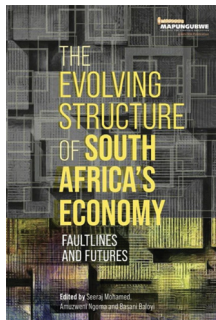




Strategic reflections on South Africa's economy

BOOK TITLE:

The evolving structure of South Africa's economy: Faultlines and futures



AUTHOR:

Seeraj Mohamed, Amuzweni Ngoma, Basani Baloyi

ISBN:

9781920690397 (paperback, 589 pp, ZAR390)

PUBLISHER:

Mapungubwe Institute for Strategic Reflection (MISTRA), Johannesburg, South Africa

PUBLISHED:

2023

REVIEWER:

Michael Sachs¹

AFFILIATION:

¹Southern Centre for Inequality Studies, University of the Witwatersrand, Johannesburg, South Africa

EMAIL:

michael.sachs@wits.ac.za

HOW TO CITE:

Sachs M. Strategic reflections on South Africa's economy. *S Afr J Sci*. 2024;120(7/8), Art. #18034. <https://doi.org/10.17159/sajs.2024/18034>

ARTICLE INCLUDES:

- Peer review
- Supplementary material

PUBLISHED:

31 July 2024

As the name suggests, the Mapungubwe Institute for Strategic Reflection has emerged as an important forum for contemplating South Africa's long-term development path. This is a precious gift in our noisy democracy, which is often caught in the details of immediate policy problems. Strong validation for this role is provided by this edited volume, which takes stock of South Africa's economic structure and its evolution. The problem of structural transformation – how we should shift the economy towards higher productivity economic sectors – is identified as the central policy issue. Another recent volume on this topic strongly focuses on industrial policy.¹ *The Evolving Structure of South Africa's Economy*, by contrast, casts its net far more widely with eminent contributors covering topics including macroeconomics, black economic empowerment, climate change, spatial development, regional integration, the changing nature of work, the prospects for social compacting, the role of state companies, the relationship between economic structure and social conditions, and industrial policy.

The editors make clear that the book is a forum for discussion of policy. The common foundation for discussion is the idea of a 'minerals and energy complex', or MEC, which is put forward as the only conceptual framework capable of understanding the South African economy today. This idea – first advanced in the seminal work of Fine and Rustomjee² – is grounded in the empirical reality of deep interactions between mining, energy production and heavy industrial sectors that lie at the core of South Africa's economy. The MEC framework suggests an evolving process of capital accumulation and power relations – a 'system of accumulation' – has retarded the structural transformation of South Africa's economy in the 20th century and still constitutes the economic basis for social exclusion and political dysfunction.

The editors tell us that escaping from the MEC's grip requires that "a form of capitalism should be developed in South Africa that delivers the type of economic transformation needed to build an egalitarian, resilient and democratic society" (p.560). To achieve this requires a state capable of directing capital and orchestrating industrial development, and the key obstacle to the creation of such a state is the grip of neo-liberal ideology.

The editors claim that the book offers an alternative policy vision, but I am doubtful that it succeeds in doing so. This may be a consequence of the varied nature of the contributions and the difficulty this poses in reaching clear and coherent conclusions. But it may also reflect weaknesses in the conceptual framework itself. As historian Bill Freund pointed out, the MEC lens, notwithstanding its defining contribution to the historiography of South Africa's industrial development, has always struggled to define clear policy implications.³ In Freund's words, Fine and Rustomjee "is an impressive assessment but what to do with it? The final section of the book that tries to look ahead to policy is in my view much less incisive and clear. This is one reason why ... the MEC has seemingly had so little impact on policy"³.

This ambiguity with respect to policy is, in my view, reflected in two tensions that run through the chapters of the book. The first concerns the role of the state. At the centre of the book's policy advice is, in the words of Fine and Mohammed, that "developmentalism depends on [the state] taking command of financial resources to guarantee appropriate levels of directed investment, in conformity with targeted policy" (p.45). This is well and good, but as the chapter by Swilling et al. points out, the literature on developmental states does not provide clarity on "the granular details of how developmental capabilities are institutionalised in practice" (p.509). A host of issues related to the South African state's policy shortcomings are discussed across various chapters. But beyond general appeals against 'neoliberalism', the book does not offer a cogent analysis of the causes of these state failures in contemporary South Africa, how these relate to the evolution of the MEC, and how they might be overcome.

The state itself is an essential component of the MEC. Private interests in mineral, energy and adjunct manufacturing sectors are seen as co-constituting the core of the economy together with large state actors, such as Eskom. If we frame matters like this, we risk losing sight of the potential for the state to play an autonomous and developmental role. It is also unclear how the politics of non-racial democracy might be relevant to the problem of the state's role in economic transformation.

One is forcefully reminded of these questions when reading the chapter on the just transition. Here, Baker and Burton suggest that "the country may be moving towards a 'decarbonised MEC', given that many of the incumbent institutions and relationships have started to unravel" (p.287). In this context, "financial sector trends are now showing investors moving away from carbon-intensive lending and starting to price in environmental ... criteria while allocating capital" (p.279). Yet the state continues to preside over core MEC sectors and, arguably, it is the state itself – or perhaps certain fractions of the state – that are acting to retard effective industrial restructuring away from the MEC.

By making the blunt assumption that the state is acting solely on behalf of the MEC and its related fractions of finance capital, the democratic state is conceived as a neoliberal continuation of its apartheid predecessor. This limits the book's engagement with the contradictions thrown up by democratic governance and restricts its consideration of policy to the realm of more abstract questions of ideology.

The second tension concerns the relationship between the structural transformation of the economy and social conditions. The chapter on social reproduction bluntly reminds us that "the concept of structural transformation is an inadequate measure of development as ... the link between economic development (which the definition addresses) and social reproduction is missing" (p.384–385). In response perhaps, the editors are fastidious in reminding us at every turn that the concept of structural transformation must be extended to include various social dimensions. In my view, however, the tension is not clearly resolved. This is a serious weakness because social questions are, of course, particularly apposite in South Africa, where social engineering was such an important



aspect of the apartheid growth path. Indeed, several other authors have argued that, rather than directing investment in favour of industrial restructuring, the central challenge facing a developmental state in South Africa might be reconstructing social relations.^{4,5}

Arguably, on the path to academic hegemony that it now commands, the idea of the MEC displaced these and other South African approaches to political economy that were better able to frame these questions about the state and its politics, social transformation, and the economy. Various iterations of the theory of internal colonialism, for instance, place the relationship between social reproduction, capital accumulation, race, class and political structure at their centre.⁶ We are reminded of these debates in the chapter by Netshitenzhe (p.328–360), which suggests a conception of South Africa as a metropolis and colony developing along parallel lines, and attempts to define a policy agenda to overcome this bifurcation. A second line of theory can be found in the work of Stephen Gelb, which considered South Africa in the light of Marxist regulation theory, tightly linking the crisis of production to the structural conditions of unequal consumption.^{3,7} A third approach is suggested in the work of Seekings and Nattress, which highlights the relationship between economic change and the 'distributional regime', and how these have evolved into the democratic era.⁸

The Evolving Structure presents a conversation about South Africa's development challenges. But while expansive in policy scope, a rather narrow political economy lens is imposed on the discussion. The goal of strategic reflection may be better served by a more ecumenical approach to the theory of South African society.

References

1. Andreoni A, Mondliwa P, Roberts S, Tregenna F, editors. Structural transformation in South Africa: The challenges of inclusive industrial development in a middle-income country. Oxford: Oxford University Press; 2021. <https://academic.oup.com/book/39853>
2. Fine B, Rustomjee Z. The political economy of South Africa: From minerals-energy complex to industrialisation. Johannesburg: Wits University Press; 1996.
3. Freund B. The significance of the minerals-energy complex in the light of South African economic historiography. *Transformation: Critical Perspectives on Southern Africa*. 2010;71(1):3–25. <https://doi.org/10.1353/trn.0.0048>
4. Arrighi G, Aschoff N, Scully B. Accumulation by dispossession and its limits: The southern Africa paradigm revisited. *Stud Comp Int Dev*. 2010;45(4):410–438. <https://doi.org/10.1007/s12116-010-9075-7>
5. Evans P. Constructing the 21st century developmental state: Potentialities and pitfalls. In: Edigheji O, editor. *Constructing a democratic developmental state in South Africa: Potentials and challenges*. Pretoria: HSRC Press; 2010. p. 1–33. <https://doi.org/10.1515/9780796926531-005>
6. Wolpe H. *Race, class & the apartheid state*. London: Currey; 1988.
7. Gelb S, editor. *South Africa's economic crisis: An overview*. Cape Town / New Jersey: D. Philip / Zed Books; 1991.
8. Seekings J, Nattress N. *Class, race, and inequality in South Africa*. New Haven, CT: Yale University Press; 2005. <https://doi.org/10.12987/yale/9780300108927.001.0001>