Article

Introducing varieties of capitalism into the South African debate: uses and limits

Vishnu Padayachee
Padayacheev2@ukzn.ac.za

Abstract
The essays in this edited special issue aims to probe the nature and ‘varieties’ of capitalism that emerged and evolved in South Africa following the diamond and gold discoveries of the second half of the 19th century. Is there anything about the origins, evolution and structure of South African capitalism that is distinct or special? What are the continuities, and what the disjunctures, between the character of capitalism in South Africa before and since democratic change? Can one indeed talk about a model or models of South Africa capitalism? Are the rhythms of South Africa’s capitalist development, its cycles and crises, determined by and form an inseparable part of capitalist accumulation trajectories on a global scale? Or can one argue that while some components of any national economy today will be inextricably driven by global imperatives, this exists alongside (in either mutually supportive or antagonistic ways) a set of institutions and a history that is essentially national in character. Finally, how similar or how different is contemporary South African capitalism from other models of capitalism – viewed either as stylised, theoretical constructions or in relation to comparable middle-income developing or emerging market economies. These and related themes are set out in this first essay.

Introduction and aims
This special collection of essays looks at issues such as the origins and evolution of capitalism in South Africa; its hybrid financial system; the basis of corporate power built around what some have called the mineral-energy complex; the changing role of the conglomerates within and outside the country; the impact of the emergence of an empowered, black capitalist elite; the impact of changes in corporate governance on the character of South African capitalism; developments on the labour and industrial relations
system; and the relationship between the democratic (developmental?) state and fractions of capital – old, new, black and reconstituted.

It is not the intention to address issues of economic policy: the focus rather is on the nature and role of changing systems, structures, institutions, organisations, and social relations in the construction of South African capitalism over time. Underlying the arguments in this edited book is a comparative political economy approach, stressing a non-reductionist use of power and class, and the importance of changing global locations, as well as of history and institutions.

**Varieties of capitalism**

Comparative studies of this kind, within what has come to be termed the Varieties of Capitalism (VoC) approach, appear to fall into one of two categories (with a number of variants in method and ideological foundations): the first stresses variations among contemporary national case studies and sees rough similarity over time; the second, by contrast, stresses the key variations in the nature of capital over time (regimes, stages, long waves) assuming rough similarity among contemporary national studies.

Gil Eyal et al, in a study of new ruling elites in eastern Europe, have argued that ‘capitalism has never been, and never will be, a single destination. Capitalism will always be a generic term describing a diverse set of social actors and institutions. For this reason, we contrast different types of capitalism to explore the range of possible actors and institutions that can sustain [any] functioning capitalist system’ (2001:3).

Since the 1980s at least, there has been a vigorous academic and popular debate, largely outside neo-classical economics, about the merits of different varieties of capital, the antecedents of which arguably originate in Karl Polanyi’s *Great Transformation* (1944) and Andrew Shonfield, *Modern Capitalism* (1964).

We identify three major variants or strands of the VoC approach: institutional, structuralist, and Marxist.

The ‘institutional approach’ incorporates a number of versions in turn. David Soskice (1999), for example, develops a binary or dual classification between coordinated market economies (CMEs) and liberal market economies (LMEs) based on differences in production and market institutions that underpin each form. For Soskice CMEs have the following features:

- in industrial relations both unions and employee organisations play a key role in national, industry wide, wage determination, and within firms
employee elected bodies play a important, often statutorily based, role in decision making, through, for example their participation on supervisory boards;

- in education and training, firms and unions are centrally involved in promoting vocational training, and higher education is attuned to providing a steady supply of appropriately trained scientists and engineers;

- in finance, CMEs are notable for the key stabilising role that banks play in financing and monitoring both small and large companies, including in countries such as Japan, through the mechanism of full representation on company boards;

- inter-company relations are characterised by consensus and co-operation, with few hostile take-overs;

- the system of corporate governance is based on a broad-based model which goes beyond shareholder wealth maximisation and managerial prerogative.

In each of these areas LMEs display key differences: wage bargaining is largely company based and employees have few formalised rights to workplace decision-making or board representation; there is little emphasis on vocational training and higher education is less closely integrated with the requirements of industry; company financing is predominantly secured through stock market issues in highly developed capital markets with little or no borrowing from banks; strong anti-collusion competition law discourages inter-company coordination, hostile takeovers are more common (Soskice 1999, Perraton and Clift 2004: 203); and the model of corporate governance is dominated by the objective of maximising shareholder value.

A second approach within the VoC framework may be labelled structuralist. Such an approach focuses on and derives out of detailed comparative studies of national models of capitalism. Here three models are identified and developed: Anglo-American or Anglo-Saxon; Continental European or Rhineland; and an East Asian or development state model.

The key features of the first (closely associated with the institutionalist LMEs) include flexible labour markets, close integration into global markets; privatisation; the absence of an active industrial policy, limits to welfare provision; a focus on growth; equity markets as a source of capital; and the narrow pursuit of shareholder wealth and value in corporate decision-making. The countries that fall into this category include the US, UK,
Vishnu Padayachee

Canada, Ireland, Australia, and New Zealand. The second (overlapping significantly with the CMEs) stresses innovative national economies and high levels of social cohesion, consensus and co-ordination at national, industry and firm levels; and relatively greater reliance on banks for finance. Countries in this category include Germany, Austria, Switzerland and the Benelux nations. Exemplified by Japan, Korea and Taiwan, the third category is characterised by a strong interventionist role for the state including in industrial policy; extensive cooperation between firms and suppliers; paternalist employment practices, such as life-time employment and pay based on seniority, albeit with limited trade union and employee rights (Perraton and Clift 2004: 203, 204).

Researchers have recently attempted to understand variations within each of these classifications. Thus for example, Konzelmann et al (2012) look at why Australia and Canada’s banking systems survived the post-2008 banking crisis so much better than those in the US and UK, all four countries which are widely recognised as classic examples of liberal market economies, constituting what some call the ‘Anglosphere’ or ‘Anglophone’ variety of capitalism (Hancke 2009: 79). Konzelman et al argue:

In the USA and the UK, ‘Reaganomics’ and ‘Thatcherism’ represented a conscious rejection of Keynesian economic theory and a reorientation of policy, away from reducing unemployment and boosting growth, towards improving the productivity of individual sectors within the economy. In both countries, a strong central government, led by a charismatic leader, was able to effect a radical change in policy, emphasising the merits of free markets, private sector provision, withdrawal of the state and individualisation of social welfare. In Canada and Australia, whilst the inflationary crisis of the 1970s undermined confidence in the state’s ability to manage the economy, it did not weaken support for the social welfare state. Canadian and Australian economic liberalism thus emphasised the merits of competition in markets (rather than focusing purely on market freedom) and it sought to limit the role of the state in the provision of services, but without compromising access to basic health, education and income security. Economic liberalisation was therefore accompanied by regulation designed to permit the market to function effectively and, to the degree that public services were privatised, the state assumed a strong role in regulation in the public interest. (2012:25)

Other authors employ similar classifications to the LME and CME taxonomies, but use different labels. In his book, Victor Lippit (2007) speaks
of Anglo-American capitalism (emphasising the role of markets), a continental European-type capitalism (emphasising the welfare state and social democracy), and an East Asian model of state-led capitalism (à la Japan and South Korea). In the popular literature and in the blogs and tweets of social media one finds reference to ‘capitalism with Asian features’, or ‘oriental capitalism’, a euphemism for the state-led, highly successful but authoritarian Chinese model (*Stirring Trouble Internationally*, February 21, 2012).

Vivien Schmidt, similarly, proposes three models of European capitalism: market (and aligned to the LME model); managed (with an enabling state that encourages actors to co-ordinate and co-operate, and similar to the CME); and ‘state’, to cover the interventionist form of the French kind (in Crouch 2005: 446).

The strength of the Marxist approach – a relatively minor, third School within the VoC framework – lies in its ‘propensity to place particular national capitalism in a larger global picture and to explore issues of stability and performance through the lens of class competition…’ (Coates 2005: 23). Canadian Marxist scholar, Greg Albo, has argued that capitalism develops and changes ‘within a world that is already differentiated into many complex social formations. Capitalism remakes a world not of its own choosing, and the combined and uneven development of the world market both further integrates and differentiates societies (2005: 74). For Albo, ‘economic imperatives always spread and universalize certain features of development across world markets, but these features are never emulated or settle in exactly the same way in the differentiated spaces of capitalist social relations’ (2005: 75). A number of features of these capitalisms may help to distinguish one national mode from another. These include, amongst many others, set out by Greg Albo (2005: 75-77):

- the labour process and relations of production associated with new technologies. Such technologies, it is argued, not only allow for greater extraction of value from each worker, but also expand managerial control over the workplace, and create new stratifications within the international division of labour;
- new spatial patterns in the circulation of capital, out of traditional manufacturing regions into new Greenfield sites, with a kind of reverse concentration of financial and retail services into core ‘city-regions’ So a concentration and centralisation of capital occurs side by side with a spatial dispersion of production processes;
• an explosion in financial activities, encouraged by policies of deregulation and based on notions of the negative effects of ‘financial repression’. The developments that have flowed from this include the emergence of new alliances between fractions of capitals, and between such sectors and the state, and the formation of new power blocs within each nation state;

• the extension and deepening in the process of integration into world markets through an intensified circulation of capital in all its forms. Albo notes ‘the internationalization of capital internalizes foreign capital as part of the power bloc of national states, while at the same time domestic capital seeks to internationalize and no longer single-mindedly acts like a “national bourgeoisie” to protect the national economic space for itself” (2005:76)

• a realignment and re-ordering of state policies and institutions to advance those dealing with economic internationalisation at the expense of those dealing with welfare and labour. At the same time, regulatory economic agencies, like central banks, have been granted increased autonomy of varying kinds, further insulating them, as Stiglitz has also noted, from democratic oversight.

While one key research task is to continue to explain the overarching and common features everywhere of capitalist development – ‘specific histories, places and class conflicts need to be explored as concrete cases of the modalities, social relations and class struggles of the “new capitalism”… such research and conceptual clarification are necessary steps for contesting the “new capitalism”, in all its neo-liberal variations, and to discern where paths towards more egalitarian and democratic social orders might reside’ (Albo 2005: 82).

These are stylised models to some extent, and to be really useful for analytical purposes, changes within them have been carefully factored in. Many of the authors in the Perraton and Clift collection, for example, point to the considerable continuity in the features of some of these national models in the face of globalisation, post-1990 crises in employment and growth, and subsequent reforms. Thus, for example, referring to the French case, Ben Clift observes that ‘For all the “Anglo-Saxon” influence, be they from the EU regulatory framework or US institutional investors, the [traditional dirigiste] French model continues (and is likely to continue) to display strong etatiste national distinctiveness’ (2004: 109). But here as in Germany and Japan in the recent period, the power of Anglo-Saxon influences,
Introducing varieties of capitalism into the South African debate

especially in the labour market, in corporate governance; and in the pursuit of shareholder (rather than stakeholder) values in company decision-making, should not be underestimated. Hence for Perraton and Clift, the usefulness and value of the VoC literature is best secured when it addresses, the ‘dynamics of change in national capitalism…’ (2004: 258).

Our decision to operate from, rather than strictly within, the broad framework of the VoC approach, does not mean that all of the contributors share a common empathy with it. Some contributors in this collection in fact reject it (Bond), arguing their positions on the grounds of its weaknesses in some crucial areas, especially the role of finance. But the approach does represent a departure from neo-classical economics which we do believe is not very helpful in understanding historical or contemporary dynamics of capitalism. For while neo-classical economics dominates the literature and the analytical, empirical and methodological foundations of contemporary economic studies, its value in understanding the varieties of current capitalist trajectories is limited. Mike Kitson has argued that if economics is going to contribute to understanding the varieties of capitalism and capitalist development, it must embrace and take on broad important insights from alternative paradigms and from other disciplines (2005: 46). David Coates has observed that within the VoC debate ‘the center of gravity lies neither in nor on the margins of the neo-classical paradigm’ (2005: 14).

The ‘varieties of capitalism’ approach is the product of particular circumstances and intellectual influences. It certainly is a reaction, in analytical, political and policy terms against neo-liberalism and its dogmatic faith in the market. This is apparent from its commitment to the notion that markets can work imperfectly and such imperfections are handled for better or for worse by the form of institutions that evolve or are put in place in response to them. In this respect, especially in the context of developing countries even if the primary focus has been on the developed world, there is a strong reliance upon the sort of post market-imperfection economics associated with Joe Stiglitz and the post- Washington Consensus.

Significantly, Soskice as one of the pioneers of the VoC approach is co-author with Wendy Carlin of a standard textbook of macroeconomics based on micro-foundations, marked both by its departure from monetarism (especially in the extreme form of the New Classical Economics) and by its reliance upon micro-foundations (Carlin and Soskice 2005).

By the same token, there are strong resonances between the VoC approach and the new institutional economics pioneered by Douglass North and
Oliver Williamson (see for example, North 1990, Williamson 1985). Whilst the VoC is heavily influenced by these relatively recent trends in and around orthodox economics, it also depends upon a more or less ad hoc incorporation of institutional analysis from a middle-range sort of perspective, in part inductive and in part structural despite or, to some degree, inconsistent with its commitment to microeconomics. This is important in giving the VoC approach its particular character, not only for what it includes but also for what it excludes. It does allow for broad systemic relations to be addressed, especially in relation to influences upon the state and the market and how the one corrects the others through institutions (such as those attached to finance and labour, for example) but it does so with much greater emphasis upon the varieties (of institutions) than upon the nature of capitalism itself.

From a more radical perspective, there are notable absences in terms of deeper consideration of the class relations underpinning capitalism and the historically and socially different national and international forms that it adopts. This is not simply a matter of saying that the VoC approach is not Marxist but that it is relatively, if not absolutely, negligent of other approaches, especially from across other social sciences, that are both standard, richer, and are more or less concerned with the same problems as the VoC approach. Where is Polanyi for example as far as institutionally finessing the relations between state and market are concerned. And, like the post-Washington Consensus itself, where is the developmental state as a way of framing whether economic interventions and political conditions are conducive to economic performance or not. We have tried in the volume, most notably in the chapters by Ashman and Fine, Bond, and Freund to adjust and compensate for such absences in the dominant (institutionalist) VoC literature.

Another criticism of the VoC approach is the question of its relevance and appropriation outside the borders of developed, industrialised countries or regions. Asia, eastern Europe, Africa and Latin America cast studies receive little or no attention in this literature. Andreas Nölke at the University of Goethe- Frankfurt am Main, and his doctoral students have begun to fill this gap through posing and answering two questions in respect of a number of emerging market economies, including South Africa:

- which institutional configurations lead to successful economic performance in emerging economies?
- and, which varieties of capitalism exist in emerging economies? (Bethke 2008: 12).
But the VoC literature has already been used in varying degrees in other country case studies. Referring to the Korean case, Vivek Chibber argues that two conditions, each necessary, but neither sufficient, lay behind the construction of a highly effective developmental state in Korea: ‘first an alliance between the political elite and local capital around an accumulation project … and second the presence of a stratum of state managers almost fanatically committed to building the kind of state that could successfully manage the economic ascent’. His arguments are based on class analysis, but he admits that ‘it should also have some appeal to practitioners of the “varieties of capitalism” approach, which “steers towards the same kind of structuralism that characterizes class analysis”’ (Chibber 2005: 137, 138).

This paper has its logic, assumptions, method and analysis, firmly rooted in an endorsement of the limitations of neo-liberal economics, our argument being based, at least in part, on the grounds that real world economic behaviour at almost any level (global, national or firm) conforms to few, if any, of the theoretical abstractions of neo-classical economics. At the same time we also recognise some critical gaps and absences in the VoC literature, especially in its institutionalist version, and attempt to adjust for these in the contributions offered in this collection. The essays in this volume should not therefore be interpreted as an attempt to force an understanding of the developments of South African capitalism into a VoC approach. Rather it serves only as an impressionistic, non neo-classical framework for the study

**How does South Africa fit in here?**

Some would argue that the narrative about South Africa’s development path is unique, so rendering any discussion within a comparative context of limited value. I have never found the case for South African exceptionalism (as argued by its mostly conservative proponents) an attractive or compelling one. Local and national histories both participate in the movement of world history, during what we have elsewhere called ‘the long twentieth century’. And South Africa, far from being exceptional as has often been claimed, has been an example – albeit an extreme one – of some of the central tendencies of that long history – features including race, inequality and migration (see Hart and Padayachee 2000).

So what meaning has any of this to South Africa, both in the period since the emergence of its modern economy about a century and a half ago and especially now as the country charts a complex and difficult path of accumulation after apartheid? Perhaps the stakes are not as high as they
appeared to be in the 1970s and 1980s. Who among us recall Harry Magdoff and Paul Sweezy’s famous editorial in the *Monthly Review* of April 1986. ‘[a] victory for counter-revolution – the stabilization of capitalist relations in South Africa even in somewhat altered form would be a stunning defeat for the world revolution’ (in Saul 2005:27). Most observers would agree that capitalist relations have indeed stabilised in post-apartheid South Africa. But in how altered a form? That is one of the key questions which this book attempts to examine.

Numerous theoretical contributions to understanding South Africa’s capitalist development are to be found in the literature. Patrick Bond has argued that:

There are a half-dozen intellectual footprints that we have … in tracing academic and political life in South Africa at present: Colonialism of a Special Type (CST) theory; the articulations of modes of production argument; neo Poulantzian fractions of capital analysis; the concept of ‘racial capitalism’; the Social History school; French regulation theory; and post structuralism. (unpublished paper, nd)

Let us look at a few of these more significant contributions; briefly and without engaging in any detailed critique at this stage.

We begin with the ANC alliance’s long held (theoretical) interpretation of South African capitalism as constituting a ‘colonialism of a special type’ (CST) and the resultant (political) strategy of a two stage theory of revolution. The CST approach as first articulated by the SACP and adopted by the ANC was that South Africa contains two distinctly and structurally separate economies: one, ‘white South Africa’ that had all of the features of an advanced capitalist economy; and the other ‘non-white South Africa’ which possessed all the features of a (pre-capitalist or non-capitalist) colony, of the kind found in most parts of European colonised Africa. Hence the notion of an ‘internal’ or special type’ of colonialism, where settler and colonised were to be found within the borders of one country (Marais 2011: 9, 34 fn). The aims of national democratic revolution (NDR) (stage or phase 1) enshrined in the Freedom Charter (1955) was to realise a ‘vision of a society in which the People Shall Share in the Country’s Wealth (ANC Policy Discussion Document 2007: 1) and to establish the economic, social and legislative foundations from which the drive to socialism (stage or phase 2) would ‘seamlessly’ unfold. Though this was, and remains, a hotly debated issue both within and outside the alliance many leading ANC-SACP activists including, for example Suttner and Cronin in their *Thirty Years of the
Freedom Charter (1985), argued that the charter was essentially ‘anti-capitalist’ (see also Hudson 1986: 9). The SACP in its programme “The road to South African freedom”, understood the Charter as ushering in a ‘transitional social formation, a national democracy, located chronologically between capitalism and socialism and its path of development would be “non-capitalist”’ [alternatively ‘putatively protosocialist.’] (Hudson 1986: 11, 32).

Second, there is a long liberal tradition of South African economic historiography which, at the great risk of over-simplification, adopts a view of South African capitalist development as owing little to segregation and apartheid in the past, and looking forward, visualised a modern capitalism which would override irrational racial constraints. Merle Lipton (1985) is arguably the most sophisticated proponent of this liberal tradition. Bill Freund sees much merit in her work, despite its limitations: ‘…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 [she was for some time in the late 1970s a consultant for Anglo-American Corporation], Lipton is in some ways an important intellectual forerunner to the Fine and Rustomjee thesis… But of course what was at stake for Lipton was not fractions of capital but apartheid’ (Freund, 2009: 9).

Third, in his important 1972 paper ‘Capitalism and cheap labour power in South Africa’, Harold Wolpe argued that the articulation between capitalist and pre-capitalist modes of production, manifest most clearly in the racially-based migrant labour system, was critical to South Africa’s capitalist accumulation project. Far from being an irrational in an otherwise rational economic system, as liberals had argued or implied, race for Wolpe was a key to South Africa’s capitalist development. In this article Wolpe argued that capitalism found in the reserves the cheap labour power that underwrote or subsidised accumulation. This articulation between the capitalist mode and a pre-existing non-capitalist mode, assumed under South African conditions, a racial and ethnic dimension. But changes in the capacity of the reserves to sustain subsistence production (and so reduce the reproduction costs of labour) as well as changes in the qualities and capabilities that (industrial) capital sought, are among the factors that led Wolpe in his later work (1988) to re-examine South Africa capitalism’s search for a new accumulation path, one less reliant on cheap labour, more concerned about labour force stability and skills, and operating under more free-market conditions. Martin Legassick
(1977), as Bill Freund colourfully notes (2009: 11), did more than most other revisionist or Marxists ‘to nail the capitalist pin on the apartheid donkey’.

Fourth, Stephen Gelb in his seminal edited volume (which was commissioned by the labour federation COSATU and driven largely by its metal affiliate NUMSA) used a variant of regulation theory to explain the origins of the crisis in South African capitalism. Racial Fordism, was Gelb’s description of South Africa’s industrial economy, in which apartheid acted as the social and political form of regulating its capitalist system. As long as gold and other mineral products could find global markets at stable prices, the system could be maintained. But the fall in gold and commodity prices after 1980, the rise in oil prices after 1973 and 1979, increasing pressures to isolate apartheid South Africa and rising black wages resulting from black labour organisation and militant action after the Durban strikes of 1973, the Soweto student uprising of 1976, all combined to destabilise and derail the foundations of the economy. In short, Gelb argued that while the trigger for the crisis in South Africa’s capitalist system was the oil price hike of November 1973, this was merely a catalyst; ‘the real causes of the crisis lay much deeper in the structure of the economy and had been developing for some time’ (1991: 19).

Fifth, in more recent years, an attempt has been made to characterise South African capitalism as a Minerals Energy Complex (MEC) that grew up under Anglo-American economic and Afrikaner political dominance in the twentieth century. Taking the mines as a core and adding to it the large parastatal energy companies to which it became closely linked by limited industrial diversification, Fine and Rustomjee (1996), Fine (2009), and Ashman et al (2011) argue that the MEC continues to dominate South African capitalism. Ashman et al (2011) ‘characterize the system of accumulation in South Africa as a “Minerals-Energy Complex”’ (MEC) where accumulation has been and remains dominated by and dependent upon a cluster of industries, heavily promoted by the state, around mining and energy – raw and semi-processed mineral products, gold, diamond, platinum and steel, coal, iron and aluminium. Fine (2009) concedes that some things about the MEC have changed: notably the impact of the intensifying globalisation of South African economic life, including the relocation of the bulk of mining capital to London and other global bourses, as well as the results of financialisation under ANC rule, ie the growing dominance of financial interests and imperatives in the shaping of the post-1994 economy.
These are not debates I can develop more fully or critique here. But there are a number of reasons why some aspects of this debate are relevant today, and for this work. Neo-Marxists or revisionists like (the early) Wolpe understood the race-class dynamic in ways that appeared to rule out the emergence of a non-racial capitalism in the long term, as his 1972 paper suggests. So looking at the non-racial, capitalist South Africa today, could one argue that the liberals were right and the neo-Marxists were wrong?

A key driver in the construction of this collection is the issue of whether and in which direction, South African capitalism has changed or is changing since 1994. Some academic commentators and politicians have argued that there is indeed something different about capitalism and business relations and ethics in post-apartheid South Africa – different in the sense that it is more socially- and community-based, more collective, and more compassionate. Prefixes to describe South African capitalism abound: humane capitalism, a ‘gentler’ capitalism, stakeholder capitalism, ubuntu capitalism, shoshaloza capitalism (referring to the team work and collective spirit of black miners at work).

John Paul in a paper entitled ‘A gentler capitalism: black business leadership in the new South Africa’ argues that ‘For many South African business leaders (of all races and ethnicities), the crucible of apartheid and the ensuing transformation of their country have prepared them to engage some of the most intractable ethical challenges of our times. They define these challenges as being at the heart of business leadership, and they aspire to build the capacity of people who were previously marginalised’ (2005: 1). (For more key references supporting this view, see Southall 2006).

Andries Bezuidenhout’s study of four engineering factories in South Africa, has demonstrated that a ‘number of elements of the apartheid workplace regime are [being] reconfigured in new ways, but that this process of reconfiguration mirrors some key characteristics of the logic underlying the apartheid workplace regime – there is continuity in change’ (2005: 92). These include continuing forms of the racial division of labour. Also, for him the system of using fixed-term contracts by retaining treats of exclusion ‘replicates the dynamic of labour market segmentation brought about by the migrant labour system’ (2005: 91, 92).

The ANC itself has of course been keen to defend itself against any charge that the path of capitalist accumulation remains, 13 years after democracy, essentially the same as that set in place after the gold discoveries in the mid-1880s. In an unpublished paper, Ashwin Desai has pointed out
that among the claims made by the ANC and the current government as indicative of such a different accumulation path are ‘the full protection of trade union rights, health and safety regulations, minimum wages, employment equity and basic conditions of employment, the abolition of migrant labour, the NEDLAC process, and the system of taxation’ (Desai 2006: unnumbered). Desai tackles each of these claims in turn. Let me refer at this point to just one of his rebuttals: ‘As for the abolition of migrant labour the ANC once again focuses on form rather than content. Property relations, job opportunities, and industrial strategy all conspire to have the migrant worker still very much among us, not housed in barracks or bantustans, but in the squalid mjondolos (shack settlements) on the outskirts of our cities’ (2006: unnumbered).

In his paper reviewing the significance of the MEC in the economic historiography of South Africa, Bill Freund observes that ‘what does remain of the playing fields of the early 1990s and had 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’ (2009: 22).

Stressing similar continuities with the past, NUMSA General Secretary, Irvin Jim observes: ‘The South African economy continues to be underpinned by the semi colonial systemic and structural features, features which the South African Communist Party has correctly termed “Colonialism of a Special type”! ... our analysis of the South Africa economy and society in February this year [2011] remains valid and true. Millions of South African working class families and rural poor continue to suffer the ravages of a capitalism that stubbornly refuses to change and accommodate the demands of the new democratic dispensation’ (Numsa Bargaining Council, April 2011).

Leonard Gentle characterises the contemporary South African social formation as ‘neo-apartheid’, arguing among other points in support of this, that black economic empowerment is ‘based on the same regime of accumulation as that espoused by the white capitalist class – cheap labour power’, now secured on ‘neo-liberal prescriptions of labour flexibility, externalisation of labour contracts, informalisation and increased labour segmentation...’ (2006: 132).

The SACP’s Jeremy Cronin argues that ‘for big business, moving “beyond apartheid” has not meant the abolition of the apartheid-colonial accumulation
Introducing varieties of capitalism into the South African debate

path, but rather its perpetuation in new circumstances’ (Mail & Guardian, June 1, 2007).

The contributions to this issue attempt to assess the merits of these competing arguments and claims. More especially they ask:

• how can one best characterise South Africa’s capitalist economy pre-1994? What features make it special and distinctive from other capitalist varieties? Is it its racial form? Is it the dominance of the Minerals Energy Complex? Is it the nature of its global economic location? Is it the hybrid form of its finance system? Is it the clubby nature of its corporate structures and governance? Does it have something to do with its brutal labour relations and migrant labour system or the character of its welfare system. Perhaps it has not been that different or distinctive in any of these areas?

• what if anything in the nature of South African capitalism has changed since democracy was achieved in 1994? In short: is the system now more democratic, more socialised, more humane, more caring, or what? And in what ways and direction has change, if any, occurred?

If I were to hazard a view without the benefit of the full analysis that follows in this issue I would identify the durable features of South African capitalism since its modern inception, as incorporating:

• a complex combination of mining, racial domination and an evolving relationship between the state, finance and industry;

• long swings in the pattern of development explained by triggers of both external and internal orientations; and

• a decidedly ‘neo-feudal’ character, marked by a cult of white, male leadership, cronyism between firms, banks and government, a relative absence of competition, weak democracy in the workplace and lack of a flourishing SME culture.

In short, a tendency towards absolute rather than relative surplus value extraction which has its roots in a combination of British colonialism, primitive accumulation and social relations in the country-side, and a history of racial oppression – an argument also made powerfully (though in somewhat different language) in the late émigré and Oxford historian Charles Feinstein’s classic study entitled the Economic History of South Africa: conquest, discrimination and development (2005).
The collection offers a new, fresh and non-dogmatic perspective of the changing nature and character of South African capitalism. It does not pretend to be another grand theoretical narrative of South African capitalism, but it does offer a detailed analysis over long historical periods of key features of South African capitalism – features drawn from a critical and flexible reading of the VoC literature, but only as a point of reference. And it is written by some of the most qualified contributors and academic observers of the South Africa’s social formation. By looking into the ‘belly of the South African capitalist beast’ as it were, it allows readers to engage with the area with which they are most familiar and to assess our arguments and claims (such as they are) from their own experiences. We hope that such an approach will allow us to ‘investigate, understand and grasp what is “changing before our very eyes” in the world of [South African] capitalism…’ (Bernstein 2005: 128).

The contributors to this special issue (apart from Bond) adopt a critical, yet engaged stance, towards the VOC approach. Because most authors have a global, historical, macro-level and dynamic approach to the study of capitalist societies and capitalism in general, it is inevitable that their analyses bump up against the kind of limitations many critics of the VoC have already noted (see for example the edited collection of Hancke 2009, and specific references cited in Ashman and Fine, and Bond in this volume). The VOC is notoriously weak in understanding the role of finance, capital allocation, and banking at any level beyond that of the firm. Thus the chapters in this volume that address issues of finance (eg Ashman and Fine, and Bond) largely operate outside a VoC approach, while pointing to its weaknesses. Where the VoC literature has been traditionally stronger, for example in corporate governance or labour relations or inter-firm relations, the relevant essays tack closer to VoC typologies, if not in the detail, then at least impressionistically.

A summary of each of the chapters follows.²

Noting that the VoC debate originated in the context of developments within capitalist institutions in the established western economies, Andreas Nölke and Simone Claar make the case for the relevance of this debate for larger emerging market economies such as Brazil and India, and then extend this to South Africa, the smallest of the BRICS. They do this by invoking the concept of ‘state-permeated market economies’, which goes beyond the early (firm-centric) Peter Hall and David Soskice (2004) models through paying attention to issues such the history and nature of the country’s
Introducing varieties of capitalism into the South African debate

relationship with the world economy, the class basis of economic institutions and distributional issues, in these emerging economies. They point to both similarities and differences between South Africa and other emerging economies. South Africa shares with other BRICS (Brazil, Russia, India and China) economies a close relationship between the state and business, continuing through, with some changes such as Black Economic Empowerment (BEE), into the current era. Most notable among the differences, they argue, is that the ‘ability and willingness of domestic public and private elites to invest some effort into a common national development strategy’ has largely been missing in the South African case, arguably, (though this is not fully developed here) because of a lack of institutional coherence (as suggested in other essays in this issue). The small size of the domestic market and extreme income and wealth inequality also make South Africa less attractive to foreign direct investment even in the context of the FDI (foreign direct investment) boom of the 1990s and early 2000s.

Keith Hart and Vishnu Padayachee locate the development of South African capitalism in the context of global developments in the long twentieth century, arguably the first time that such an analysis has been attempted. This paper grapples with multiple relationships, including that between the local and the global, the universal and the particular, and the historical and the present. Although the national economy went through long swings between an external and internal orientation, each of the main periods highlighted in their analysis has been marked by both. South African capitalism has a markedly ‘neo-feudal’ character, distinguished by a cult of alpha-male leadership, cronyism between firms, banks and government, a relative absence of competition, weak democracy in the workplace, no flourishing culture of small and medium enterprises; in other words, a tendency towards absolute rather than relative surplus value which has its roots in British colonialism, rural Afrikanerdom and a history of racial oppression by a small white minority. That this has not changed much under the ANC is, they conclude, somewhat of a national tragedy.

Bill Freund offers an account of the development of South African capitalism through the lens of the ‘development state’ model. Recall that this model is a label used in the variety of capitalism literature to describe state-business relations in some Asian economies, including Japan, in the post war era (see Crouch 2000: 62-64). Though focusing on the 1940s, Freund examines the early signs of such a model in the period immediately after the South African (Boer) war, associated with Alfred, Lord Milner, which has
come to be known as the ‘reconstruction’ period. While conventional wisdom associates the policy initiatives of the 1924 Pact government around industrial and labour policy to the need to accommodate ‘poor whites’, Freund, following Christie, Clark and others, also argues that these and related policies also incorporated strong elements of industrialisation (arguably though cautiously), even ‘developmentalism’. By the 1940s, however, with Smuts back as prime minister, it becomes more possible to apply the developmental state concept to the South African economy. The emergence of an elite group around HJ van der Bijl (the czar of the war-time economy), and the creation of a number of scientific and policy bodies devoted to development and industrialisation, suggest such a development state model in South Africa in that period, even in the absence of a more noticeable private sector partnership in this mix. Freund concludes with remarks on the continuities and weaknesses in the notion of a development state in capitalist development during the apartheid era.

Robert van Niekerk continues the development state theme in historical context, but with a greater focus on very recent developments. The developmental state as a strategic objective is largely taken as a given with policy discussion reduced to how the current state form could be reformed to achieve the outcomes posited for a developmental state. This paper argues that this is an ahistorical approach that fails to engage with the history of ideas and the policy frameworks which emerged within the liberation movement to inform the type and nature of the democratic state which could overcome the legacies of colonialism, segregation and apartheid. These ideas were articulated in the 1940s by the ANC in policy documents such as ‘Africans’ Claims in South Africa’ – which was centred on the view that a post-segregation democratic state should have a de-racialised citizenship and inclusive social policy as its cornerstones. Its underpinnings were closely aligned to the emerging idea in anti-fascist European capitalism for a democratic welfare state. These ideas of a new state based on citizenship and inclusive social policy were further developed in the ‘Freedom Charter’ – whose proposals for overcoming the legacy of apartheid cumulatively represented a social democratic welfare state. Van Niekerk makes the argument, significant from the perspective of the mainstream VoC approach, that the business sector in the 1940s ‘did not present an organised force in the debate on social policy reform. Organised business largely employed a laisser-faire approach to the health, education and welfare of urbanising Africans, contingently supporting government commissions
established during the “war years”, where it served their interests’ (in this volume). In the post-apartheid era the Reconstruction and Development Programme (RDP) base document reflected this historical trajectory and gave further impetus to the idea of a social democratic welfare state.

The papers by van Niekerk and Freund both discern possibilities for a different form of post-apartheid state to be found in much earlier political contexts. For both, though for different reasons as made apparent in the summaries above, the 1940s were crucial. So how would one account for the failure of developmentalism and social democracy to re-emerge in any concrete way in the 1990s? Was this conjunctural, because in the end, and despite ‘Africans’ Claims’ and the RDP, it was the best that the ANC could negotiate in the context of a pressurised elite transition? Was it driven essentially by the imperatives of global financialisation and competitiveness, as suggested by Bond. Or was it structural, the result of the stickiness of cosy corporatist cultures and practices, as argued in part by Padayachee’s essay on corporate governance?

The essay by Sam Ashman and Ben Fine focuses on the role played by both national and global finance in comparative economic performance. It critically examines financial economics, arguing that both the Efficient Markets Hypothesis and the New Financial Economics, with its emphasis on market imperfections, information asymmetries and financial systems, fail fully to explain theoretically the specific role played by finance in the economy and the emergence of specific financial systems. It cannot provide, therefore, an adequate account of variety in capitalism. Neither, however, can the Varieties of Capitalism literature which rejects excessively homogenising visions of institutional convergence but which foregrounds institutional variety without providing an adequate theory of institutions or a deeper theory of capital and capitalism. The argument is demonstrated through an examination of the changing nature of South Africa’s financial system from the apartheid to the post-apartheid periods and its insertion in both national and global economies. Financialisation, it is argued, incorporates a global dynamic into the economic and social formation of class interests and national economies which is seen clearly in the South African case. The argument therefore provides a critique of both mainstream financial economics and the Varieties of Capitalism literature and sheds light on the relationship between finance and the real economy and the nature of contemporary capitalism.
Patrick Bond argues that, like capital itself, financial capital is not a mere thing per se, but encompasses social processes as well, and makes the case that this is nowhere more evident than South Africa, both historically and in the present conjuncture. For Bond, the orientation of capital in South Africa, is dangerously outward, and investment decisions have become increasingly short-term. Harold Wolpe, Bond points out, has already explained that the role of finance in South African development can be documented ‘via the great bursts of financial and economic transformation that occurred during a dozen distinct periods in the country’s capitalist history’. He observes that precisely during such periods of activity and across a variety of scales, uneven development was accentuated as financial institutions increased their range of movement, the velocity and intensity of their operations, and their power over debtors. Bond argues that ‘varieties of capitalism’ are perhaps best addressed through contemplating the various ways that capital flows amidst crisis, in and out of the financial circuits, across scales and spaces of uneven accumulation, and in a manner that entails non-capitalist super-exploitative opportunities, especially in relation to gender, racial and ecological dynamics. An overarching theory of why these processes are periodically amplified can be found in Marx’s approach to uneven and combined development, from which the varieties of capitalism then make better sense. Outside of this, the varieties of capitalism approach makes little sense.

In his essay on contested nature of South Africa’s capitalist development in the field of its industrial relations structure and institutions, Eddie Webster argues that progressive labour’s rise as a key component of the struggle against apartheid, ensured and underpinned the emergence of a vision of a new industrial relations system, post-apartheid. The ANC-led government introduced a range of innovative labour market institutions and formalised these through a raft of new labour laws in the mid to late 1990s. The architects of this new path appeared, consciously or otherwise, to be influenced by the key features of a co-ordinated market economy, including centralised collective bargaining, employee rights and representation, and the establishment of institutionalised social accords bringing together organised labour, business and the state. However, the implementation of this vision has proved somewhat complex and contested. Invoking Douglas North’s argument of path dependence, Webster argues convincingly that the racially-based violence, coercion and dispossession characteristic of South African capitalism in its formative years, is being perpetuated and
Introducing varieties of capitalism into the South African debate

‘increasingly expressed through market forces, especially through the growing informalisation of work’. In this contest he asks whether the innovative and sophisticated labour market institutions created just after 1994 are able to respond adequately to the changing nature of work, or ‘whether the legacy of the past and the challenges of the present are leading to a return to the patterns of conflict that characterized the apartheid past’? The lack of sustained attention by both the state and capital to accommodating progressive labour within an appropriate and influential institutional framework is puzzling.

The last two essays focus on the firm level, the essence of the institutionalist version of the varieties of capital approaches. These articles engage with the question of whether and how cultural habits and long standing practices operate within South Africa to shape the dynamics and direction of capitalist development. The South African automotive industry has a long history of development shaped by numerous forces. The role of national government policy has been particularly important, particularly given the manner in which these policies evolved over the last 80-odd years. The nature of multinational and South African investment in response to these policies (and domestic market demand) is unpacked in the chapter by Justin Barnes, along with a consideration of the impact of this investment on the industry’s development trajectory and future development potential. Arguments about the distinctive nature of German versus Anglo-American versus Japanese capital (as embedded within the VoC literature), and the manner in which this leads to fundamentally different relationships with labour, he argues, do not appear to have relevance in a South African automotive industry. What matters to some degree is market share. The common factor for Toyota and Volkswagen (who together share over 50 per cent of the national market) is not their ownership profile, nor their governance structure, nor the manner in which they engage with formal labour, but rather the comparatively large amount of fixed investment they have in South Africa, and the sizable sales they generate from their local subsidiaries. This appears to shift the importance of their local operations from the global periphery to a more central position that allows for greater engagement in global decision making, and hence a more autonomous position for the South African operation.

Vishnu Padayachee examines developments in the culture and practice of corporate governance largely within the private sector in South Africa. His analysis reveals the dominance of powerful individuals, family trusts
and groups sharing common social, cultural, and linguistic norms, bound together outside the boardrooms through old school, club, societal, political, church, sports and other such networks. A sound corporate governance culture based on transparency and disclosure hardly existed before and during the apartheid era. Since 1994 and as South Africa opened up to global economic circuits and institutional rules and practices, there has been a much stronger commitment, at least nominally, to compliance with developments in global corporate governance. The King codes of corporate governance (now into version 3) are the strongest indication of this. South African companies have over the last 18 years shifted from an initial state (a management controlled, ‘social club’ approach to corporate governance) towards an Anglo-American corporate governance model, practicing what Goldstein (1999: 1) calls the ‘new global management mantra of shareholder wealth maximization’. But Padayachee argues that the practice of this approach remains uneven, with large family networks (both old and new) still exercising significant influences in boardrooms. In his assessment there is little substantive evidence that corporate governance in the new South Africa has moved beyond this legacy and some degree of technical compliance with King’s recommendations. Nor is there evidence that a more stakeholder-oriented philosophy of corporate governance exists to any significant degree. In this regard, Stephan Andreasson’s assertion that principles of ‘ubuntu’ are to be found in South Africa’s corporate governance framework, remains a desirable goal that is still far from current reality. A variety of Black Economic Empowerment initiatives have left largely untouched the racialised structures of power inherited from apartheid. A significant and dynamic (black) small and medium sized (SME) sector, so vital to driving economic growth in newly industrialising and emerging market economies has failed to make itself present over the last two decades. BEE, even in its ‘broadened’ incarnation, has not touched the lives of the majority of black South Africans, and most of the small cadre of politically-connected black businessmen who have bought into existing large and white companies, remain heavily indebted and vulnerable as a result.

So how is all this analysis held together?

Without giving away too much of our story, the highlights of these chapters can be captured as follows. Despite political ruptures in 1910, 1948 and 1994, the character of South Africa’s capitalist development has been one of notable, arguably even remarkable, continuity. Although the South African economy went through long swings between an external and internal
Introducing varieties of capitalism into the South African debate

orientation, each of the main periods over nearly 150 years, has been marked by both. South Africa’s economic trajectory has often been examined as a phenomenon *sui generis*, whereas the country has been an integral part of developments in the world economy for the last century and a half. South Africa has produced the gold that underpinned world trade in an age of financial imperialism; was not exempted from two world wars; was boycotted worldwide as a racist pariah state; and enthusiastically participated in a phase of neo-liberal globalisation that culminated in the current economic crisis.

The economy is characterised in one essay (Nölke and Claar) as a state-permeated market economy. A rich policy and political debate did take place first in the 1940s within the Smuts government (where some features of developmentalism are indeed discernible), as well as within the ANC led by AB Xuma at the time (eg in its remarkably far-sighted ‘Africans’ Claims’ document of 1943), and again in the 1990s within the ANC-led alliance (eg in the 1994 ‘RDP’ manifesto), over the kind of state needed to promote sustained growth and a broader and inclusive development. Yet neither a social democratic welfare or ‘development state’ (as used in current debate) has looked likely to take hold in post-apartheid South Africa. South Africa differs from some of its BRICS partners in that a willingness and capacity to devote time and energy to develop a national development strategy on the back of closer state-business-labour co-operation, has been largely absent. The financial and banking system has been and continues to be large and sophisticated, especially by African standards, but it has been closely tied to and supportive of a powerful (albeit moderately reformed) Minerals-Energy Complex. It has increasingly in recent times pursued a strategy of internationalisation (including into other parts of Africa) and has not served to support small business or more innovative business ventures in a more diversified manufacturing sector, for example, within democratic South Africa itself.

Despite a strong push for a more democratic industrial relations system by key figures in the democratic movement in the 1990s, it would appear that the legacy of apartheid era practices on the shop floor, continues to characterise the labour market increasingly through market forces, such as in the growing informalisation of work. Corporate governance reform in the 1990s and 2000s through the impetus of the King Commissions, has ushered in a nominal compliance with Anglo-American corporate governance culture, though the power of old (white and male) networks and some powerful new
(black) ones, tied to dynastic families, continues to influence board room practice.

Looking at these narratives differently, one can discern certain themes running through them.

Firstly, the contributors all adopt a diverse and critical approach to the varieties of capitalism literature. For most contributors here the firm-centric nature of the VoC approach to understanding capitalism, is ahistoric, overly firm-centric, narrow and problematic. In contrast, therefore, one common theme adopted here is the centrality of history and of the global dimension in any account of capitalist development. Thus at one extreme for Patrick Bond the VoC approach makes little sense as there is only one capitalism, a narrative of uneven and combined development driven by global imperatives. At the other, both Barnes and Padayachee in the final two essays, offer an account at the firm level, but in each case their accounts are located in a deep understanding of how things have changed (in the auto-industry and in corporate governance) over time and in a rapidly changing global context. Ashman and Fine’s essay is arguably the most theoretically engaged with the VoC approach, a powerful critique focused around the latter’s methodological nationalism, but also one that forcefully highlights the central role of finance in South Africa’s economy.

Secondly, all the authors agree on the high degree of ‘continuity in change’ that is apparent in the South African narrative across the recent transition but also across its longer trajectory too. What accounts for this institutional ‘stickiness’ is a subject that occupies most contributors.

Thirdly, while explicit in the essays by Ashman and Fine and by Bond, most contributors appear to be convinced that class relations and capitalist development in South Africa has been hugely driven and defined by the relations between finance, industry and the state, with Ashman and Fine, for example, arguing that finance has played a critical role as a ‘catalyst in forming and resolving intra-class capitalist conflicts’. Fourthly, and closely coupled with this, is the general agreement that the minerals-energy complex has exercised a powerful and enduring effect on the pattern of South African accumulation, even allowing for some significant mutations in the nature and form of the MEC since 1990. Fifthly, Black Economic Empowerment, nominally the most significant intervention in post-apartheid South Africa aimed at altering the trajectory and form of capitalist development, has not, according to most contributors, made much of a broad developmental impact in this regard. This in contrast to a relatively successful model of Afrikanerisation
mounted in the wake of the Nationalist victory of 1948, albeit in altogether different contexts.

**Notes**
1. Interested readers are directed to Freund (2009) for more on this subject.
2. I thank one of the anonymous reviewers of this collection of essays for a number of suggestions that have informed the revisions to the structure and content of the comments that follow.

**References**


