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Accumulation by Dispossession and Its Limits: The Southern Africa Paradigm Revisited

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Abstract The dispossession of agricultural producers from the land has long been considered a condition of successful capitalist development. The main contention of this paper is that such dispossession has in fact become the source of major developmental handicaps for at least some and possibly many countries of the global South. We develop our argument by focusing on the South(ern) African experience as a paradigmatic outlier case of accumulation by dispossession—that is, as one of its extreme instances capable of highlighting in almost ideo-typical fashion its nature and limits. After reconstructing interpretations of capitalist development in Southern Africa that in the early 1970s established the region as a paradigm of accumulation by dispossession, we discuss how useful these interpretations are for understanding the more recent developmental trajectory of South Africa. We then suggest ways in which these interpretations from the 1970s should be reformulated in light of subsequent developments. We conclude by briefly examining the theoretical and policy implications of the analysis.

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The dispossession of agricultural producers from the land has long been considered a condition of successful capitalist development. The main contention of this paper is that such dispossession has in fact become the source of major developmental handicaps for at least some and possibly many countries of the global South. We develop our argument by focusing on the South(ern) African experience as a paradigmatic outlier case of accumulation by dispossession—that is, as one of its extreme instances capable of highlighting in almost ideo-typical fashion its nature and limits. After reconstructing interpretations of capitalist development in Southern Africa that in the early 1970s established the region as a paradigm of accumulation by dispossession, we discuss how useful these interpretations are for understanding the more recent developmental trajectory of South Africa. We then suggest ways in which these interpretations from the 1970s should be reformulated in light of subsequent developments. We conclude by briefly examining the theoretical and policy implications of the analysis.

For the purposes of this paper, the term "accumulation by dispossession" (Harvey 2003, 144) can be seen as largely synonymous with Marx's concept of "primitive accumulation." The types of processes included in both concepts are the same: "the commodification and privatization of land and the forceful expulsion of peasant populations; the conversion of various forms of property rights (common, collective, state, etc.) into exclusive private property rights…; the commodification of labor power and the suppression of alternative (and indigenous) forms of production and consumption; colonial, neo-colonial and imperial processes of appropriation of assets…; the monetization of exchange and taxation, particularly of land;" etc. (ibid, 145). In introducing the concept of "accumulation by dispossession", Harvey sought to emphasize the fact that primitive accumulation is an ongoing process, and that "predatory practices" have played a major recurrent role in processes of capital accumulation, including in the current conjuncture (ibid, 144). We agree with Harvey about the ongoing importance of primitive accumulation, and therefore we have adopted the term "accumulation by dispossession." The main focus of this paper, however, is on the *effects* of accumulation by dispossession on development. Our thesis (illustrated by the long-term developmental trajectory of South Africa) is that accumulation by dispossession generally undermines the conditions for successful development. In this regard, our thesis contradicts the widespread assumption in the scholarly literature that such dispossession is a necessary (progressive) precursor to capitalist development, an assumption that characterized both the US- and Soviet-sponsored versions of the post-war "development project" (see McMichael 2004).[1]

[1] Harvey himself argues that accumulation by dispossession can be seen as "the necessary cost of making a successful breakthrough to capitalist [and socialist] development", but he also argues that in some instances (particularly post-1973) accumulation by dispossession, rather than opening up a new path of expanded reproduction, disrupted and destroyed paths that were already open (ibid 154–6).

South Africa as Paradigmatic Outlier

South Africa has long been regarded by social scientists, in Gay Seidman's words, "as the end point of the spectrum of racial orders, the place where racial inequality stood still." And yet, along with this outlier status, "South Africa has also served as a prism—in part, perhaps, because the extreme character of apartheid lays bare the underlying dynamics of racial capitalism." Especially important in this respect according to Seidman were studies of Southern Africa's migrant labor system—including Harold Wolpe's analysis of capitalism and cheap labor in South Africa and Giovanni Arrighi's analysis of the creation of "unlimited" supplies of labor in Southern Rhodesia (now Zimbabwe)—which suggested that African subsistence agriculture subsidized capital by supplementing the wages of migrant workers. Michael Burawoy broadened the scope of these findings by comparing the role of the South African and Californian states in regulating circulatory migrant streams and showing how in both instances migrant labor subsidized capital and states by pushing across the border the costs of retirement, education, and other social services, in addition to most of the costs of feeding workers' families.

> Together, the South African studies contributed to a new approach to migration... By the mid-1980s, sociologists were drawing on insights derived from South Africa to examine migration in cases as far flung as the West Indies, Europe, and Mexico, looking at how states controlled the flow and circulation of migrants in terms of labor supplies and labor control, and at how migration flows are deeply intertwined with the racialization of labor streams.[2]

South Africa's paradigmatic role in migration studies stemmed from its centrality in the macro-region that Samir Amin has called the "Africa of the labor reserves" (henceforth ALR). Stretching from South Africa, through Namibia, Botswana, Zimbabwe, Zambia, Mozambique and Malawi, to Tanzania and Kenya, this region was characterized by a combination of great mineral wealth, a white settler agriculture with no parallel elsewhere in Sub-Saharan Africa, and a chronic shortage of labor. In order to overcome this shortage, "the colonialists dispossessed the African rural communities by force and deliberately drove them... into confined, poor regions, with no means of modernizing and intensifying their farming." As a result, these communities were driven to become suppliers of temporary or permanent migrants, "providing a cheap proletariat for the European mines and farms, and later for the manufacturing industries of South Africa, Rhodesia, and Kenya."[3] South Africa, and to a lesser extent Rhodesia/Zimbabwe, were the main receiving centers and beneficiaries of the transnational system of labor migration that crisscrossed the macro-region; but they were also the main agencies of the processes of uneven and combined development that generated and reproduced the migratory system.

As can be seen from Table 1, through the 1960s South Africa, and to a lesser extent the entire ALR region, had come to enjoy per capita incomes among the highest in the Third World or global South. Starting in the 1970s, and more

[2] Seidman (1999: 420, 424–5) citing, among others, Arrighi (1970), Wolpe (1972), and Burawoy (1976).
[3] Amin (1976: 327–8).

Table 1 GNP Per capita as % of first world's GNP per capita

Region	1960	1970	1980	1985	1990	1995	2000	2005
Sub-Saharan Africa (w/ SA)	5.6	4.7	3.9	3.1	2.7	2.5	2.0	2.3
South Africa	25.9	24.9	21.4	17.9	15.2	13.9	10.7	12.7
Sub-Saharan Africa (w/o SA)	3.1	2.3	1.9	1.5	1.3	1.2	1.2	1.3
Latin America	19.7	16.4	17.6	14.4	12.3	12.9	13.4	11.2
West Asia and North Africa	8.7	7.8	8.7	7.9	7.4	7.2	7.7	8.4
South Asia (w/o India)	1.9	1.7	1.3	1.4	1.4	1.5	1.6	1.6
East Asia (w/o China and Japan)	6.0	6.1	8.0	8.6	11.0	13.8	11.5	11.8
China	0.9	0.7	0.8	1.2	1.3	2.1	3.2	4.6
India	1.5	1.3	1.1	1.2	1.2	1.4	1.6	1.9
Third World[a]	**4.5**	**4.0**	**4.3**	**4.1**	**4.1**	**4.7**	**4.9**	**5.2**
Third World (w/o China)[a]	**6.5**	**5.7**	**6.1**	**5.5**	**5.3**	**5.9**	**5.6**	**5.5**
Third World (w/o China and India)[a]	**9.3**	**8.1**	**8.8**	**7.7**	**7.5**	**8.2**	**7.7**	**7.3**
North America	123.7	105.0	100.7	101.6	98.2	98.9	116.4	112.5
Western Europe	111.1	104.6	104.6	101.5	100.5	98.5	92.0	99.7
Southern Europe	51.9	58.2	60.0	57.6	58.6	59.2	61.5	70.2
Australia and New Zealand	94.8	83.5	74.7	73.3	66.4	70.6	68.6	84.5
Japan	78.9	126.4	134.4	140.8	149.8	151.9	121.0	103.1
First World[b]	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100.0**
Eastern Europe	–	–	–	–	11.1	10.6	13.4	18.6
Former USSR w/ Russian Fed	–	–	–	–	10.7	5.9	4.6	8.2
Russian Federation	–	–	–	–	14.1	8.2	6.0	11.8
Former USSR w/o Russian Fed	–	–	–	–	7.1	3.6	3.1	4.6
Eastern Europe and Former USSR[c]	**–**	**–**	**–**	**–**	**10.8**	**7.1**	**6.9**	**11.0**

Source: Calculations based on World Bank (WDI - 2001, 2006)

[a] **Countries included in Third World:**

Sub-Saharan Africa: Benin, Botswana, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Rep. of Congo, Congo Dem. Rep., Cote d'Ivoire, Gabon, Ghana, Kenya, Lesotho, Madagascar, Malawi, Mauritania, Mauritius, Niger, Nigeria, Rwanda, Senegal, South Africa, Tanzania, Togo, Uganda, Zambia, Zimbabwe

Latin America: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Rep, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad & Tobago, Uruguay, Venezuela

West Asia & North Africa: Algeria, Arab Rep of Egypt, Morocco, Saudi Arabia (1971 for 1970), Sudan, Syrian Arab Rep., Tunisia (1961 for 1960), Turkey

South Asia: Bangladesh, India, Nepal, Pakistan, Sri Lanka

East Asia: China, Hong Kong, Indonesia, South Korea, Malaysia, Philippines, Singapore, Taiwan (Taiwan National Statistics), Thailand

[b] **Countries included in First World:**

North America: Canada, United States

Western Europe: Austria, Belgium, Denmark, Finland, France, Germany, Luxembourg, Netherlands, Norway, Sweden, Switzerland, United Kingdom

Southern Europe: Greece, Ireland, Israel, Italy, Portugal, Spain

Australia and New Zealand

Japan

[c] **Countries included in Eastern Europe and the Former USSR:**

Eastern Europe: Albania, Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Slovak Republic, Slovenia

Former USSR: Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyz Republic, Latvia, Lithuania, Moldova, Russian Federation, Tajikistan, Turkmenistan, Ukraine, Uzbekistan

markedly in the 1980s and 1990s, however, South Africa's and the ALR region's comparative economic performance deteriorated precipitously, not just vis-a-vis the First World or global North, but also and especially other regions of the global South, most notably East Asia.

Some have attributed South Africa's comparatively poor developmental performance over the past three decades to a fundamental handicap in competing with the emerging industrial powerhouses of Asia—first and foremost China—in an increasingly integrated global economy. Richard Freeman, for example, has singled out South Africa—along with Mexico and Colombia—as the typical middle-income country that had hoped to grow through exports of low-wage goods but now has no chance of competing successfully with China in labor-intensive manufacturing as long as Chinese wages are one-quarter or so of theirs, while Chinese labor is roughly as productive as theirs.[4] The question then arises of why Chinese wages are so low (and South African wages so high) for labor of about the same productivity. Implicitly or explicitly three different answers have been given to these questions. In the remainder of this section we review these three answers, as laid out in the writings of Anita Chan, Alan Hirsch and Gillian Hart, respectively. As will become clear by the end of the section, our own assessment is closest to that of Hart.

In a series of solo and co-authored articles, Anita Chan has been the main proponent of the view that China's competitive advantage vis-a-vis countries such as Mexico and post-apartheid South Africa stems primarily from an alleged similarity between its *hukou* system of household registration and South Africa's system of residential registration under apartheid. Among the many reasons why Chinese wages are so competitive compared to other countries, Chan mentions "an almost inexhaustible supply of cheap labor from the countryside" and the absence of an autonomous union movement. But in her view the most fundamental reason is that China's household registration system limits and regulates the rural-to-urban influx of population in ways similar to the pass system under apartheid in South Africa (see also Whitehouse 2006). Chan acknowledges that the two systems differ markedly in origin and ideology: whereas the South African pass system under apartheid was intertwined with a history of racism, colonialism and capitalist development—"all of which favored the control of movement of African people to provide greater political security and enhanced efficiency in the use of black labor"—the *hukou* system in China was instituted in the 1950s as an integral component of a centrally planned socialist economy, which met the basic needs of the urban population through ration coupons that could only be used in the locality where they were issued. This required the registration and restriction of the geographical mobility of all people, not just peasants, and the granting of special temporary certificates to people who resided in a different locality than the one in which they were registered. In spite of its different origins, once central planning was abandoned—claims Chan—the way in which this registration system "can drive down wages and other labor standards today... is similar to what prevailed in [apartheid] South Africa."[5]

In a later article, Chan and co-author Peter Alexander refer specifically to Wolpe's argument that the chief benefit of influx control for South African capitalism was

[4] Freeman (2005).
[5] Chan (2003: 44–5).

that it helped reduce costs to a minimum by buttressing the migrant labor system. Whereas with an urban workforce "capitalists had to provide an income that included the costs of reproducing the next generation of workers (food, housing and clothing for children and child rearers, and basic education), with migrant workers these costs could be offset by subsistence agriculture." In spite of their different origins, according to Alexander and Chan the Chinese *hukou* system and the pass system under apartheid in South Africa generated similar outcomes. In China, as in South Africa, the cost of employing migrant workers from the rural areas is less than that of employing regular urban workers and since the difference is "justified in terms of migrant workers retaining a home in the countryside where they could live for large parts of their lives, and where their dependents could remain... *the essence of Wolpe's analysis could also be applied to contemporary China.*"[6]

This interpretation of China's competitive advantage vis-a-vis countries such as post-apartheid South Africa is questionable on several grounds. Most importantly, if an apartheid-like system of labor control is as crucial a source of competitive advantage as Alexander and Chan claim, why did South Africa's economic performance—as Table 1 shows—deteriorate so precipitously in the 1980s when apartheid was still firmly in place? As we shall see in Section III below, this sharp deterioration preceded (and therefore cannot be attributed to) Chinese competition in labor intensive manufacturing but must instead be traced to contradictions of the apartheid system of labor control that have no place in Alexander's and Chan's interpretation. Critical in this respect was an unintended consequence of that system: its tendency to inflate rather than reduce the cost of African labor.

This contradiction figures prominently in Alan Hirsch's implicit answer to our question of why South African wages are so high compared to China's. Hirsch's assessment of South Africa's competitive disadvantages in labor intensive manufacturing is even more negative than Freeman's. Not only are there "very few labor-intensive manufactured tradables that South Africa is likely to be competitive in;" in addition, this lack of competitiveness is relative not just to China but to countries like Vietnam, Thailand and even surrounding African countries where nothing resembling China's *hukou* system is in place: "no matter how much the labor market is made more flexible or the currency is depreciated, South Africa will never have tens of thousands of workers making Nike shoes for export, like Vietnam or Thailand."[7]

In Hirsch's view this fundamental lack of competitiveness must ultimately be traced to two legacies of South Africa's developmental path. One is the far more complete expulsion of South Africans from the land than in most other countries, including most other African countries. As a result, wages in South Africa must cover a much higher proportion of household expenditures than in countries where many workers have non-wage incomes deriving from their rural land-holdings. And the other legacy left behind by apartheid is the high cost of living for workers.

> Apartheid raised living costs for all South Africans, especially the poor, one of the main costs being apartheid-determined residential locations... The working

[6] Alexander and Chan (2004: 614, 621; emphasis added)

[7] Hirsch (2005: 182).

> poor were located miles from their potential places of work, and often equally far from commercial and public services. Public transport systems had practically collapsed by 1994, and some of the new distant locations were not served at all by public transport.... The deterioration of access to public services such as education, health, and social security for Africans under apartheid meant the diminution of the social wage.[8]

These contentions point to a diagnosis of China's competitiveness vis-a-vis South Africa that departs significantly from Chan's diagnosis. If the high cost of labor in South Africa can ultimately be traced to a particularly thorough process of dispossession of agricultural producers from the land on the one side, and to the inflation of labor costs and reduction in the quality of the labor force associated with apartheid on the other, then China's competitive advantage cannot stem primarily, if at all, from whatever similarities may exist between the *hukou* and the apartheid systems of residential segregation.

This is the main thrust of a third diagnosis of the developmental advantages of China vis-a-vis South Africa, which departs even more radically than Hirsch's from Chan's. In summing up China's developmental advantages, Gillian Hart focuses specifically on Chinese rural development and attributes much of China's stunning economic growth to the fact that, despite the increasing concentration of ownership and control in many Township and Village Enterprises (TVEs), "at least part of the surplus from industry [was] retained, reinvested, and redistributed within local circuits, and directed towards schools, clinics and other forms of collective consumption." Indeed,

> a key force propelling [TVEs] growth is that, unlike their urban counterparts, they do not have to provide housing, health, retirement, and other benefits to workers. In effect, much of the cost of reproduction of labor has been deflected from the enterprise—but, at least in some instances, is being supported through redistributive mechanisms.... What is distinctive about China and Taiwan—and dramatically different from South Africa—are the redistributive land reforms beginning in the late 1940s that effectively broke the power of the landlord class. The political forces that drove agrarian reforms in China and Taiwan were closely linked and precisely opposite. Yet in both socialist and post-socialist China, and in 'capitalist' Taiwan, the redistributive reforms that defined agrarian transformations were marked by rapid, decentralized industrial accumulation *without* dispossession from the land.[9]

This diagnosis shifts the focus from residential segregation as a mechanism of exploitation of rural workers in urban areas, on which Chan's diagnosis is based, to rural development and improvements in the well-being of the rural population as the underlying foundation of the comparative cheapness and high quality of Chinese labor. It complements Hirsch's argument concerning the negative effects of the dispossession of the rural population on the competitiveness of South African labor by underscoring the positive effects of "rapid, decentralized industrial accumulation

[8] Hirsch (2005: 182–3).
[9] Hart (2002: 199–200).

without dispossession from the land" on the competitiveness of Chinese labor. As Hart underscores, this interpretation of East Asian developmental trajectories has "a powerful and direct bearing on South African debates," not because these trajectories could be emulated "but rather because they denaturalize dispossession." In order to appreciate their wider significance, Hart invites us "to revisit classical political economy debates, and revise the teleological assumptions about 'primitive accumulation' through which dispossession is seen as a natural concomitant of capitalist development."[10] In the next section we initiate the kind of revision that Hart advocates by re-examining three analyses that in the early 1970s gave rise to the Southern African paradigm of accumulation by dispossession.

The Southern African Paradigm of Accumulation by Dispossession

We begin this section with the analysis that first established the notion that the forcible dispossession of the African peasantry from the land was the central feature of capitalist development in the ALR region—Arrighi's critique of William J. Barber's application of Arthur Lewis' model of economic development to the Southern Rhodesian experience. We then turn to Martin Legassick's analysis of "forced" labor and capitalist development in South Africa—a process that was far more racialized and extreme in its consequences on the supply of African labor than in Rhodesia. After examining Wolpe's re-conceptualization of apartheid as a purely repressive mechanism for the containment of the costs of African labor, we combine the complementary insights of the three analyses into a single model of accumulation by dispossession that highlights the reasons not just of the initial successes of settler capitalism in Southern Africa but also its contradictions and eventual demise.

Arrighi's critique of Barber's interpretation of economic development in Rhodesia had two components. One concerned the causes of the continual expansion of the supply of African labor throughout the first half of the twentieth century in spite of constant or falling real wages; the other concerned the causes of the increase in African real wages after 1950. Barber had interpreted both tendencies as the result of a market-driven process that reallocated labor from a low productivity "subsistence sector" to a high productivity "capitalist sector." Before 1950, he claimed, the indigenous rural communities were characterized by "periodic disguised unemployment," in the sense that about 50% of their total adult male population could be withdrawn for at least a full annual cycle without reducing the communities' total production. Rural families could therefore increase their total incomes by dispatching this surplus male population to work in the capitalist sector, even for very low wages—that is, wages sufficient to cover only the costs of transport and maintenance of the single worker while he was in wage employment. Barber then went on to claim that up to the mid-1940s the proportion of able-bodied indigenous males in wage employment remained below 45%, so that the volume of African employment continued to expand despite a tendency of real wages to decline. After 1950, in contrast, the proportion of able-bodied males claimed by wage employment reached the 50% mark, so that further increases in the African labor supply involved

[10] Hart (2002: 201).

a fall in the agricultural output of the indigenous family. Under these circumstances —which Barber called of "quasi-full employment"—capitalist employers could attract additional workers from the subsistence sector only by increasing real wages to offset the loss in the real income of the family in indigenous agriculture and induce a break with accustomed ways of life.[11]

As can be seen from this account, the idea of a subsidization of capitalist production by communities of non-capitalist producers—which has often been attributed to Arrighi's critique of Barber's application of the Lewis model to Rhodesia—is in fact the central idea of the criticized model. Arrighi's critique retained this idea but dismissed on empirical grounds Barber's story of a market-driven process of accumulation without dispossession, in which disguised unemployment generated unlimited supplies of African labor at low and stagnant real wages until the continual reinvestment of profits in labor-intensive production created a situation of quasi-full employment that drove up African real wages. The alternative account that Arrighi proposed was based on three main observations.

First, when export-oriented capitalist production began to develop in Rhodesia there was very little, if any, disguised unemployment in most indigenous rural communities, and in any event, these communities found it far more economical to sell produce rather than labor to the capitalist sector. The result was a crippling shortage of labor and rising wages, which held in check the capitalist expansion. Second, disguised unemployment and unlimited supplies of cheap labor were created through a coercive state-driven process that undermined the capacity of the African peasantry both to participate in the market economy through the sale of produce and to reproduce itself except by participating in the market economy. Integral to this process was the development of a white settler rural bourgeoisie that out-competed African producers thanks to state subsidies and state-backed appropriations of the most fertile and best located land. Third, African real wages in the post-Second World War period started increasing, not because of a situation of quasi-full-employment created by "capital widening"—i.e., investments that expanded the demand for labor—but because of interrelated changes in the structure of capital accumulation, in class and race relations, and in government policies.[12]

This last observation has largely gone unnoticed but is probably the most important in assessing the relevance of Arrighi's critique of the Lewis model for an understanding of subsequent developments in Southern Africa and in the global economy at large. We will therefore briefly recall some of its details. The central idea was that the rapid growth of secondary and tertiary industries, along with increasing mechanization and automation in mining and manufacturing, created a demand for an African labor force with skills that were simple but could not be imparted under conditions of high turnover. The creation of a more stable African labor force, however, presupposed the abandonment of the tradition that fixed customarily African wages at a level sufficient to cover only the subsistence of *single* men. As long as this tradition persisted, Africans in wage employment had to rely on the subsistence economy for the maintenance of their families and of themselves during old age, sickness and unemployment. Participation in wage employment thus left

[11] Barber (1961: 46, 93, 186–87, 208, 212–18).
[12] Arrighi (1970: 200–22).

unchanged the worker's obligations to his rural kinsmen as well as his involvement in the subsistence economy. The creation of a stable wage labor force that would not periodically move to and from the peasant sector, in contrast, required wages that would provide Africans with some security during their working life and old age and, above all, that would enable them to support their families outside the peasant sector. "Stabilized labor," in other words, "commanded a premium determined by the difference between the cost of the means of subsistence of single men during their working life in wage employment and the cost of the means of subsistence of the worker's family over his 'life cycle.'"[13]

This contention was supported by the fact that most of the increase in African wages after the early 1950s had occurred in industries that were most in need of a stable labor force (manufacturing, transport and communication), whereas in agriculture, where stabilization mattered least, the increase in wages had been minimal. However, the tendency could not be attributed merely to changes in the structure of the demand for labor. Thus, "the 'rush' for education of the late 1930s and early 1940s... facilitated the subsequent politicization of the African masses." After the war, a greater awareness of their increasingly proletarian status led African workers to seek an improvement of their living conditions as proletarians rather than migrant peasants. The result was "a wave of strikes that made the late 1940s a period of African labor unrest of unprecedented intensity and scale." Developing in conjunction with the growing influence of a manufacturing capitalist class with an interest in labor stabilization and in the expansion of the internal market, the wave of strikes prompted the Rhodesian government to raise basic African wages and to introduce a new classification of jobs in industry that contributed further to the increase in African wages.[14]

The changes in the structure of capitalist production that promoted or facilitated the increase in African wages made the Lewis model irrelevant to the Rhodesian experience in yet another and even more important way.

> Foreign controlled oligopolies, characterized by considerable 'international mobility', had come to dominate important sectors of the [Rhodesian] economy (mining and secondary industries), while the financial and entrepreneurial 'entrance requirements' in most branches of production had greatly increased. As a consequence, prices had lost much of their downwards flexibility and even when changes in relative profitabilities did occur little inter-sectoral mobility of capital could be expected. Moreover, the greater calculating rationality of the large oligopolies relatively to the atomistic producers of earlier times implied a greater dependence of the rate of accumulation upon the absorptive capacity of the market.[15]

[13] Arrighi (1970: 223).

[14] Arrighi (1970: 223–4).

[15] The different dynamics of the recessions of the early 1920s and of the late 1950s vividly illustrates the change. In the early 1920s, falling prices and wages induced businesses (especially in agriculture) to step up investments and absorb the increasingly "unlimited" supply of cheap Africa labor. In the late 1950s, in contrast, the recession led to an outflow of capital and a contraction in investment and the demand for labor. Arrighi (1970: 225–6).

This dependence of accumulation on the size of the market grew in step with the importance of secondary industries that produced mainly for the domestic market, and the more this dependence grew, the more low African wages become the main constraint on accumulation in the capitalist sector. "The acceleration in the growth of the demand for labor that was necessary for the absorption of a growing proportion of the African labor force into wage employment came, therefore, to depend not only on structural changes in the economy which... market forces were ill suited to promote, but also on changes in the power structure of Rhodesian society."[16] Contrary to Lewis' (and Barber's) assumption that all profits are automatically reinvested in productive capacity so as to "widen" capital, i.e. to create new jobs rather than to increase the productivity of those who already have jobs, in the post-Second World War Rhodesian economy investment thus tended to "deepen" capital (largely irrespective of the situation in the labor market) and, "as the limits of growth within the existing politico-economic framework were approached, reinvestible surpluses were either exported or absorbed unproductively or not produced at all." Hence the conclusion that

> the historical relevance of the Lewis model to the Rhodesian experience is limited to a period of roughly 20 years, i.e. from the mid 1920s to the mid 1940s: before the 1920s supplies of labor were in no sense "unlimited"; after World War II, though labor supplies could be said to be "unlimited" in Lewis's sense, the capitalist economy had become structurally incapable of absorbing them.[17]

As Legassick showed, in South Africa the process of accumulation by dispossession had a much longer history and was far more racialized than in Rhodesia. And yet, Legassick found many similarities between the South African dynamic and the one Arrighi described for Rhodesia. One similarity was the state-driven process whereby "unlimited" supplies of cheap labor for capitalist producers were created through the dispossession of African rural communities.

> Under the [1913] Land Act African occupation of territory was restricted to some 13 percent of the area of South Africa... It was from these areas—the "reserves" as they were known—that migrant labor was to come to the towns. It was to these areas that rent-paying or share-cropping Africans on white-owned land refusing to engage in labor were to go. It was in these areas that the families of migrants were supposed to earn that subsistence that was not paid to the migrant in the mines. It was in these areas that children were to be raised, and old men to die.... [sparing], in large measure, the welfare costs of housing, pensions, social facilities and amenities for the non-white work force.[18]

Another similarity was the impact of industrialization and the increasing mechanization and capital intensity of production in general on the structure of the demand for and supply of African labor.

[16] Arrighi (1970: 225–6).
[17] Arrighi (1970: 226).
[18] Legassick (1975: 249).

> [The] rapid expansion of secondary industry, and its changing structure during the Second World War, meant that the demand for labor began to give bargaining power to non-whites. Increased capital-intensity, increased mechanization, meant that the old labor structure of skilled whites and unskilled non-whites began to be replaced by a division between supervisors (white) and semi-skilled machine operators. Increasingly during the wartime years, manufacturers employed in such operative positions non-whites... the segregationist structures of labor control and the restrictions on African movement to the towns were undermined by the needs of industry. Temporarily, indeed, Africans found themselves in a stronger bargaining position.... For the only time in South African history, African wages in the manufacturing sector increased between 1936 and 1948 faster than those of whites.[19]

There were nonetheless important differences between the South African and Rhodesian dynamics. First and most important, the power of the white settler bourgeoisie and working class was far greater in South Africa than in Rhodesia. As in Rhodesia, white commercial farmers constituted a national rural bourgeoisie with a strong interest in the establishment of industries that would create a demand for their produce without competing with them over African labor. To a far greater extent than in Rhodesia, however, in South Africa this interest converged with that of the white working class and newly urbanized "poor whites"—both largely Afrikaner groups like the rural bourgeoisie—who "demanded of the state both industrialization to create employment, and an assurance that they would not be paid wages at the level of the [African] forced labor system." These converging interests materialized in the formation in 1924 of the Nationalist-Labor Pact government which promoted industrialization through the taxation and investment of surplus capital from mining in public industrial enterprises, entrenched the job color bar in mining, and secured the preferential employment of whites at suitable ("civilized") wages in all sectors of the capitalist economy.[20]

As previously noted, the very success of the industrialization drive undermined the segregationist structures of labor control and the restrictions on African movement to the towns. It thereby threatened white workers with greater competition from Africans over jobs and the rural bourgeoisie with greater competition from urban employers over the supply of cheap African labor. As in the 1920s, the white working class "looked to the state to provide a statutory entrenchment of its position and hitched its wagon to the force of Afrikaner nationalism being mobilized by agricultural entrepreneurs." The result was the accession to power in 1948 of the Nationalist Party and the adoption of apartheid as official government policy. Although during the war manufacturing capital had begun "tentatively to question the relevance of the inter-war structure of labor-coercion to the situation of a booming secondary industry," according to Legassick, its demand for non-white labor depended on its cheapness, "which was dependent on the maintenance of the bans on trade-union organizing, on the labor-pool function

[19] Legassick (1975: 259–60).
[20] Legassick (1975: 253–5). On the weaker (and later) manifestation of an analogous convergence of interests in Rhodesia, see Arrighi (1967).

performed by the maintenance of African 'traditional' structures." Industrial capital, therefore, had no interest in threatening the stability of the system with a relaxation of controls over the residence and mobility of the African labor force. On the contrary, "manufacturing interests were chiefly concerned with continued economic growth and continued profit, and would be content if this could be achieved through elaboration of the existing system... in the context of the new situation of secondary industrialization." One of the major functions of apartheid was to provide such an elaboration.

> *Apartheid*, or separate development, has meant merely tightening the loop-holes, ironing out the informalities, eliminating the evasions, modernizing and rationalizing the inter-war structures of "segregationist" labor control... [It] has meant the extension to the manufacturing economy of the structures of the gold-mining industry.[21]

Integral to this extension was the state's assumption of direct control of the non-white educational system—to provide the mass of Africans with the minimal qualifications needed in semi-skilled jobs in white South Africa and a small elite with the credentials and qualifications needed to administer the reserves turned into "homelands/Bantustans"—and a new "job reservation" system, which nonetheless recognized "the need for flexibility and renegotiation of the 'level' at which white versus non-white divide should come." This recognition and the reclassification of jobs that actually occurred were no indication of an erosion of the system of racial stratification; they were simply a means of dynamic adjustment of that system to changing economic conditions. Although non-whites could move into more jobs, including more skilled jobs in manufacturing, "the whites [would] move upward even further" and attempts by individual firms to pay equal wages for equal work would "simply produce greater mechanization and fewer employees—with non-whites rather than whites fired."[22]

As Arrighi did in the case of Rhodesia, Legassick emphasized the constraints that an extremely unequal distribution of income imposed on the expansion of secondary industries producing mainly for the internal market. "The low wages of non-whites make South Africa's domestic market small, so that capital seeking to reinvest must either move itself outside South Africa or develop export markets large enough to produce economies of scale." His emphasis, however, was not on the structural incapacity of large-scale, internationally mobile corporations to absorb the unlimited supplies of cheap labor created by the white-settler states that constituted Arrighi's second critique of the Lewis model. It was instead on a renewed drive toward the external and internal relocation of investment and production. Not only was South African and South African-based foreign capital involved in major infrastructural and natural-resource-extraction investments in the surrounding region with active support from the apartheid regime. Within South Africa itself, manufacturing industry was encouraged to relocate next to the Bantustans. "In this way the traditional structures continue to reduce 'welfare' and 'social control' costs to the

[21] Legassick (1975: 260–1).
[22] Legassick (1975: 262–3).

South African state, the benefits of migrancy are retained, and large concentrations of Africans in major industrial centers are avoided."[23]

Building on Legassick's and Arrighi's analyses, Wolpe developed them critically into a theory of the dependence of capitalist development on pre- (or, more properly, non-) capitalist social structures for the supply of cheap labor. While agreeing with most of Legassick's analysis of the development of capitalism in South Africa, he criticized it for "assuming that the economic and political functions of the Reserves continue unchanged and, therefore, that the migrant labor system remains what it has always been." This assumption, claimed Wolpe, prevented Legassick from identifying the most essential feature of Apartheid "as the *mechanism specific to South Africa* in the period of secondary industrialization, of maintaining a high rate of capitalist exploitation through a system which guarantees a cheap and controlled labor-force, *under circumstances in which the conditions of reproduction (the re-distributive African economy in the Reserves) of that labor force is rapidly disintegrating*."[24]

More specifically,

> a *migrant* labor-force is a labor-force which is both mobile *and* which has a particular economic basis in the... Reserve economy. With the disappearance of that economic basis... the problems of curtailing industrial action and of political control over Africans in the urban areas became extremely acute... [Hence] the extension of the State's power over the residence and movement of the labor force, which adds to the State's repressive control over it (precisely, one feature of Apartheid) is a function of the economic changes in the Reserves which generate a threat to the cheapness of labor-power.[25]

Equally important are the "rural" features of apartheid. "The practice and policy of Separate Development"—claims Wolpe—"must be seen as the attempt to retain, in a modified form, the structure of the 'traditional' societies, not, as in the past, for the purposes of ensuring an economic supplement to the wages of the migrant labor force, but for the purposes of reproducing and exercising control over a cheap African industrial labor force in or near the 'homelands', not by means of preserving the pre-capitalist mode of production but by the political, social, economic and ideological enforcement of low levels of subsistence." Indeed, "the policy of border industrial development can only be understood if it is seen as an alternative to migration as a mechanism for producing cheap labor-power."[26]

Wolpe's criticism of Legassick, as he acknowledged, converged with and built on Arrighi's assessment that capitalist development in Rhodesia, by destroying the self-sufficiency of the reserves, tended to destroy also the tradition that fixed African wages at a level that allowed only the subsistence of *single* men. Nevertheless, his exclusive focus on cheap labor as condition of capitalist development made his conclusions diverge radically from Arrighi's contention that, by restraining the growth of the domestic market, cheap labor had become a major obstacle to the

[23] Legassick (1975: 264–5).

[24] Wolpe (1972: 428, 433; second emphasis added). Although this article was published three years before Legassick's, Wolpe referred to and quoted extensively the latter's unpublished version.

[25] Wolpe (1972: 447).

[26] Wolpe (1972: 450, 452)

continued economic expansion of the white settler economies. In this respect, despite differences, Arrighi's conclusions were closer to Legassick's.

In Fig. 1 the complementary insights of these three analyses of the South(ern) African pattern of accumulation by dispossession have been combined in a single schematic representation to which we shall refer as the L-A-W (Legassick-Arrighi-Wolpe) model. The boxes on the right-hand side of the diagonal specify the conditions of the success of the model in generating through the 1960s per capita income for the ALR region among the highest in the Third World (see Table 1). The boxes on the left-hand side of the diagonal, in contrast, specify the contradictions of economic success already envisaged by the combined L-A-W model. The-rapid-industrialization box at the center of the diagram intersects the diagonal because it is an integral aspect of the success of the model but also a major source of its contradictions.

Shortly after Arrighi, Legassick and Wolpe presented their analyses of Southern Africa, capitalist development in the ALR region entered a long crisis from which South Africa, not to speak of Zimbabwe, have yet to recover in spite of fundamental changes in political organization. How useful is the combined L-A-W model in interpreting this long crisis? How should the model be revised in light of the crisis? And what light does the revised L-A-W model throw on the present predicament of the South African social economy? These are the questions to which we now turn.

The Southern African Crisis and the Global Neoliberal Turn[27]

The post-Second World War South African growth model has sometimes been referred to as a form of 'racial Fordism.' A more accurate characterization—largely implicit in the L-A-W model—is that of a racially exclusive combination of a welfare and a developmental state. The characterization is justified by the fact that an active policy of Import Substitution Industrialization (ISI) was integral to the formation of a racially exclusive welfare state. Earlier industrialization efforts were facilitated by the Tariff Act of 1925 that imposed tariff rates ranging from 20% to 25%. Though not particularly high for the inter-war period, these rates were substantial enough to make it profitable to produce for the domestic market.[28] Under apartheid, state involvement in promoting ISI intensified. As many have noted, despite their hostility towards socialist ideas, Afrikaner Nationalists extended state control of the economy on an unprecedented scale.[29] Besides mobilizing tax

[27] The goal of this section is to highlight the features of the growth path identified in the L-A-W model which have had long term developmental and welfare implications for South Africa, rather than to comprehensively explain the causes of South Africa's long crisis. However, our argument has implications for theoretical debates on capitalist crisis, both in South Africa and generally. The argument put forward in this article suggests that the changing balance of forces between labor and capital plays an important role in determining the causes and outcomes of capitalist crises. For a more systematic development of this point see Arrighi 2003. Cf. Bond and Desai (2006) who provide a useful overview of the debates on the South African crisis, and put forward their own argument that the period from the 1970s to the present is a single long crisis of overaccumulation.

[28] Schneider (2000: 416).

[29] While state-owned monopolies continued to control electricity and water supply, railways and harbors, broadcasting, air transport, and much steel production, state-generated manufacturing capital increased from less than 10 per cent in the 1920s to 25% by the 1970s. Beinert (2001: 176).

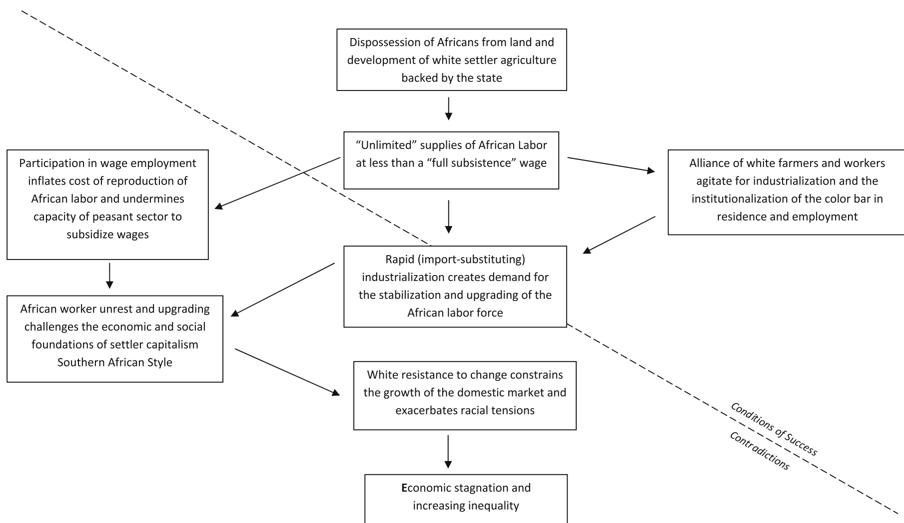

Fig. 1 The L-A-W model of accumulation by dispossession

proceeds mainly out of the profits of privately-owned mining corporations to finance the growth of the state sector, the Afrikaner nationalists mobilized agricultural savings to enable Afrikaner business to compete in manufacturing and trade with established Anglo-Saxon interests. As a result, between 1946 and 1955, 65% of the new capital stock was of South African origin, and by the period 1966–75, the figure had increased to 83%.[30]

As Legassick underscored, the ultimate goal of protectionism and the development of state enterprises was the creation not just of profitable opportunities for the national white bourgeoisie but also of secure and well-remunerated jobs for white workers. Indeed, firms were granted protection only if they agreed to employ a large proportion of white workers and to pay them high ('civilized') wages.[31] South African whites thus came to occupy "a similar position to that of the working classes in the advanced industrial countries, their living standards steadily rising, while blacks... remained relatively impoverished, though their incomes did rise slowly."[32]

Through the 1960s and early 1970s, the narrowly based but rapidly growing white market for consumer goods provided increasing opportunities for import-substitution, while the fully proletarianized African population provided seemingly unlimited supplies of labor at wage rates still designed to support a single migrant.[33] Thanks to this combination of rapidly expanding white consumption and investment on the one side, and unlimited supplies of cheap black labor on the other, from 1955 through the 1960s profit rates in South African manufacturing were consistently

[30] Lundahl (1992: 302).
[31] Schneider (2000: 417).
[32] Gelb (1991: 2).
[33] Terreblanche and Nattrass (1990: 9).

among the highest in the world. The manufacturing sector, in turn, pulled along the rest of the economy, replacing mining as the single largest and most dynamic sector, its growth outstripping GDP growth from 1946 through 1980.[34]

Although the rapid expansion of the 1960s originated in the developmental thrust of the apartheid regime, low African wages, a growing domestic market, efficient communications and financial institutions, a well-educated local white management and professional class, and apparent political stability, jointly attracted large inflows of foreign direct investment (much of it in manufacturing) mainly from the United States.[35] These factors are illustrated on the right-hand side of Fig. 1 as the 'conditions of success' in the L-A-W model of accumulation by dispossession. The result of these processes was the consolidation of a century-long process of increasingly "dualistic" development.

> The 'modern' part of the economy expanded, and real incomes in that sector rose, while incomes in the Bantustans as well as the real wage level of Africans in the modern sector stagnated. White incomes in the mid-1970s were higher in real terms than those prevailing in Western Europe, especially taking into account that income taxes were low and, for example, domestic services were far cheaper than in Western Europe or the United States. Limiting the comparison to incomes, the average white/African income ratio in 1975 was 11 to 1. An economy had been created that displayed income inequalities that were among the largest in the world.[36]

However, even during the boom time of the late 1960s, the contradictions of this system were beginning to have a negative effect. Before the global downturn of the mid 1970s, South Africa's economic performance had been lagging behind that of comparable countries for a decade.[37] By the mid 1970s, the South African racially exclusive welfare-developmental state entered a serious crisis that became irreversible in the 1980s. The rate of growth of real GDP fell from an average of 4.9% per year in 1946–1974 to 1.8% in 1974–1987, most of the decline occurring in the 1980s.[38] The slowdown can be traced to a combination of economic, social and political developments, some national and some international, which sounded the death knell of the apartheid regime. The left-hand side of Fig. 1 represents these contradictions in the L-A-W model of accumulation by dispossession.

After 1972, an upsurge in African workers' unrest showed that the capacity of apartheid to keep African wages down and create a stable political environment for

[34] Schneider (2000: 419).

[35] Marais (2001: 109). "There was a significant withdrawal of capital when slower growth in the late 1950s was followed by political crisis in 1960. But the government acted decisively to block the export of foreign exchange, increase interest rates, raise protectionist barriers, and crush opposition. Foreign investors responded by rewarding the reimposition of political authority rather than penalizing the intensification of repression" (Beinert 2001: 173). Evidently, as long as rates of profit were among the highest in the world, foreign capital had no qualms in placing its bets on apartheid.

[36] Lundahl (1992: 303).

[37] Thomas and Martin (1992: 172–175).

[38] Jones and Muller (1992: 296). For the comparative worsening of the South African performance, see Table 1.

local and foreign investors by ruthlessly suppressing African political dissent had reached its limits. Between 1973 and 1976,

> strikes involved more than 200,000 workers, with the first major action taking place in Durban. More strikes broke out in Cape Town, East London and the Rand, later extending to other parts of the country. The Durban strikes were spontaneous, as workers had no trade unions and very little organization. However, they gained some success and a series of pay increases were introduced in 1973. Average wages for black miners rose by 78.8 per cent between 1973 and 1974 as mining companies shifted away from their former policy of recruiting cheap foreign black workers.[39]

Adding greatly to the growing uncertainty about the effectiveness and durability of the apartheid regime was the collapse in 1975 of the Portuguese-ruled buffer states around South Africa, and the subsequent military actions in Angola and along the northern borders of Namibia. The possibility of finding a regional "fix" to the internal contradictions of apartheid emphasized by Legassick thus faded precisely at a time when those contradictions were becoming more acute. The atmosphere of instability was greatly aggravated by the 1976 uprising against government policy in Soweto and elsewhere. The economic crisis was thus inextricably linked to the inability of the apartheid regime to keep under control a fully proletarianized African labor force at home and simultaneously find African allies in the surrounding region.

The extent to which black disenfranchisement—even if effectively enforced—could sustain economic growth had nonetheless limits of its own. While the reservation of skilled and semi-skilled jobs for whites and an educational system that made it impossible for the vast majority to compete for higher positions narrowly limited the pool of high-level labor-power from which secondary and tertiary industries could draw, low and stagnant black incomes limited the extent to which import-substitution opportunities could go on expanding.[40] Employers' attempts to counteract the growing shortage of skilled labor and the growing militancy of African workers through a substitution of capital for labor—as witnessed by an acceleration of the growth of the capital-labor ratio—backfired. These attempts not only failed to raise productivity sufficiently to justify the greater capital intensity of production, but more importantly, by curtailing the absorption of black labor in wage employment, they further restrained the growth of the domestic market and made governmental efforts to keep blacks out of the urban areas ever more repressive.[41]

The South African economic expansion began to experience systemic constraints of the kind that are described in the L-A-W model already in the 1970s, when worldwide competition over capital goods and energy sources provoked a major jump in the prices of both. The compound growth rate of the price of machinery imported in South Africa almost doubled in 1974–80 relative to the previous 5 years, while the double oil shock of 1973 and 1979 considerably aggravated the situation by raising costs of production and reproduction in the energy-intensive leading

[39] Deegan (2001: 44).

[40] Lundahl (1992: 293–4); Marais (2001: 32); Schneider (2000: 419).

[41] Lowenberg (1997: 64); Kaplinksy (1995: 189); Gelb (1991: 17); Schrire (1982: 132).

sectors of the economy and by tightening balance-of-payment constraints on further expansion. In the case of South Africa, however, throughout the 1970s the negative impact of rising costs of imported oil and machinery was largely compensated by the rising price of gold and the relative ease with which syndicated bank loans and bonds could be raised in international capital markets.[42]

After 1980, however, the US-led neo-liberal turn changed the situation radically by provoking both a collapse in the price of gold and other primary commodities and a sudden contraction in the supply of funds to low- and middle-income countries in international capital markets. Against the background of a deepening global recession, and in the throes of a balance of payments crisis, the South African government in 1982 sought an International Monetary Fund (IMF) standby loan of R1,24 billion. Shortly afterwards, partially in compliance with IMF prescriptions, the apartheid regime undertook a host of 'free market' adjustments, including the lifting of exchange controls for non-residents and the tightening of monetary policy through a sharp increase in interest rates, a freeze on consumer subsidies, and an increase in indirect taxation that off-loaded the fiscal burden onto the poor. Instead of the expected positive effects, the adjustments resulted in rising inflation, large outflows of capital, a steady depreciation of the Rand, stagnation in output, and massive and expanding levels of unemployment.[43]

Structural adjustment, in other words, sent the virtuous circle of economic expansion of the 1950s and 1960s into reverse. Foreign and domestic capitalists alike found speculation on the Johannesburg stock exchange more attractive than investment in physical plant and equipment. As a result, while stocks boomed, the goods producing sectors of the economy contracted, with net investments as a share of GDP falling from 17% to 18% in the first half of the 1970s to a mere 3–4% in 1985–88, and hovering near the zero mark by 1990.[44]

Manufacturing, the leading sector of the earlier expansion, now led the economy into contraction. While local demand remained sluggish, South African manufactured products failed to penetrate export markets, their share of total exports slumping from 31% in 1960 to 12% in 1988. Manufacturing firms responded to the crisis by switching to more mechanized production techniques, to investment in take-overs, and to sweeping rationalization programs, often associated with closures of older (more labor-intensive) plants, and increased investment in decentralized production sites (including the cheaper labor zones of Zimbabwe and Malawi), particularly by firms in labor-intensive industries such as clothing and textiles. Another response was simply a refusal to invest in production and a greater disposition to invest abroad, leading to a virtual collapse in productive investment within the manufacturing sector. Massive labor attrition ensued with a loss of 200,000 jobs in the metal and related sectors alone.[45]

[42] Cf Gelb (1991: 20–1) and Marais (2001: 109). Gelb incorrectly contends that the collapse of the Bretton Woods system of fixed exchange rates in March 1973 was a cause of the South African economic crisis because it destabilized the price of gold. In reality, up to 1981 the de-stabilization resulted in a major *increase* in the price of gold, which lessened the impact of the crisis.

[43] Marais (2001: 45, 101)

[44] Lowenberg (1997: 67); Marais (2001: 101).

[45] Beinert (2001: 314–5); Black (1991: 171); Marais (2001: 103).

The miserable performance of South African industry was accompanied by a reversal to primary production and exports. The collapse of gold and primary commodity prices of the 1980s, however, narrowly limited the capacity of the reversal to pull the South African economy out of the doldrums. Nor did the almost uninterrupted depreciation of the Rand during the 1980s help. Far from stimulating exports and attracting capital, it greatly increased the uncertainties involved in investing in a country that no longer offered rates of return high enough to compensate for the risk of exchange rate depreciation. It thereby made South Africa a much less attractive venue for foreign investment than it had been in the 1960s.[46]

Indeed, as soon as rates of profit in South Africa ceased to be among the highest in the world, foreign capital began withdrawing its bets on the apartheid regime. And when, in 1984, African discontent turned into a 3-year long uprising, a massive capital flight wreaked havoc on South Africa's international economic position forcing the monetary authorities to declare unilaterally a debt standstill in August 1985. After that, the net inflow of FDI of $1b in 1980–84 turned into a disinvestment of $0.5b in 1985–89. Between 1984 and October 1989, 192 US firms dis-invested, as well as 160 companies from the United Kingdom and other countries, with some local corporations following the trend by undertaking direct investment abroad, mainly in Europe.[47] The financial sanctions imposed on the apartheid regime in the late 1980s, which induced international creditors to refuse to roll-over loans or issue new ones, were merely the straw that broke the camel's back.

South Africa's economic crisis was perfectly understandable in terms of the L-A-W model as the result of a fundamental contradiction between the developmental-welfare objectives of the apartheid regime on the one side, and its repression of African demands for wages reflecting a full-proletarian condition on the other (see Fig. 1). Thus, the model accurately predicted both the economic downturn and increasing inequality and political unrest. But as the preceding narrative of South Africa's slide into crisis illustrates, the model didn't foresee the specific mechanisms of the apartheid regime's breakdown. Specifically, three major mechanisms were absent: First, the model would seem to suggest that African labor was being progressively weakened by political repression and an erosion of its economic base. It had no plausible explanation for the leverage that enabled African workers to initiate the unraveling of the apartheid regime in spite of this progressive weakening, rising unemployment, the absence of trade unions, and the lack of legal rights not just to organize but to reside in urban areas as well. Second, the model failed to anticipate the impending crisis of the large-scale corporations that had become dominant in the settler economies of Southern Africa. Third, and perhaps most crucial, the model was rather oblivious to the world-systemic constraints that limited the chances of success of welfare and developmental strategies alike, particularly strategies like the South African that combined racially exclusive welfare and developmental objectives. It didn't foresee how major shifts in the world economy made the contradictions (see Fig. 1) of the South African regime a serious barrier to growth in the 1980s and 1990s.

[46] Rogerson (1991: 355); Jones and Muller (1992: 302).

[47] Marais (2001: 109); Padayachee (1995: 169); Jones and Muller (1992: 299).

The first problem can be easily solved by incorporating in the model the hypothesis that the vertical integration and capital intensity of production undermines the bargaining power of labor in the market but strengthens it in the workplace. Indeed, as Beverly Silver has shown, the South African labor upsurge of the mid 1970s fits very well in a global pattern of labor unrest driven by the diffusion of the workplace bargaining power associated with Fordist techniques of production. In this pattern, trade union organization and political freedoms are more often than not the result rather than the premise of successful labor action, as demonstrated not just by the South African case but also by the Brazilian and the South Korean.[48]

The second problem, the crisis of large scale corporations, had been anticipated by Peter Drucker as early as the late 1960s, when he predicted that the dominance of big US corporations like General Motors and US Steel was about to end in an era of "turbulence".[49] By the 1980s the predicted crisis had become a reality. "The large corporation, with its national vertical structure and the separation of its functions between staff and line," wrote Manuel Castells and Alejandro Portes, "does not appear any more as the last stage of a necessary evolution toward rationalized industrial management. Networks of economic activities, networks of firms, and coordinated clusters of workers appear to comprise an emergent model of successful production and distribution."[50] This is not to argue that the large corporation is a 'dinosaur' unable to compete in the 'post-industrial' world of flexible demand and heightened competition. Instead, as Bennett Harrison has emphasized, big firms are evolving, "creat[ing] all manner of alliances, short- and long-term financial and technological deals—with one another, with governments at all levels, and with legions of generally (although not invariably) smaller firms who act as their suppliers and subcontractors."[51] This systemic shift presented new challenges to the South African economy and exposed an unforeseen contradiction in the model of accumulation by dispossession presented in Fig. 1. As production began to shift from large multi-national corporations toward networks of small firms, the deteriorating conditions of the labor force and the limits that the Apartheid policies placed on the growth of the domestic market and on production for the market by the African majority put South Africa at a disadvantage, particularly vis-à-vis East Asia.

Finally, we must incorporate in the model the observation that the extent to which specific welfare and developmental strategies can attain their objectives is subject to world-systemic limits. Strategies that have very good chances of succeeding when pursued by states accounting for a minority of world population may have poor or no chances at all when pursued by states accounting for a majority. Generalized attempts to move into high-value-added activities, for example, inevitably raise the prices of their inputs, depress the prices of their outputs, and thus lower the unit value of the activities in question. This has indeed been the experience of industrialization, whose effectiveness in generating high value added (i.e. high per

[48] Silver (2003: 54–64).
[49] Drucker (1968).
[50] Castells and Portes (1989: 29–30). See also Piore and Sabel (1984).
[51] Harrison (1994:8–12).

capita GNI) has decreased in step with the success of the industrialization drives of low- and middle-income countries.[52]

By incorporating these revisions and additions into the L-A-W model, it is possible to shed new light on the crisis of the apartheid regime that began in the 1970s. It is also possible to use the revised L-A-W model to reexamine the root causes of the present predicament of the South African social economy. In the next section, we will analyze South Africa's developmental trajectory after apartheid was overthrown and democratic structures put in place in 1994. In our analysis the constraints put in place by the legacy of accumulation by dispossession play a central role.

The Southern African Crisis Under Majority Rule

As the crisis of the apartheid regime became terminal, South Africa entered an amazingly peaceful transition to majority rule. "All South Africans"—rightly claimed Sampie Terreblanche in 2002—"can be proud of the political and human rights transformations that have taken place over the past 8 years." Unfortunately, he added, there had been no corresponding socio-economic transformation, as the living conditions of large numbers of Africans had become more rather than less precarious during the post-apartheid period.[53]

The failure of the ANC government to improve significantly the lot of the African population has been widely attributed to its strict adherence to neo-liberal doctrines and policies. Since apartheid had been a heavily statist system, many members of the new government thought that the economic stagnation of late-apartheid was the consequence of protectionism and too much state intervention and that the road to economic growth and redistribution lay in the adoption of neo-liberal economic reforms.[54] Moreover, in the 1980s big business, both national and international, had switched from betting on to betting against apartheid. The ANC therefore reckoned that it could mobilize capital's support to launch the economy onto a growth track that would enable it to meet its socio-economic pledges.[55] If capital were granted enough concessions, why would it not support South Africa's economic growth as it had done under apartheid during the economic boom of the 1960s?

Obviously believing that it would, in August 1994 the newly installed ANC government announced deep tariff reductions in clothing and textiles and automobile components far beyond what GATT demanded, and then went on to nail its colors to the mast of export-oriented growth, trade and financial liberalization, privatization, regressive taxation, ultra-low inflation targets and business-friendly adjustments of all kinds. Despite rhetoric to the contrary and commendable interventions in the labor market and affirmative action policies in the workplace, the main thrust of ANC policies was more neoliberal than that of the structural adjustments undertaken under apartheid in the 1980s.[56]

[52] Arrighi et al. (2003).
[53] Terreblanche (2002: 27).
[54] Carmody (2002: 258).
[55] Marais (2001: 136).
[56] Marais (2001: 115, 117, 136).

While there were some successes in attracting FDI in export-oriented industries, the results of the pro-business policies were most disappointing. Apart from firms that had divested and were returning to the country, most foreign investment was in mergers and acquisitions or in stocks and bonds, neither of which did much to expand production and create new jobs.[57] Worse still, after 1996 FDI abruptly declined and outward investments by South African firms shot up from $57 million in 1996 to $2.3 billion in 1997. Instead of attracting capital, liberalization created an opportunity for major South African business groups, such as Anglo-American, Old Mutual, South African Breweries, Billiton, and Dimension Data, to shift their primary stock market listings and headquarters to London, where they could raise money more cheaply and easily, hold their assets in a less vulnerable currency, and develop their global ambitions. At the same time, while demanding more liberalization (ostensibly to improve investment opportunities in South Africa), the country's corporations embarked on an investment spree in foreign countries.[58]

The ANC government thus prolonged rather than solved the South African economic crisis of the 1980s. This failure to solve the economic crisis inherited from the apartheid regime can partly be traced to a misreading both of the world-economic conjuncture and of the role of the state in dealing with it. As even some ANC economists had anticipated, post-apartheid South Africa was seeking to hop aboard the export-led bandwagon at a time when almost all low- and middle-income countries were attempting such a strategy under global conditions that were becoming less and less favorable for all to succeed. Moreover, the countries that did succeed relied heavily on selective state action.[59] The hope that FDI would flock to South Africa as it had during the boom years of the 1960s flew in the face of the experience of South Africa in those years, as well as the experience of most low- and middle-income countries in more recent years. Both experiences suggest that FDI rarely, if ever, initiates economic expansions. Rather, it flows where economic expansions are already in full swing, at best amplifying and prolonging them.[60]

Thus, transnational corporations that invested in South Africa in the 1960s engaged in 'tariff jumping' investment to profit from the combination of an expanding domestic market provided by affluent whites and ample supplies of low-wage African labor. However, once the racially exclusive model of development had reached its limits, transnational corporations and foreign investors in general did nothing to pull the South African economy out of the doldrums. On the contrary, when the US-led global neo-liberal turn of the 1980s sent the virtuous circle of South African economic expansion into reverse, foreign and domestic capital alike strengthened the reversal by switching from production to financial speculation and

[57] Marais (2001: 112); Carmody (2002: 267).

[58] "By encouraging offshore investments, government hoped to create 'space' in the economy for foreign investors (and it must be added, black economic empowerment consortia), since firms shifting abroad are pressured into selling off non-core local operations in order to raise investment capital. Foreign investors took the opportunity (evident in the large share of FDI acquisitions), but without robust local demand to trigger further, new investments, the rush soon waned" (Marais 2001: 111, 174).

[59] Marais (2001: 117).

[60] Carmody (2002: 267) and Marais (2001: 113) citing a study of FDI flows to 54 developing countries by Schneider and Frey (1985: 167–75).

by fleeing South Africa for the wealthier markets of Western Europe, Australasia and North America.

No amount of concessions to capital could rescue South Africa from this downward spiral, as long as the most fundamental impediments to economic growth inherited from the apartheid regime remained in place. These, as we have seen, were the declining welfare and social wage of the labor force coupled with the increasing cost of living associated with the developmental path described by the L-A-W model. The ANC government freed the economy from the legal shackles of apartheid, introduced various forms of affirmative action, and increased spending on education and basic welfare for children and the elderly, while cutting defense spending. Nevertheless, the distortions and dynamics of apartheid continued to operate informally, reproducing mass poverty and inequality. Despite an increase in public-sector employment, losses in manufacturing jobs continued to swell the huge reserve army of African labor inherited from apartheid.[61] Not only did its poor education and poor health (made worse by the outbreak of the HIV epidemic) constitute major obstacles to its employment.[62] More important, the privatization of many state-owned industries and the government's hands-off approach to state investment strengthened the pre-existing trend towards greater capital-intensity in investment, which increased total factor productivity but reduced employment.[63]

Unwittingly, ANC policies thus reproduced rather than solved the contradiction of a model of capitalist development that—as L-A-W contended long ago—created far larger supplies of fully proletarianized labor than it could absorb. This contradiction and its exacerbation under the impact of the global neo-liberal turn are at the roots of the present predicament of the South African economy in general and its manufacturing in particular. By way of conclusion, we shall now further substantiate this claim and suggest possible ways out of the South African impasse by re-examining critically Chan's, Hirsch's and Hart's implicit answers to the questions of why South Africa is uncompetitive in labor-intensive manufacturing in global markets and what developmental strategies can deliver on the unfulfilled promises of majority rule.

Conclusions

This paper has re-examined the analyses of Legassick, Arrighi and Wolpe in the context of current debates on development in order to sketch the relationship between historical dispossession in South Africa and the country's current economic malaise. In what follows we present four main conclusions from the foregoing account of the Southern African crisis before and after the downfall of apartheid.

[61] Beinert (2001: 317).

[62] The low levels of formal education of many Africans, for example, made them ineligible for employment in the tertiary sector, which was one of the few sectors that did expand. As a result, in 2001 about 50% of African entrants to the job market could not find jobs in the formal economy. Terreblanche (2002: 13–14).

[63] Terreblanche (2002: 30, 427, 433); Carmody (2002: 269).

The conclusions are presented roughly in order from most specific to South Africa, to most generalizable to other countries facing similar developmental hurdles.

First, Hirsch is probably right in contending that the labor-intensive industries in which South African producers can be competitive, and in which by implication they should specialize, are those that "exploit an underlying advantage, such as cheap or special access to natural resources, or a preferential market arrangement." This limit, however, is less serious than it might appear. For while the loss of competitiveness of South Africa in labor intensive manufacturing has been aggravated by the closer integration in the global economy of China's and India's huge reserves of cheap labor, this integration may also be producing an incipient reversal in the terms of trade between manufacturing and natural-resource based production. Should such a reversal materialize, it would provide natural-resource-rich South Africa with significant opportunities to generate jobs, incomes, and taxable surpluses, as well as preferential market arrangements.

To be sure, these opportunities may not be taken advantage of and, even if they are, they may not result in the creation of new developmental opportunities in fields other than natural-resource based production. They may, for example, be appropriated by foreign capital and never made available for use within the South African economy; or they may be squandered in expanding activities of little social or economic value; or they may be used to consolidate the exclusive welfare state inherited from apartheid for the benefit of a multiracial minority. But they may also be used to promote and generate activities capable of re-inventing the welfare state on foundations that can be generalized to the vast majority of the population.

Second, pace Chan, neither the presence of autonomous union organizations nor the absence of restrictions on the geographical mobility of people is a source of South Africa's competitive disadvantages in labor intensive manufacturing. Three basic facts contradict Chan's contention: 1) South Africa is not competitive *vis-à-vis* countries that face similar circumstances in one or both respects; 2) the absence of autonomous union organizations in South Africa did not prevent African labor from waging struggles among the most successful of its history—indeed, autonomous unions were the product rather than a condition of those struggles; 3) the large and growing number of immigrants from north of the Limpopo who work legally or illegally in South Africa are subject to restrictions on residence and mobility not all that different from those of migrants under the *hukou* system.

The true source of South Africa's competitive disadvantages in labor intensive manufacturing lies, on the one side, in the full proletarian condition, high costs of reproduction, poor health and formal education of its labor force and, on the other, in the narrowness of its domestic market. As Hirsch suggests, heavy investments in infrastructure and in human capital aimed at reducing the costs of reproduction and improving the quality of the labor force are absolutely necessary to promote a greater absorption of the country's labor resources. To this we should add that any such strategy would create a high-local-content demand for labor, thereby minimizing negative balance-of-payment effects, and does not require any departure from fiscal prudence. All it requires is a reversal of policies from cutting services in order to reduce taxes on profits to taxing profits in order to expand services. Capital will undoubtedly protest, as it did when the NP taxed profits for the benefits of the white minority. But over time a wider domestic market and a higher quality of the labor

force are more likely to induce capital to remain in (or come to) South Africa than low taxation.

Third, although traditions are continually re-invented, the path dependence of South Africa on the tradition of accumulation by dispossession is deeply entrenched and, in all likelihood, hard to overcome through land and other re-distributive reforms without major disruptions in the established flow of economic and social life. At the same time, should present social imbalances worsen, violent political conflicts over resources, such as a Zimbabwe-type process of land redistribution, become more likely. The ultimate developmental implications of such resource conflicts are impossible to predict.

What is easy to predict is that without some form of state-promoted re-distribution of land and other resources to the dispossessed African population, not only will social imbalances worsen, but the chances of success of any strategy of development that aims at widening the market and upgrading both the quality and education of the labor force may be seriously compromised. The partial deracialization of the tiny and still largely racially exclusive welfare state inherited from the apartheid regime is impossible to avoid and desirable in itself. But unless it is accompanied by structural reforms that re-invent the welfare state on foundations that can be generalized to the vast majority of the population, the economic and social performance of the South African state will continue to deteriorate, despite its recent ideological transformation into a developmental state.

Fourth, the South African case provides compelling evidence in support of the view that the crisis of national development in middle-income countries does not, as Freeman and many others maintain, originate in the closer integration of China's and India's "unlimited" supplies of cheap labor in the global economy. Not only did the onset of the crisis precede that integration; more importantly, its origins can be more plausibly traced to national and international constraints that limit the chances of success of developmental and welfare states in general, and of the racially exclusive developmental and welfare South African state in particular.

National constraints refer primarily, on the one side, to the narrowness of the domestic market entailed by the low and stagnant incomes of the vast majority of a comparatively small population and, on the other side, to the rapidly decreasing capacity of the subsistence economy to subsidize the maintenance and reproduction of labor in the capitalist economy. International constraints refer to two closely related phenomena: the increasing competitive pressures that the industrialization efforts of developmental states imposed on one another and the sudden intensification of these pressures that ensued from the US-led neo-liberal turn in the 1980s. It was the interaction of these national and international constraints that precipitated the signal crisis of the apartheid model of development in the 1970s and its terminal crisis in the 1980s. And it is the same interaction under radically different political conditions that has prevented the ANC government from delivering on its promises of social and economic emancipation of the African masses. By "betting" on capital to solve the crisis, it forfeited the kind of investments in the welfare of the population (housing, public transport, health and, above all, mass lower and higher education) that would have been key developmental objectives in themselves and may well be the most essential, though by no means sufficient, condition of renewed economic expansion.

Finally, while these conclusions apply specifically to South Africa and its developmental hurdles resulting from apartheid and centuries of accumulation by dispossession, a broader theoretical observation is apparent from our analysis of the Southern African developmental paradigm. As Hart has underscored, the developmental success of China and other East Asian countries has been built on a tradition of accumulation *without* dispossession and of rural development and industrialization, which is radically different from the tradition of accumulation by dispossession that has shaped South Africa and the surrounding Africa of the labor reserves. Just as the Southern African tradition has ultimately narrowed domestic markets, raised reproduction costs, and lowered the quality of the labor force, so the East Asian tradition has simultaneously expanded domestic markets, lowered reproduction costs, and raised the quality of the labor force.[64]

Hart's observation in combination with the arguments advanced here suggest a need to rethink classical notions of capitalist development, particularly the notion that accumulation by dispossession is a necessary precursor of successful capitalist development—a notion that continues to be advanced implicitly or explicitly by a broad array of scholars. Far from leading to successful capitalist development, extreme dispossession has produced major developmental hurdles for South Africa. The analysis put forward in this article also suggests the need for a major rethinking of development policies and practices: strategies to improve the welfare of the majority of the population should be put front and center, both as a key prerequisite for successful capitalist development and as a desirable end in itself.

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[64] For a detailed development of the East Asian side of the argument made here see Arrighi 2007 and Arrighi and Zhang 2010; also Arrighi 2002: 24–31.

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