Article

Engaging the MEC: or a few of my views on a few things[1]

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Introduction

In looking back upon a decade since the publication of Fine and Rustomjee (1997), I begin below with reflection on how the idea of the minerals-energy complex (MEC) came into being. This is followed by an account of the continuing evolution of the MEC after democratic transition, emphasising the roles of both financialisation and export of conglomerate capital. The next section suggests how the MEC could provide a much broader fulcrum on which to understand South Africa's economic and social history (and prospects). And the concluding remarks reflect upon the challenges facing scholarship in the years ahead.

The history of the 'MEC'[2]

In the mid-1980s, 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 (Fine 1990), for example, 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 (1984), and the other was the account of Innes (1984) 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.[3] 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. From these origins, and in light of the term itself, it would be natural to perceive the MEC as primarily a descriptive category contingent upon an empirical assessment of the South African economy. This interpretation has probably been all too common, leading to the idea (itself empirically correct or not) that the MEC has never existed or has ceased to exist in light of the economy's changing composition of output. And, there was, indeed, a very strong commitment in proposing the notion of the MEC to grounding analysis in empirical realities. But there is a sense in which this is also extremely misleading. For there were two more important, analytically prior and complex elements underpinning the conceptual construction of the MEC. First of these was to have drawn upon, often by way of departure, a wide range of theoretical debates that were prominent at the time and in which I was an active participant. These included Marxist value theory, the theory and practice of developmental states, the periodisation of capitalism (and the role of internationalisation, monopolisation and the state), and the apparent parallels with the idea of Military-Industrial Complex.[4] In some respects, the adoption of the MEC occurred despite the inclination to avoid both the economic reductionism and empiricism that it would appear to imply. And, as a result, it was underpinned with a careful and more general methodology involving what was termed a linkage-agency approach.[5]

Second, just as the MEC did not emerge in an intellectual vacuum, so it was heavily influenced by the imperatives of policy making or, at least, proposing. At this time, I had been heavily embroiled in the Alternative Economic Strategy being put forward by the left of the Labour Party and the Communist Party of Great Britain, as an advisor to the British National Union of Mineworkers in its formally arguing against pit closures before an Independent Tribunal, and as a research editor for the Industry and Employment Branch of the Greater London Council that was about to be abolished by Mrs Thatcher.[6]

Through these three elements of theory, empirical realities and policy concerns, the MEC was and continues to be understood as an evolving system of accumulation specific to South Africa, incorporating corresponding structures, relations, processes and agencies as well as a particular composition of output. In a sense, it was possibly fortunate that the MEC had in its own way attained some sort of maturity by the time it was discovered as such in the mid-1980s, casting a bright light not only on its own past but also on what has now become its future. It had already benefited from the massive public sector led investment programme around mining and energy in the 1970s, major political conflicts around large-scale capital had been resolved as Afrikaners had been incorporated and, as conglomerates, the mining houses had both developed major financial interests and were deploying them to extend ownership and control beyond the core MEC sectors.

Whatever the merits of the MEC in these terms, it has not prevailed other than amongst a minority of both committed and occasional adherents. 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 inappropriately imposed upon the South African economy (Gelb 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 an imposed framework that both shifted and grew out of proportion as the Industrial Strategy Project emerged out of ET.

Intellectually, ISP also took its inspiration from French Regulation theory, especially in its flec-spec, post-fordism version. 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 primarily self-limiting to those sectors that might be interpreted within its analytical orbit (Fine 1995).[7]

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 (but see below) and, mainly, survives on the margins most notably in the group around Mike Morris.[8] 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 and, with Black Economic Empowerment (BEE), partially realigned.

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

2008d). 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 1997b) 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). Whilst there is much evidence to support this view, it does require further theoretical and empirical investigation of some sophistication.[9] 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.[10]

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 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' (2007:14). 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 himself even argues that it is the shadowy presence of alliance opposition to GEAR (2006:4), 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.[11] 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.[12]

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 estimate that *illegal* capital flight from South Africa rose as a percentage of GDP from 5.4 per cent between 1980 to 1993 to 9.2 per cent from 1994 to 2000 (2004:2). From the South African Reserve Bank, Wesso (2001:64) 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. 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' (2001:68, see also 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' (2006:559). 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 (2006:555) also report a peak of unbundling deals by domestic conglomerates in 1999, accounting for R80b. 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![13]

More generally, the EIU 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 per cent of GDP and 1.3 million jobs in total' (2007:54). 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 per cent 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:

> 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 *sequencing* considerations. A sustainable development path requires that certain *conditions* be in place before proceeding to full capital account convertibility. (Steyn 2004:126, emphasis added)

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 *short-term* 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. (2004:126)

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.

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.[14] 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 2008e and 2009a). 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. Just, ten years ago, 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. But now there's no denying when the lights go out or, of greater pertinence, when the mines stop working. Does this represent erosion of the MEC's interests and/or failure to meet them?

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.

So, over the past 15 years, there have been any number of plans for restructuring electricity supply. Such uncertainty has remained to the present day, in part contingent upon hope 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.[15] To some extent, this represents a failure of coordination across government departments with responsibility, as with corresponding powers, residing predominantly within the Ministry of Finance and the Presidency, at the expense of other Ministries. Otherwise, surely, those of Minerals 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,[16] 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 per cent of GDP.[17] 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 overseas. Both sides seem to have made the same choice at their mutual expense in terms of electricity supply.[18] Significantly, this need not have been the outcome in the sense that coordination between capital and the state did prove possible in other arenas, not least with Black Economic Empowerment. For ‘negotiation’ over the new minerals bill, essentially appropriated 25 per cent of the nation’s mineral resources worth R55 billion at the expense of the conglomerates (Hamman et al 2008).[19] So, in this case at least, the state was prepared to act to *redistribute* wealth but without regard to its *creation* through deploying such revenue instead 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 that, 'The industrial policy designed by the Industrial Strategy Project … *and adopted by the new democratic South African regime* was founded on a view that "competitive advantage must also be derived from intra and inter firm cooperation"' 2004:206, 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, Kaplan, 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' (2007:91). As indicated, he bases these conclusions on the limited institutional capacity to deliver policy. This raises questions over why industrial policy has not been more extensive (and failed since there can be no presumption that limited capacity to deliver policy entails limitation of policy to that capacity), 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 been distributed elsewhere, and what is being done to raise institutional capacity (Fine 2008d).

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 1997b).[20] 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 unwittingly, 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:

> 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'. (McDonald 2008, Chapter 1)

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 – incorporating many other 'external' elements such as electricity provision as well as sectorally 'internal' factors (Fine 1997b, 2009b and also my debate with Harvard Group in this journal). For no, or little policy, in deference to 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. Those with superior resources may have unacceptable motives and pursue them dysfunctionally for the rest of the population and even for themselves – and 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.

From history of 'MEC' to history of MEC

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 1994 and Fine and Rustomjee 1992 and 1994). 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.[21] 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.[22] 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). My own approach has been to take segmented labour market theory further and emphasise how labour markets are not only differentiated from one another as structures and outcomes (as mobility across them) but are also internally differentiated according to how they are organised and function. This is particularly important in the context of South African labour markets where race has played such a major role both in access to jobs and in their character once accessed.

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 (1994), 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[23]

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.[24] 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 others 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.

Notes

1. Thanks to workshop participants and referees for comments on a first draft and in discussion. This is a much reduced paper from that presented at the workshop.

It is the last of three papers written more or less simultaneously at the time (Fine 2008a, b and d. See also Fine 2007b).

2. 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).
3. My first EROSA papers covered electricity, coal and gold (1987a and b and 1988, respectively).
4. See Fine and Harris (1979 and 1985), Fine (1992b and 1993b) and EROSA (1992).
5. See Fine (1992b and 1993a). The more general framework has also 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 and agriculture.
6. See London CSE Group (1979), Fine (1990) and GLC (1985 and 1986).
7. By way of exception that proves the rule, see studies for ISP by Crompton (1993) and Rustomjee (1993).
8. 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).
9. 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.
10. For some work on these issues, see Bond (2003), Andrews (2005) and Mohamed and Finnoff (2004).
11. 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.
12. The following dozen or so paragraphs draw more or less directly from Fine (2008d).
13. 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).

14. This overhang of frustrated globalisation and financialisation is very different from that associated with explanation by Brenner (1998) 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 over-accumulation rhetoric of the day.
15. All figures here taken from UBS (2008).
16. 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 1997a).
17. As reported in *Business Day* (May 15, 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'.
18. For a fuller account across 11 contributing factors and in the context of South Africa being far from enjoying the status of a developmental state (keeping the electricity running), see Fine (2008a).
19. The initial demand was for BEE to appropriate 50 per cent 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.
20. See also Deraniyagala and Fine (2001 and 2006).
21. But see Fine (1998a).
22. 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 (Fine 1995 and 1998a).
23. Able to draw, with minor amendment to update, on Fine (1998b).
24. 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 2007a, 2008c and e, and 2009a).

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