

**PRESENTATION TO ILRIG CONFERENCE ON:
'SA TODAY: HOW DO WE CHARACTERISE THE SOCIAL FORMATION'?**

'CAPITALISM WITH A BLACK FACE: BEE AND THE ANC'

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The Origins and Historical Development of Black Economic Empowerment

There is the need to provide a contextual/historical explanation of the term, 'Black Economic Empowerment' (as directly related to South Africa). Where did it come from? If we go back to the beginning of the 1900s, we can see that the initial impetus for the formation of the ANC derived from a combined 'protest' over the lack of political and economic opportunities of the small (but influential) black petty bourgeoisie.

As has been widely chronicled (Walshe, 1971, Mbeki, 1992) the majority of the founding members of the ANC were drawn from the newly emergent black petty bourgeoisie (alongside traditional chiefs) whose economic interests were tied directly to the availability and use of land. This BPB wanted to find a political/organisational means to stem the assault on their own class interests – as well, of course, on what they saw as the general political and economic well being of Africans.

The majority of the new ANC leaders not only brought with them their particular class politics but also a heavy dose of Christian (Calvinist) education and corresponding social mores. This led to a perspective that incorporated a politics of non-violence and of incorporation in which the main priority became one of persuading the 'civilised' British that the educated, propertied, and 'civilised' Africans could be incorporated into the mainstream of South African society. In other words, as applied to their own economic interests, the leadership of the early ANC simply wanted a specific section of the black population to become an integral part of the capitalist system. From this point on, 'black economic empowerment' was (to greater or lesser extents) framed by this approach and understanding.

What mediated this approach to BEE was, of course, the macro-nationalist politics of the ANC leadership that provided a sense of collective (predominately racial) and de-classed 'ownership' over the emerging 'struggle' against the racialised organisation of SA society. This was best exemplified in an early call by ANC founder P.I. Seme who pleaded that, "We are one people".

Thus, from a very early stage, the concept of political freedom for all black South Africans was aligned to a nationalist politics that accepted the capitalist class system and thus the specific (and dominant) need for economic empowerment of those class of blacks that could join (and potentially eventually replace) white capitalists as the precursor to wider-scale 'economic empowerment' of the black masses (workers and the poor).

After the rank failure of the early ANC to organise and mobilise the black majority behind its 'programme' of incorporation, the next phase in the development of 'black empowerment' came in the late 1930s and early 40s when the ANC and the CPSA joined forces under the 'people's front' strategy.

In theory, the 'people's front' strategy stressed the need to bring together all social forces that might play a positive role in furthering the demands of national liberation – giving practical meaning to the notion that “we are one”. In practice it meant two things:

- a) Sidelining the black working class as a major force for radical change in favour of 'progressive' white labour, 'liberal' British/international capital and a decidedly narrow black African nationalism;
- b) To identify the struggle against capitalism (i.e., socialism - working-class politics and mass economic empowerment) as a mostly foreign (white) ideology that was not appropriate to 'African conditions' and thus a general obstacle to the national liberation of the black majority of South Africa.

The codification of this approach is exemplified by the remarks of Dr. Xuma (ANC SG) in 1945 when he said, “... it is of less importance to us whether capitalism is smashed or not. It is of greater importance to us that while capitalism exists, we must fight and struggle to get our full share and benefit from the system.” (quote taken from Fine and Davis)

This conceptual understanding and practical approach to black 'empowerment' was then consolidated as the dominant expression of the liberation struggle in the 1960s (originating from the SACP's programme - *The Road to South African Freedom* – and then codified in the ANC's 1969 *Strategy & Tactics* document).

The 'new' basis for the pursuit of black 'empowerment' was set against the theory of - 'colonialism of a special type.' The core of the argument was that apartheid emanated from the era of monopoly capitalism and that South Africa reflected 'a combination of the worst features of imperialism and colonialism within a single national frontier' in which black South Africa was a colony of white South Africa. As the African population was seen as having 'no acute or antagonistic class divisions at present' (i.e. a seamless identification of all blacks as being part of a common and oppressed 'class' of people) it was only logical that the immediate task was to fight for the national liberation of the 'colonised'.

This task would be carried out through a 'national democratic revolution' with the multi-class liberation movement (the ANC) acting as the main vehicle, but with the working class (the SACP being its political vanguard) constituting the leading revolutionary force within it. Since not all classes had an objective interest in fundamental transformation of a post-apartheid South Africa (i.e., socialism), the working class' leading role would ensure that the struggle could be extended towards socialism. Thus the struggle had two stages: the first for a national democratic state (non-racial, non-sexist etc.), the second for socialism.

While the apartheid state and white corporate capital tried (in vain) during the late 1970s and 1980s to build a limited base for the development of a new generation of black (petty) capitalists - as allies in the preservation/buffering of the ailing apartheid-capitalist system – the lack of any parallel political legitimacy combined with the limited and crisis-driven nature of the accumulation strategy, ensured the failure of this strategy.

The 'result' of these historical developments was that by the time serious mass struggle against the apartheid system came onto centre stage (in the 1980s), the entire concept of BEE was wrapped up in a hopelessly contradictory liberation 'paradigm'. National liberation itself was analytically and practically circumscribed – i.e., the political side of the national liberation struggle had become detached from the economic side (the struggle for social and material liberation).

Thus, the idea of black economic empowerment would necessarily come to be practically implemented as part of a deracialised capitalism (after political freedom) in which the logical aim would be the empowerment of an emergent and black capitalist class (bourgeoisie) as a means of overcoming racial oppression. In turn, this empowerment would then trickle down to the black majority of workers and poor, who would, ostensibly somewhere in the distant future, rise up and overturn the capitalist system (and the newly empowered black capitalists within it), ushering in the second stage of socialism.

By the time political negotiations began to formally take place in the early 1990s, the mould of any future BEE was set, but it was an 'upside down' mould. In other words, the primacy of developing a black bourgeoisie as the accumulative vehicle for an extended BEE and the maintenance/enhancement of capitalist relations of production as the macro-developmental framework within which that took place (alongside political 'freedom') - was presented as the logical and indeed desired outcome of the liberation struggle itself.

Perhaps this was best captured by the amazingly quick 'turnaround' of the ANC leadership on the fundamental issue of economic ownership. Remember Mandela's statement soon after he was released that it was unthinkable that the ANC could ever abandon its (long-held rhetorical) commitment to the nationalisation of the economy? Yet, not long after the 'capture' of political power in 1994, it was the same Mandela who told SA and the world that 'privatisation is the official policy of the ANC' and there was no way that this would be reversed. Needless to say, the potential 'black economic empowerment' derived from a pursuit of nationalisation has fundamentally different consequences and benefits than that derived from the pursuit of privatisation.

Under the 'cover' of the common and multi-class (but predominately black working class) struggle against apartheid, there emerged the widespread notion that there was a common interest in pursuing the 'upside down' model. By doing so, not only would overall political 'stability' be achieved but economic empowerment would apply to, and be equitably enjoyed by, everyone - especially black workers and the poor (the historically disadvantaged – not simply, by the way, the 'previously' disadvantaged). Nothing could have been further from the reality.

Black Economic Empowerment (1994 – 1998)

The theory of the NDR allowed the ANC leadership to come to power with the support (albeit initially more qualified in certain quarters) of almost all the key 'sectors' of SA society, while simultaneously achieving an overwhelming political (and to a lesser extent, economic) mandate from the black majority (specifically captured and expressed through the Freedom Charter and RDP).

Once political power had been 'won' however, the ANC leadership very quickly abandoned any notion (let alone practice) of a radically redistributive economic path that would (as had been proffered so many times in the past) begin a process of economically empowering the vast majority of South Africans who were both black and poor. The step from growth through redistribution (RDP) to redistribution through growth (GEAR) was both quick and decisive. Yet, it was also consistent with the historic development of BEE as understood by the ANC leadership (now in government) - but certainly not by the majority of its constituency.

The ANC leadership's (through government) open embrace, both institutionally and ideologically, of a capitalist economy – grounded in apartheid socio-economic relations – meant that there were only two possible ways of going about building and expanding the black ('patriotic') bourgeoisie that would constitute the foundation (indeed, the essence) of both a post-apartheid black economic empowerment and developmental path:

- a) By encouraging white corporate capital to facilitate such BEE through selling (non-core) businesses to existing and emerging black 'investors', who in turn, would be assisted by (white controlled) financial institutions through 'special purpose vehicles' – has been labelled the minimalist approach. **See page 10 of Southall for a description of how this schema worked (or did not).**
- b) By utilising the institutional and capital resources of the state to facilitate such BEE, mainly through the privatisation of state assets, the provision of seed capital and the threat of effective expropriation (not nationalisation) through the unilateral imposition of quotas of black ownership in key sectors of the economy – this would also be combined with a separate 'wing' of BEE that would target the empowerment of the broader black majority through increased capital expenditure, enhanced support for SMME's and facilitation of skills training and institutional capacitation (this has been labelled the maximalist approach).

For the first several years after 1994, the first 'way' was dominant. A rash of 'empowerment' deals between emergent/wannabe black capitalists (most often all with close political connections to the ruling ANC) and white corporate/finance capital took place. Best known amongst these was NAIL (Metlife, African Merchant Bank, Theta) and the NEC (Anglo's Johnnic). Literally overnight, South Africa had 'created' new black millionaires who publicly paraded their new found riches and loudly claimed that this was the start of a new dawn in which all black South Africans could share (e.g.

Ramaphosa and his 'people's Ikgeng Shares). Politicians lauded SA's equivalent of the 'American dream' and loudly endorsed the morality of blacks getting 'filthy rich' (remember Dr. Xuma's quote in 1949?) After all, if whites had gotten filthy rich under apartheid then surely it was the 'turn' of blacks to do the same now that political freedom had been won?

The harsh world of capitalism however, has a way of exposing both itself, and those 'practitioners' who (like the ANC on the ideological front) want to ignore its fundamentals. When the JSE crashed in 1997-98, the dominant straw-man edifice of the new BEE came crashing down as well. This 'story' has been well told many times over. But what made the exposure of the 'upside down' BEE so politically damaging were two powerful (yet radically distinct) charges against the ANC government that had been its chief champion:

- a) From the side of the wounded black bourgeoisie came the charge that their government had not nurtured and protected them (raising parallels with the way in which the apartheid state had nurtured and protected the creation and growth of Afrikaner capital etc.) - i.e. not enough 'protection' from hostile (predominately white) capital conditions both domestically and internationally. More sophisticated was the charge that GEAR was inherently hostile to the sustenance of an emergent black capitalist class since its core policies were effectively facilitating the interests of domestic (white) and international corporate capital rather than 'its own'. Here we can see the practical results of the development of a new black economic elite that was intent on consolidating a black, elite-led transition to a narrow vision of capitalist 'democracy' **See Bond's article (and book) for a more detailed treatment of this argument.**
- b) From the side of the majority of black workers and poor - as well as from sections of the ANC's alliance partners, COSATU and the SACP - came the charge (backed up by actual experience) that the ANC government's GEAR and the neo-liberal capitalist policies that it spawned (including the championing of BEE) were responsible for massive job losses, increasing impoverishment, a lack of basic services and most damaging of all, a betrayal of the redistributive principles and vision of socio-economic equality of the liberation struggle (exemplified by the creation of a small black elite at the expense of the vast majority of poor black people – note creation of a buffer between the mass and the new black elite) – **here there is a need to briefly review some of the 'results' of GEAR on the lives of the majority of the black population.**

Shifting BEE GEAR's (2000 – present)

Both private capital and the government scrambled to 'repair the damage' (or at least be seen to be doing so). By 2001, a range of new empowerment deals, equity programmes, social awareness plans etc. and longer-term 'empowerment' scenario planning had been put in place/publicly unveiled by white corporate capital who were clearly trying to preempt what they feared might well be a class and racial backlash against perceived conservativeness and political incorrectness etc. (NOTE – second time around scenario planning – remember SANLAM and OLD MUTUAL initiatives in the early 1990s as a means of being politically correct?)

For its part, the ANC government (now under Mbeki – who was more politically committed to an 'Africanisation' of the economy and certainly more committed to consolidating a 'patriotic bourgeoisie) embarked on a strategic approach that sought to 'mainstream' BEE as part of an expanding 'developmental' state dedicated to the social and economic upliftment of the black majority, through creating a 'national consensus' that recognised, but cut across racial and class lines (the logical extension of the historic corporatist logic of the ANC leadership – i.e., cutting up the capitalist pie more evenly and without 'revolutionary' disruptions to SA political economy – of course, without ever acknowledging that the real issue here is who is it that is cutting up the pie and which 'pieces' are being eaten by whom!).

Mbeki's two-nation thesis provided the necessary analytical/explanatory rationale (and utilising the implicit threat of social disorder etc.) and the 'turn' to a stated commitment to adopt a kinder/more human faced capitalism (social democracy) in the face of continued poverty and global inequality etc. provided the necessary political rationale. Soon there was a range of new initiatives (such as the BEE Commission) and pending legislation that would 'guide' BEE through a more systematic programme of targeted 'empowerment' deals and BEE 'scorecards' etc.

Over-arching this though, was as a political and propaganda offensive by the ANC leadership (spearheaded by Mbeki) against those who continued to attack BEE as nothing more than a capitalist wolf in racialised sheep's clothing and the overall thrust of government economic policy as reinforcing and expanding socio-economic disparity and elite accumulation – and this continues. This offensive has been most notable for Mbeki's virulent and regular attacks on the so-called 'ultra-left' (both inside and outside the Alliance). The 'tools' used in the attacks included charges of:

- a) Misreading and misrepresenting the government's macro-economic policy (as predominately neo-liberal);
- b) A lack of understanding of the character and intent of African nationalism (e.g., pushing an inappropriate and misguided 'socialism' that 'confuses desire and possibility)'
- c) Undermining the entire thrust of the NDR and creating unnecessary societal (class) divisions that threaten the consensus politics built by the ANC, corporate capital and organised labour (NOTE – government response to apartheid reparations cases!!)

- d) At its worst, the charge of being 'counter-revolutionaries' in cahoots with right-wing forces internationally to destabilise South Africa and push the notion that black people can't govern (playing the race card as well).

Despite these manoeuvrings and politically motivated offensives, most black South Africans have remained deeply sceptical and generally hostile to the way in which BEE had been, and continues to be, pursued. Even though no one was calling it such, there is little doubt that most saw BEE as being 'upside down'. The 'outcomes' of the BEE that had been pursued since 1994 had not seen any meaningful and/or sustained economic 'empowerment' of the poor (there was more on the table for certain sections of the organised and employed working class though), while, on the other hand, a new black economic elite had benefited handsomely from BEE and were rapidly becoming more arrogant and confident in their 'dealings' with the black poor (although occasionally getting their fingers 'burnt' – deals gone awry and the JSE).

Here, it is KEY to point to one of the principal underlying assumptions of the BEE that has been pursued in SA – namely, that a black bourgeoisie will be more 'patriotic' (and will, in turn positively affect white capital to be the same) not only in relation to internal productive 'investment' but also in direct relation to the position of workers and the poor ('we are one' mantra). All historical and empirical evidence (Fanon's warning about the pitfalls of 'national consciousness' has come true in most parts of Africa) does not sustain such an assumption, let alone reality.

Another KEY issue here is to understand that class division has become (for a majority of the poor) a more salient 'issue' in their lives than that of race, while it is the other way around (at least at the level of public rhetoric) for the emergent black bourgeoisie!! In other words (and as Fanon so eloquently shows) the 'issue' of race - combined with a distorted political nationalism - is used as a means of advancing the specific class interests of a new black bourgeoisie at the direct expense of the black majority (not the minority whites who maintain and expand their economic base by jumping on the bandwagon of a BEE that poses little direct threat to them).

Mbeki and the ANC have implicitly understood that it will not suffice simply to re-arrange the BEE deck chairs (so to speak), but that it was necessary to make a re-connection with the real basis of the ANC's continued legitimacy (i.e. the liberation struggle) in order for BEE not to be rejected by the majority. So, in order for what, in reality, continues to be a specific programme of class accumulation and privilege to be 'seen' and accepted as part and parcel of the historic mandate of the ANC (i.e., the economic emancipation of the workers and poor) there is the continued need to provide ideological 'cover'. Once again, the NDR has proven to be the talisman.

During the last two years we have witnessed a concerted attempt by the ANC government to resurrect the practical applicability of NDR theory as the macro-framework for pursuing BEE and rationalising (explaining) all the other parallel and contradictory 'developmental' policies and activities. The NDR is of incredible value to the ANC leadership in the post-apartheid 'transition' for a number of reasons (utilising Southall's points):

- a) It legitimates the 'historic' role of the ANC itself (as a political party) in leading SA;
- b) It validates the expressed need for an active and potentially interventionist state, willing and able to act on behalf of the black majority to help 'transform' SA society;
- c) It justifies the existence, expansion, wealth and function of a black bourgeoisie (more specifically a 'patriotic' one)
- d) It justifies the need for close cooperation with white capitalists of the old order through arguing that their 'objective' interests' will lead to their eventual incorporation into the ranks of the 'patriotic' bourgeoisie
- e) It allows the ANC leadership to publicly proclaim their commonality of interest and indeed symbiosis with, the black workers and the poor (the leading motive force) while they themselves champion (and participate in) the development of an expanding black bourgeoisie as the leading motive force.

The ANC, addressing the recent 'Broad-Based BEE Bill' that has been making it's way through parliament, has confidently asserted their definition of BEE: "an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the number of black people that manage, own and control the country's economy, as well as significant decreases in income inequalities".

They then state that the aim of BEE is to attain particular quota's of such 'transformation' so that there is an increase (50% black owned) of black enterprises, empowered enterprises (25% black owned) an black engendered enterprises (25% black women ownership) – there should also be significant increase in black people in executive and senior management positions. Added to this is the aim to increase the proportion of community and other 'broad-based' community enterprises (e.g. union owned) as well as co-operatives – this should then increase overall levels of income among black people while also reducing income inequalities between race groups. The BEE strategy is rounded off by the adoption of 'scorecards' applied to specific economic sectors and enterprises, the privatisation of state assets and the consolidation of a corporatist consensus between government and the private sector. KEY: Most all committed financing for this will come from the state or public enterprises and finance agencies (and state incentives to private sector to finance empowerment ventures)

So, after the failure of the first strategy, what we now find is the ANC government moving to the second strategy – i.e., using the state to build a black bourgeoisie in the name of a 'broad-based' BEE as well as national consensus/nation-building and overall economic growth and redistribution. While the strategy might be quite sophisticated and have the advantage of utilising an already developed capital base, it is not new or unique. Indeed, like similar attempts in other places and at other times (even Malaysia which the ANC government seems so enamoured with) it is a completely contradictory strategy for 'empowering' the majority, asserting economic nationalism, deepening democracy, moving to non-racialism etc. What this strategy is really all about (borrowing from Adam & Moodley) is how an elite becomes wealthy, what it does with its capital and how it

rationalises inequality in the light of its part in a historical and popular struggle for a more equitable, just order.

The bottom line is that an attempt to institutionalise social justice and socio-economic equality (especially in a context such as South Africa's) cannot (and will not) succeed as long as the axle on which transformation turns remains embedded within capitalist relations of production and exchange. The 'trickle-down' simply does not work for the majority and even more so when used to try and address inherited (and institutionalised) racial inequality and injustice. It has to be the other way around – the wheel must turn!!
