Article

The significance of the minerals-energy complex in the light of South African economic historiography

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Abstract
Fine and Rustomjee's conceptual project of the minerals and energy complex as a way of understanding power and key networks in the development of the modern economy of South Africa tends to be taken as read and respected. Here their work is conceptualised and placed in the larger economic history of South Africa. The radical critique of apartheid, the understanding of the limitations of apartheid in developmental terms and the arrival of so-called heterodox economic assessments have all played their part in opening the way to this form of thinking. In today's climate the ruling party may also be more inclined to listen to structural critiques of the historic biases of the economy which still play an important part in shaping policy after the end of the apartheid system.

In recent months, Ben Fine has provided us with two papers which reflect on the context in which he developed the concept of the minerals and energy complex (MEC) which dominate his book jointly authored with Zav Rustomjee, written in 1997 (Fine 2008a and Fine 2008b). These papers make two very valuable points. First, Fine points to the policy context of the early 1990s; he had been involved in anti-apartheid organisations and was involved in and searching for something to put forward for the new government as a policy framework. This of course underlines the polemical and contentious nature of the proposition that they set forth even though the actual release of the book postdated the struggle over policy in fact.

Second, he makes the interesting point that until late in the day, he had never thought about the economic structure of South Africa. He did not in any sense come out of training in the economic history of South Africa and he had not participated in earlier debates connected to that history. On the contrary, he was thrown into the subject matter through his investigation of the report of the Reynders Commission, through musing over Duncan Innes' book on the history of the Anglo-American Corporation and through his previous policy work on the British coal industry as an introduction to energy policy and energy politics. As intellectual history, the second point is probably the more remarkable. It is through in a sense an *uitlander*'s insight coming at material from an unexpected place that a paradigmatic shift takes place rather than through the patient work of those of us who work through existing material and tend to be unconsciously bound to incremental thinking and incremental change.

Finally, Fine suggests that his work has been to some extent pushed aside and forgotten. It certainly cannot be said, except in the most cynical sense, to have influenced post-apartheid economic policy making. However, it is not really true that it has been forgotten. On the contrary, I would argue that it is taken now as written and has potentially an enormous continuing influence. I will return towards the end of this paper both in terms of adding to the contextual framework and in addressing the question of influence and where we go with this concept. For now, however, I want to present some sense of the broad context of where Fine and Rustomjee's work fit into the broader framework, the historiography, of South African economic history. Some of this work they actually do themselves in the course of developing their argument but I will choose in this presentation to give an alternative version as I see it myself in order to set forth their significance and originality.

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The origins of an economic history of South Africa, an analysis of the South African economy, have their roots in a variety of material: official statements, reports and memoranda, accounts by travellers, and attempts by boosters to sell South Africa to outside investors and immigrants from the nineteenth century. This hardens during the first third of the twentieth century into what might be described as an unproblematic master narrative of progress with increasing academic trimmings. Progress meant social and educational infrastructure, better transport and communications networks, the rise of cities and the diversification of a rural economy. Obviously the reality of what we have come to call the Mineral Revolution of the late nineteenth century could hardly help but dominate perceptions of radical change from the 1880s onwards in this respect. At the end of this period, the eloquent historian CW de Kiewiet in his *History of South Africa, Social and Economic* evocatively recreated the world of the assegai and the ox-wagon (particularly the latter) and the painful evolution out of these accompaniments to rural backwardness and agrarian stagnation which dotted the terrain on which South African society stood. It is sobering to be reminded that this firm believer in progress, while recognising the rapid growth of secondary industry in the years before the publication of his best-known work, was pessimistic about its prospects. Loyally adhering to the Smithian precepts of his contemporaries in the English-speaking academic world, he insisted on the role of gold, diamonds, and wool as the foundational elements in the economy, precisely because they were the products in which South Africa clearly held a comparative advantage. He took up the commonly held view that, taken past a point, secondary industry was a drain on the economy in which the dangers of too much protectionism on the part of the state was manifest. This was the view held by the doyens of Wits economics, CS Richards and SH Frankel, both of whom were fighting the rear-guard fight of the old British establishment against the protectionism rearing its head seemingly everywhere in the 1930s, indeed in Britain itself.[1]

Industrialisation was associated into the 1930s, of course, with creating and supporting the jobs of low-skill white male voters, especially Afrikaners, a partisan policy that the more pro-British and pro-imperialist ideologues tended to deplore. In practice, the protectionism of the time was quite moderate compared to later developments after 1948, especially when security concerns raised their heads. By this time, moreover, while the new Purified National Party dominated government certainly aimed to support the uplift of Afrikaners, years of good times made the problem of the poor white far less urgent. Urban whites benefited from the expansion of training and educational possibilities and the extension of skilled employment substantially, and racial politics in this sense became less and less salient an issue.

In South Africa, the seven fat years stretched into something like 30 or 40 covering what we might call the heyday of white supremacy. Early in the tenure of prime minister Hendrik Verwoerd, as South African capitalism began to recover from the shock associated with manifest black resistance, urban and rural, and an intensively successful crackdown, a more conservative economist, AJ Norval, head of the Board of Trade and Industries which set the tone for South African protectionism, wrote a guide to what he called ‘industrial progress in South Africa’ aimed at policy makers and investors, published in 1962. Norval had witnessed a period of rapid industrial growth, diversification and investment that had come to an abrupt halt under crisis but was beginning to revert towards rapid growth again. In large part, he celebrated achievements which included not just increases in volume and value but growing diversity and sophistication of industrial production including the movement into capital goods production. Industry had entered a new era in which it was the source of the largest number of new jobs in urban South Africa; further expansion was the key to providing employment in general, not primarily for ‘poor whites’.

This is not to say that Norval did not punctuate his narrative with some qualifications. He remarked on the low productivity of the South African worker. In no sense a dissident, he associated this with the low productivity of what he termed the ‘Bantu’. He did not envision any deracialisation of the system or any movement of Africans into skilled labour but he held out hopes for productivity increased through better management and training programmes at the hands of South Africa’s white bosses. For needed skilled workers, the answer lay in encouraging immigration and indeed during the 1960s white immigration would shoot up to new heights as he had hoped. He held out hopes too that the capital could be found for investment in manufacturing without any specific thought about the role of mining companies. He also was quite aware of the disinterest on the part of manufacturers in exports. As he pointed out, South African industrial exports to Britain, still its main customer in the West, lay in such items as unprocessed wood and tinned fruit which we would at best categorise as beneficiated. However, he painted a bright future for industrial exports to Africa, especially in the region, where there was a market for a far greater range of industrial products from South Africa while trusting that the nationalist nonsense that was bringing independence to African colonies rife with hostility to South Africa would be replaced by more sensible policies with time. Norval had few problems either with protectionism or with the manifold state intervention into the construction of an industrial economy as the parastatals took shape; these were an essential part of the necessary tools for building a strong economy.

This sort of optimism was of course bound to the genuine successes of the economy and its tycoons of the day and it continued into the 1960s and beyond. We can find it in the work, for instance, of D Hobart Houghton, certainly a more liberal figure than Norval but equally a celebrant of South African economic achievements who wrote a popular text for the growing number of South African university economics students as well as a well-known chapter for the *Oxford History of South Africa*, a hallmark of liberal and critical thought written at the end of the 1960s. His optimism seems to us somewhat astonishing: 'On the more general question whether secondary industry will continue to grow towards a situation where it is fully self-supporting, past development and available resources give a confident answer that this goal can be reached' (Houghton 1967:137).

Houghton gives the impression that he thought the logic of progress and modernity must overcome the backwardness he identified with the African majority as well as the discrimination and the exclusion that they encountered in the market just as in the political arena. 'The simple African tribesman who has once worked in the mines, like Plato's caveman who has seen the light, can never be quite that same simple tribesman again' (Houghton 1967:110). There really is a touching quality to this paternalistic but apparently benevolent comment looked at from our perspective.

Famously Houghton packed his ideas into the then fashionable modernisation paradigm of WW Rostow. Thus the Mineral Revolution played much the same role as the Industrial Revolution elsewhere: the first stage in Rostow's formula. But the secondary industry boom that was set off by the leap in the gold price in 1933 was the real 'take off' of the rocket ship. Houghton opined that what Rostow had called maturity, by which he meant a consumer-driven affluent society like the USA, would be reached in 1993, which ironically turned out to be the last full year of the old political dispensation. Of course, in some respects South Africa in the middle 1960s already displayed affluent consumerism on the part of the white public that consumed most of its gross national product while its marked market dualism has remained as much a feature today as it was then.

Houghton was aware of the racial realities of his country but he wanted to present South Africans with a framework that would take them beyond their narrow prejudices. He was able to present a clearcut distinction between different sections of the economy but seems to have assumed that gold mining, or perhaps mining in general, would be able to remain a powerful, if not the powerful, engine of growth indefinitely. He did not take up different sectors critically. His application of Rostow, such as one may think of Rostow, was superficial and descriptive but it gave an unprecedented element of theory to earlier ideas of progress in South Africa.

If we wish to take this view one step further, we can consider the work right at the close of the apartheid period of the Durban development economist Jill Nattrass. Nattrass significantly continues to focus on the growing importance of manufacturing and its impact; she seems to expect it to be the locomotive of the economy over time. However, her work, which lacks the naivete of Houghton's, asks some questions that start to make the possibility of a more sophisticated analysis possible. She was very aware of the linkages between mining and manufacturing and seems to be heading beyond a simple classic division of the economy into primary and secondary category for one thing. She also was conscious of the declining capacity of manufacturing by the start of the 1980s to offer unlimited jobs to the population. She did identify the rise of industry as increasing urban employment dramatically and, despite apartheid machinations, making possible substantial improvements in the prospects of the black peasant cum migrant labourer population. In the classic developmental formulation of W Arthur Lewis, industrialisation was the key to mopping up the so-called unlimited labour supply of poor and colonised countries and in so doing beginning the process of augmenting the value and reward of that labour. However, the tendencies manifest by the 1980s led to her fear that the rural poor, her major concern, would simply never be mopped up and raised the possibility of dualism perpetuating itself permanently. She was well aware of the weaknesses of manufacturing, the poor skills base, the small domestic market, the price and relative scarcity of available capital, although she did not concern himself particularly with the question of exports. So long as apartheid persisted, the bifurcation in society would follow racial lines fairly strictly or at best, the racial colour bar would be retained but raised. If it was overcome, there remained the danger that the divisions would continue but now within the black population (Nattrass 1981).

Jill Nattrass' contemporary, Merle Lipton, in a much-discussed work, *Capital and Apartheid*, shared many of Nattrass' views. Like Nattrass, she focussed on the positive aspect of manufacturing and commercial capital on South African economic development, owing as she felt nothing to apartheid regulation but particularly on the possibilities it held forth for black workers because its very essence called for flexibility, for the emergence of consumerism and economic differentiation. This contrasted to the potentially harsh dictates of agriculture and mining as they existed in South Africa. Lipton had worked for Anglo-American and found herself in conflict with the more conservative mining houses and indeed the more conservative managers in Anglo-American whom she hoped to influence in moving beyond the apartheid structures of the labour market. Her work shows some frustration if it also celebrates, in its continuing hopes for the triumphs of the deracialised modern, the possibilities of the right sort of capitalism. The idea that mining dictates might remain dominant, that some manufacturing would remain resistant to the progressive thrust Lipton favoured and that some aspects of what black insurgency was beginning to demand were not covered in this model of progress in any case are missing, just as Lipton failed to see the limits that might exist to the advance of manufacturing in the economy. However, precisely because of her emphasis on sectoralism in South African business and the extent to which she was alive to the conflicts and ructions amongst capitalists and with the state in the late apartheid era, Lipton is in a sense an important intellectual forerunner to the Fine and Rustomjee thesis (Lipton 1985). But of course what was at stake for Lipton was not fractions of capital but apartheid. The economic history of South Africa, itself so underdeveloped, opened up to debate, fragmentation and emotional loyalties in the increasingly politicised 1970s and after.

In the final generation of the apartheid era, a different view of capitalism in South Africa emerged as more than just a political slogan. Jack and Ray Simons' *Class and Colour in South Africa*, conceived in Cape Town in the late 1950s but finished and published only in the late 1960s was the work of the exiled political scientist Jack Simons (and his trade unionist wife) who had been probably the only Marxist social scientist of any significance in the universities of post-war South Africa (Simons and Simons 1983). The orthodox Marxist view saw industrialisation as a major stage in economic development with important progressive political consequences in tow. The malaise of mid-twentieth century capitalist South Africa, taking this view further, 'stemmed from the impact of an advanced industrialism on an obsolete, degenerate colonial order' (Simons and Simons 1983: 610). The implication of this was that, rid of this order, capitalism would develop in a healthier way which had nothing necessarily to do with racism and that class contradictions could come to a head where the logic of socialism would empower a working class movement to transform society in a new way. This was a perspective which could at most see industrial capitalism as taking advantage of some aspects of what had preceded it with a clear distinction between two social orders that would have made sense to de Kiewiet as well as Nattrass or Lipton.

As has frequently been noted, the Simons'(and of course Ray Alexander Simons was particularly interested in the history of labour struggles)opened the door to a rich parade of labour and social historians who have transformed South African historiography. Without going through this literature, one might still mention the influence of the remarkable Trotskyite former political prisoner Baruch Hirson, with an open door in London where within there flowed ideas on how to develop this subject matter. The late Stan Trapido in Oxford and Shula Marks at the School of Oriental & African Studies opened space for post-graduates and seminar interaction and also played a pivotal role here.[2] In the 1950s, Marxists were virtually entirely excluded from the academy in England[3] but, particularly after the arrival of Labour in power in 1964, the doors opened and a fertile period ensued when Left ideas flourished as much as or more than in the legendary middle 1930s. However, unlike in the earlier period, the Communist Party was influential but far from hegemonic in its influence and even those within knew less unanimity than had once been characteristic in its ranks.

In this paper, I do not wish to proceed with discussing the historiography of labour or indeed society in general in South Africa but rather to point out that a theme that also developed in tandem, albeit a secondary one, focussed on the specific nature of capitalism in South Africa. In Marks' Institute of Commonwealth Studies seminars of the early 1970s, an important role was played by two key figures, Harold Wolpe and Martin Legassick. Wolpe was neither an economist or an historian but a lawyer putting together a new career as a sociologist in exile at a time when the South African Communist Party lay at a weak point open to debate. His very well-known work, absolutely critical in the future development of social science in South Africa, insisted that South African capitalism had depended on and flourished with the institution of a migrant labour system, perpetuated through a political, juridical and social order that was already largely in place before the National Party came to power again in 1948. Indeed he saw apartheid as trying to shore up this system, a Sisyphean task that might well bring down South African capitalism in its wake. Putting to work new ideas from French Marxists, he understood these processes in terms of the intersection of apparently contrasting distinct *modes of production* (Wolpe 1980). Wolpe did not concern himself with singling out a healthier or more advanced kind of capitalism that might do without the dominance of the mining labour system. Capitalism in South Africa (he made no claims for this globally) had come to depend on the survival of its primitive forebear. This made possible the continual emergence of a cheap labour force nurtured in a pre-capitalist framework towards which it was eventually thrown back. In the same influential collection, Wolpe included the work of Mike Morris,who equally insisted that it was the advance of capitalist forms in agriculture that were pushing for the more flexible capitalism of the segregation era (1910-48) to give way to apartheid (Morris 1980).

It was however Martin Legassick, a trained historian with a flair for economic history, who did the most to nail the capitalist pin on the apartheid donkey. Legassick, for example, showed how dominant mining interests were in the Reconstruction period after the Boer War when labour and social policies for the twentieth century were laid out. For Legassick, capitalism in South Africa depended fundamentally on cheap labour, achieved its strength on this basis in large part and worked, not without contradiction, to bend the state to its purposes (Legassick 1977). The key lay in the gigantic gold mining system of labour controls which evolved so as to operate very unlike the precepts supposedly governing free labour under capitalism, as well as the very unequal partition of land and emergence of 'tribal law' segregated land systems for blacks. Secondary industry, Leggassick recognised, had diverse origins but the key element was re-investment from the forced labour economy. The manufacturing sector had failed to tear itself away from dependence there; the advantages of this system outweighed the disadvantages, despite rather different needs of manufacturers who were sometimes at odds with the state. So there was in Legassick a notion of linkage between mining and manufacturing which implied that mining set the pace and tone but it was dominated by an historically structured and intensely racialised conception of labour. It created a capitalism without a real free labour system throughout that was highly profitable. Yet the state gradually was more and more effective in integrating and harmonising capitalist interests and were closest to them as secondary industrial interest too became dominated by small numbers of large firms in the late apartheid era. This was a firm challenge not just to the Pollyannaish liberal view of modernity and progress of earlier writers but to the benevolent view of manufacturing expressed by the like of Nattrass and Lipton. Legassick, however, had much less interest, in the particular economic linkages that tied together different sectors of the capitalist economy that were conventionally assessed separately in economic analyses.

Here again, a whole body of work began to emerge through the 1980s and into the 1990s that problematised and historicised the nature of South

African capitalism, completely rejecting its identification with an immanent progressive trajectory, even if this work is not really as rich as the labour history discussed briefly already. Much of this should not detain us here but it is worth noting the study of Rob Davies on the incorporation of white working class into participation in state-created institutions that privileged them and minimised class conflict, the work of Dan O'Meara on the complex relationship of Afrikaner nationalists, the most potent of South Africa's white politicians, and the emerging capitalist organisations and forms of business in the country and the dissertation, then book, which Ben Fine does cite prominently, by Duncan Innes, on the particular development of Anglo-American, the mining house whose tentacles stretched so widely and which was so dominant on the stock exchange and in the financial world of South Africa in the 1980s.

Innes' interests were unusual in the extent to which they looked at the world of the capitalists per se rather than being intensely focussed on the state, as was true of the so-called University of Sussex 'Gang of Four': Morris, Kaplan, O'Meara and Davies (Davies et al 1976). However, two additional contributions from the next academic generation also deserve a mention. First of all, Renfrew Christie, working on an Oxford thesis but in fact committed to the ANC and the efforts of Umkhonto we Sizwe guerrillas to penetrate strategic industry, explained how critical energy considerations had been in the development of the mining industry, notably electrification and how it proved essential for state involvement to underwrite energy development (Christie 1984). He carried this by extension into the contemporary area where the new focus on security led towards the concentration via state-private co-operation on nuclear energy. There are some interesting aspects of labour history covered by Christie but here we have a very different sort of focus. This was a startling contribution compared to the hallowed writing which had been dominated by the view that this kind of state intervention was likely to stifle the healthy impetus of the private sector or the usual segmentation of South African economic activity into primary, secondary and the like.

Second, one should add to this the Yale University history thesis of the American Nancy Clark, which carefully explained how the interests of mining capital, the security needs of the state and a developing concept of the importance of industrialisation focussed on heavy industry came together to mutual benefit, particularly in the pre-apartheid Smuts era (Clark 1994). This remarkable and somewhat neglected work (never unfortunately published in South Africa) provides the historical foundation of the parastatatals, reinforces the basic thrust of the Christie thesis while also not neglecting the labour and social context. She does not originate, but convincingly shows, how mining was a kind of model for work organisation and racial structure of the workforce in big operations in South African enterprise more generally. Clark and Christie, while lacking any theoretical pretensions, lay the ground for a more sophisticated conception of South African capitalism. Clark acknowledges the old arguments about competitiveness that Frankel and Richards put forth but identified the lack of competitiveness as having a very different basis than wasteful protectionism; instead, she actually exposed the real core of capitalist dynamism in the country.

What this literature failed to do, of course, was to suggest that in some critical ways, South African capitalism was in trouble. In fact, the fat years ran out on South African capitalism and South African industry in the 1970s. International trends (the oil shock stagflation) fell together with the unprecedented upsurge in black protest that led to establishment questions about the stability and the future of South Africa. It took some time, however, for this awareness to filter into the literature, to create a new sort of problematisation. A short last growth spurt accompanied a spectacular rise in the gold price at the beginning of the 1980s. This was the point where Martin Fransman, who had close ties to the Gang of Four, attempted a summary of South African industrialisation within a broader survey (Fransman 1982).[4] While he identified weaknesses in the industrialisation process, for instance, the faltering industrial export effort and low productivity and skill levels, he also noted the continued profitability of the system. He did not really identify it as experiencing any remarkable difficulties nor did he anticipate the poor growth years to come. Using the economic model of Ajit Singh, he repeated the Rostovian grail of economic maturity using as evidence the presence of a [often mining-related] semi-capital goods sector of the economy and its development as a sign of capitalist 'maturity'.

If we turn for a moment to a conservative response to the downward trend in growth indicators at the end of the apartheid government, particularly in manufacturing, while ironically noting the success, albeit limited, of state intervention, in promoting the Mossgas natural gas development, characteristically for the time insisted that it was state meddling in the economy which had brought about problems, oblivious to more structural problems emerging (Jones and Muller 1992).[5] It does seem fair to argue that in its final years, the apartheid state was increasingly moulding the MEC mechanisms to fulfill its need for security, notably through the creation of a surprisingly varied and successful armaments industry that has however become irrelevant and found itself blocked by more powerful international players from any substantial success at export or export-based spin-offs (Henk 2006).

Shortly after the apartheid government of FW de Klerk created conditions for negotiations that would lead to the extinction of the old political regime, a thoughtful article by Terence Moll was already considering whether that long drive to progress, specialisation and national prosperity was actually rather a failure. While accepting that some features of the economy in the apartheid period did reasonably well, he argued that the rapid growth of the post-World War II years were no more and perhaps less than one would expect from the most successful economies of the period internationally, that productivity growth was low, that exports of manufactured goods were particularly modest and lagged compared to some third world producers. He does not emphasise, of course, the one element where South African capitalists did succeed so well, that is to say, profits. Moll accounted for these weaknesses both through the ineptitude of state policies (his least successful line of argument) but also through a point that we shall take up below, the clustering of business around a range of profitable and increasingly predictably successful options (Moll 1992).[6]

Amongst writers on South Africa before 1990 who tried to address these problems, I would give pride of place to Stephen Gelb, who began his introduction to an important collection, *South Africa's Economic Crisis*, published in 1991 by writing that 'South Africa enters the 1990s with a legacy of economic problems that makes a long and depressing list', a dramatic contrast to the whole gamut of scholars of an earlier generation (Gelb 1991).[7] A young Canadian-trained economist with strong Marxist and ANC sympathies, Gelb addressed South African issues together with the well-known radical writer on African politics, John Saul, in terms of what he termed crisis. Capitalism in South Africa after 1970 was termed in crisis albeit a crisis which related to state-business relations and to the increasingly pressing need for an end to the apartheid system and to white exclusive government (Saul and Gelb 1981). In other words, Gelb's ideas of crisis gave pride of place to the apartheid system and to politics.

However, as his perspectives matured on returning to live in South Africa, he began to search for an intellectual framework to explain what was going on and he increasingly promoted ideas that had emerged in the work of

French post-Marxists known as regulation theory. The best-known writer on regulation in France (but translated into English) was Alain Lipietz. In the 1991 book, Gelb proposed that South African capitalism had been characterised not merely by capital 'in general' and its needs but by an historically specific stage which he adapted from Lipietz and termed racial Fordism. This allowed him to acknowledge that South Africa had indeed established a mature diversified industrial economy but on a racial basis that represented its political and social regulatory character. Gold mining enabled secondary industry to flourish even while it was essentially uncompetitive and unsuccessful at exporting goods outside the country. The links to capital goods production was recognised as what Gelb called Department I, not far from the MEC that Fine and Rustomjee would propose. Gelb saw this as a regime which had fallen into crisis, and following Lipietz, such crises represented a typical part of capitalism's historical development thus far. He went further than in the Saul and Gelb collection at pinpointing the economic nature of the crisis through emphasis on the impact of the dramatic decline in the price of gold (and one could add, its increasingly expensive extraction within the Republic) and the problems faced by imbalance of payments internationally but still the weight for him lay on the problem of apartheid, which had become the political and social form of regulating the system in South Africa.

Here also was an important intervention in the coming debate on the future development of a post-apartheid South Africa. Gelb was very aware of the strength, assisted by international pressures, of arguments from capital that would lead largely to a deracialisation of the system in which black leaders would be bought into existing forms of accumulation. One of his contributors, Mike Morris, in thinking about what this meant from the perspective of inclusion and exclusion, called this a 50 per cent solution and in so doing perhaps demonstrated some unconscious influence from the approach of Jill Nattrass who had understood that as manufacturing capital changed, this would be roughly the direction it would seek as a consequence of the policies it desired (Morris 1991).[8] It is equally true that this road might allow capital to solve its problems by decoupling the economic from the social side of the crisis on the basis of neo-liberal policies, creating a black management stratum, substantial disinvestment out of South Africa and modest levels of investment within the country.

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At this point of course we have the ingredients with which the MEC could be cooked. It is important to signal however a key tendency which has not really been made apparent. After 1970, with interventionist policies usually identified as Keynesian having been dismissed as ineffective, Keynesian economics, which has had limited influence in South African economic thought, lost its international prestige and what we usually term neo-liberal policies, which have much in common with those typical of pre-Depression days but including forms of financial and monetary intervention that have so far prevented a recurrence of a crisis of such power, have acquired dominance and won the support of corporate interests everywhere. Marxism too has lost prestige; while South African Communists have only really been willing to acknowledge the importance of the absence of democracy in the old Soviet Union, in fact the economic limitations of classic Communist policies and especially when applied outside Europe, have also been too manifest. As a result, the door has been open for a whole range of new theoretical approaches, approaches which have affected the study of economic history as well as economics more generally even if they have yet to achieve much real impact in the policy sphere.[9]

Economic historians such as Nobel Prize winning Douglas North have accepted the idea that capitalism contains the potential for following specific growth paths marked by particular institutional and sociological characteristics. This is not, of course, far from the Lipietzian attempt to theorise systems of regulation for particular phases and regions within capitalism. This is quite different than a narrow classic approach which simply defines phenomena as either correct or deviant in a market economy.

Roberto Bagnasco, in his theorisation of the Third Italy (as opposed to the classic two of Antonio Gramsci and others) noted the successful survival in important parts of Italy of a capitalist world of small family firms producing specialised products highly orientated to international markets, to the competitive promotion of quality and to the potential in networking amongst themselves whilst maintaining competitive traditions. Vulgarised by Piore and Sabel into a panacea for the business world as a whole, this third Italy becomes implausible (Piore and Sabel 1984). Indeed the failure of Italy's most famous and historically impressive great industries continue to more than make up for the successes of the fashion trades. However, this is not to take away from identifying an important continuing prop of capitalism in many significant countries and sectors, much clearer to see now than in the past. In one important sense, there is a link to the MEC: the Bagnasco approach identifies networks and linkages as critical to understanding the workings of modern capitalism as opposed to the classic sectoral approaches.

Another major development has been the evolution from the harsh and gloomy Third Worldism of the ilk of Immanuel Wallerstein and André Gunder Frank who defined the world in terms of commercial ties established in the early modern period by Europeans as a 'world system' and who believed that the Third World is eternally doomed to dependence and subordination at the hands of the dominant few, a cycle of centre and periphery not unlike the solar system, towards a recognition that in some parts of that world, dramatic changes have begun to change the picture. Moreover, while it was already necessary before 1970 to start to understand the success of the Japanese growth model, it has increasingly become clear that Asia contains diverse successful regimes, some with potential to become central to the entire global economy, others with rather more uneven and gradual patterns of growth. Africa may be left out of this model very largely but that may require more of a particular and African, than a global, model of explanation. Thus a final aspect of the MEC book to bring out here is that it actually commences with a chapter on the industrialisation of the Republic of Korea. That fascination with Asian models is shared by others that Fine and Rustomjee criticise, notably the Industrial Strategy Project approach favoured by the émigré South African Raphael Kaplinsky and his followers, Mike Morris and David Kaplan. They have, however, been especially interested in the question of exports and their content in emphasising the extent to which the South African industrial economy had become overly protectionist and focussed on import substitution. Morris, however, has in this connection brought in the centrality of networking through the [initially equally French] theoretical perspective of recreating value chains as a means of taking on Import Substitution Industrialisation as an alternative. MEC fits quite well into this array of approaches in time and in the directions it is exploring and was really part of a fertile attempt to reconstruct the specifics of the economic situation of South Africa.

If Fine and Rustomjee themselves are by the best guideline to understand why and how they differ from other contemporary voices, this has been an attempt to consider what they have had in common with those voices. However, let us turn somewhat briefly to what seems to me the very core of their argument. 'The central theme of our argument,' wrote Fine and Rustomjee, 'is that what will be termed the MEC lies at the core of the SA economy, not only by virtue of its weight in economic activity but also through its determining role throughout the rest of the economy' (Fine and Rustomjee 1996). Not all industry in South Africa is closely tied to the MEC; there is indeed an import-substituting logic led set of interests which it is argued peaked in importance around 1960. But it has never really taken on autonomous strength since then proportionate to the economy and is dwarfed by activities linked to the MEC. Thus Fine and Rustomjee insist that the MEC core of the industrial economy is very export-orientated, only that the exports consist of beneficiated raw materials rather than sophisticated fabricated products.

The MEC is defined in terms of linkages and agencies tied together through very well-developed institutional and financial structures. In fact, it is really the insistence on studying that architecture which represents its most original and significant contribution. The links that tie the MEC together are not just metaphoric or even forged by the state; critical to this is the financial sector and the interconnection between the parastatals such as ESKOM, the government and the private sector. Thus the Board of Trade and Industries, which has historically been the protectionist gatekeeper, plays second fiddle in this scenario to the Industrial Development Corporation, created in the Smuts era. The study of institutions has equally become an important way capitalist development is being understood in the international literature.

Without neglecting the centrality of mining, Fine and Rustomjee place the real weight of their assessment on heavy industry and energy, which not just services but critically plays a role in the pricing of mining itself. The majority of South Africa's huge coal production is converted into electricity, they point out, while 40 per cent of electricity goes into mining operations. On a global scale, the South African economy is uniquely dependent on electricity and is uniquely electricity-intensive, with levels of consumption per capita comparable, for example to those of the United Kingdom, despite limited domestic consumption by the majority of the population. The state's role has been to create and reinforce the appropriate linkages and to harmonise the various interests that affect the economy by contrast with simply presiding over distinct groups of capitalists or economic activities as classically defined ('the front desk governing committee of the ruling class'). In an overall assessment, Fine and Rustomjee (in this sense differing quite substantially with others) conclude with the view that 'The evolution of the MEC has left the economy with both strengths and weaknesses. The strengths arise out of the productive and infrastructural capacities that have been built up around its core sectors. The weaknesses arise from the failure of this to be vertically integrated forward into the rest of the economy' (Fine and Rustomjee 1996: 252).

This 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, as Fine has mused, the MEC has seemingly had so little impact on actual policy. Elsewhere, he has made the point that the MEC would be best applied by becoming a kind of matrix through which policy is seen. Promoting particular industrial growth without this, he argues, becomes a form of reducing industrial policy to trade policy in consequence (Fine 1997). The other point he has made is that the MEC and its priorities account for the difficulties in bringing into the benefits of economic growth the wider population. In that sense it needs to be countered and compromised with in a structured way so as to find new developmental tools that can realistically work. Third, there is a need to reconsider the value and purpose of key MEC institutions. At the same time, of course, we are left with an overwhelming sense that the MEC is the way economic decisions are orientated and made in both private and public sectors.

I might in conclusion call attention here to where the policy connections need to be hooked in by briefly looking at two influential works on South African economic history of recent years which do sidestep the MEC. First of all, the economist Sampie Terreblanche, while failing to display the institutional and structural insights that the MEC construct has begun to lay bare, has actually made in some respects rather parallel comments. 'Verwoerd's policy of creating a white or "European" economy at the southern tip of Africa had far-reaching effects on the South African economy. His policies for creating a capital-intensive first-world economy on a third-world economy not only weakened the employment capacity of the economy, but did so in a way that was highly detrimental to African workers' (Terreblanche 2002: 377). Terreblanche has described the economy as dominated by a capitalist enclave which has socially dysfunctional policies and which effectively gives orders to the ANC run state. The weakness of Terreblanche's approach is his failure to assess trends in the global economy and consequently his assessment of the structures of the South African growth path is over-politicised in laying the blame entirely locally and under-politicised in failing to explain how to construct a coalition committed to change. This leads him to a too easy reliance on the possibility of applying now, in the early twenty-first century, the policies that made for social democratic (or so-called social market) regimes emerging in continental Europe over the course of political conflicts in the twentieth century. There is nonetheless the challenge of how to marry his insights with the vista of MEC dominance.

Second is the posthumous economic history of South Africa by the late émigré Charles Feinstein (Feinstein 2005). Feinstein unfortunately also made no reference to the MEC as a way of analysing the economy although the raw ingredients are all there in his important assessment: the institutional role of the state, the mining-generated character of heavy industry. He points to the links that helped construct what at first sight appears to be the most successful non-MEC complex that exists in manufacturing around automobiles. He also understood the devastating logic of where the South African cheap labour growth path, which for such a long time seemed a successful modernising road, has led:

> …low levels of skill, inadequate nutrition, poor health, bad housing, social instability and security, weak motivation, denial of industrial and political rights, the disruptive effects of migrant labour, bureaucratic interference in the allocation of workers. (Feinstein 2005: 249)

He accepted – too readily – the idea that manufacturing represented a positive turning on the lines of Nattrass and Lipton but he was very aware that manufacturing was inefficient and uncompetitive and would have an uphill battle in playing the role of leading a new kind of developmental growth path in the future.

In truth, I don't believe one could argue that there have been major refutations of the MEC idea, which in essence is in fact widely and respectfully cited but rarely if ever applied. One problem it has faced in reception, however, is that while, as we have seen, studying the political economy of South Africa was taken for granted as absolutely critical in building an intellectual foundation for the anti-apartheid movement but it has been enormously less interesting to post-apartheid intellectuals, including critical intellectuals. The issues it raises have been placed on the back burner.[10]

At the same time, the policy debates were in reality themselves sidestepped. Much has been written by the likes of Marais, Bond and Padayachee with various collaborators on the actual policy debates of the transitional era. In reality, the ANC was overwhelmingly committed to continuing the growth model laid out and accepted by the de Klerk government following the IFI consensus of the day. This is exactly what Gelb and Morris predicted, the unfolding of the 50 per cent solution with all the discomforts, such as our huge and dysfunctional crime rate or the recent so-called xenophobia violence, that go with it.

Despite some rhetorical scraps thrown to the Industrial Strategy Project approach from time to time, this conservative approach has been dominant. One can add perhaps to this that the core of the MEC has also been the conscious heart of the programme to hand over controls and assets to some extent to a new black elite with political connections through the BEE programme. It is not an accident that the mining sector was the first to proclaim BEE targets and that the big boys of BEE, Motsepe, Sexwale, Macozoma and the like have been linked to the heart of the MEC whilst very highly paid black executives have taken over key parastatals. This of course brings us to the likely reality that the ANC government does not have, and is not really capable of coherently promoting, an industrial policy and that such policies as exist are always subordinated to the BEE dictates and tend to dissolve into favouritism and crony capitalism, as I have argued elsewhere.[11] Into the transition period, it was possible to discuss MEC type planning as potentially still very impressive. ESKOM, for instance, at the heart of the energy economy, had grandiose and arrogant plans for expansion throughout the African continent involving massive infrastructural investments. Today however it is hard to look at the disarray of ESKOM and believe that forceful thinking about energy lies behind the thinking of anybody very intelligent or influential in its ranks anymore. Nor do we see the state anxious to reconstruct it and make good its failure.

Fine has in recent papers called financialisation a key new element in the system. Here we have what I consider a new but very undertheorised element of the MEC perspective. What Fine calls financialisation has made BEE takeovers by indebted, well-connected but ultimately parasitic ‘tycoons’ easy. It has also eased the passage of key players and capital out of South Africa entirely in a process of capital flight whose importance we probably have been too faint-hearted to acknowledge as fundamental and perhaps irreversible. Financialisation, the role of the banking sector in particular, needs far more research and theorisation in order to understand contemporary trends. Fine seems to see it as a self-absorbing process that does not necessarily return money into the real economy of production, reproduction and consumption at all. To what extent is this Marx’s dead labour standing ever more heavily on living labour? To what extent moreover is South Africa here merely an exemplar of international trends?

Finally, are we now entering a new phase where the discomfiture of the Mbeki presidency is opening important spaces for debate and discussion? It is of course the actual impulse of real change on the ground that brings about the new theoretical insights. What does remain of the playing fields of the early 1990s and has indeed gathered force is the insight that the deep historical patterns of economic development that went together with the social and political structures of segregation and apartheid are still with us. The MEC is a tool which can help us understand this and consider how to move forward.

Notes

1. This was not the perspective of the influential CGW Schumann, however. He saw protectionism as only one factor leading to rapid industrial growth and supposed that manufacturing profited from investment derived from the mining sector (Schumann 1938).
2. Although it cannot be described as their most characteristic or typical writing, both made their own contribution to the subject as historians, jointly in a provocative article on the Anglo-Boer War in the light of post-war Reconstruction and, in Trapido's case, through an often-cited article on the the marriage of two originally antagonistic interest groups representing different sectors of the economy in conventional economic terminology. Marks and Trapido (1981) and Trapido (1971) an early but brief work with a wide influence.
3. Note the exclusion of such seminal and brilliant thinkers as EP Thompson and Eric Hobsbawm in history, for instance. Of course this exclusion was very much less thorough and brutal than the McCarthyite purges in the USA which also cast a longer shadow (Caute 1978).
4. I cannot claim to have been any wiser in this regard while perhaps contributing to a more complex sense of industrial development, especially emphasising the question of regional location. Like others, I put the largest amount of weight on the question of race and social context while rejecting peculiarities of the system as having been deleterious to the early industrial development of South Africa and paying little attention to its limitations (Freund 1989).
5. In this way, they have returned to the companionship of the first academic commentators on the South African economy, the perspective of the early twentieth century.
6. A contemporary and somewhat parallel account that emphasises the unevenness and limitations of South African capitalism can be found in Kemp 1993. Kemp also fails to perceive the linkages between mining and the industrialsed development that has taken place clearly and rather sees the problems that South Africa must overcome very much in terms of the white supremacy socio-political model.

7. Gelb 1991. For a somewhat different analysis, see Daryl Glaser's thoughtful *Politics and Society in South Africa: a critical introduction*, chapter 2 (2001).
8. Morris did not, however, show any particular awareness of the importance here of a link to a mining-generated hegemonic approach in what he dubs, following the rhetoric of the day, the 'free market' line of argument.
9. I choose here not to discuss dependency theory which did concern Legassick for a time as well as some other commentators on South Africa. The MEC approach really leads in quite a different direction. It is noticeable that Samir Amin, in my view the most challenging of the dependency theorists, especially with reference to Africa, had difficulties placing South Africa in his global scheme.
10. In the transition period and just previous, I can claim that I presided as supervisor over the completion of important theses on a) the long-term role of the IFIs on South African financial and economic planning by Vishnu Padayachee, b) the structuration and limitations of the chemical industry, a usually neglected part of the MEC, by Rod Crompton, c) the links between big industry and notably institutions and structures linked to the MEC and big agriculture by Laura Bedford, and d) a critical look at energy from a radical feminist perspective by Wendy Annecke. I have not seen equivalent projects interest post-graduate students for many years, however.
11. For an analysis of the ANC as a class project, see Freund 2007.

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