the World Bank claimed both that productivity had been increased in agriculture by shedding labour in response to its commercialising policies and that the displaced labour had found employment in the informal sector. But there did not seem to have been any increase in real output across other sectors. The conundrum was resolved by noting that there had been a massive increase in stressed street selling, more people selling the same amount of goods but putatively increasing the level of commercial services. This is an ideal example of the overexpansion of the commercial sector, indicative of the role of the financial sector in some respects, and also of relevance to the functioning of labour markets, see below.

[22] Ndikumana and Boyce (2008) examine the extensive capital flight and external debt characteristic of Sub-Saharan African economies, referring to the "revolving door" effect whereby aid inflows sustain private capital outflows. For South Africa, the revolving door has drawn partly upon exporting the domestically generated surplus and also partly upon inward short-term capital movements that places the external account in a state of immanent crisis as discussed.

[23] For some work on these issues, see Bond (2003), Andrews (2005) and Mohamed and Finnoff (2004).

[24] Note the contrast with Webster and Adler (1999) where labour is perceived to have conformed to a beneficial if constrained compromise with capital as opposed to frightening it off.

[25] The following dozen or so paragraphs draw more or less directly from Fine (2008d).

[26] Note that Gelb (2005) in a footnote discusses such restrictions in terms of allowances "per project" as opposed to per company but I have no evidence of this. If he were right, companies would have an incentive to unbundle projects into multiple components in order to increase overall allowances available. The bigger point, though, is either lax discretion (specification, enforcement and monitoring of criteria) within whatever are the limits involved or SARB is essentially making industrial and other policy both undemocratically and with limited powers (to ease capital controls or not upon application).

[27] Also the unpublished Fine (1997a) but see Aybar and Lapavitsas (2001).

[28] This overhang of frustrated globalisation and financialisation is very different from that associated with Bob Brenner's (1998) explanation for the world slowdown, although there is evidence that South Africa's incumbent position in the domestic economy discourages foreign direct investment. For critique of Brenner, see Fine et al (1999) and Fine et al (2005) but note that explanation of the world slowdown in terms of financialisation implies an over-accumulation of financial assets but an under-accumulation of real capital – in contrast to much of the Marxist rhetoric of the day.

[29] There were fears, for example, of some sort of management buy-out as a means to privatise, wildly unrealistic in terms of the investment levels required.

[30] Note that in my contribution to MERG on electrification, considerable emphasis was placed on the positive contribution that could be made by ESKOM because of its institutional capacity to deliver but that this should be also harnessed for diversification into electricity use by the newly connected.

[31] All figures here taken from UBS (2008).

[32] I have previously argued that privatisation under the apartheid government would have to have been coerced on South Africa's conglomerates because of their unwillingness to commit resources to the domestic economy, Fine (1997d).

[33] As reported in Business Day, 15 May 2008, in wake of a speech from Alec Erwin, "The government and the state-owned enterprises plan to invest about R568bn over the next three years. But the public enterprises department estimates the cost of doubling electricity capacity over the next 16 years, including nuclear power, at about R1,3 trillion. Local sourcing of supplies for this would limit the programme's negative effect on the balance of payments and reduce its vulnerability to global market conditions".

[34] The initial demand was for BEE to appropriate 50% of mineral rights, but this was dropped not so much at protest from conglomerates as from the collapse in the value of their mining company shares and fear of biting the feeding hand.

[35] See also Deraniyagala and Fine (2001 and 2006).
[36] I do recall that, as discussant at the TIPS conference, Kaplan's fiercest objection to Fine (1998b) was to my closing comment, especially as emphasised by him that conglomerates might be coerced if not cooperating, see Concluding Remarks to this paper. In contrast, his own inclination is that, "a more prominent role should be accorded to the business sector", presumably without coercion and with the results already experienced post-apartheid and before. The point is not so much our disagreements over the need for voluntarism or coercion but that, at the least, this should be acknowledged and debated rather than passed over by default in the context of the realities of what the conglomerates have been doing.
[37] But see Fine (1998a).
[38] As I pointed out, the flec-spec school adopted a similar dualism but reversed the benefits of the two types of industry. Piore is the connection between the two.
[39] See also Hofmeyr (1993).
[40] I drafted an extensive critique of Hofmeyr but it never got to be published, ultimately Fine (1994a) which also incorporated criticism of the World Bank's approach to South African labour markets especially Fallon (1992).
[41] My interest was first prompted by the wish to explain increased female labour market participation in advanced countries and its relationship to standards of living, Fine (1992b). This has also inspired a very different understanding of how real wages are determined in terms of norms of consumption that do not derive entirely from labour markets themselves as a result of wage levels paid (this itself representing an attempt to get to grips with the meaning of the value of labour power both in value terms and in its "moral and historical elements"). See Fine (1987 and 1998b) but also Fine (2007c and 2008b). It is significant that my understanding of labour markets should have been informed by attention both to female labour market participation and to its intersection with consumption on which I was also heavily engaged, Fine and Leopold (1993) and Fine (2002) for example.
[42] To be fair, they do acknowledge, "Barriers to mobility may exist not only between formal and informal labour markets, but also into, and <u>within</u>, informal activities themselves", p. 30, emphasis added. Even so, it is not apparent that presence of "barriers" or not is the way to understand the social relations, structures and processes that are attached to labour markets.
[43] In my own approach, I have deployed the concept of labour's "access" to work to indicate a much broader notion than degree of mobility between employments. This allows account to be taken of the conditions governing employment within a segment as well as those differentiating between segments.
[44] The contrast is most sharp, for example, with Webster (1985). I am intrigued in anticipation of the paper to be presented to the workshop, Bezuidenhout and Webster (2008), not least in light of developments since Fine (1998c) was drafted.
[45] Able to drawing, with minor amendment to update, on Fine (1998b).
[46] Elsewhere, I have given a more general account of the shifts in scholarship, rhetoric and policy in practice (and their degrees of realism) in the putative shift from Washington to post Washington Consensus, Fine (2001), Fine et al (eds) (2001) and Jomo and Fine (eds) (2006). In an age of neo-liberalism as financialisation, we are now entering a phase in which the state is being required to temper the effects of what has gone before and, or in order, to allow the process to continue, Fine (2008c and e).

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