South Africa in the Changing World Order:

Power, Finance and Society

by

Elizabeth Cobbett

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ABSTRACT

What is the relationship between changes in world order and the organisation of finance in South Africa? And how do we understand these changes theoretically? To answer this question I employ Fernand Braudel's historical method of the study of material civilization—the constraints and possibilities on which the social world is based at any given point in time. This method provides an instructive and original explanation of societies, political power, economic modes of production, and the place that capitalism occupies historically and spatially within these contexts.

My dissertation argues that patterns of both continuity and change in the world order are perceptible in South Africa as the country finds itself at the heart of historic shifts in world-economies. Change is observable at the boundaries of world-economies as arrangements in power, trade and investment shift to new political economic centres. South Africa is a zone historically linked to world-economies and reveals these movements. At the same time, global structures ensure continuity, through the power of neoliberal ideology and policies, the international financial institutions set up under American hegemony, the power of the global financial markets, and the enduring power of societal groups with links to transnational capitalism. This interplay between continuity and discontinuity are apparent in national contexts. The goal of this thesis is to study these different dimensions of change and continuity through an exploration of the edges where politics, economy, society, and state meet in post-apartheid South Africa. Looking at these 'edges' provides us with evidence and insight about the robustness of capitalism in South Africa and its structural links to world order, or in other words, about its continuity or discontinuity. Investigation of these changes is achieved through applying Braudel's theoretical building blocks of multiple time frames, 'world-economy' and the 'set of sets,' concepts that unveils the multiplicity and complexity of social orders. Finally, I propose a reengagement with Braudel's thoughts and methods. Braudel's relevance lies in the potential of his theoretical framework to widen and thicken a rather compressed understanding of international political economy.

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LIST OF ABBREVIATIONS AND ACRONYMS

AAOIFI	Accounting and Auditing Organisation for Islamic Financial Institutions
ABSA	Amalgamated Banks of South Africa
AFIS	Automated Fingerprint Identification System
AIG	American Insurance Group
ANC	African National Congress
ATM	Automated Teller Machine
BEE	Black Economic Empowerment
BIS	Bank of International Settlements
BESA	Bond Exchange of South Africa
BRIC	Brazil, Russia, India and China
BRICS	Brazil, Russia, India, China and South Africa
BoP	Balance of Payments
CABRI	Collaborative African Budget Reform Initiative
COSATU	Congress of South African Trade Unions
DBSA	Development Bank of South Africa
ECB	European Central Bank
FDI	Foreign Direct Investment
FIFA	Fédération Internationale de Football Association
FNB	First National Bank
GEAR	Growth, Employment and Redistribution Programme
GDP	Gross Domestic Product
HANIS	Home Affairs National Identification System
IBSA	India, Brazil, South Africa
ID	Identity Document
IFC	International Finance Corporation
IMF	International Monetary Fund
INCA	Infrastructure Finance Corporation
IPE	International Political Economy
IRIN	Integrated Regional Information Networks
JSE	Johannesburg Stock Exchange
M&A	Mergers and Acquisitions
MEC	Minerals and Energy Complex
MPC	Monetary Policy Committee
MYM	Muslim Youth Movement
NEC	Nippon Electric Company
NEM	Normative Economic Model
NEPAD	New Partnership for Africa's Development
NGC	National general council
NOAH	Neighbourhood Old Age Homes
NP	National Party
OAG	Old Age Grant
OECD	Organisation for Economic Co-operation and Development
OWS	Occupy Wall Street
RDP	Reconstruction and Development Programme
ROSC	Reports on the Observance of Standards and Codes
SACP	South African Communist Party
SARB	South African Reserve Bank

SARS	South African Revenue Service
SASSA	South African Social Security Agency
SRM	Self-Regulating Market
UNFPA	United Nations Population Fund
UNISA	University of South Africa
USAID	US Agency for International Development
VOC	Dutch Vereinigte Oostindische Compaignie
WTO	World Trade Organisation

Chapter 1

INTRODUCTION

Background of the Study

Societies and Capitalism

> Today's world is one which contains both continuity and discontinuity, and this contradiction will always remain on the horizon of the problems I shall be considering in the following order: capitalism as a long-term structure; capitalism as part of the social complex; whether capitalism is in a fit condition to survive or not; and finally capitalism as distinct from the market economy, which is for me the essential message of this long quest (Braudel 1984, 620).

Fernand Braudel's observations that the world is marked by both continuity and discontinuity and that capitalism is part of the social complex steer this dissertation. Typically, the economy is taken as a homogenous reality that can be separated and measured apart from the messy societal context from which it emerges (Braudel 1981, 23). This is an analytical choice made by practitioners and scholars. Societal context is a thick and expansive shadowy zone of multiple human acts that is difficult to assess and qualify. Yet, this social complex envelops the observable reality of 'the economy.' Or rather, the economy is an integral part of the social.

"What is society?" asks Braudel (1982: 458). He answers: "For the historian, who is bound so closely to the concrete world, total society can only be a sum of living realities, whether or not these are related to each other: to him it is not a single container, but several containers — and their contents" (Braudel 1982, 458). Society is a 'set of sets,' (1982: 459), of which the economy is one. Splitting the totality into subsets is, Braudel points out, a way of making research manageable. Marx devised a twofold division—infrastructure and superstructure—while Braudel chose a threefold separation of the social order.

What is usually taken largely as the market economy is analytically inserted by Braudel between two shadowy zones: material life and capitalism. These zones are 'shadowy' because the actions and processes taking place are less transparent, less calculable and harder to quantify and qualify. The first shadowy zone, material life, is the thick and rich zone of human activity covering the earth (Braudel 1981, 23). It is made up of humanity in perpetual motion, of people working, producing, and reproducing, of people living and being in this world. It is in this vast world of habitual actions and processes of everyday lives that social hierarchies and market economies are constructed (Braudel 1981, 24). The market economy plays a limited role as link between production and consumption (Braudel 1977, 41-44). While Braudel does not make a distinction between formal and informal markets, we can visualise the boundaries between material life and the market economy to be shifting as people move in and out of formal markets, carried on the waves of economic booms and crises (Braudel 1981, 25). Material life is arguably the messiest area to investigate. The first of Braudel's three tome study of capitalism and civilisation, *The Structures of Everyday Life (1981)*, subtitled "The Limits of the Possible", offers an inclusive account of the everyday possibilities and constraints of material life, as developed by the Annales School[1]. Like other historians from this School, Braudel broke from dominant historical accounts of major actors, usually political or economic elites, and strategic or significant events, to focus on all levels of society. It is this move towards an inclusive account of social order, its many facets and the collective nature of mentalities that inspires this thesis.

Braudel's second shadowy zone is the domain of capitalism. The division of capitalism as a separate sphere from the market economy is a distinguishing feature of

[1] The *Annales School* is a style of historiography developed by French historians Lucien Febvre and Marc Bloch in the early 20th century. Fernand Braudel was part of a second generation of historians to research in this tradition.

Braudel's work. Capital is, at Braudel's admission, "a complicated area of research" (1982: 232). The term has become associated with Marx's concept of the 'means of production' (1982: 234). Braudel sees a 'capital good' as the result of labour, a more or less durable human construction reabsorbed into the process of production (1982: 239). All economists distinguish between fixed capital and circulating capital, the two components of capital (1982: 22). The word 'capitalist' emerged in the mid-seventeenth century, coming gradually to mean "handlers of money, providers of investment" (Braudel 1982, 236). Like 'capital', the word 'capitalist' remained associated "to the idea of money, of wealth for its own sake" (Braudel 1982, 237) up until the eighteenth century. 'Capitalism' is a very recent word, not used by Marx and yet brought into the Marxist model (1982: 237). Capitalism is a *political* word (1982: 237, italics added) as it has become loaded with meaning (1982: 238) and contemporary connotations (Braudel 1977, 45). To keep the word under control, Braudel suggests separating 'capital' – a tangible reality, financial resources constantly at work – from 'capitalist', a person who inserts capital into the process of production and 'capitalism', the manner in which this constant activity of insertion is carried on (Braudel 1977, 47).

For Braudel (1982: 239), the term 'capitalism' thus connotes a platform of economic life, a sphere that is larger now than it was in the past. People at ground level are largely unaware of the activities of this exalted level, "hovering above the sunlit world of the market economy and constituting its upper limit zone" (Braudel 1981, 24). This third zone is "a world apart where an exceptional kind of capitalism goes on [...] the only *real* capitalism" (Braudel 1981, 24; italics added) and this is why it merits a distinct category of analysis. Capitalism triumphs, Braudel (1977: 64) argues, when it becomes identified with the state, when it is part of the state. It is here

that an unmistakable characteristic of this 'real' capitalism appears, to strive to gain monopolistic control of the most profitable sectors of the economy.

These levels of economic activity are not standardised or homogeneous around the globe; they mirror the spatial variegation of geography, the diversity of human activity and capital investment built up over centuries. Societies ebb and flow in response to a myriad of influences, creating clusters of human activity which generate and institutionalise power. This vast human activity, which Braudel (1981: 71) classifies as all the movements at work in a given society, produces motions of waves and temporal cycles. Braudel places these cycles at the centre of his analytical framework. He looks at the long slow movement of historical structures constructed over centuries, the *longue durée*, and their influence on medium cycles of fifty years, the *conjuncture*. Both these longer and medium cycles impact on shorter periodic movements of events, *événementielle* (1981: 71). These different speeds of time in history produce a history at different levels; the three spheres or layers of society (Braudel 1980, 74). The result is multifaceted ontology of human action formed by space and time, developed through an interdisciplinary approach that examines the social through complex interactions between history, economics, politics, and culture.

While Braudel's ontology has been taken up by several renowned scholars, varying elements of the social complexity are often left aside. Immanuel Wallerstein (1974), for instance, privileges an analytical framework that investigates how the market economy and capitalism operate as a world-system. For Wallerstein (2001: 267) world-systems are historical arrangements that combine the ontology of the world, the largest units of measurement (Braudel 984: 70), and the time of the *longue durée* (Braudel's cycles of centuries). He clarifies that this approach is a perspective, not a theory (Hoogvelt et al. 1999, 400). It was developed by the need to question

modernisation and its focus on the state and to open a debate on established cleavages within the social sciences: past-present, civilised-barbarian and the triad of Liberal thought—the state, the market and civil society (1999: 401). Agreeing with Braudel's understanding of capitalism, Wallerstein states that: "Capitalism does not believe in a free market. It has never believed in a free market. It could not function in one" (cited in Hoogvelt et al. 1999, 402). Where Wallerstein differs from Braudel is to see capitalism as progressing in stages. World-systems exist one at a time; they have beginnings, lives, and ends. The argument is that we are now in the capitalist world-economy, which has developed a core-periphery division of production and labour. The modern capitalist world-economy is not the first but it is the longest to survive; it did this by becoming fully capitalist (Wallerstein 2005, 17).

Wallerstein chose to focus on the world level of analysis as he aimed to make a coherent sense of the effects of large structures and processes and move away from the idea that states are all equal and have the same possibilities for development. Yet, his focus on the world-system as a stage in capitalist development produced a theoretical framework where all social phenomena is brought into a singular and commanding logic of capitalist expansion. Braudel (1984: 70) agrees with Wallerstein that development is the reverse side of under-development but argues that this arises from the ongoing coexistence of modes of production; different modes of production are attached to each other and produce development and underdevelopment.

Braudel's emphasis on the fluidity of capitalists' capacity "to slip at a moment's notice from one form or sector to another [merchant, commercial, industrial, financial] in times of crisis or of pronounced decline in profits" (Braudel 1982, 433) becomes lost in Wallerstein's more deterministic account of capitalism. Braudel, for example, rejected the Marxist and Weberian claim that capitalism

emerged with industrialism or that it can be identified with a certain stage of production or commerce (Arrighi 2001, 112). We lose sight in Wallerstein's account of the multiple ways that capitalists invest and disinvest, leaving sectors of markets and material life that are considered less profitable. We also lose sight of how political authorities and societies enable or disable different manifestations of capital. Lastly, Wallerstein's model is ahistorical as it fixes the divisions in the world-system he was observing from temporal frames of reference. World-economies change shape and displace their core, rearranging the peripheries (Braudel 1984, 70).

In his major work, *The Long Twentieth Century* (2010), Giovanni Arrighi builds on Braudel's notion of capitalism as this top layer of economic action. Arrighi chose to explore the top floor of capitalism, the "anti-market," where the secrets of the longue durée of historical capitalism are said to be hidden (2010: 25; quotation marks in original). According to Arrighi, Wallerstein's project of world-systems theory (along with dependency theory) explores the middle floor of the market economy. Here it is possible "to see how its [market economy] 'laws' tend to polarize the hidden abodes of production into core and peripheral locales" (Arrighi 2010, 25). Arrighi goes on to explain that the examination of the bottom floors—material life—has been taken up by generations of historians and social scientists, leading to a greater understanding of the industrial phase of capitalism. This leaves the lofty peaks of economic action as his preferred research project, so as to better understand and analyse the world where capitalism prospers.

This focus on the top layer is justified by an observation that capitalism is prospering "not by thrusting its roots more deeply into the lower layers of material life and market economy, but by pulling them out" (Arrighi 2010, 25). Thus, it is analytically justifiable to concentrate on capitalism as it operates more independently

of the other layers as it is in the financial phase of one of its longue durée capitalist cycles. Capitalist action generates systemic cycles of accumulation, creating recurrent financial expansions as profits—linked to long distance trade and centres of production—grow and then diminish, reverting capitalism to its money form. Arrighi uses Braudel's historical approach to trace these cycles of capitalism from the Middle Ages to the twentieth century. Arrighi's cycle of accumulation relates to century-long or longer periods in which the center of capitalism resides at the centre of a hegemonic power and goes through the cycle of liquidity, investment, and greater liquidity. These cycles of accumulation are based on Braudel's observations of recurrent financial expansions through history. Yet, Arrighi differs from Braudel in that he brings the whole world into a single cycle of capitalism. He (Arrighi 2005b) sees the expansion of world capitalism as being based on the emergence of powerful leading capitalist organizations. Arrighi (2005b: 87) sees each cycle of accumulation as expanding further as more territory is brought into the sphere of a hegemonic bloc of governmental and business agencies capitalist interests. Once again, and like Wallerstein, a single system of expanding capitalism, western capitalism, analytically reduces the diversity apparent in Braudel's framework. Braudel (1984, 21–22; italics in original) makes an important distinction between *the world economy* and *a world-economy*. The former corresponds to the whole world, the market of the universe, the human race or that part of the human race that is engaged in trade and makes up a single market (1984: 21). The world economy is analogous to the contemporary concept of globalisation. The latter, world-economy, is a relatively economically autonomous section of the planet able to provide for most of its own needs, a section to which its internal links and exchanges create organic unit (1984: 22). This concept recognises that other world-economies can exist, that they can overlap and that they

can be governed by different cultural values. A world-economy is not a total unit, thus analytically permitting for the assortment and range of social orders that exist around the world.

In choosing to concentrate uniquely on capitalism's top layer, Arrighi endows a certain capitalist system with more agency and power than a Braudelian analysis would intend. Even as Braudel recognises that capitalists have a heightened capacity for independent action, he maintains that

> In reality, everything rested upon the very broad back of material life; when material life expanded, everything moved ahead, and the market economy also expanded rapidly and reached out at the expense of material life. Now capitalism always benefits from such expansion [...] the extensiveness of any capitalism is in direct proportion to the underlying economy (Braudel 1977, 63).

So, even when capitalism is in a financial form, it continues to feed off and interact with the other layers: the market economy and material life. As Braudel insists, "we must keep looking down into the well, into the deepest water, down into material life..." (Braudel 1977, 42).

Unlike Wallerstein or Arrighi, Robert Cox looks deep into the well of material life to constructs his particular understanding of *Power, Production and World Order* (1987). Cox's work follows Braudel's insistence of maintaining a view of the variegated layers of human activity and applying a historical mode of thought. Cox draws on Braudel's (1980: 74) concept of 'historical structure', the history of the longue durée, of centuries, to provide light on international structures (Cox and Sinclair 1996, 51). Historical structures "are the enduring practices evolved by people for dealing with the recurrent necessities of social and political life and which come to them to be regarded as fixed attributes of human nature and social intercourse" (Cox and Sinclair 1996, 55). Cox adopts a bottom-up approach on the premise that the accumulated results of production processes are transformed into different forms of

political power and institutions. Working in the tradition of Antonio Gramsci, Cox (1987: 33; 1983) argues that different historic periods produce concept of historic blocs; configurations and institutionalisations of power.

What Cox proposes is an analysis of these historic blocs as interconnected political economic systems arising through the three layers of human activity, with social relations on the bottom, the state form in the middle, and world order at the top. A dialectic movement between ideas, material capabilities, and institutions interlock these three layers through a hegemonic bloc, first at the national level and then, at the world level (Cox 1983, 171). The value of this analysis is to see the formation of power through hegemonic blocs and the ideas, material capabilities and institutions that go to make up historical structures. As world orders are grounded in social relations, we can look to the formation of counter-hegemonic blocs within national borders as catalysts for change (1983: 173-174). In advanced industrialised countries at the core of the hegemonic order, this could arise as social and economic gains are undermined by neoliberal and conservative policies. The Greek citizenry's ongoing resistance to the government's austerity measures demonstrates how intersubjectivity can produce an extensive shared meaning of unfolding events and a call to action. The 2010 Occupy Wall Street (OWS) is another obvious example. It recalls food riots that occurred in 2007 and 2008 in Africa, the Indian subcontinent, and East Asia and builds on historic movements against capitalism such as the 'Stop the City' demonstrations of 1983 and 1984, when the financial district of London was targeted (Cobbett and Germain, 2012). These movements clearly indicate the need for an ontology that can pick up the changing intersubjective dynamics buttressing social orders.

Braudel's question, "if we could define a coherent '*société globale*'[2], would this not simply mean that one hierarchy had succeeded in asserting itself over society as a whole, without necessarily destroying the others?" (Braudel 1982, 465; italics in original), speaks to Cox's theory of hegemonic blocs, reflecting the tight knit between ideas, material capabilities, and political institutions. Yet, Braudel chose to talk of "social hierarchies rather than about social strata, or categories or even classes...whether the latter are externalised or not, that is, consciously perceived or not, in terms of permanent class struggles" (Braudel 1982, 461). I believe that this position is based on Braudel's (1982: 464) observation that societies are incredibly complex and diversified pluralities and that we need to think of everything in the plural (1982: 465).

We have been in an American world order, *Pax Americana* (Cox 1987, 265–66), for the better part of the last century. Talk of American decline is not new (Keohane and Nye 1977, Keohane 1984, Kindleberger 1973). The most important aspect of this decline is that the US no longer leads a consensual hegemonic order (Cox 1987, 299). The weakening of *Pax Americana* produces "a more permissive world order in which it is difficult for a dominant power or group of dominant power to enforce conformity to its norms" (Cox 1987, 394). A weakening global hegemony is Cox's first force for change, and arguably the most important. The second condition for change is the existence of states that have different effects on the stability of the world. The third element is the global wave of social movements and protests for change that mark current world affairs. What remains unclear is how these movements and protests will continue to unfold or to what extent this shared

[2] I understand Braudel's 'société globale' as being the *ensemble* des ensembles, the *set* of sets. Société globale, in other words, is society as a whole.

experience will prolong or create a counterhegemonic force to the existing world order. This force is the third that Cox (1987: 394) lists as catalysts for change.

Along these lines, we are visibly in a period of transition; the world is still operating through the set of institutions established under US hegemony after World War II, such as the World Bank (WB), the World Trade Organization (WTO), and the International Monetary Fund (IMF), but Pax Americana is weakened. Its material bases are shifting as production patterns move to and are consolidated in Asia and other locations in the global South, such as Brazil and India. Yet, we are seeing an undeniable and steady move to a multipolar world order, the new power blocs of cooperation and negotiation are non-western states, that is to say states that have been on the edges of America's hegemony. The BRICS (Brazil, Russia, India, China, and South Africa) and the G-20 (Group of 20)—a bloc of developing nations established in 2003 at the Fifth Ministerial WTO Conference—are bringing different norms and institutions to the world arena. States that were formerly considered as 'Second' and 'Third World' countries, Less Developed Countries, and are now called emerging markets and are at the centre of the changing global political economy. These changes have not arisen through the rise of counter-hegemonic forces at the heart of American power, in other words through domestic class struggle, but rather through the steady change in the patterns of global production, trade and investment, the rise of powerful emerging economies and global social movements claiming alternative political regimes. The current world order reflects the elements of Cox's theory of change.

Wallerstein's contribution to this body of literature is to question the centrality of dichotomies and binaries such as civilised-barbarian, modern-backward, progress-underdevelopment that have shaped mainstream political science scholarship. He offers a key analytical tool to understanding the links between capitalism and

production as part of a global system that encloses different parts of the world according to capitalist cycles of production. Arrighi's understanding of cycles of accumulation suggests that we are in the midst of a major transition towards Asia as the hegemonic centre of global power (2005a: 33). He draws out the larger picture of global capital processes and places them in a historical development of shifting centres of political economic power. While Wallerstein and Arrighi apply Braudel's concepts to analysing global systems of political economy, Cox's work comes closest to a Braudelian framework as he engages with all levels of social order, from material life, hierarchies of social structure, to world order.

Cox's use of Gramsci's hegemonic bloc as the preferred analytical method for bringing together social relations of production, ideas and institutions offers a powerful tool for understanding historical consolidations of power. And yet, the current situation of rapid developments and redistribution of production and power in the global political economy are disturbing hegemonic blocs built up over the twentieth century. Power is in a greater state of flux and movement than it has been for decades. Actors in the global political economy are changing, at all levels of society and from a variety of places across the globe. Established power arrangements are being contested, reformed and rearranged. This context requires that we re-engage with Braudel's extensive, and somewhat messier, approach and tools for examining social order. His method of inquiry casts a wide investigative net and picks up on transformations and processes taking place outside our habitual frames of enquiry. This is achieved through using a broad ontology that encompasses the multiple dimensions of society, the state, the economy, culture, and space.

Purpose of the Study

Accordingly, the purpose of this study is to use Braudel's historical method of enquiry into processes of transformation of social orders to ask whether the current moment of world order exhibits continuity or discontinuity with its past. World order is changing with the rise of emerging economies, the new prominence of China-centre and Islamic world-economies, the ongoing financial crises in the industrialised economies of Western Europe and North America, and worldwide social protests against neoliberalism and state oppression. At the same time, global structures ensure continuity, through the power of neoliberal ideology and policies, the international financial institutions set up under American hegemony, the power of the global financial markets, and the enduring power of societal groups with links to transnational capitalism. These elements support Cox's argument of change in the world order. This study of the relationship between change and continuity will be done through a case study of South Africa.

Research Question

The research question for this thesis is: What is the nature of the relationship between changes in world order and the organisation of finance in South Africa? And how do we understand these changes theoretically?

My dissertation argues that patterns of both continuity and change in the world order are perceptible in South Africa as the country finds itself at the heart of historic shifts in world-economies. South is a zone integrally and historically linked to, but not at the core of, world orders. South Africa has historically been linked closely to European world-economies for several hundred years; it was loosely part of the American hegemonic order during apartheid and became more tied to neoliberal

ideology during the past-apartheid period. The country is now increasingly linked to China-centred and Islamic world-economies. Change is observable at the boundaries of world-economies as movements in world power, trade and investment flow from the core outwards. This relationship between changes in world order and the organisation of finance in South Africa can be studied through a Braudelian historical mode of inquiry which analytically brings together the various levels and subsets of social order and reveals their multiple associations through time. Cultural and economic zones differ and contrast inside world-economies, contrasting the centres of gravity, leading zones and more peripheral areas (Braudel 1984, 67). Furthermore, world-economies change shape and their core, or centres of power, move around, rearranging the relationship to the peripheries (1984: 70). A Braudelian analysis of change identifies the connections between the event, *événementielle*, and existing structures, the *longue durée.* As an important intersection in world-economies, South Africa points to the major shifts in world power.

These shifts, notably the rise of Asia and the inclusion of Africa into a China-centred world-economy and the growth of an Islamic world -economy, are offering South Africa a new platform from which to establish its regional power and influence. South Africa is placing itself as the regional centre for Sub-Saharan production, trade and investment and an important interlocutor with the emerging economies of the global South. A critical component of this power resides in its mature financial sector that was built up through its links to the British Empire. This aspect of its national economy plays an important role in its foreign policy and links to the rising economies. Finally, interest in South Africa as a case study resides in its ongoing transition from an apartheid past towards a new political and social unity. The country is in an active process of both change and continuity as some sections of society stake

historic claims to political economic power while others compete to gain greater access to wealth. Like in many industrialised countries, South African finance has taken on a prominent role in underpinning the country's foreign policy and in shaping its domestic development. The state and capitalist elite are reinforcing South Africa as an international financial centre. Finance, in hand with dominant neoliberal ideology, is also chosen as the preferred means to domestic development, through privatisation of services, money raised on capital markets through public debt, and through a widening and deepening of national credit markets for individual responses to structural poverty.

Finance in South Africa also reflects the rise of new structures of capital accumulation operating in world-economies parallel to the American world order. Capitalism, in a Braudelian understanding of the term, is continually looking for places to investment, new spheres to penetrate and profitable processes to control, thus pointing to changes and shifts in the world order. These systems of accumulation are part of different civilisations, different cultures, than those of the European and American world orders. Elements of these changes are visible in South Africa, as are the structures from European and American domination. For these reasons, my purpose will be to demonstrate how the study of South African finance provides insights to our understanding of the relationships between change and continuity in the world order.

Significance of the Study

> In those times when the world seems to be at a turning point, when the accustomed framework of life seems to be upset, there arises a demand for new knowledge that will better enable people to understand the changes going on about them. The assumptions upon which prevailing forms of knowledge were based are challenged. A different set of problems has to be confronted (Cox and Schechter 2002, 76).

Building on Cox and Schechter's observation that turning points in the world demand new knowledge, I propose a reengagement with Braudel's thoughts and methods. I believe Braudel's relevance lies in the potential of his theoretical framework to widen and thicken a rather compressed understanding of political economy. Why is this important? The importance of questioning the ontological boundaries of the field is grounded in the belief that greater empirical exactitude, where the multiple aspects of reality are brought into the focus of investigation, will emerge and permit us to grasp more fully the changes taking place. Secondly, I am arguing that a broader ontology, one that looks to various components of society and their mutual connections, will result in a more critical approach to research. A larger ontological framework promotes critical thinking because the wider the lens, the more that comes into view and this includes marginalised communities or groups that appear to be insignificant but, in fact, are part of whole and needed to be analysed in relation to established structures of power.

My point of departure is that there is much that International Political Economic scholarship is not seeing, analysing, and explaining. As Frieden and Martin remarked, "it is surprising how narrow is the range of analytical and empirical problems that existing scholarship [in IPE] has tackled in earnest..." (Frieden and Martin 2002, 146). The rich and complex social and cultural relations between material life, markets, the state, and capitalists are turned into a rather flat reading of the economy, capitalism, and, consequently, change. Much of IPE focuses on a relatively thin layer of reality—state policies, interstate relations, international institutions, and interests of powerful actors (Cohen 2008). Liberal capitalism supposedly has a global homogenising effect as its policies and techniques of

government become implemented as the governmentality of country *x*, *y*, and *z*. So, at a time when scholars speak of a 'truly global' financial economy (Gilpin and Gilpin 2001), there is really little knowledge about just how global, substantially global, economic integration actually is. Influences of global forces vary country by country, as do levels of conformity to global neoliberal regimes (Mosley 2000). The Asian Tigers' economic experience of the 1980s and 1990s, Latin American countries' experience under socialist and/or left-wing ideology governments of the last decades, along with the development of economies in Africa in response to China and India's interest in the continent, point to a situation of global diversity.

This commanding picture of convergence and conformity is built on theories of political economy that hold in common the belief that capital structures the world economy; and that it has a global logic that is driving societal and historical change (Gibson-Graham 1996). In so doing, resistance, mutations, hybrids, parallel societies, marginalised groups, in essence, all the rest, are left out and unknown. Political economic literature reinforces this representation through the elimination of much of the ambiguity surrounding capitalism (De Goede 2005, 14). Capitalism is given uniform character and its power is exaggerated; its actual reach remains untracked. In sum, there is much more 'out there' than is being captured by IPE and what is being left out is important to our understanding of the world we live in.

There have been calls to "bring various heterodox and challenging insights to bear on processes and topics conventionally understood as 'economic'" (Walters 1999, 312). The discipline's ontological borders are already being broadened by scholars who study various levels of economic activity, from everyday actions of people to their links with broad structures and institutions (Aitken 2007; Gibson-Graham 1996; Hines 1988; Hobson and Seabrooke 2007; James 2012; Langley 2008;

Montgomerie and Young 2010; Ong 2006). This move to develop an everyday approach to IPE is one of the most interesting trends in recent scholarship. This includes research projects that investigate how culture frames political economy (Best and Patterson 2009), as well as how ideas and rhetoric construct the economic world (Holmes 2009) and how actors perform these ideas (Callon 2007; MacKenzie et al. 2007). These works are opening up debates about what is considered to be appropriate areas or subjects for research. Scholars working within the South African context (Alexander 2010; Bond 1999, 2005; Habib and Padayachee 2000; Legassick 1977; Padayachee 2006; Seekings 2006; Seekings and Nattrass 2005; Terreblanche 2005; Wolpe 1972) tend to include multiple layers of social life, economic action, and vying sites of power and authority, reflecting the very complex empirical reality of South Africa.

Almost twenty years ago, Susan Strange (1994) made a call to stretch the disciplinary borders of IPE in order to pick up on fundamental shifts taking place such as technological changes, its impacts on global production and, consequently, on the role of the state. Strange argues (1994: 212) that structural change in the international political economy impact on the character of the state and the state system. Strange (1994: 215) argues in favour of societal approaches to investigation – radical, critical analyses of change and the exercise of power in the global political economy. Along these lines, I believe that Braudel's ontology speaks to us specifically as we move into the twenty-first century. The quintessential quality of Braudel's work is his ability to convey the multiple nodes, connections, and movements that convey the fluidity of societies as well as their ties to historic currents and structures. There is an almost breathing and heaving feeling to his accounts of human life and agency, which, I believe, capture accurately the messy world in which we live. Braudel's contribution

is achieving greater understanding of all that is taking place in the various sites of political economy resides, predominantly, in the distinction he makes between capitalism and market economy. By separating layers of economic action between small entrepreneurs, and transnational corporations and capitalists, he is able to see the heterogeneity of the different dimensions of social and economic life. The mass is broken down for greater analysis, which sharpens the scholar's vision. The theoretical implications of this research project reside in broadening the phenomena understood as being part of the field.

Most important is literature that has drawn direct attention to the ongoing relevance of Braudel for the field of IPE (Germain 1996, 1997, Helleiner 1997, Gill and Mittelman 1997). Helleiner (1997: 90) points to Braudel's lifelong endeavour to foster dialogue between the fields of social sciences and between social sciences and history. Braudel's scholarship reflects this interdisciplinary approach to investigation (Helleiner 1997, 91). It is this basis that opens up a broader analysis of the social order and its relation to economics as a sub set of this whole. In 1997, Helleiner argued in favour of using Braudel's four axes—space, time, social orders and hierarchy—to study economic globalisation. Not only would this be beneficial for the research in question but also for the field of IPE as a whole at the time of writing (1997: 91). This perspective not only remains relevant for current research but, I argue, becomes all the more so in periods of visible change. Germain (1996: 201-230) argues that Braudel's contribution to the research of political economy lies in challenging IPE in terms of its ontological and epistemological claims about the historical agents it analyses. Germain (1997: 13) names Braudel's approach 'the world-economy approach' to IPE. This method is based in Braudel's distinction between world economy, 'the market of the universe' (Braudel 1984, 21) or what

Germain describes as "the linkages of exchange which extend across the entire world at a given point in time" (1997: 13), and world-economy, "...an economically autonomous section of the planet able to provide for most of its own needs" (Braudel 1984: 22). Germain explains this approach as an attempt "to focus attention upon only a specific set of economic and related practices evident across a part of the world" (1997: 13).

Braudel's theoretical framework thus offers very fruitful avenues for conducting research into how society produces the material and ideational world we live in and how these actions interact with broader political and capitalist processes and structures in a multitude of ways. As such, it steers my research into one site where current change is very visible, that of post-apartheid South Africa. My research project finds its place in these scholarships and investigates the multiplicity of social realities and their relations to economics processes and is animated by two sets of questions: first, big-picture world order questions oriented around the themes of continuity/discontinuity and the narrative core of world order at its edges; and second, a narrower ethical question concerning inequality and poverty and the relationship of capitalism to the stubborn persistence of both. This brings us to Robert Cox's (1981) famous appeal for more critical theory within IPE. Critical theory, he wrote, is needed to understand change and this can be achieved by the analyst standing outside the prevailing order and inquiring into how that order came about and what forces are at work to change it.

Research Design

1. *Positionality*

> Consciousness of the world arises from the actualization of what was already possible in me, achieved through my encounter with the lives of others, my responsibility towards the lives of others and towards seemingly distant worlds and, above all, towards people with whom I have apparently no connection: the intruders (Mbembe 2008, 22).

Mbembe's text describes well the possibilities and limits of research and is a call to remember the issue of positionality. Being reflexive about my positionality is to reflect on how I relate to the subject of my research and how that influences my methods and interpretations. I researched and wrote this thesis from the position of a South African-born woman who has also lived, studied, and worked in England, Quebec, and Canada. I am the daughter of British immigrants who moved to Johannesburg in late 1956. My father was hired by a newly founded South African merchant bank, Union Acceptances Ltd., set up by the Anglo-American Corporation in 1955.[3] My father, David, was employed to set up the investment department and launch the first money market in the country. His involvement in finance throughout his whole career shaped one dimension of my knowledge of South Africa and its place in global political economy. The other side of my story is politics.

Prior to her departure, my mother read the newly published book by Trevor Huddleston, *Naught for your Comfort* (Huddleston 1956), which spoke to her as a Catholic and Christian planning to live in South Africa. My mother, Angela, became involved in the anti-apartheid movement in the late 1960s and early 1970s through contacts in the church. She accompanied activists who brought aid to people forcibly removed from their homes and brought to resettlement camps under the Group Areas

[3] In 1973, Nedbank Group formed from the merger of Syfrets South Africa and Union Acceptances and Nedbank.

Act of 1950.[4] Angela later worked at the South African Council of Churches, visiting families of black political prisoners, and then at Amnesty International when we moved to London.

These riches, tensions, and paradoxes that make up my heritage inform my positionality as a researcher on society and capitalism in South Africa. In particular, the very political economic character of this legacy plays an important part in my choice to write my dissertation on power, society, and finance in contemporary South Africa. My previous career as community organiser, activist and advocacy advisor also explain why I find Braudel's theoretical framework so compelling. Braudel understands that all human action, including economics and finance, is social and that all elements of this social order need to be understood to fully grasp change and continuity.

2. *Case Study: South Africa*

South Africa is an interesting case for my analysis of continuity and discontinuity of the world order. First, South Africa is a zone that has historically been at the edges of world economies. It comes to this place through its unique history as an important geopolitical station and strategic location at the edge of world-economies for the last 400 years. It is, more than any other African country, a space where world-economies overlap. This is because a fundamental condition of South Africa's political economy is its position at the southernmost extremity of the continent. Far from world markets, it lies on the ancient routes of long-distance trade to the East, to India, China, and the Indonesian archipelago. In the seventeenth century, the *Vereinigte Oostindische Compaignie* (VOC)—the Dutch East India

[4] From 1960 to 1983, the apartheid government forcibly moved 3.5 million black South Africans in one of the largest mass removals of people in modern history.

Company—acquired the Dutch monopoly on all trade in Asian waters from the Cape of Good Hope onwards. The Cape Colony, founded in 1657, was no more than a stopping point for the VOC, which remained fiercely watchful over this strategic position under Dutch control (Braudel 1984, 430). Grants from the Dutch government supported this trade route and assisted in keeping up the fortresses and garrisons (1984: 437). Historically, European powers had no ambition for permanent rule of the peoples living in the Cape, nor did they have intentions to conquer the surrounding lands (Arendt 1966). The Cape colony served the merchant ships and was wholly dependent on its relation and usefulness to Europe (Katzen 1971, 185).

The VOC operated out of Amsterdam, the leading world financial centre at the time. Amsterdam is an excellent example of state-capital associations that lie at the centre of world-economies (Braudel 1984, 175–276). Dutch capitalists were closely associated with the state and the state invested in the capitalists, the perfect outcome of which was the VOC. This relationship is a characteristic example of Braudel's insight into the manner in which capitalists work closely with the political hierarchy of the state and use it to their own ends. Power, for Braudel, is the product of bringing together the state and capitalism into a common project of development. There are, in other words and along Cox's line of reflection, relational processes that allow particular powers to emerge and cooperate in one state through domestic power structures. South Africa's own minerals–energy complex (MEC), the historical structure between mining, upstream industries and global finance that has dominated the country's political economy (Fine and Rustomjee 1996), is the perfect domestic example of this relationship, where capitalist interests forge a solid alliance with the political elite.

The VOC conducted itself like an independent power, a state within a state. It had become an empire and had one policy: to direct and control Asian affairs (Braudel 1984, 213). Dutch policy and life were centred on commerce as a whole (1984: 205). The VOC had the right and might to colonise territories and enslave indigenous people according to market requirements and with the agreement of the Dutch state. There is no question that the state in Amsterdam was exceptionally strong and that it linked two phases of economic hegemony: the age of the city and the age of the modern territorial state (1984:175). Hostilities between England and the Netherlands had been growing since the early seventeenth century as both nations competed in maritime trade and colonial expansion. The Anglo-Dutch wars enabled England to take over as the centre of world trade and finance and London replaced Amsterdam as the "beating heart of the world economy" (Braudel 1984, 352). Credit markets were at the centre of this rise to power, underpinned by a fixed currency, the sterling (1984: 356) and the ability of England to obtain money in sufficient quantities and at the right time through the inflow of surplus capital of Dutch businessmen (1984: 262). Braudel points out that these businessmen were major subscribers to English state loans and private investment such as the competing East India Company and the South Sea Company. This up-and-coming system between the state, international credit markets, and business was cemented through the creation of the Bank of England in 1694. The Bank of England used silver, brought from the Americas, to underpin the fiscal and monetary transformations taking place.

From 1795 to 1806, the Cape was occupied by the British and, by 1814 the British had taken over the Cape Colony from the Dutch East India Company and

acquired full control of the strategic settlement in 1815.[5] The discovery of coal in 1840s, diamonds in 1867 and gold in 1885–1886 triggered off a mineral revolution that completely transformed South Africa's economy (Houghton 1971, 11). During the middle of the nineteenth century, British interest in the Cape Colony and Natal was in retreat as prospects for the Suez Canal (opened officially in 1869) made further investments into these struggling outposts of the Empire undesirable (1971: 9). The discovery of diamonds and gold saw a complete turnabout in Britain's policy towards these colonies. The discovery of gold coincided with the transition of the world, in 1870, to the British monetary system based on the gold standard and altered South Africa's place within the Empire (Ally 1994, 12). In short, the discovery of gold brought the predominantly agricultural country into the core of world-economic relations as it became intimately linked to the global financial system operating through London gold (1994: 35). Coal deposits were located near the gold mines and the structural basis of the mineral energy complex, as theorised by Fine and Rustomjee (1996) was set in place as coal-mining was developed to supply power for deep-level gold-mining and for transportation (Houghton 1971, 13). Foreign investment and capital poured into these young industries, reorganising mining as a highly capitalised and concentrated industry (1971: 13).

British colonialism was transformed into aggressive imperialism through the creation of a new power constellation conducive to the exploitation of gold and its transfer to London (Terreblanche 2005). The Boer War 1899-1902 established British supremacy throughout South Arica (Thompson 1971, 329). Britain's pressing goal was to ensure that the mines in the Transvaal remained independent from Afrikaner

[5] In 1837, the Boers of South Africa left the British Cape Colony to build their own nation. Their first capital was established in the Orange Free State. As the British expanded, Sir Harry Smith, the High Commissioner for the Cape Colony, began to see the nascent Afrikaner state as a threat. In 1848, he announced the annexation of this settlement. The Boers then moved further inland to the Transvaal and established the *Zuid-Afrikaansche Republiek*, or ZAR, the South African Republic.

nationalist interests as this stock of gold played an increasingly important role in safeguarding the Bank of England's leadership of the international gold standard (Ally 1994, 25). Four British colonies—the Cape Colony, Transvaal, Natal, and the Orange River Colony—were unified in 1910, under the new Union of South Africa. Two movements led to the unification of South Africa: one was imperialist and led by Britain, the other was anti-imperialist and led by Afrikaners (Thompson 1971, 343). Anti-imperialists saw the unification of the colonies as a means to consolidating white South African communities (1971: 347). A uniform native policy could be devised and applied throughout the Union. For Britain, unification would reduce economic disputes between the four colonies and encourage immigrants from Britain on a large scale, paving the way for a British electoral majority in South Africa.

The Union State of 1910 thus secured British economic supremacy in South Africa in spite of it being run by an Afrikaner-dominated government (Ally 1994, 139). So while South Africa became politically independent, it remained an imperial dependency directed by Britain's interests in the spheres of banking, currency, and mining (1994: 140). The Afrikaans Republican government was seen by the mining magnates as a rural community incapable of managing capitalist industrialisation (Beinart 2001, 64).

Fears that the structure of capitalist accumulation would be upheaved by the election of the Afrikaner National Party (NP) in 1948 were unfounded as Afrikaner governments failed to create an 'Afrikaner socialist order' and nationalise the gold mining industry (Terreblanche 2005, 302). The NP did not restructure or capture the 'foreign' system of capitalism and the symbiosis between state and capital was maintained with little adaptation after 1948 and into the era of apartheid. Rather, the relationship between white Afrikaner state and white English capital was reinforced

through a common goal of structural subjugation of Black Africans (2005: 303). The new Afrikaner political elite relied upon white capitalists' power and networks and the English business class was reassured that their position was not threatened by the change of power when the Nationalists came to power. This collaboration between Afrikaner state and English capital was reinforced through apartheid's racial capitalism (2005: 307).

The rise of power of the Afrikaner National Party in 1948 took place as the post-World War II Bretton Woods system was being implemented. The Bretton Woods economic order set up "...a rather restrictive financial order in which capital controls ... were encouraged" (Helleiner 1994, 25). The overriding principle of this system was control over all capital movements; this gave states the means to prioritise policy autonomy from international financial pressures (1994: 49). Ruggie (1982) refers to this system as an 'embedded liberal' order in which restrictive economic practices were required to defend the welfare state. The paradox of this system is that it 'embedded' the South African apartheid state in two important ways. Firstly, until 1971, the price of gold was fixed in US dollar terms—US$35 per ounce—making gold different from other commodities produced in South Africa through its fixed value. The global price was a given and the only factor affecting the rate of profit was the cost of inputs, including the key cost of labour, kept stable and low through the system of racial capitalism. Apartheid operating within the Bretton Woods world order ensured a steady flow of foreign capital into the country. South Africa's economy grew at the relatively high rate of at least five percent a year from 1947 to 1974, spurred by foreign corporations that invested in South Africa to exploit cheap labour and make huge profits (Terreblanche 2005, 374).

Secondly, the capital controls of the Bretton Woods system allowed the South African state to manage capital flows, thus reducing the danger of capital flight and the risk of current-account imbalances. The NP had the power to direct the domestic economy along the lines of economic nationalism founded on racism and segregation because the global financial system was held in check. This world order essentially facilitated the pursuit of white political domination and racial capitalism that had been established in the early decades of the twentieth century. As long as South Africa respected its commitments to international financial institutions and sold its gold and minerals on the global market, it remained a member of the international system of states. This international context was an indispensable condition for the Afrikaner socioeconomic racist project.

The end of the Bretton Woods financial order pushed South Africa into an era of greater uncertainty, provoked by the end of a fixed price for gold, the oil crises of the 1970s, a national debt crisis in the following decade (Terreblanche 2005; Gelb 1991). Yet, in spite of this uncertain climate, the sharp rise in oil and energy prices, along with the rapid increase in the price of gold, permitted an extraordinary state-led expansion of gold and energy production in 1970s (Fine 2008, 2). The 1980s saw an intensified domestic struggle against apartheid, international pressure and economic sanctions. The powerful group of capitalists who historically controlled the mines, energy, big industry, and finance worked to ensure that the transition to democracy would not change this cluster of power and that the new government would create the kind of macroeconomic stability that would facilitate their activities (Habib and Padayachee 2000, 260).

Ascendant state elites of transitional societies in the developing world often face pressure from powerful international institutions, foreign investors, and local

capitalists to put in place policies that protect their interests (2000: 245-263). Indeed, transnational structures of power and the historic balance of class power within South Africa enhanced the negotiating power of international financial agencies, foreign investors, and domestic business vis-à-vis the South African government (2000: 254). The economic policy choices of the new African National Congress government were constrained by these clusters of power that shaped the post-apartheid political economy (2000: 260).

At the time of transition from apartheid to a democratic regime, South Africa adopted a liberal democratic political regime based on the economic policy prescriptions of the Washington Consensus. The clearest example of this is the International Monetary Fund's (IMF) influence on the country's macroeconomic policy, known as Growth, Employment and Redistribution (GEAR), adopted in 1996. This orthodox policy stressed deficit reduction and a tight monetary policy, combined with trade liberalisation (Weeks 1999). The adoption of this program shows the clear continuation of the American neo-liberal world order through the adoption of its ideologies and policies by the South African government. By the year 2000, the GEAR plan was meant to have generated a 6 percent average growth rate and 400,000 new jobs each year (Heintz 2003, 1). This did not materialise; a decade on and the South African state continues to face important challenges in consolidating its political power, in reducing severe economic inequalities and in creating jobs for the vast pool of unemployed adults. The following development indicators (Figures 1 and 2) provided by The Presidency Office point to these challenges.

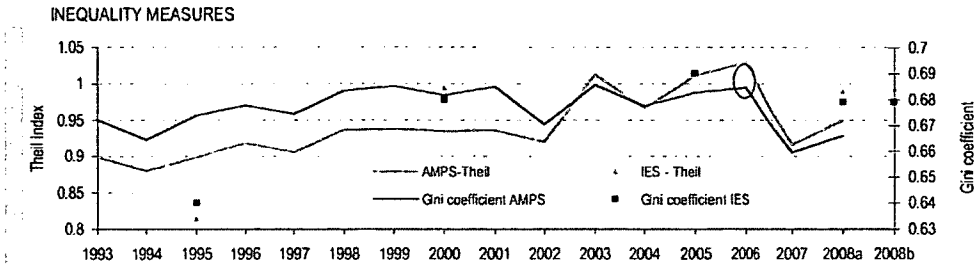


Figure 1: Inequality Measures South Africa
Source: Presidency of the Republic of South Africa (2010: 25)

The Office recognises that poverty and inequality are the major challenges facing South African society. The Gini coefficient[6], inequality worsened from 0.64 to 0.66 in 2008. The driver of the increase in inequality has been between-group inequality.

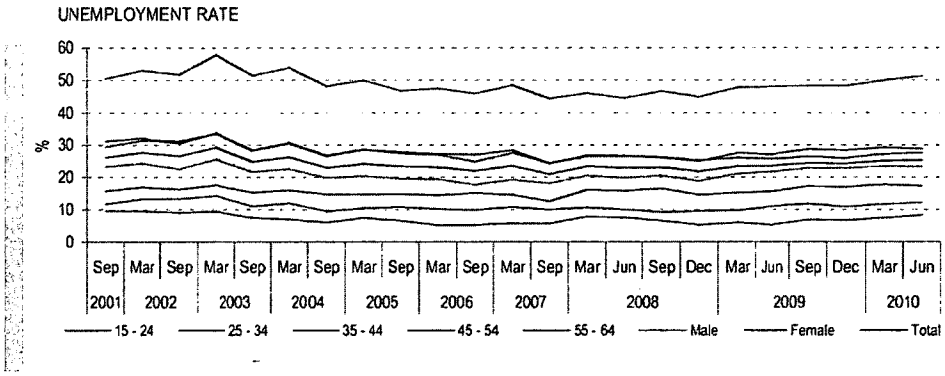


Figure 2: Unemployment Rate South Africa
Source: Presidency of the Republic of South Africa (2010: 20)

In the wake of negotiations by the political elite with the corporate sector and its global partners, the ANC is seen as having compromised its role as leader of a developmental state and retrenching its electoral promises in favour of dominant

[6] The Gini coefficient index is a widely used summary measure of income inequality which ranges from 0 (perfect equality in the distribution of income) to 1 (perfect inequality in the distribution of income). This study uses data on the Gini from different sources and indicates some variation in the reporting – from 0.66 at the Presidency Office (2010), to 0.72in Armstrong et al. (2008), to Cosatu's (2009) report of an index of 0.679; there is a general agreement that inequality within the country has worsened over the last decade.

neoliberal policies (Terreblanche 2005, 419). One of South Africa's leading newspapers, *The Mail & Guardian* (Davie and McDermott 2011), compiled national statistics to present an overview of the economy since its transition to democracy (see figure 3 below).

As a reader points out (Blatchford 2011), according to these figures, 28.8% of the population was employed in 2008. In 2011 that had fallen to 25.7%, a relative fall of over 10%. Those who have lost their jobs are those with low incomes and living at the edges of the formal market, creating a massive surge in social inequality. Nor is there any evidence of job creation at a rate capable of reducing unemployment. While there is a larger pool of tax payers, a higher proportion of the poor are contributing to taxes than in the past, contributing further contribute to inequality.

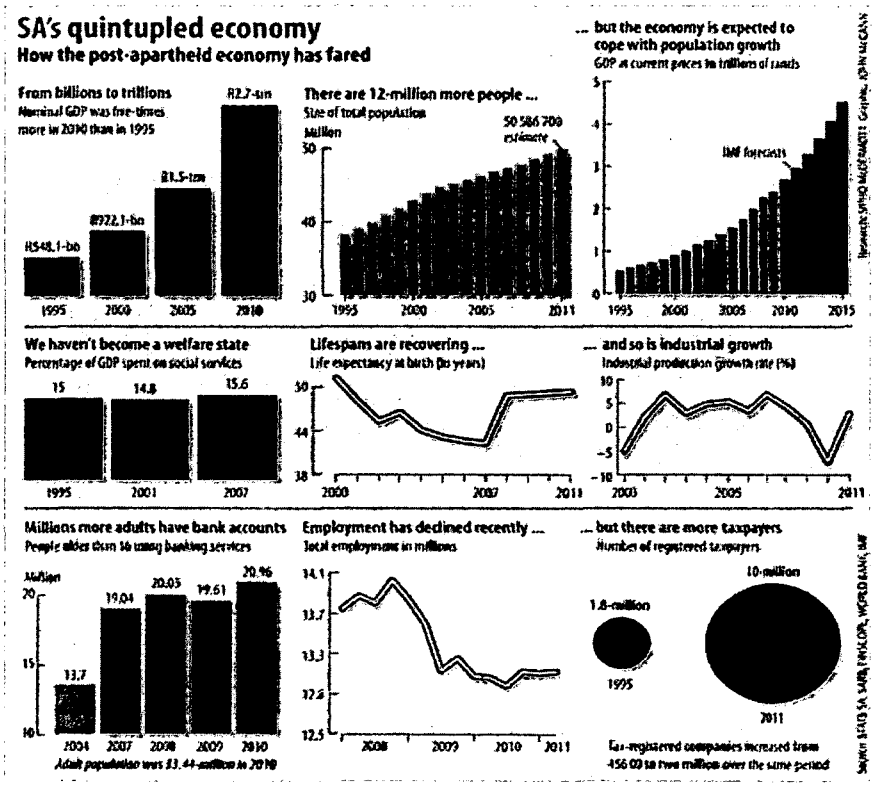


Figure 3: The Post-apartheid Economy 1995–2011
Source: Mail & Guardian, August 19, 2011.

While South Africa has been applauded worldwide for its peaceful transition, there is a growing alienation between state and society (Alexander 2010). Here is a country that has passed through a remarkable transition to democracy after decades of violent racial segregation marked by the ascension to power of a political party vowed to reduce political, economic, and social inequality. The above figures indicate that while employment has declined significantly, the percentage of GDP spent on social services is barely above the level when the country became a democracy in 1995. The increase of abject and systemic poverty is surprising considering that conditions were already abominable at the time of the transition. Even within the parameters of the current global political economy, a wave of considerable improvement in the lives of black South Africans was to be expected as the rigid controls of the authoritarian and racist regime were removed. The situation becomes even more perplexing when we know that the governing party, the ANC, was at the heart of the liberation struggle to end apartheid and brought its Freedom Charter[7] to government when it came to power in 1994. The extreme contrasts in wealth and living conditions in South Africa established under the racist apartheid system have essentially deepened. Division between the state and the needs of the majority and the need to rethink the polity and the meaning of democracy and the nation are addressed in think tanks, academic circles, and grassroots movements, as confirms this South African

> During the Apartheid era, people in government and business who benefited from a system of racial oppression managed to shape the form of capitalism. ...we should all think about the type of capitalist system we want in South Africa. It will have to be a system that can operate within a strong democratic State because, as a society, we have to build a stronger democracy as well. It has to be a system where we can tackle the socioeconomic ills in our society, such as inequality, poverty and unemployment. ...We will have to decommodify important basic services, including health and education. It is a system that will have to ensure that economic power does not lead to excesses.

[7] In 1955 in Kliptown, the ANC leadership set up a nationwide consultation which culminated in the Congress of the People and the adoption of the Freedom Charter.

> ...Society will have to agree on the rules and regulations for capitalism to work in South Africa. (Mohamed 2010a, paragraph 4)

These challenges are now being placed within the context of a rising China, deepening Sino-African relations and the emergence of the BRICS bloc. These developments directly concern South Africa in two notable ways. Firstly, in 2011 South Africa became part of the BRICS and is using this leverage to increase its regional political and economic power. In other words, the shift of power globally is creating opportunities for South Africa to reinforce its position as regional hegemon. This is being facilitated by its historic role as the continent's economic powerhouse and the recognition of this status by emerging markets operating in Africa as a whole. China, Brazil and India foreign relations indicate that South Africa has a privileged position in the new world order. Secondly, and in relation to its role as aspiring regional hegemon, South Africa is moving to a new developmental model than the American one proposed by Washington. The country is moving towards implementing models of development developed by the powerful BRIC countries, in particular China and Brazil (Martyn 2011, 3). Regional power requires a functioning infrastructure for finance and business and privatisation of these sectors under the Washington model have failed to deliver.

These changes in the broader structures of world order are clearly visible in South Africa as it finds itself at the heart of historic shifts in world-economies. The push and pull of rapid change is readily observable within the country. Yet, opposing societal interests are creating internal points of pressure. Tensions are escalating as the state continues to align the national economy with the global political economy. This alignment is taking place along historical structures of the country's political economy, notably mining, its upstream industries and finance.

How then do we understand South Africa in the current period? Braudel's framework will be used to situate South Africa in the wider context of world order without losing sight of the local and specific, and the links between the local/specific and the world order.

3. *Methodology*

My research investigates the rhetoric and practices of finance in South Africa using a method inspired by Braudel's historical approach to enquiry. One of my premises is that economic action cannot be analysed separately from the totality of social activity. In other words, 'the economy' is not a distinct concept that can be analysed outside of humans' daily lives. This inquiry decentres traditional notions of 'the economy' as a sphere analytically compartmentalised from the social. Consequently, my methodological framework enables me to study social relations and how money and finance are articulated within these networks. This is why I believe that using a Braudelian approach is best suited to my research. This is a framework of inquiry into social and cultural diversity and enables the study of the relation between the unity and the diversity of sub-sets of society.

Braudelian Historical Materialism

Braudel's epistemology, based on the historical approach to inquiry, and his rich social ontology, which reflects the dense complexity and diversity of societies, are perfectly suited to this research project. Braudel's historical approach to the study of what he calls material civilization—the constraints and possibilities on which the social world is based at any given point in time—provides an instructive and original

explanation of societies, political power, economic modes of production, and the place that capitalism occupies historically and spatially within these contexts.

Writing on the Annales School's approach to historical research, Trevor-Roper (1972: 469) describes well Braudel's approach to studying society; society needs to be understood as a delicate mechanism, not as a machine but as a living organism with a dynamic of its own, distinct from the mere sum of its parts: "...society wraps us round, penetrates and directs our entire lives" (Braudel 1982, 458). But 'society' can be an overwhelming topic for research. A way of getting a handle on this elusive concept and complex reality is through Braudel's 'set of sets.' As indicated, society for Braudel is not a single container but several containers; the "'set of sets', the sum of all the things that historians encounter in the various branches of our research" (Braudel 1984, 459). In French, the word he uses is *ensemble* which refers to 'whole'; total society is *l'ensemble des ensembles*, the whole of the parts. The use of this word is "... to underline the obvious truth that *everything* under the sun is, and cannot escape being, social" (Braudel 1982, 459; italics in original). As an analytical framework 'set of sets', or 'l'ensemble des ensembles', reminds us that any one part of society that we observe is contained in some greater set and social order (1982: 459).

Braudel identifies four major subsets within society: social hierarchy, politics, the economy and culture. The importance of this method for political economic research resides in Braudel's specific observations about the economy. He argues that it is

> a mistake to imagine that the order of the world-economy governed the whole of society, determining the shape of other orders of society. For other orders existed. An economy never exists in isolation. Its territory and expanse are also occupied by other spheres of activity—culture, society, politics—which are constantly reacting with the economy, either to help or to hinder its development" (Braudel 1984, 45).

One of the particular characters of the economic set is that it is forever trying to extend beyond its own area; the same can also be said of the other social sets: "...they nibble at frontiers, seek to extend their territory" (Braudel 1984, 45) and create their own circles of influence.

This 'set of sets' serves as the theoretical framework for my research of the edges in South Africa where politics, economy, society, and state meet.

Working with Braudel's model of 'set of sets' requires that I be aware that South Africa does not constitute 'a society' in any organic sense and that applying his framework means recognising that there are many societies and subsets of societies within the country. Yet, as political economist I acknowledge the territorial boundaries of the sovereign state of South Africa and the post-apartheid project to create a society of South Africans. As a political economist I will be using the territory of South Africa as the geographical location for my research. As Agnew (quoted in Helleiner 1997, 103) pointed out, Braudel does not fall into the 'territorial trap;' as a historian he looks at the diverse spatial contexts where social life takes place. This being said, the 'edges' I identified for investigation emerged out of field research I conducted within the country and my perception of subsets, or areas of reality, that are being currently articulated and shaped by social actors.

There is a necessary component of analysing and comparing the cultural differences surrounding understandings of finance both within South Africa and how this relates to global understandings and explanations of finance. I'll be looking to see ways that communities in South Africa speak to mainstream perceptions of finance, as well as having alternative or opposing concepts. This approach enables an investigation of how broader processes (economic, political, cultural, and social) are

understood and lived by South Africans. Accordingly, this study employs a range of empirical sources for data collection.

Data Collection

Collecting data involves selecting data, which is a selection process whereby I, the researcher, am producing data by selecting to focus on particular aspects of what is taking place in contemporary South Africa. The techniques I used to collect data included conducting interviews, participating in focus groups and using the published report for data, using transcriptions, making field notes, document research (public reports and policy statements), reading and listening to multimedia sources.

Interviews

Interviews were conducted using the the Semi-Structured Interview model. Semi-structured interviews are conducted with an open framework which allow for conversational, two-way communication. They were based on questions and prompts designed ahead of time, but the pace and question ordering was kept flexible, depending on the discussion and the respondent. The interviewees were encouraged to expand on answers and express new information that they believe to be important. This model enabled me to understand the meanings, experience, ideas, beliefs and values that interviewees hold in relation to financial practices, South African society and the state.

According to ethics clearance obtained from Carleton University, I obtained informed consent for the interviews conducted. This required informing participants about the overall purpose of my research and its main features, as well as of any possible risks and benefits of participation. Consent was obtained either in written

format or verbally. At the onset of the interview, I explained orally the intent of a consent form generally, and then provide the participant with two copies of the written consent form (a copy for the investigator and a copy for the participant). I also provided the questions ahead of the interview so that the participant could evaluate his/her desire to participate. My responsibility to the participants included issues such as ensuring confidentiality, avoidance of harm through the choice of an appropriate location for the interview, and feedback of results. As the subject of finance is a delicate subject and people are very concerned about their levels of poverty, levels of indebtedness, who they owe money to, whether they will be in trouble because they cannot pay back, I was careful to insist that I will not be asking questions about their personal situation but that I am interested in how money and wealth is talked about in their communities. Furthermore, I emphasised that people can drop out at any stage of the interview process and are under no obligation whatsoever to answer any of the questions.

I used the snowballing method of recruitment for the interviews. When interviewing members of a population, I asked the interviewed persons to nominate other individuals who could be asked to give information or opinion on the topic. I then interview these new individuals and continued in the same way. Many of the interviewees were people I had already identified and contacted. I conducted preliminary research in spring 2008 by going to four universities and talking to faculty and by contacting various community organisations. Initial contact with members of the population was made through community leaders. They identified and contacted people in their communities and networks. I gave them the number of my cellular that I purchased while in South Africa and my email contact. Furthermore, I was open to interviewing people who showed interest and wanted to be included in

the research. There is no reason I will exclude anyone except minors and those unable to respond to my questions in English. In using this method, I needed to be particularly vigilant about protecting the anonymity of 'identified' contacts.

I conducted interviews with members of the population, non-public figures, and leaders and public figures. For Chapter 3, I conducted an interview with Hilton Robbins, manager for the City of Cape Town's Treasury Department (see Appendix E). I contacted Mr. Robbins after reading the public statements being made by the City's Treasury department.

I conducted another interview for chapter 5, "Elderly at the Borders: The Case of the Old Age Grant" with Pat Lindgren (see Appendix C for interview questions). Ms Lindgren has worked at Elder Abuse for many years and has considerable knowledge about the situation of the poor older person living on a state pension and the different forms of abuse that this vulnerability brings. I conducted on-line interviews with Professor Monica Ferreira, the recently retired ex-director of The Albertina and Walter Sisulu Institute of Ageing in Africa. Dr Ferreira has participated in several advisory groups to review and develop South African government policy and legislation on the elderly. She also read and commented on my chapter on the elderly. In addition, I used documentation published by Black Sash, a human rights advocacy group that investigates the implications of laws and policies and the practical effects that these have on the lives of the poor.

Interviews with non-public members of the population were conducted for chapter 6, "The Shaping of Islamic Finance in South Africa" (See Appendix F for interview questions). I conducted 10 in-depth interviews using an open-ended questionnaire. Participants were recruited using three methods. Firstly, I worked closely with the Centre for Contemporary Islam in the Department of Religious

Studies at the University of Cape Town during the year I was in South Africa. The Centre agreed to send out an invitation to its members to participate in my research. Secondly, I contacted Islamic community radio stations operating in Cape Town and had my request for participants diffused by them. I also interviewed two Muslim South Africans that I had come to know in my daily life. Lastly, I followed a six-week seminar course at the University of Cape Town, *The Economic History of the Islamic World*, given by Dr Muneer Fareed, and interviewed fellow Muslim participants.

Focus groups and report

My thoughts on the reality and vulnerabilities of state pensioners, chapter 3, were also fed by my participation in three focus groups conducted by a community group, Neighbourhood Old Age Homes (NOAH) in the neighbourhood of Khayelitsha. The goal of these focus groups was to identify obstacles to primary health care. I did not make notes in the focus groups and instead used the public data published in their report.

Other data collection

In addition to interviews, a range of empirical sources was used for my data collection: government documentation through multi-media, including policy documents and reports; academic journals and books; general media, including but not limited to newspapers, such as *The Mail & Guardian*, *Cape Argus*, and *Business Day*; websites, such as those of the Abahlali baseMjondolo and the Congress of South African Trade Unions (Cosatu), and television; and finally field notes.

Documentation: I obtained information on financial discourse and practice through the official websites of various banks, including the Bank of International

Settlements, the South African Reserve Bank, and the Development Bank of South Africa (DBSA). I contacted Moody's Investors Service, which provides credit ratings and research covering debt instruments and securities, for their policy briefs on South Africa. This information is used in chapter 4, "The South African Reserve Bank and the Telling of Monetary Stories."

Field notes: I recorded my observations and analysis of public events through written record. In sitting down to write notes in the field, I begin by describing whatever observations struck me as the most noteworthy, the most interesting, or the most telling about how South Africans relate to the various subsets identified by Braudel: hierarchy, the state, the economy and culture. An example of this is the book launch of *No Land! No House! No Vote! Voices from Symphony Way*, an anthology of 45 factual tales written and edited by the informal settlement dwellers (Symphony Way Pavement Dwellers 2011). The event included a discussion with the dwellers of Symphony Way and other members of the public interested in knowing more about their situation. These discussions and the book contributed to my research for chapter 3, "The South African Constitution: Movement and Counter Movement" and the tensions between the constitution, municipal financing and capital accumulation.

Sets of Sets: Analysis and choice of mini-case studies

I identified themes, or patterns, in the data I collected. The ideas, concepts, incidents, terminology or phrases used were organised into coherent categories which then became the basis for my substantive chapters. I worked with the pre-set categories of subsets set out by Braudel (state, hierarchy, economy, and culture). Dividing the totality of social order into subsets is, as Braudel explains, a way of making research manageable. Analysing my data, I was able to discern emerging

categories or themes for the main case study of South Africa. I therefore worked with the Braudelian pre-set categories and the themes that emerged out of my field work to identify the five mini, or sub, case studies that make up my substantive chapters. This are presented as the 'edges' of the emerging political economy in South Africa—the edges where politics, economy, society, and state meet. The edges that I examine are: municipal finance, the constitution and the rebellion of the poor; central banking narratives of the macroeconomy; state pensions and history of the country's political economy; Islamic banking, culture and society; and foreign policy and the state's regional financial ambitions. The aim of this approach is to produce a thick, or thorough, description of metanarratives of the political economy in South Africa. Looking at these 'edges' provides me with evidence and insight about the robustness of capitalism in South Africa and its structural links to world order, or in other words, about its continuity or discontinuity.

Time frame

Data for this thesis was collected between 2009 and 2012. Two fieldtrips were made. The first was for a period of two months in 2009 (May and June) and the second was for a year, from July 2010 to July 2011. Additional and complementary data was obtained during periods of research while I was in Canada, stretching to June 2012.

4. Limitations of this Study

This study comprises certain limitations. The application of a Braudelian framework of studying large processes combined with a study of situated experiences of material life has meant making choices about which narratives, or data collected, to

select for this thesis. The risk is leaving out aspects of South Africa's social order and political economy that readers consider to be essential. For instance, I did not cover the ANC'S goal to foster a black capitalist class or black economic empowerment (BEE) as a non-racial nation-building strategy. This literature is well developed and reveals some unexpected outcomes, such as Iheduru's (2004) argument that the emergent black bourgeoisie threatens to turn the strategy into nepotistic accumulation. This area has already been developed and my research was focused on public debates taking place in South Africa between 2008 and 2011. By then, the Black capitalist class had become a given, producing less animated discussions in the media. Another chapter I could have chosen to write about is the link between philanthropy/charity and capitalism. This is a less investigated dimension of South Africa's social political economy but a fascinating one which merits further study. Here, I would be interested in seeing how uneven governance is complemented by transnational philanthropic action. This action comes full circle with finance as dividends from investment can be funnelled into charities for the purpose of tax exemptions.

A last observation on my choice of narratives under study: it is clear that religion in the public sphere is part of our twenty-first social/political reality. Choosing to study Islamic finance was particularly *a propos* because it was in the process of being established in formal banking and financial institutions and was therefore the site of an emerging discourse both within South Africa and in a transnational context. Of course, research on Pentecostalism, which has become an increasingly prominent feature of South Africa's religious and political landscape is equally relevant and a ripe subject for further investigation. One may think of a cultural political economic study tracing links between financial habits, such as tithing to the local church and

economic development. Given time constraints, this subject will not be addressed in the thesis.

My choice to study South Africa in its vast complexity has been limited by very rapid changes underway. Studying a moving object has been a very exciting aspect of this research project but remains difficult to analyse. At moments, it felt as though I could not keep up with the shifts. On the other hand, experiencing this swiftly running river of change brought me to my central argument, that South Africa is a striking example of continuity and discontinuity in the world order.

The question of race and gender have not been treated as separated categories of analysis but are understood as interlocking relations of power within the social order. To adopt any one as the overriding category of analysis would have transformed this project. For example, I would have asked how race has shaped South Africa's post-apartheid political economy. Focus would have been given to the rise of the Black capitalist class and greater intra-racial wealth divides. I would have asked if communities of Asian descent are faring better than Black communities, or from the Cape Coloured population and to note the re-emergence of poor Whites. While I did not use race as a category of analysis, I recognise the central role of racial categorization and its relationship to power in South Africa's history.

Intersectionality theory, a way of understanding social inequalities by race, gender, class, and sexuality that emphasizes their mutually constitutive natures and their place in relation to power and wealth was beyond the reach of this research project. What it is important to mention is my position as a White female of South African birth in conducting my research. While my knowledge of South Africa, of finance and of the country's political struggles greatly helps in my research, my history also creates indisputable limits. A first limit is not being able to cross the

racial divide that persists in the country. Going into townships and meeting people as a White female with an 'international' accent is a very different experience than for a Black South African female to do. Not speaking any language used in South Africa apart from English is a clear limit while my knowledge of French opened up informal conversations in the streets with migrants from French-speaking West and Central African countries. Access to certain people and organizations was therefore limited.

My biases come from being a person of privilege in a country where there is such poverty and despair. The way I have stated a problem, selected the data to be studied, omitted perspectives or data, the manner in which I have ordered events, people, or places and how I have chosen to represent a person, place, or thing, to name a phenomenon, or to use possible words with a positive or negative connotation will reflect my knowledge or lack thereof of other people's realities and experiences. What I present here therefore is my reading of narratives in South Africa which I hope offers some insight into the interactions between policy, finance and people's lives.

Organisation of Thesis

This study considers the different dimensions of the capitalist economy in South Africa—the edges where politics, economy, society, and state meet—in order to establish whether the broader structures of world order are being sustained or are unravelling, and the impact this is having on South African society. To carry out this project I present a review of the literature in chapter 2 of Braudel's key concepts and ideas that underpin my research. Here I work on a conceptualisation of world order informed by a reading of the work of Fernand Braudel, Robert Cox, and Karl Polanyi. Polanyi makes an important contribution to Braudel and Cox's political economy by introducing the double movement. A key element of Polanyi's theory is the

unprompted reaction of communities to the Self-Regulating Market (SRM). I will also introduce key thinkers that I draw on in the following chapters: Douglas Holmes (2009), Harold Wolpe (1972), Aihwa Ong (2006), and Abdulkader Tayob (2009a). I will clearly identify and connect the major concepts applied in my thesis, such as world order, metanarratives, double movement and embeddedness, neoliberalism, economy of words, public Islam/Muslim publics, and minerals–energy complex.

The next four chapters are the mini-cases within the bigger case of South Africa, and they focus on how world order works at the edges to reinforce or undermine the core meta-narratives of world order. The edges that I examine constitute the chapters of my thesis: municipal finance and the constitution; central banking and the national economy; state pensions and marginal communities; Islamic banking and society; and foreign policy and the state. These five edges provide evidence of and insight into capitalism in South Africa's robustness and structural links to world order, and the movements of resistance that contest this direction; in other words, these edges demonstrate the continuity or discontinuity of capitalism. Each of these edges contains elements of a metanarrative, which this thesis unpacks.

Chapter 3, "The South African Constitution: Movement and Counter Movement," is the first substantive chapter. The African National Congress came into government in 1994 inspired by a vision to improve the life of the majority. Yet, local governments are finding it extremely difficult to provide basic services as South Africa re-enters the global economy and gives the private sector a predominant role in development. For the last eight years, thousands have descended on the streets in violent protest against the lack of basic service provision of water, electricity, and housing. The metanarrative unpacked in this chapter is contesting neoliberalism. In this era of decentralisation of the state, privatisation, and financialisation of public

services, analyses of contestation and unrest need to take into account these complex intersections occurring between government(s) and capital.

The 1996 constitution plays the foremost and determining role in disembedding post-apartheid society as it facilitates the creation of new sites for capital accumulation. It is enabling capital to move into spaces and financial opportunities, which were previously closed to it. The constitution is the framework on which subsequent laws, those that reduce the role of the state and increase the place of capital markets in the running of society, are built. Capital is encouraged to pry open areas of society, of material life, and transforms them into elements of the market economy. Critically, this is legally mandated by the state. This is the first movement of Polanyi's 'double movement.' The second part of the chapter examines the counter movement, the revolt by the population to this rule of market. This uprising is taking place where people live, in their interactions with local government. The energy and revolt voiced by people as they try to live in a society where the market has been given precedence over their basic survival needs is palpable. The poor's rebellion against the privatisation, capitalisation, and commodification of material life is evident and unequivocal. The point being made, and highlighted in the conclusion of the chapter, is that township protests will not go away because the underlying problem is constitutional and national rather than processual and local.

Chapter 4, "The South African Reserve Bank and the Telling of Monetary Stories" explores how South Africa's central bank, the Reserve Bank (SARB), uses national identity to buttress its vision of the macroeconomy. This chapter contends that South African political economic leaders are in a struggle to put in place a master narrative of the economy, a supranational identification of common socioeconomic problems and goals. The SARB plays a critical role of communicating its

macroeconomic policies to the general public and of undermining alternatives that question their decisions. To do this, the Reserve Bank tells 'monetary stories.' Holmes (2009) introduces the notion of an "economy of words," the process by which central banks linguistically model economic phenomena operating at the limits of calculation and measurement. In other words, central banks name and render observable economic phenomena that are largely outside of common knowledge and thus, make known complex economic phenomena through simplified economic parameters. The SARB has the task of grounding its economic narrative in a country undergoing significant social and political transformations and upheavals. In contrast to well established liberal market democracies where the distribution of power within the political economic structure is largely accepted by the population, the SARB needs to make sure that its narrative is seen as unquestionable, as the undisputed truth, regardless of deepening tensions between private financial interests, on the one hand, and escalating poverty and pockets of exclusion, on the other.

Chapter 5, "Elderly at the Borders: The Case of the South African Old Age Grant," examines how the South African old age grant is a place of exception within the neoliberal rule of South Africa. The impact of high unemployment and widespread poverty places the elderly in the unusual position of being key financial providers for their families. Pensioners have to turn to informal sources of credit to make the ends meet for their families. Their social grants act as security against loans. Accordingly, credit is given on the condition that the elderly person hands over her pension card, banking card, and identity document (ID). These documents are used to access the elder person's bank account when the monthly grant is deposited. Consequently, citizenship is lost as the elder person gives up these documents to secure loans. Citizenship is the key institutional mechanism for establishing the

boundaries of the state. Yet, social, economic and political dynamics in the new South Africa are producing paradoxical outcomes, such as where the elderly—as recipients of state pensions—lose their ID and pension card and are not able to vote in the elections. I analyse this reality through the theoretical contributions of Harold Wolpe and Aihwa Ong. Both of these thinkers articulate political economy as sets of historic relationships between the state and society that respond to global patterns of production and movements of capital and investment. These thinkers examine the ways in which capitalist production creates zones of participation in this domestic and global economy, while simultaneously creating marginalised, or peripheral, areas. I argue that the exceptional position of the elderly as beneficiaries of a social grant actually propels them into a new space of vulnerability as they live within a society governed by neoliberal ideology. This paradox can be understood through Ong's (2006) ethnographic perspective for understanding neoliberalism. Neoliberalism is not a total reality; neoliberalism can be an exception to the dominant system in place and there can be exceptions to neoliberalism where selected populations are protected. Multiple scales of exception mutually constitute distinctive milieus of life that reveal new alignments of market rationality, sovereignty, and citizenship.

Working with Tayob's concepts of 'Public Islam' and 'Muslim Publics' as discursive spaces that construct Islam in the public sphere and society, chapter 6, "The Shaping of Islamic Finance in South Africa: Public Islam and Muslim Publics," argues that everyday actions at the intersection of religion and the economy are culturally and historically contextual. The dynamic between Islamic financial institutions and everyday actions is shaping Islamic finance. Public Islam refers to the invocations of Islam as the basis of ideas and practices for changing political spaces. Within the broader discursive space of Public Islam, Muslim Publics are the situated,

communitarian, and political debates that occur in everyday life. Islamic financial products contribute to the construction of Public Islam as they are devised and implemented. Financial institutions inculcate Muslims with the idea that these Islamic financial tools are a vital component of their lives. Muslims, in turn, debate the meaning of these financial products in their lives. Muslim publics—discursive spaces formed by multiple and competing interventions—have arisen in response to the action taken by financial institutions and the state to create and market Islamic products. There are many Muslim Publics in response to the production of Public Islam and this is reflected in South Africa through the different positions being adopted as Muslims interact with financial institutions. Discursive spaces are forming around the practice and presentation of Islamic finance and banking; these spaces can be distinguished along at least four themes: questions of identity for Muslims living in South Africa, historical relations with banks and financial institutions, Islamic finance as a Muslim project within a secular country, and faith as personal practice. The conclusion of this chapter highlights that these dynamics between financial institutions promoting Islamic products and everyday actions of Muslims does not automatically encourage the spread of Islamic finance.

Chapter 7, "'Gateway' to Africa: South Africa's Continental Ambitions," examines how South Africa is placing itself at the centre of emerging transnational financial networks in Africa. The country's mature financial industry makes it a suitable stepping stone for foreign investors operating in Africa. This ambition is underpinned by deepening economic and financial associations with China and the invitation to join the BRIC group of major emerging economies, thus creating the BRICS. China's invitation to South Africa is about forging political economic connections with the African continent. What the G7 was for the old world, BRICS is

for the new and to make it more representative, there has to be an African economy. This economy is South Africa, with its world-class financial sector, experience in African markets, and extensive corporate footprint on the African continent. It is already the biggest emerging-economy investor in the continent and its companies are active in at least half of all African countries. South Africa thus sees itself as continental headquarters for companies doing business in Africa.

Chapter 7 explores the way in which the South African state is working to secure for itself the status of 'financial gateway' to Africa as a BRICS country. Financial centres are strategic geographical locations that have the necessary legal and regulatory infrastructure and market depth to deliver international financial services. These centres have historically been situated in Europe (London), the United States (New York), and, in the last decades, Asia (Tokyo, Hong Kong). This is changing; there are significant shifts in investment patterns as global investors see the long-term growth possibilities in emerging markets. Africa is the unexpected new destination for global capital flows. Yet, the pressing issue of how African countries are being integrated into this changing world order has not been raised or addressed by the literature.

Finally, chapter 8, the conclusion, reconnects the different elements of each chapter to core themes of this thesis. The theoretical implications of this thesis, in terms of the discipline of IPE and our understanding of Braudel and his relevance to IPE, will be presented.

Chapter 2

A BRAUDELIAN READING OF POLITICAL ECONOMY

This chapter presents the rationale for conducting research on South Africa as a case for examining whether the current moment of world order exhibits continuity or discontinuity with its past. Most scholarship on world order focuses on the centres of global power, historically European and North American centres; little research has been conducted on the boundaries or parameters of these orders. Literature on countries considered to be less industrialised, or not members of the Organisation for Economic Co-operation and Development (OECD), covers approaches such as development studies, comparative politics, governance, and security studies. These countries, particularly African countries, are not studied as important constituent elements of world order. The changes in the current world order indicate the need to study how non-western states are shaping, and not only being shaped by, the world order.

Accordingly, this thesis is about the ongoing relevance of Braudelian thought for International Political Economy (IPE). This literature review chapter draws on Braudel's ideas, concepts, and theory that frame this thesis. This thesis also draws on different scholars whose contributions to theory and research permit me to develop more fully the edges I will be examining. These authors' studies complement Braudel's theoretical framework either through their case study expertise or through their knowledge of how social sets interact and overlap at various levels of governance.

The principal theoretical building blocks drawn from Braudel are, at the global level, world-economy and, in the domestic setting, the 'set of sets,' a concept that

unveils the multiplicity and complexity of social orders. This chapter begins with the question of identifying the core metanarrative of the world order. An explanation of metanarrative starts this section and draws on Susan Strange's (1988) concept of structural power and Robert Cox's (1983; 1987) model of hegemonic bloc. This comprehension of metanarrative is applied to my thesis, the idea that historic structures of knowledge shape our interpretation of the world as we see it and as we imagine it. Metanarratives are diffused through rhetoric, discourse, images, and symbols and are performed. They are strongest when they are part of a historical bloc, in line with Robert Cox's theory on world order.

The next part of the review introduces Cox's theory of world order and the metanarrative of neoliberalism, the state form internationalised within Pax Americana. I use this section to present Karl Polanyi's (2001) theory of embedded and disembedded economies in the context of South Africa, historically under the USA's Bretton Woods' system and in post-apartheid South Africa. This section draws on John Maynard Keynes (1991; 2009) and E.H. Carr (2001) to put forward a proposition for thinking about how parts and fragments of South African society were embedded in the American world order. Next, I explain how neoliberalism is seen by scholars of South African political economy. Here I aim to demonstrate the very complex cluster of apartheid's legacy, the influence of international institutions and the government's welfare policy.

Following this, I present Braudel's theory of world-economies. I employ this concept in conjunction with Cox's world order as an analytical tool for thinking about non-hegemonic world orders. If a world order is a dominant historical structure at a given point in time, as was the case for Pax Britannica and Pax Americana, the decline of hegemonic order makes it easier to become aware of other existing or

emerging world-economies. This is to say that the boundaries of world orders are not fixed but overlap, historically and spatially. It is in this respect that I believe engaging with Braudel's (1984) concept of world-economies will prove insightful to understanding the South African case.

Before presenting more theory relating to South Africa, I present Braudel's analytical model, the 'set of sets.' This will frame my research into South African society. Following this, the minerals-energy complex (MEC) is presented as a Braudelian structure. This theory was developed by Ben Fine and Zavareh Rustomjee (1996) to explain the dominance of mining and minerals related economic activities for the last one hundred and fifty years; a structure of longue duree. I then introduce Harold Wolpe's (1972) work on the historic relationship between the MEC and labour operating with the political regimes of segregation and apartheid. Aihwa Ong's (2006) theory on neoliberalism and states of exception frame my analysis of state pensions in contemporary South Africa. Following this, the term neoliberalism needs to be explained within the South African context. The term neoliberalism is ubiquitous and its meaning needs to be clarified through definitions applied by scholars of South Africa's political economy: Seekings and Nattrass (2002), Bond (2002), and Ferguson (2007).

In the present period of transition to democracy and to fuller integration into the global economy, the South African Reserve Bank (SARB) tells monetary stories as it attempts to settle the dominant metanarrative of mobile capital. Douglas Holmes' (2009) concept of 'economy of words' is presented as an enlightening way to see how the SARB is using national identity to consolidate the state's vision of the economy.

The South African state is depending on the SARB to maintain financial and currency stability so that it can place the country as the headquarters for business

being conducted on the continent and as the financial centre serving Africa. In line with this goal, I introduce Abdulkader Tayob's (2007; 2009a) concepts of Public Islam and Muslim Publics. This section examines the rise of Islamic finance through a cultural lens and I use Tayob's religious studies theory of structure and agency to situate the tensions between the creation of a niche financial market and faith.

Metanarratives

Metanarratives endeavour to provide singular translocal and transnational meaning to human actions and assorted processes. The field of IPE, for instance, produces or is involved in the process of elaborating commanding metanarratives such as capitalism, modernity, progress, and development. The rise of postmodern and poststructuralist theories called into question the validity of metanarrative essentialism and foundations, and opened them to criticism.

The position I take in this thesis is that it is impossible for any theory to claim absolute knowledge or universal validity. Nonetheless, I consider that metanarratives exist. They are historic structures of knowledge, or socially constructed intersubjectivities, to follow a Coxian understanding, which shape our interpretation of the world as we see it, as we imagine it and as we enact it. Metanarratives are diffused through power, rhetoric, discourse, images, symbols and are performed. We partake in the construction and enactment of metanarratives and we also have the power to question and deconstruct metanarratives. In recognition of this power to shape thought and direct action, Susan Strange's (1988) contribution to understanding knowledge as power is compelling. Metanarratives can be understood as structures of

knowledge power. Knowledge is one of four elements of structural power[8], which is "the power to decide how things will be done, the power to shape frameworks within which states relate to each other" (Strange 1988, 24–25). The importance of structural power resides in explaining how structures set the realms of possibilities, the 'rules of the game' (Tooze and May 2002, 10) and thus shape human action. Tooze (2000: 282) argues that applying Strange's concept of structural power means investigating authority and power in specific historical circumstances.

Along these lines, I understand metanarratives as structures of thought with power to direct and influence outcomes, both material and ideational. Before pursuing with the literature review, I would like to indicate that Braudel is working within a metanarrative: the exceptionalism of European civilisation.

Braudel's Metanarrative

Braudel's recognition of, and working with, the complexities of human actions, relations of power, and their institutionalisation does not itself operate free from metanarratives. While it is impossible to cover every geographic region, every culture and mentality, every economic development, Braudel focuses on, and appears to believe in, the exceptional character of European civilisation. This arises through his interest in examining centres and core areas of political and economic power of world-economies. Braudel's claim that "there are always some areas world history does not reach, zones of silence and undisturbed ignorance" (Braudel 1984, 18) is challenged by post-colonial thinkers such as Achille Mbembe (2000). Mbembe argues that: "contrary to Braudel's conviction, it is not clear that there are any zones on which world history would have no repercussions. What really differ are the many

[8] The four elements of structural power elaborated by Strange are security, production, finance and knowledge.

modalities in which world time is domesticated" (Mbembe 2000, 260). For Mbembe, "these modalities depend on histories and local cultures, on the interplay of interests whose determinants do not all lead in the same direction" (Mbembe 2000, 260). Global time, the time of globalisation, is not uniform; it is cut up into segments of space to create patterns of inclusion and exclusion (2000: 284). Africa is not, and was not, an inert mass on the margins of western civilisation caught in a zone of relative silence and immobility. Braudel (1984: 42) mentions that these 'backward zones' are not to be found exclusively in peripheral areas but exist as pockets in central regions too. In spite of this, Braudel partakes in the representation of the world into two parts: the centre, civilised core—Europe and North America—and wild, backward peripheral regions. Non-Europe, as Braudel (1984: 386) puts it, cannot be understood on its own terms, but needs to be understood in terms of it being cast in the mighty shadow of Western Europe. Braudel then goes on to ask "whether Europe was somehow of a different human and historical nature from the rest of the world" (Braudel 1984, 387). Braudel's work is typical of the Euro-centrism of social sciences of the late twentieth century and the dominance of this perspective for scholarship before the advent of post-colonial thought.

Economy of Words: Metanarratives and Performing the Economy

Douglas Holmes's (2009) concept of "economy of words" stands out as an excellent example of how narratives are enacted and construct the economy through performance. Holmes uses this model of communication to explain how central banks venture to direct economic action towards desired macroeconomic goals. Contemporary monetary policy is about managing expectations through communication techniques (Blinder et al., 2008). Blinder underlines that more

extensive central bank communication is a worldwide phenomenon. Working with the acknowledgement that the character of money is social, central banks have become remarkably more transparent in the last decades and place much greater weight on their communications and their effects on private actors. Douglas Holmes (2009) calls this action the 'economy of words,' a linguistic and communicative means for modelling economic phenomena. Building on the work of Michel Callon (2007), who argues that economic theory is the means for creating economic phenomena and regulating economic behaviour rather than merely the tools for representing or analysing them, Holmes introduces the notion of an economy of words as the means and medium through which this kind of creative labour is articulated and thereby enacted.

As an example, Dr Monde Mnyande (2002), deputy chief economist at the South African Reserve Bank (SARB), explained that:

> The framework in the case of South Africa is characterised by the public announcement of an official quantitative target range for the inflation rate over a specific time horizon and efforts to communicate with the public about the plans and objectives of the monetary authorities [...]. The economic fundamentals in South Africa remain sound amidst a challenging world environment. Despite higher levels of volatility in the domestic financial market, Moody's Investment Services endorsed the current policy stance and upgraded South Africa's sovereign risk rating to BAA2, stating that the rand's steep depreciation in recent weeks was not warranted by the country's economic fundamentals (Mnyande 2000, paras. 6 and 50).

The goal here is double: to convey to targeted actors, such as credit rating agencies, that the SARB is communicating its inflation target to the general public and keeping the economy on track; and, in so doing, to perform an economy of words by re-iterating that it is doing so. This concept is applied in chapter 4 to the struggle between the SARB and the Congress of South African Unions (Cosatu) to settle a dominant narrative of the macroeconomy either in line with the global regime of

liberalised capital or, in the case of Cosatu, to direct the narrative to one of redistributive economic and social justice

World Orders and World-economies

Coxian World Orders

Cox argues that to understand change we need to develop a theory of production, power and how these forces produce world orders. This requires understanding the connection Cox makes between social forces of production, collective intersubjectivities and their production of historical structures and institutionalised forms of power. Cox's ontological starting point is the configuration of social relations: the rich diversity of material life, ideas, norms, culture, and modes of production. The social relations of production in a particular society are the basis of class structure; in fact, it creates the potential for class relations (Cox 1987, 6). Class arises through interaction and is created through sets of collective images and institutional forms of decision making (1987: 22–29). Intersubjectivity is the shared or mutual understanding of self in relation to the other and the possibility of collective action. People are born within a set of social relations; they are part of groups, dominant or subordinate, with varying degrees of power. The intersubjective dimension of development is derived from production, including material life, but also from the production of ideas, institutions and social practices. The collective sense of what might constitute a sense of class or a distinct group within society are all elements that contribute to shared identity and lead to collective action. It refers to the way in which leading social groups within a specific national context establish a relationship over contending social forces. The potential for change is created through a mutual understanding of this position, a consciousness of shared class. The engine

for change is dissatisfaction as the group articulates its position relative to institutionalised power.

Power is not solely a function of sovereignty, military might, and territoriality, but a complex combination of economic and social orders premised on specific modes of production. Therefore, rather than taking the state as a given or pre-constituted institutional category (Cox 1987, 6), consideration is given to the historical construction of various forms of state and the social context of political struggle. The state is conceived as a form of social relations through which hegemony can be expressed. This model is accomplished by drawing upon the Gramscian concept of a historical bloc and by widening a theory of the state to include relations within society (1987: 115). Hegemony within a historical structure is constituted through three spheres of activity: the social relations of production, forms of statehood, and world orders. The state is involved in a dynamic relation where it is dependent on production and is dominant over the development of productive forces and productive relations (187: 400). States create the conditions in which particular modes of social relations achieve dominance over coexisting modes. They structure the dominant-subordinate hierarchy and linkages to accumulation.

For Cox, these actions are conditioned by the manner in which the world impacts upon the state. The domestic state-society complex therefore needs to be thought of in terms of the reciprocal relationship of structures and actors within the broader conceptualisation of world order. Once hegemony has been consolidated domestically it may expand beyond a particular social order to move outward on a world scale through the international expansion of a particular mode of social relations of production (Cox 1987, 105–109). Cox's understanding of hegemony is understood as an expression of broadly-based consent, manifested in the acceptance

of ideas and supported by material resources and institutions to constitute a structure, a historical bloc.

The world order for the last 60 years has been *Pax Americana*, premised on the internationalisation of the welfare-nationalist state and then the neoliberal state (Cox 1987, 219). The welfare-nationalist was conceived to protect the national economy from outside influences and to enhance national power, while the neoliberal state sought its security as a member of the stable American world order as its economic growth depended on an open world economy (1987: 219-220). The hegemonic character of the *Pax Americana* arose within the United States, a country in which social hegemony had been established and which was powerful enough to project itself onto the world scale (1987: 166). The US national model of production became the world model, exported and imposed. The United States hegemonic order "was brought about through a change in power relations among the major states, reflecting a decisive shift in their relative economic-productive powers" (Cox 1987, 212). While a hegemonic world order limits state autonomy through economic, as well as military constraints, the breakdown or reduced force of world hegemony increases diversity as there is more scope for individual state action. This dynamic is apparent in the new configurations of political and economic power blocs such as the BRICS, South-South Alliances, and the G-20. The rise of the BRICS countries is changing power dynamics in world affairs. Although the United States maintains its superpower status, it is increasingly being challenged in the world sphere by these blocs.

Examining how world order works at the edges to reinforce or undermine the core metanarrative of the neoliberal world order requires understanding more about this political project. Pax Americana's metanarrative is neoliberal governance. The

neoliberal state was a transformation of the welfare-nationalist state (Cox 1987, 218-220). The neoliberal state inherited the internal structures of welfare nationalist governance, such as the institutions of corporatist government-business-labour coordination and Keynesian macroeconomic demand management (1987: 220). The difference between the two state forms was the goals pursued by the states (1987: 221). OECD states had to adapt to the new world order of Pax Americana while states on the periphery of this order, which Cox calls protostates, were managed by the Bretton Woods institutions (International Monetary Fund and World Bank) so as to not constitute a political threat to the world order on which the USA's world economy was based (1987: 219). For governments of major countries, the neoliberal state meant managing the conflict between global economic growth and maintaining exchange stability and, on the other side, domestic political commitment to avoid the unemployment resulting from slower growth (1987: 221). While the world economy was the external constraint on the neoliberal state (1987: 223), the USA, at the centre of the management of the world's money, was able to avoid the constraints experienced by the other states (1987: 221).

The Bretton Woods institutional structure became fully functional in the later 1950s. It is here that I will bring in Polanyi's theories of double movement and embedded economies. This will permit me to situate the rise of a certain form of embeddedness of South Africa's economy under apartheid. Next, neoliberalism in contemporary South Africa will be explained. Then I will go back to Braudel's model of world-economy.

Braudelian World-Economies

As discussed before, Braudel (1984, 21–22; italics in original) makes an important distinction between *the world economy* and *a world-economy*. The former corresponds to the whole world, the market of the universe, the human race or that part of the human race that is engaged in trade and makes up a single market (1984: 21). The world economy is analogous to the contemporary concept of globalisation. The latter, a world-economy, is an economically autonomous section of the planet able to provide for most of its own needs, a section to which its internal links and exchanges give a certain organic unit (1984: 22). A world-economy is a large zone of economic coherence. Certain features define these zones: they have boundaries; they are centred on one particular city—*a world city*—with an already dominant type of capitalism; and they are marked by hierarchies of regional economies, which are, in fact, a type of inequality. In terms of spatial features, they consist of (i) a core: the world city itself and its immediate surroundings; (ii) a middle zone: the economic hinterland of the city; and (iii) a periphery: colonies and new overseas markets. Shifts in these centres of gravity are significant as they open up new perspectives for world order (1984: 32). Amsterdam took Antwerp's place; London took Amsterdam's; and, in 1929—during the financial crisis, New York took London's.

In short, the outline of the history of these successive dominant cities in Europe since the fourteenth century provides the clue to the development of their underlying world-economies; these might be more or less firmly controlled, as they oscillated between strong and weak centres of gravity. This sequence also tells us something about the variable value of the means of domination: shipping, trade, industry, credit, and political power or violence. World-economies are subject to the movements and effects of economic cycles of varying lengths and visibility. Braudel

looks for evidence of these cycles and their effects on the accumulation of capital in different sites around the world. These cycles of accumulation are, Arrighi (2010: xii) tells us, central to Braudel's understanding of capitalism; they indicate the 'commanding heights' of the capitalist world-economy. Braudel's focus is on analysing systems and systemic changes, and the dynamic interplay between the various hierarchies. The fusion between the public—the state—and capitalism through institutions is the core of a Braudelian world-economy. A powerful state is at the centre of a world-economy as it not only serves its own people, as well as capitalism, but has the effect of forwarding imperialism and colonialism.

How would we understand these means of domination now, especially at the edges of world order? We can think of the international financial institutions at the center of US state-capital power (World Bank, International Monetary Fund, World Trade Organisation, and Bank of International Settlements) and their influence through central banks and governments worldwide. Another way is through global financial governance through institutions such as the Bank of International Settlements (BIS), which coordinates monetary policy worldwide through central bank cooperation and coordination. We can also view international credit-rating agencies, such as Moody's Investors, Standard & Poor and Fitch Group, which shape governments' economic policies as they are concerned with promoting investment into their domestic economies as another means of domination. This is an important element brought up in chapter 4. In South Africa, economic policies have been concerned with promoting investment into the country and maintaining credibility of government economic policies with international financial markets and institutions (Mohamed 2009). Yet, as Mohamed (2009: 2) argues, the South African government has liberalised its capital controls, increased the financialisation of its largest

corporations which has, subsequently, permitted these companies to expand within the continent. The transnationalisation of South African corporations is taking place in Africa.

Germain (1997) highlights how institutions and systems of institutions are at the core of world-economies. It is by tracing these institutions that change is made understandable and that the operation and structure of a world-economy are illuminated. A different system of capital institutions is apparent in the global arena, that of Islamic finance. Chapter 6 shows how changes in financial institutions and banks in South Africa are linked to an escalating Islamic global economy. Islamic banking and investment services are being viewed as an important contributor to the South African economy, as stressed in the 2010 budget speech of Finance Minister Pravin Gordhan, who said:

> As an ongoing part of the process of simplifying our tax system, government proposes further measures to reduce red tape and enhance our attractiveness as a viable and effective location from which businesses can extend their African and other worldwide operations. We will also review the tax treatment of financial instruments to ensure appropriate accommodation of Islamic-compliant finance. (Pravin 2010a, 14)

These changes to the fiscal and legal structures in which finance is conducted will permit new product development to cover the full spectrum of financial services according to Shari'ah (Pat Roberts, ABSA Head branch Johannesburg, personal communication, 2012). This is part of a rapidly growing domestic sector which now includes a Shari'ah-compliant, equity-linked, exchange-traded fund that tracks the FTSE/JSE (Johannesburg Stock Exchange) Shari'ah Top 40 Index, reflecting the top 40 Shari'ah compliant companies on the main board of the JSE.

Islamic finance is a fascinating area of study as it points to parallel networks of capital and alternative ideologies underpinning financial action. Islamic finance

speaks to Braudel's observation that it displays how world-economies can operate simultaneously. World-economies are different from the more unified world orders. This global capital system indicates another source of capital-political institutional centre constructed along alternative norms. The young South African industry has its goals set on expansion into the African continent where about 400 million Muslims live. I apply Abdulkader Tayob's (2007; 2009a) analytical concepts of 'Public Islam' and 'Muslim Publics' to this parallel capital system that is taking root in South Africa. Tayob (2007: 1-15) puts forward Public Islam and Muslim Publics as a conceptual pair for case studies of Islam in Africa. Public Islam refers to the diverse invocations of Islam that ideas and practices make to civic debate and public life. In this public capacity, Islam partakes in the configuration of politics and social life within states. Public Islam is also constructed globally as international institutions and key actors vie to establish the ideological boundaries of Islam. In other words, actors from different backgrounds compete with each other to define Islam for new and changing political spaces. Muslim Publics are unique kinds of public spheres produced through Public Islam. In other words, they are situated discursive spaces that take place within the religion of Islam, as outlined by leading scholars and political economic elites of the contemporary period.

Tayob (2008) notes that there is a contemporary move to a text-centered approach to Islam. The demand for Shari'ah has become the key demand of Muslims in liberalising and democratising regimes since the end of the Cold War. While the Shari'ah has not always been the centrepiece of Muslim politics, in the new context of globalising Islam through text-centered approach to Islam, experts of the Shari'ah have become relevant again. Financial institutions elaborate their products in line with the Shari'ah because it offers universal credibility. Yet, Tayob notes that the global

trend toward greater conformity needs to be placed side by side with the new social and political role of Islam on local levels. The strength of Tayob's analytical categories is twofold. Firstly, Public Islam and Muslim Publics situate the well-known structure-agency debate in the different context of religion. Secondly, dialectic between Public Islam and Muslim Publics is established through importance of ideas and their formulations into metanarratives by scholars and elites and the response and actions of Muslims in their everyday lives. This is where the dynamic is situated. Muslim Publics, the discursive spaces in local and national contexts, show that there is not an automatic fit between this text-centered Islamic financial industry and everyday economics of South African Muslims. Islamic finance points to an alternative order of society that has started in North Africa, the Gulf States and Asian states such as Malaysia and Indonesia and has extended to other parts of the world. China, as the dominant regional centre, is an emerging global centre of production and investment defined by very strong state-capital relations.

A second way of seeing the change that is taking place is through recent but important institutional relations between China and South Africa. Braudel's framework allows us to understand how changes in the top layer—capitalism as it is linked to global structures of production, trade, and investment, which we see in current shifts between the United States–Europe and the rise of China and the BRICS countries are creating openings for South Africa as a regional power. One way of understanding what is taking place here is through the new Chinese-South African financial nexus between the Industrial Commercial Bank of China (ICBC) and the Standard Bank Group. Basically, ICBC will be using Standard Bank's continental footprint (which is its reach through operations in African markets) as a channel for Chinese investment and business in Africa. This South African expertise in African

markets is exactly what attracts China and other emerging economies, to see the country as its base for continental operations. South Africa, at the edge of world order, is increasingly showing distinct patterns of being at the centre of an economically autonomous section of the planet, a section to which its internal links and exchanges give a certain organic coherence as it spreads its influence into African markets. South Africa is also at the edge of Asia's world-economy, with China at its centre. Braudel's world-economy offers a model, therefore, to think about smaller or parallel circuits of production, trade and investment. This buttresses South Africa's ambition to become an international financial centre.

Polanyi and (Dis)Embedding the Economy

The idea of 'embedding' the market in political and public frameworks is a commanding concept in political economy that came to the fore in the works of Keynes and Polanyi. Ruggie (1982: 385) attributes the concept of market embeddedness to Polanyi's work *The Great Transformation*, where a distinction was developed between 'embedded' and 'disembedded' economic orders, reflecting the action of two organising principles in society (Polanyi 2001, 138). One is the principle of economic liberalism, which aims at the establishment of a self-regulating market based on laissez-faire. The other is the principle of social protection, which aims at the conservation of society and nature. Social history is the result of a double movement where, on the one hand, markets gain power and spread their effect, increasingly integrating dimensions of human life into their logic; and, on the other hand, networks of measures and policies were integrated into powerful institutions, designed to check this action of the market relative to labour, land, and money (2001: 79). Different financial and political systems tilt this equilibrium in varying degrees.

When the system favours markets and their extension into material life, a double movement arises within society to protect society against the perils of markets' logic, notably the commodification of material life.

Kirshner (1999) points out that by the time Polanyi wrote in the early 1940s, Keynes had already presented a clearly articulated and well-known argument in favour of a middle way. Keynes saw the economic realm as beset by uncertainty (Ruccio and Amariglio 2003). This uncertainty arose out of the particular context of interwar economic, political insecurity, and misgivings about the effects of the peace treaty of 1919, the devastation wrecked by the Great Depression, and the possibility of war. Keynes argued for mechanisms that the state could put in place to correct the market. The publication of *The General Theory of Employment, Interest, and Money* in 1936, which followed *Am I a Liberal?* in 1925, and *The End of Laissez-Faire* in 1926, and A Tract on Monetary Reform in 1923, as well as a talk given on the BBC in 1934, *Poverty in Plenty: Is the Economic System Self-Adjusting?*, set out the theoretical and political parameters of a middle way as an alternative to both historic laissez-faire doctrine and what Keynes considered to be the threat of looming communism. Keynes identified the state as the primary means to embed the market and provide employment. Ruggie (1982: 392–397) coined the expression *embedded liberalism* to describe the liberal world order that was established after World War II. State intervention could occur both within the domestic sphere where the use of fiscal and monetary policies could manage growth cycles, and in the international arena where macroeconomic cooperation can be used to promote common interests across borders. This meant that post-war institutions would support an internationalist market-oriented order but would allow for mechanisms, safeguards, and escape clauses through which states would not be forced to sacrifice domestic social policies

in order to maintain international equilibrium. Keynes' vision of the international arena can be summed up as a balance between an international organisation of states and the political realism of interstate pragmatism.

The divergence of Keynes' and Polanyi's understandings of embeddedness clearly marked a fork in the ways alternatives were envisaged in face of the laissez-faire market. The embedded liberalism that Keynes worked towards: "reconciled the efficiency of markets with the values of social community that markets themselves require in order to survive and thrive" (Lacher 1999, 326). The key question for Keynes was how to make capitalism sustainable. He recognised the need to make it resistant to destructive crises, like that of the Great Depression starting in 1929, that could undermine its relation to a liberal order which prized individual freedom, economic efficiency, and some degree of social justice and stability. If the system was not self-adjusting as argued by the classical economists, then a public intervention was needed to correct periodical imbalances. While Keynes saw stability residing in the willingness of the state to put in place socio-political and economic reforms in order to curtail the market's reach, Polanyi looked at the dysfunction between society and market as the reason for the unleashing of tensions. Polanyi adopted a society-centred approach which shifts the focus of analysis from state agency to agency within society. The particular interest in a Polanyian analysis is that it allows for thinking about situated agency through spontaneous revolts and uprisings. This is particularly relevant in light of the multitude of spontaneous popular movements of contestation taking place in South Africa over the last decade.

The reasons that the concept of embeddedness needs to be applied with care are twofold: firstly, the concept of embeddedness arose in western political economic thought and therefore needs to be applied with care when referring to countries that

were colonies and not embedded in the western world order of the twentieth century. Secondly, and in line with this, the homogeneity and material uniformity in both Keynes' and Polanyi's theories speaks to the confidence that their scientific method and research in the West was applicable to everywhere; consequently ignoring the multiplicity of societies. This is in fact more problematic for Polanyi, who theorises human agency, than it is for Keynes, who works on the next analytical level of states and world order.

Coming back to the first issue, when Keynes was writing about capital, markets, and states, the rest of the world—the colonised peoples of the European empires—did not carry analytical weight. The 'rest' somehow didn't really exist as phenomenon that could challenge or change these theories. The issue, as Ruggie (2003: 94, italics in original) points out, is that embedded liberalism presupposed an *international* world of national economies engaged in external transactions, which governments could mediate at the border by tariffs and exchange rates, among other tools. Yet this 'international world' was not as it seemed; it was not an order made up of like-units of autonomous sovereign territories that normally underpins the ontology of International Political Economy (IPE). In this view, the Bretton Woods institutions—the World Bank, the International Monetary Fund, the World Trade Organization—managed the post-colonial countries in line with the global liberal order of the Western industrialising nations. This reading ignores historic and contemporary governance of 'developing' countries in line with the interests and power of advanced industrialised states. Most countries emerging as independent states in the last century were never embedded in the liberal world order that Keynes advocated for Europe and North America. They did not enjoy domestic autonomy but

were managed by those very international institutions set up by the United States and Britain to permit embedded liberalism in industrialised countries.

This inconsistency can be understood through E.H. Carr's seminal work *The Twenty Years' Crisis* (2001) where he argued that the 'harmony of interests,' as proposed by early twentieth-century liberal political thinkers (such as Keynes), is in fact the extension of a powerful nation's ideology and did not extend preferable conditions worldwide. Carr argued that the universal principles advocated by liberal thinkers were nothing more than reflections of national policy based on Britain's interests and power. No country but Great Britain was commercially powerful enough to believe in the international harmony of economic interest (Carr 2001, 46). This tendency of the dominant powers to identify their interests with those of the world as a whole—while not extending preferable conditions to all states worldwide, that is to say, to colonies—is inherent in the theory of embedded liberalism. The rhetoric was an international order that benefited all states but it was, in fact, an international order with a breach between embedded states and those outside the application of these normative principles. Another way of saying this is that embedded liberalism is a situated metanarrative that dominated both the materiality and rhetoric of global political economy.

South Africa was able to create what I view as a double system of embedded and disembedded economies. The Bretton Woods system created the domestic conditions favourable for the elaboration and implementation of a political economic system based on racist segregation and exploitation. Embedded liberalism was built on the Keynesian compromise between the international order and movement of capital and the domestic need to promote social policies of public welfare. The domestic consensus in South Africa took place between the Afrikaners, with their

ideology of separate racial development, and English capitalists (domestic and foreign) who were investing in the expanding mining industry. This national embedded political economy was tied to the Bretton Woods order through the system of fixed exchange rates that allowed governments to sell their gold to the United States Treasury at the price of $35/ounce. Yet, the racist ideologies of apartheid created an internal system of disembedded societies for the black majority who were excluded from the protection of the Bretton Woods world order.

The second reason for using this idea of embeddedness with care is the homogeneity and material uniformity in Polanyi's theory. There is an enduring homogeneity accorded to economic and social reality in IPE that influences our analytical processes and understandings of the world. We see things in totalities, of both in space and time, and pay less attention to considerations of spatial, processual, and social diversity. Polanyi sees the emergence of the Self-Regulating Market as a chronological event. Up until the nineteenth century, the owners of production were merchants and traders; capitalists did not emerge until this later period. During the industrial revolution, capitalism invaded production and the realm of production became the realm of capitalism. Society reacted to the expanding market logic.

The double movement becomes a chronological unfolding that sees no differentiation in the spatiality of economic reality. The economy moves from one stage to the next; space becomes totalised through this singular logic as society becomes embedded and then disembedded. Embedded liberalism shares this analytical framing of spatial homogeneity; we move from waves of being disembedded in the world order to being reembedded; hence, a continual double movement takes the world as its analytical category. The example of South Africa points to the need to differentiate this movement in temporal and spatial terms.

With these caveats in place, I wish to argue that Polanyi offers a useful analytical framework when thinking about social upheavals and rebellion. This is because he analytically recognised that people take action to protect their livelihoods by countering crushing systems of oppression. The element I wish to address here is that this agency against market excesses can arise without instruction or guidance. It is the raw force of individual and group agency that has not necessarily been coordinated by local leaders or organisers. It is here that I believe Polanyi has much to contribute to thinking about unorganised agency in Braudel's bottom level of material life. The boundaries between this type of social protest and more organised social movements are not clearly outlined. In his analysis of social protests in South Africa, Alexander (2010) points to the varied nature of the ongoing protests, which makes them difficult to quantify or qualify. He notes that while there is much literature, in South Africa as elsewhere, on social movements, there is, by contrast, scant academic writing on local political protests that erupt without cue (2010: 28). This is why Alexander refers to these protests as a rebellion of the poor. In chapter three, I make the link between these types of rebellions and the peasant revolts noted by Braudel (1982: 495). I believe that a Polanyian analysis can play a rich part in understanding and analysing these unprompted and uncoordinated revolts.

Neoliberalism at the Edges

Seekings and Nattrass (2002) place contemporary analysis of South Africa's political economy into three categories. The first group are neo-Marxists such as Patrick Bond who see South Africa as a battleground between capital, defended by international financial institutions and the neoliberal world order on one side and, on the other, the masses. Bond (2000: 36) argues that neoliberalism was adopted in South

Africa as the basis for economic policy-making in the late 1980s. South Africa's immediate post-apartheid domestic policy was influenced by conventional neoliberal ideology transmitted through international financial agencies such as the World Bank (2000: 1667) and the International Monetary Fund as it granted an $850 million loan to the government of South Africa through the institutions' classical structural adjustment policies (Bond 1997, 14). The new ANC government follow IMF advice; it liberalized the economy faster and further than expected and adopted the Growth, Employment and Redistribution (GEAR) policy in 1996. Government spending, especially wages and services, was labelled excessive (Bond 2000, 54) and a macroeconomic agenda of conservative monetary and fiscal policies was put in place.

The second group mentioned by Seekings and Nattrass are scholars working closely with labour movements, such as sociologist Eddie Webster. This group argues that post-apartheid policy reflects a class compromise where pro-capitalist macroeconomic policies are weighed against labour's achievements in terms of legislation (Seekings and Nattrass 2002, 2). This group of scholars necessarily investigates the link between the Congress of South Africa Trade Unions and the African National Congress government (Southall and Webster 2010) in the tripartite alliance.[9] This relationship changed from the Mbeki administration from 1999-2008, a period when the government's neoliberal policies were criticised by what the president called the "...shadowy 'ultra-left'..." (Southall, quoted in Southall and Webster 2010, 142) units of the alliance, namely Cosatu and the South African Communist Party (SACP), to the post 2008 period characterised by support of President Zuma and the hope for poor oriented policies (2010: 142).

9. When political organizations were unbanned by the Apartheid government in 1990, the African National Congress, South African Communist Party and Cosatu agreed to work together as a Revolutionary Alliance (Tripartite Alliance). The 6th National Congress (of Cosatu in 1997) resolved that the Alliance remains the only vehicle capable of bringing about fundamental transformation in South Africa (Cosatu, 2009).

The third group, in which Seekings and Nattrass situate themselves, understands that the power of capital relative to working class and the unemployed as well as to national governments is increasing because of its importance to the national and global economy. Compared to capital and organised labour, these authors see the poor as having little leverage over policy-making (Seekings and Nattrass 2002, 4). They argue that there are important distinctions to be made in 'the working class'; there is a widening gap between skilled wage earners and the large majority of unskilled and unemployed, which is offset, to some extent, by a limited welfare regime inherited from the apartheid state (2002: 2). The organised working class enjoys a semi-privileged position received from the unions and their struggle for workers rights (2002: 3). The unemployed and marginalised poor, on the other hand, cannot withhold their labour or their capital; they have no bargaining power.

These authors see the neoliberal government as offering something to each layer (Seekings and Nattrass 2002: 5). The rich elite get conservative macroeconomic policies to protect their capital interests. The industrial working class gets protective labour legislation; the poor get some distribution through the limited welfare system. This analysis is picked up in chapter 5 on the elderly and the Old Ager Grant, yet the distinction I make is to argue that the vast numbers of unemployed have no state protection. State grants are given to poor children and poor elderly, leaving unemployed adults to cluster around these two poles of aid. Seekings and Nattrass (2002: 5) argue that the ANC maintain the multi-class base through racial rhetoric, such as the 'two nations' discourse put forward by Mbeki and explained in chapter 5 of this thesis (2002: 25). Inter-racial inequalities declined, with the growth of a new Black capitalist class, but intra-racial inequalities climbed.

Ferguson (2007) offers another view of neoliberalism in South Africa. This vision ties into Aihwa Ong's (2006) theory of neoliberalism and my discussion of the Old Age Grant (OAG). I use Ong's (2006) analysis of fragmented neoliberal governance in response to global forces to explain how the elderly are affected by the three pronged approach by the state to offer something to each class. What interests me the most about Ong's work is how state and capital interests work together to create spaces of exception. Ong builds on Schmitt's definition of sovereignty, that the principle of the power of the state is its capacity to decide on circumstances of exception, to argue that sovereign exception can be understood in two ways. Firstly, exception is a way to exclude subjects from state protection. An example of this is exposing populations and groups to global transnational neoliberal governance. The second way to apply the principle of exception is the power to shield targeted populations and spaces from neoliberal governance, effectively excluding them from this global governance. The first way, *neoliberalism as exception,* takes place in areas such as free-trade zones of production where capital coordinates labour in new ways within a system of global production, creating spaces of exception in their domestic economies. The second way, *exceptions to neoliberalism*, offers protection, such as welfare benefits and housing, to selected communities within neoliberal governance.

Coming back to Ferguson, he questions the rather conventional understanding of neoliberalism as "a political-economic model dedicated to the untrammelled rule of markets and to the dismantling or elimination of the 'welfare state'" (Ferguson 2007, 76). The paradox is that the South African state is committed to neoliberal macroeconomic orthodoxies yet has a system of social assistance. Ferguson (2007: 78) argues that the ANC government realises the importance of targeted social grants in holding together what might otherwise be an explosive situation, aggravated by

neoliberal policies such as GEAR. Ferguson (2007: 78) adds that the significant economic gap between the grant-receiving and non-grant-receiving families results in arbitrary divides between the poorest households. Ferguson (2007: 79) adds that neoliberalism used in the Foucauldian sense of governmental rationality operating via the application of market and mechanisms to the problem of government, in the manner that Ong uses it, is very different from the ways that David Harvey (2010) and Bond (2000) refer to it as a unified project. The point he is making is that arguments for policies such as a Basic Income Grant (BIG) represent new developments within (and not simply against) neoliberalism (Ferguson 2007, 80-81). BIG, for example, is presented as 'investment in human capital', where assistance to the poor is seen as enabling microenterprise (2007: 80), and that an economically productive poor person is surrounded by dependents who must be supported (2007: 81). This situation weighs down on the poor person and "constitutes a tax on the productivity of the poor, which both creates a disincentive to work and degrades human capital" (Ferguson 2007, 81). This idea of public transfers within the neoliberal system and, finally, in support of the status quo is developed as the informal economy is seen as "the new, exciting growth sector, and broad formal sector employment a receding, twentieth-century relic" (Ferguson 2007, 85).

In line with these observations, I draw upon Ong's Foucauldian understanding of neoliberalism where she opposes the common view that neoliberalism is an economic doctrine that seeks to limit the scope of government. She sets out the argument that neoliberalism needs to be seen as an extraordinarily technology of governing that re-engineers political spaces and populations.

Returning to Cox's world order and the metanarrative on the edges, two observations can be made. Firstly, this movement between neoliberalism as a unified

project (Bond 2000; Harvey 2010) and neoliberalism as a technology of governance can be placed within a framework of time. Neoliberalism as state-capital ideology and practice has changed since its introduction under Bretton Woods; states have applied and adapted their policies through the decades. Secondly, neoliberalism can also be explained spatially, that states will adopt and integrate this model to varying degrees and in numerous manners depending on their relation to the centre of hegemonic power. As mentioned, the process of internationalisation of this hegemonic model results in different forms of state corresponding to the different positions of countries in the world economy. Therefore, we can differentiate between neoliberalism as a unified project—emanating from the centre of the world order (Washington and New York)—and neoliberalism as technologies of governance that create pockets of inclusion and exclusion in countries that stand at different positions in relation to the political economic power of the centre.

World order boundaries are not absolute and not stationary. Braudel's world-economies offer a way into thinking about other configurations of production, trade and investment that can overlap in world orders.

Society as a 'Set of Sets'

To discuss civilization is to discuss space, land and its contours, climate, vegetation, animal species, and natural and other advantages. It is also to discuss what humanity has made of these basic conditions: agriculture, stock-breeding, food, shelter, clothing, communications, industry, and so on (Braudel 1993, 9–10). "Nothing is more important, nothing comes closer to the crux of social reality than this living, intimate, infinitely repeated opposition between the instant of time and that time which flows only slowly" (Braudel 1980, 26).

Braudel's historical approach is descriptive and seemingly unbounded in its content, and yet at the same time composed of processes and currents that shape and construct the world. There is a logic in the totality that is underpinned by the assumption of an organic whole. We live in our present world, our present time with its events, but we are influenced by deep structures, a history that unravels slowly. The time that carries us also carries societies and civilisations, whose reality mixes with and transcends ours. Different time spans expose the complexity of interactions occurring at any one moment. Braudel writes about time from many angles and he is concerned with the interplay of timeframes as they are experienced. He advocated modelling time as multiple and interdependent and elaborated three time frames: *l'histoire événementielle*, a short time span of current events; *la moyenne durée*, the history of groups and groupings reflecting the trends and gradual shifts of economic systems, cultures, and societies; and the third scale, *l'histoire de la longue durée,* structural history which deals with changes that may be imperceptible to the contemporary observer, simply because they are so gradual as to fall outside the range of perception (Braudel 1980, 48). This is the place of the deeply embedded structures of social life; the ground floor of time (1980: 75). If we envision an ocean as time, the three scales represent the structural depths, waves, and frothy whitecaps of events.

Braudel's analysis of time creates a phenomenon of history at different levels.

> On the surface, the history of events works itself out in the short term: it is a sort of microhistory. Halfway down, a history of conjunctures follows a broader slower rhythm. ... And over and above the "recitative" of the conjuncture, structural or the history of the longue durée, inquires into whole centuries at a time (Braudel 1980, 74).

Braudel sees the world as a succession of different altitudes, as in a relief map, placed within a plurality of historical time. The altitudes—the world—are made up of complex pluralities, or subsets of society, that meet, interact, and influence each other,

that nibble at the frontiers, seeking to extend their territory (Braudel 1984, 45). These horizontal divisions of subsets can be divided vertically, analytically speaking, to see the layers of life that mount from the ground—material life sticking to the folds of the earth—to greater movement and elevation though exchange and markets, over which capitalists, the top layer, search for profitable places of investment and come and go according to their interests and profits. Boundaries between these ontological realms are not always easily recognisable but the analytical separation between everyday living—*l'habitude*—the market economy, and capitalism, a specific form of economic activity, is vital to a broader comprehension of society. By making the distinction between capitalism and market economy we are able to see the heterogeneity of the different dimensions of social and economic life. Although capitalism expands, it does not aim to subsume all of economic activity; capitalism will chop and change to more lucrative areas, leaving in its wake spheres or projects no longer considered worth exploiting.

Unpacking these realms is made easier through Braudel's model of 'set of sets,' *l'ensemble des ensembles*, which Braudel identifies as the economy, culture, society, and politics. This analytical framework reminds us that any one part of society that we observe is contained in some greater set (Braudel 1982, 459).

Material Life

Material life is the zone of socioeconomic activity that is often hard to see for the lack of historical documents (Braudel 1981, 23). It is the place of daily action, which goes on everywhere, and "...the volume of which is truly fantastic. This rich zone, like a layer covering the earth, I have called for want of a better expression *material life* or *material civilization*" (Braudel 1981, 23; italics in original). This

lowest stratum of the non-economy is the soil into which capitalism thrusts its roots but which it can never really penetrate (Braudel 1982, 229). On the floor of daily life there are structures of material life, the everyday occurrences of seasons, production, consumption, life, and death; the busy multiplications of to-ing and fro-ing as people carry out their lives, finds means to live. The peddler, the neighbourhood shopkeeper, the local merchant, the small family farmer, the miner, the migrants, the domestic workers, the traditional healer are all part of this thick movement of lives being lived. In a very general sense, everyday lives are about consumption and survival. It is here we can think about ordinary, everyday life actions in South Africa as people continuously and eternally secure the means to survive.

Braudel is concerned with space; lives lived, events recorded, and structures created are shaped by the natural world and geography. He uses many terms and concepts that would be familiar to geographers. Core-periphery, concentric zones, regions, and peripheries make up his ontology. As with time, Braudel reconfigures space in order to explain patterns such as commerce or trade, not limiting himself to political state boundaries. Concepts such as civilisation, capitalism, and world-economy are ways of organising space. Geography therefore matters as it opens possibilities and at the same time, constrains human action (Braudel 1980, 31). Place, intersections of geography and human action, affect people's lives, what they can produce, trade, and secure as a living. Whether they live and work in mines, or are casual labourers in rural farm areas, informal street traders in densely populated urban centres, or financial consultants travelling the world and living in spread out leafy suburbs; all this matters in shaping who gets what and on what terms. What historic period you live in, and how you (and your family and your community) are historically linked to networks of production and wealth, makes a difference. Political

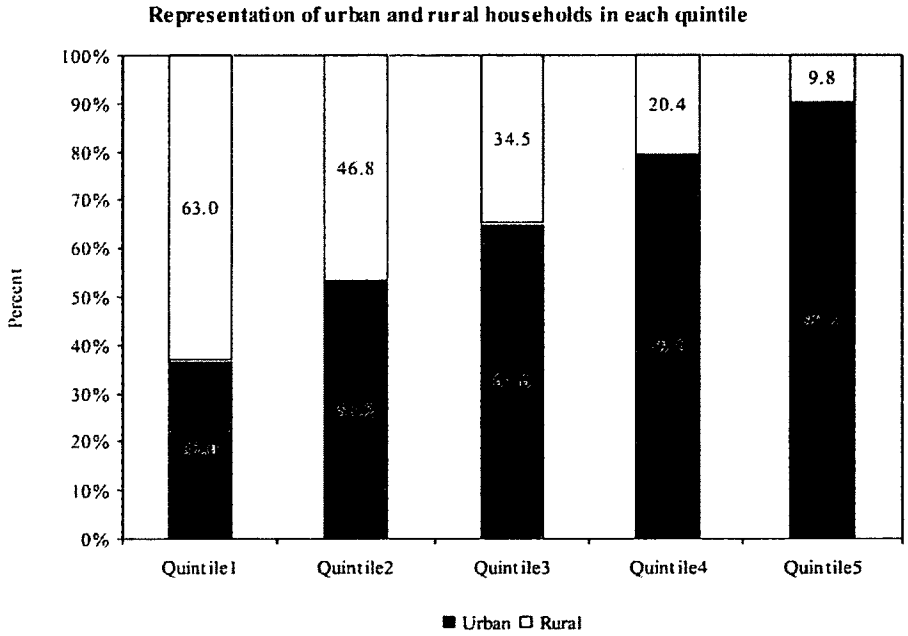
geography shapes how societies and individuals are governed. There are longstanding difficulties in trying to govern densely populated shanty towns and inhospitable territories that contain relatively low densities of populations (Jeffrey Herbst in Williams 2007, 1027). Tracing and understanding these differences produces a more complex picture of the lives of people, whether they live on the outskirts of major cities, such as Johannesburg, or in the rural areas of formal Bantustans.

People living in South Africa's rural areas, many of which are former apartheid Bantustans, are now governed by tribal authorities established by the ANC through the 2003 Traditional Leadership and Governance Framework Act (No 41 of 2003). Traditional leadership and customary law are two political institutions that played an important role in the implementation of apartheid (Oomen 1999). The 2003 Act built on the Bantu Authorities Act of 1950, which, itself, was a further development of the Native Administrative Act of 1927. But, like many African states, chieftaincy, culture, and custom have been brought together in new configurations of the country's colonial and apartheid past (Oomen 2005). The result is cultural heterogeneity and the creation of distinct communities who are governed simultaneously by customary and civic law.

Michael de Jongh's (2002) account of sheep shearers in South Africa's Karoo desert offers another view of rural South Africa. The Karretjie People[10] are itinerant sheep-shearing communities whose wandering lifestyle developed in response to sheep farming in the seventeenth century to supply the Dutch East India company. Through their history we can trace the colonialisation of the country and the installations of larger farms, destined to serve the ships docking at Cape Town and heading for the East or returning to European ports. These sheep-shearing

[10] Karretjie is the Afrikaans word for donkey cart.

communities carry on practising their skill and changing little in their habits. Although they have performed this task for generations, they live on the outskirts of local populations and settled communities. These are the places and communities where we can think of Braudel's observation that parts of material life change so slowly as to be almost indiscernible. Knowing about the existence of these and other communities is important to understanding how the political economy of the country has developed and the ways in which subsets are linked to each other and to broader patterns of production and trade.



Source: Statistics South Africa (2008a)

Figure 4: Urban Dwellers better Represented in the Richer Quintiles than in Poorer Ones.
Source: Armstrong et al. (2008, 12).

When we think about poverty in South Africa, de Jongh notes, we don't usually think about the Karretijie People.

> Poverty in South Africa is layered, and the extent of poverty stands in inverse relationship to its visibility. Shack-dwellers in urban informal settlements are more visible than the rural poor, and even though numerous studies have

> shown that they are better off than many inhabitants of rural areas, most of the state's efforts at alleviating poverty are aimed at them (de Jongh 2002, 441).

And yet, for urban dwellers living on the outskirts of major cities, these shanty towns and slums are the "very epitome of urbanized insecurity, with their residents generally lacking law enforcement, regular sources of employment, sanitation, water, electricity and health-care facilities" (Williams 2007, 1026). As Williams (2007: 1026) puts it so effectively, the security dilemma for these people is not international anarchy but living in these environments with little to no protection from day to day. The tensions and challenges of lives lived in these conditions are portrayed in chapter 3, "The South African Constitution: Movement and Counter Movement" and chapter 5, "Elderly at the Borders: the Case of the South African Old Age Grant."

So, how do people come to recognise their common situation, shared reality, and sometimes class affiliation? In chapter 3, I draw on Peter Alexander's (2010) argument that the vast movement of local protests that has been taking place in the country since 2004 amounts to a rebellion of the poor. People across the country and at different sites have met at mass meetings, drafted memoranda, circulated petitions, toyi-toyed,[11] conducted processions, organised stay-aways, boycotted elections, blockaded roads, constructed barricades, burnt tires, looted and destroyed buildings, chased unpopular individuals out of townships, confronted the police, and forced resignations of elected officials (2010: 26). These protests have been widespread and intense, reaching insurrectionary proportions in some cases (2010: 25). This rebellion of the poor speaks directly to Karl Polanyi's (2001) insights on society and human agency manifest in the 'double movement.' The double movement is an analytical concept that concerns the dialectics of market-society relations. The rebellion of the

[11] Toyi-toying is a protest dance used in South Africa that includes the stomping of feet while on the move and chanting political slogans or songs.

poor can be understood as the second phase of the double movement in an effort to re-embed the economy. This concept needs to be used with care in the South African context as the economy has not been embedded for the black majority for the last two centuries. Therefore, in the South African context, this implies giving precedence to human development for the Black majority over capital accumulation, for the first time in the country's history. In spite of this, I am arguing that Polanyi has created an insightful and fruitful way to read the protests arising at Braudel's bottom layer, material life.

Market and Capitalism: The Imperative of Distinguishing

'Capitalism' is *the* dominant metanarrative of IPE, the one that tells the story of economic possibilities and limits. Capitalism dominates analytical frameworks for understanding economic action and, as such, has expanded to occupy more narrative space than it in fact occupies empirically. This is problematic. We are losing the means, the language, by which to speak of parallel, dissimilar, or divergent social economic practices. Gibson-Graham (2006) call this dominance the hegemony of Capitalist discourse, the capital-centricism of our economic discourse. This discourse dominates our imagination and crowds out the potentiality of concepts and words to describe economic practices existing outside its analytical framework. We are constituted, Gibson-Graham claim, in relation to a particular economy: at once, as knowledgeable of and submissive to a particular economy. We appropriate 'economics' as an object of knowledge and are simultaneously constructed as its discursive subjects. Our subjectivity is constituted by the language of this capitalist imaginary.

Gibson-Graham capture a central dilemma in our way of understanding and relating to the dimension of our lives that we call economics. As quoted by Fredric Jameson in Gibson-Graham's work, "We can imagine the end of the world but not the end of capitalism" (Gibson-Graham 1996, ix). We do not need to imagine the end of capitalism, but we do need to see that its action is one amongst other forms of economic action. Capitalists are not interested in all forms of market action and are only somewhat interested in material life; these spheres may simply not be profitable enough for the capitalist to invest in. But we continue to give predominance to 'capitalism' and conflate it with all social economic action. The vast spatiality of this metanarrative belies the much more complex social spaces and relations in which economic action takes place. To focus uniquely on capitalism is to assume that capitalism has taken over, or rendered theoretically irrelevant, all other manifestations of human life and economic action.

Braudel (1977: 16) has a singular comprehension of capitalism, market economies, and the habitual social economic action of material life. At the heart of Braudel's vision is the understanding that capitalism is different from and does not subsume market economy and material life. This is a fundamental distinction to make. This distinction is important not solely for theoretical reasons—to create greater analytical variation within the economy—but for empirical reasons, because it reflects the wide array of economic action. Capitalism for Braudel is where major accumulations of capital occur; it is a monopoly sphere and chooses not to operate in the competitive and transparent market. The operation of capitalism is a controlling process that has little to do with the market economy. In fact capitalists succeed as opportunists that are anti-market.

Capitalism goes back a very long way (Braudel 1984, 620). Putting aside an understanding of capitalism as series of stages or leaps, Braudel (1984: 621) argues that a panoply of forms of capitalism—commercial, industrial, and banking—have coexisted from as early as thirteenth-century Florence to the current period. Capitalism's defining characteristic is its extraordinary capacity to adapt and its resilient versatility, which allows it to thrive on change and choose its sphere of action (1984: 621–22). Braudel (1982: 622) recognises that the sphere of capitalism has widened since all sectors are now open to it, but, as in the past, capitalism does not control the whole of the market economy for the simple reason that capitalists are not interested in all economic action, only that which is most profitable

> Capitalism is the perfect term for designating economic activities that are carried on at the summit, or that are striving for the summit. As a result, large-scale capitalism rests upon the underlying double layer of material life and the coherent market economy; it represents the high-profit zone (Braudel 1977: 112–113).

Everything, for Braudel (1977: 63)—including capitalism—rests upon the very broad back of material life, the lowest stratum. Above this comes the market economy, where different markets are linked through communications and an almost automatic coordination of supply, demand, and prices (Braudel 1982, 229). Capitalism is the zone of the anti-market—in reference to its monopolistic and non-transparent practices. It is here "that the great predators roam and the law of the jungle operates" (Braudel 1982, 230). Capitalism has been monopolistic and oligopolistic from its beginnings in the Italy of the thirteenth century. That is to say, the power of capitalism has always been associated with large enterprises (1982: 229). Capitalism relies on non-competitive practices; its commodities have never been objectively set by standard supply-and-demand dynamics, but rather, have been controlled from above by powerful economic decision makers. Consequently, capitalism and the

market have always been different entities. The biggest mistake we can make is to understand capitalism as an 'economic system' whereas it in fact lives off the social order (1982: 623).

Although capitalism expands, it does not aim to subsume all of economic activity; capitalism will chop and change to more lucrative areas, leaving in its wake spheres or projects no longer considered worth exploiting. Capitalists neither control the whole of the market economy, nor do they want to; they are interested in only that which is most profitable at the present time. The chief characteristic of capitalist action remains its ability to choose—a privilege resulting from its dominant position, the weight of its capital resources, its borrowing capacity, and communications and social networks (Braudel 1984, 622). The preserves of capitalism are top-level real estate, stock exchange speculation, banking, long distant trade, and large-scale industrial production (1984: 622). As consummate opportunists, capitalists do not commit themselves to production; their real profits and concerns lie in the stock market, and in the networks and long chains of commerce and distribution—in sectors where real profits can be made. The essential characteristic of capitalism is its capacity to change from one investment to another at a moment's notice, from one sector to another as rates of profit ebb and flow (Braudel 1982, 433).

This breakdown of capitalism, market, and material life is highly relevant to the case of South Africa. Here it is particularly evident that for many South Africans there are "considerable areas of activity with which [capitalism] does not concern itself, leaving them to a market economy still operating under its own steam..." (Braudel 1984, 622). The market economy in South Africa ranges from higher levels of organisation and integration into the formal market to very informal and much less visible activities that melt into or mix with material life and modes of survival through

very microeconomic activities. The market economy includes legal activities as well as illegal operations, such as those of organised crime. The spectrum also moves from legal activities to the illegal operations of organised crime. Capitalism is different from the social and economic contexts surrounding it and is borne along by the greater economic and social context on whose shoulders it is carried upward and onward (Braudel 1982, 374).

Braudelian Understandings of the State

> "...[T]he truth is of course that both state and capital—a certain kind of capital at any rate, the monopolies and big corporations—coexist very comfortably, today as in the past.." (Braudel 1984, 623).

Braudel (1982: 549) suggests that we can think about the state in two different ways. The first way is to see the state as the foundation of modernity in Europe and consequently the catalyst to the spread of modernity throughout the world, including the spread of capitalism. In this model, everything depends on the state. Capitalism is the product of state power as it is associated with princely courts and the upper echelons of power. The second way is to understand the state as an unfinished entity, seeking to create and maintain its identity, unable to exercise or carry out all its tasks and thus obliged to call on the aid of others in order to do so. The state seeks to extend its sphere of influence, without ever succeeding in reaching and controlling the whole nation. Even though Braudel was referring to sixteenth-century Europe, the conceptual distinction he makes is an important one to keep. Most states are unfinished entities, constantly seeking to create their identities, interacting with different social groups while not being able to fully exercise their rights or carry out all their tasks (1982: 549). The state needs to be constantly reaffirmed, recreated, its image managed and projected as it faces new challenges (Biersteker 2002; Hansen

and Stepputat 2001; Larner and Walters 2004; Mamdani 2001, 651-664; Ong 2006; Strange 1998).

The state remains what it has always been, a coming together of many things, a tangle of functions and varying powers (Braudel 1982, 515). Its major tasks have changed little over the centuries. Securing obedience, exerting control over economic life—near and far—taking possession of a sizeable share of the national income for its own functioning, and participating in the spiritual life of society, and keeping an eye on significant cultural movements that can challenge the power on which it is based, are the most enduring tasks that need to be accomplished by states (1982: 515–6). The modern state is constantly seeking to extend the sphere of its action, without ever quite succeeding in dominating the whole nation. Braudel (1986: 550) points out that the eighteenth-century French state was spread thinly and weakened by its inadequate capabilities to cover its large territory. We can transpose these challenges to current situations where the reach and power of penetration of the state is 'thinned' through decentralisation, privatisation, and competing sources of cultural identity. States, in other words, do not always possess the 'diabolical' power of penetration as they lack the means to be everywhere (Braudel 1984, 51). We often assume that this power of penetration exists in each of the states participating in the current international system of states. This power varies in time and space. This understanding of the state is particularly relevant for South Africa as it has to create a common national identity for the first time in its history and extend its authority to the people formerly governed through the Bantustans.

As noted, the essential characteristic of capitalism is its capacity to change from one investment to another at a moment's notice, from one sector to another as rates of profit ebb and flow (Braudel 1984, 433). In order to do this, capitalists need

the state. The state provides capitalism with legal, material, and cultural infrastructure, security, and risk management. It is through the state that capitalists are able to create monopolies, obtain privileges and protection, and manipulate prices. Conversely, it is capitalists who finance the state, enabling it to consolidate national debt and raise funds, thus providing states with unprecedented strength (1984: 400). The minerals-energy complex, presented next, is an excellent example of this relationship between capitalists and state.

Minerals-Energy Complex (MEC): a Braudelian Capital-State Structure

The longer, almost motionless time of the longue durée is also referred to as 'structure.' The South African minerals-energy complex (MEC) is a container, or deep structure, that brings together key actors and elements of the country's political economy.

> By structure, observers of social questions mean an organization, a coherent and fairly fixed series of relationships between realities and social masses. ... Some structures, because of their long life, become elements for an infinite number of generations (Braudel 1980, 31).

The long relationship between domestic and foreign capital, the global financial system, and South African mines and energy industries is the kind of powerful structure Braudel is referring to. Fine and Rustomjee (1996) identified this structure as the MEC. The MEC is an evolving system of accumulation specific to South Africa (Fine 2010, 28) built on the three most crucial elements of the economy: the mining and energy sectors, the financial system, and the role of the state in promoting this complex. These three elements are bound together in a historical relation that has defined the country's economy and development (Fine and Rustomjee 1996, 7). Linkages between core sectors have been built up over the last

140 years and are at the heart of South Africa's economic system (Fine 2010, 27). As a system of accumulation, the MEC was driven by state economic policies on behalf of Afrikaner capital in the post-World War II period and its integration with English capital (Fine and Rustomjee 1996, 65). This was built on the mineral revolution in South Africa at the end of the nineteenth century, which shifted the country's role and place in the international economic system (Ally 1994, 1). This mineral revolution occurred because the Witwatersrand gold discoveries of 1886 coincided with the transition of the world financial system to a monetary system based on the gold standard and managed by the British financiers and state. These powerful economic, political, and ideological factors continue to underlie the dynamic of South African industrial policy, and economic policy more generally (Fine 2010, 42).

South African capitalism and system of accumulation are "...based on both continuities as well as on shifts in the structures and dynamics of economic and political power in which the MEC continues to play a decisive role" (Fine 2010, 42). In an update of the MEC argument, Fine (2010: 34) argues that the pressing problem of development in contemporary South Africa lies with the disinvestment in the economy of domestic conglomerates at the heart of the MEC. According to Fine (2010: 40), the MEC is a major employer of labour in South Africa and, as such, helps construct labour market segmentation and levels of employment and unemployment. Historically, industrial policy has had very uneven results as it played second fiddle to the interests of MEC.

This concept forms the basis of my understanding of capital accumulation in South Africa and the historical role the MEC has played in enabling powerful groups to further their interests. Structures are like envelopes; they confine, direct, and limit those who wish to change the status quo. For those who profit and ride on the back of

this structure, it is enabling and a source of further power. The MEC is a system of inclusion and exclusion and underpins South Africa's new relationships with emerging powers, notably with China. Its historical organisation built through foreign and domestic capital, the exploitation of mines, and the use of migrants and a radicalised labour reserve is in operation in post-apartheid South Africa. Harold Wolpe's 1972 seminal article, 'Capitalism and Cheap Labour-Power'—"probably the most influential and widely-cited theoretical text ever written on South Africa" (O'Meara, quoted in Alexander 2007, 111)—essentially investigates this relationship between mining capital and labour. Wolpe's article forms part of my argument, in chapter 5, on the historical relationship between state pensions and the economy.

Wolpe argues that South Africa needs to be analysed through the links and articulations between the different modes of production that make up the economic system. In the early decades of the twentieth century, South African capitalism prospered because the cost of reproducing mining labour was subsidised by subsistence farming in Reserves. Various segregation laws were passes before the Nationalist Party took complete power in 1948. Probably the most significant were The Natives Land Act, No 27 of 1913 and The Natives (Urban Areas) Act of 1923. The former made it illegal for blacks to purchase or lease land from whites except in reserves; this restricted black occupancy to less than eight per cent of South Africa's land. The latter laid the foundations for residential segregation in urban areas. During the Apartheid era, the reserves were converted to Bantustans and later into so-called 'independent 'homelands. Then, by the 1930s, capitalism had undermined this subsistence economy of the Reserves, so it became necessary to prop up the system through apartheid rule. Wolpe's analysis is powerful as it recognises the existence of different modes of production within an economic system. It captures well the

fragmented economic, social, and political construction of the state along the interests of capitalists and racial ideology. Wolpe, however, downplayed the significance of history and thus, opened his analysis to criticism (Alexander 2007, 112). Alexander (2007: 113) remarks that the police, the political power, and—against the initial opposition of the Chamber of Mines—capital power enforced rules against permanent settlement by Blacks on the mines. He goes on to argue that the transition from the period of segregation to apartheid was more complex than Wolpe leads his readers to understand. The transition entailed more than the collapse of the pre-capitalist economy in the Reserves and the decision to restrain migration to urban areas and, indeed, to create separate political-legal polities. Alexander's point is that deeper historical work would have produced a more complex analysis of the relationship between mines, capital, labour, and the state. This is undoubtedly correct. The reason why I use Wolpe's article is that it offers an instructive analytical framework of how different modes of production and sections of the economy are connected within the broader social order that was apartheid South Africa.

In the post-apartheid period, the country has been brought into a single political regime with the clear intent of promoting the integration of the South African economy into the global economy. As Mohamed (2009) argues, this is being done through economic policies that promote investment and support financial institutions at the expense of the promised development project to redress economic inequalities. Policies have led to increased unemployment in industry and more precarious jobs due to increased outsourcing. Thus the ANC government is faced with the task of bringing society in line with these objectives. The next section looks at how this is being accomplished by the state through narratives of the macroeconomy..

Conclusion

This review has presented literature that shows how previous studies in political economy are related to each other and to my thesis and the research that I have set up. The scope of the literature reviewed is large, looking at theories of world order and world economies, from international political Economists such as Cox and historians, like Braudel. I believe that the importance of bringing the two together lies in understanding layers of networks and autonomous regions within world orders. This is particularly relevant in the current period as we witness the rise of emerging powers and shifts in production, trade and investment. Polanyi, an economic historian, brings together the force of structure and agency in a way that is valuable for understanding spontaneous revolt in South Africa.

This thesis also uses the work of anthropologists, Holmes and Ong, as they offer key conceptual tools for understanding changes in political economic practices at the mezzo state-society level of analysis. I also draw on scholars working specifically on South African political and economic policies. The theory of the MEC, developed by political economists, stands as my central analytical framework for examining the historical structures of capital accumulation in South Africa and its links to the global economy. Thinkers in the Marxist tradition, Wolpe and Bond, draw out historical struggle of class and race in South Africa. Finally, the work of religious studies is employed to better capture tensions around the emergence of Islamic finance as a new niche market in Africa.

The next chapter, the South African Constitution: Movement and Countermovement, is an important point of departure to understanding the historic relationship between the state and capital within the new South Africa and how this has been cemented within the most important legal document of the country. The

meta-narrative that this chapter unpacks is that of the legal infrastructure of neoliberalism as I explore how politics as Constitution building sets up legal constraints that support the existing status quo of world order. Polanyi's starting point for the analysis of the human economy is to see it as a social process (Stanfield 1980, 596). In this he is like Braudel, or rather Braudel arrives at the same point of departure through a similar comprehension of the economy being embedded in the social. Polanyi's contribution is to identify the circumstances when the economic actors, capitalists and not merely shop owners, are able to obtain legal infrastructures that place their interests over that of society; at the cost of society.

Chapter 3

THE SOUTH AFRICAN CONSTITUTION: MOVEMENT AND COUNTER MOVEMENT

> As a society, we have to tackle the big questions. Ultimately, we have to decide on the type of capitalist system we want in South Africa (Mohamed 2010a, para. 2).

This chapter begins my analysis of social order in South Africa. It is the first of five substantive chapters that develop my central argument that that patterns of continuity and of change in the world order are observable in South Africa. In this chapter I demonstrate that continuity with the American world order is evident in the implementation of the country's 1996 constitution as it reproduces a Western liberal legal framework for the post-apartheid democracy. Yet, this same constitution embeds contradictions between constitutional and democratic politics and between human rights and capitalism. Discontinuity is revealed through waves of social protests that contest this vision of society. Ongoing resistance in South Africa echoes the surge of social movements and protests for change that mark current world affairs.

The African National Congress came into power in 1994, inspired by a vision of improving the life of the majority. In its first general electoral manifesto, it declared: "for years, our economy ran for the benefit of the minority, with opportunities and facilities limited to a few. While all parties speak of improving the quality of life, only a government that represents the majority can be trusted to do this" (African National Congress 1994, para. 22). This promise has been repeated in subsequent electoral campaigns. Yet thousands descend on the streets every year in violent protest against the lack of basic service provision of water, electricity, toilets, and housing in poor communities (Burger 2009). "Water, electricity, unemployment: nothing has gotten better," commented Lifu Nlapo, a leader of the protests over

service delivery in a township 50 miles east of Johannesburg in 2009, in the *New York Times*. He added, "and when we are ignored, what else is there to do but take to the streets" (Bearak 2009, para. 3).

In 2009, a parliamentary committee studied these violent protests and concluded that governance grievances were at the root of the problems (Republic of South Africa Ad Hoc Committee on Coordinated Service Delivery 2010). In response, the Local Government Turnaround Strategy was adopted, a policy that aims to attack all gaps: "be they institutional weaknesses, service delivery deficiencies or lack of technical capabilities, within each municipality" (BuaNews 2010, para. 10). But this verdict of 'malgovernance' did not resonate widely, even within the tri-partite alliance that constitutes government. For a tri-partite member, the Congress of South African

Figure 5: Protesters chanted slogans in the township of Siyathemba in late July [2009]. Such "service delivery protests" have become a regular occurrence in South Africa.
Source: Bearak (2009).

Trade Unions, these waves of community service-delivery protests are related to economic structural problems and to the obvious fact that the patience of the majority is running thin (see Figure 5 above).

The roots of the crisis are to be found in the privatisation of basic services and the enactment of conservative fiscal and monetary policies centred on appeasing the interests of financial markets (Vavi 2009, para. 9). For academics, malgovernance may be part of the problem, as it accompanies neoliberalism and downsizing, but responsibility for the protests must be placed in the refusal of central government to transfer adequate funding to local government for services required by poor people (Bond 2010, para. 4). The massive movement of local militant action is seen by other academics as a rebellion of the poor (Alexander 2010, 25-40), resulting in local insurrections where residents take control of their townships (2010: 37). Other analysts see the increase in xenophobic attacks, such as those that occurred in May 2008, as an extension of the service delivery protests and general exasperation arising from gruelling poverty, high unemployment and lack of solutions (Integrated Regional Information Networks (IRIN) 2008). These links between poor service delivery, poverty, protests and xenophobic violence are made clear in the following government statement where the ANC government "accepts that the pace of service delivery needs to be expedited ... to address the developmental needs of our communities" (Mail & Guardian 2008, para. 9). There is widespread belief that these protests and service delivery problems are occurring *despite* pledges to protect socio-economic rights embodied in the 1996 constitution (War on Want 2010).

This chapter engages with Braudel's two shadowy zones: material life and capitalism. As Braudel pointed out, these zones have 'shadowy' qualities because the actions and processes taking place are less transparent, less calculable and harder to

quantify and qualify. Material life is the messiest area to investigate but statements like the one above opens avenues for understanding material life in South Africa. Capitalism refers to a platform of economic life, a sphere that is larger in South Africa than it was in the past. While people at ground level do not completely understand the impacts of how capitalist action impacts on their lives, statements in this chapter demonstrate that they know that there are direct links. The goal of this chapter is to make obvious one of the ways that this is happening. The edge being investigated here is between capitalism and material life through the institutional framework of the 1996 constitution.

In this chapter, I argue that protests are occurring *because* of the constitution and *not* in spite of it. The institutional arrangements made in favour of capital markets and at the expense of the poor are set out in the supreme law of the country. While human rights are lodged in the constitution, the law's commanding design is to favour the expansion of capital and to respect human rights via the market and private enterprise. What is unfolding in South Africa speaks directly to the impasse set out by Karl Polanyi in *The Great Transformation* (2001). Polanyi sought to understand the rise of fascism in the 20th century, the second Great Transformation, as a reaction to the rise of the market-society–the first Great Transformation. He argued that the contemporary market and more specifically, the SRM, became disembedded from society. In other words, 'society', or the ordinary people as he calls them, had to adapt to the market's needs. It is utopian, he argued, to believe that the market will self-regulate without the interference of the state, without political interference or management, and further, this utopian vision is unsustainable: it will alienate 'man' and destroy 'nature'. This annihilation arises from the commodification of human beings and the natural environment required by the market.

A key element in these processes is conceiving of 'the economic' as the automatic response to the logic of scarcity and the necessity to let calculation and the dilemma of choice be the force of action (Stanfield 1980, 596). In opposition to this, Polanyi argued for an understanding of the economic as material, that humanity depended on and interacted with the rest of nature (1980: 597). The economic system is therefore the social process that secures the material necessities that support life. Polanyi's double movement is the market force, on one hand, that sees social life in a economic calculable logic, and the society's reaction and force, on the other hand, as it attempts to preserve the integrity of the material needed for sustaining life. Governments need to intervene between the market's disembedded logic of economizing and calculative behavior and the counter movement arising in reaction to this logic in order to have a sustainable social order.

The 1996 constitution plays a determining role in disembedding post-apartheid society as it facilitates the creation of new sites for capital accumulation. As pointed out in chapter 2, South Africa was able to create a double system of embedded and disembedded economies under the Bretton Woods system. The state created domestic conditions favourable for the elaboration and implementation of a political economic system based on racist segregation and exploitation through control of labour and migration. The apartheid system was a dual system where whites were embedded in the Bretton Woods world order, based on gold at $35 per ounce and linked to the domestic minerals-energy-complex, and where the black majority was disembedded socially, politically and economically. As the divided country was brought into a single polity in the post-apartheid period, the country adopted a neoliberal macroeconomic policy. This move to neoliberal policies began to take place in the

1980s, before the actual political transition took place in the early 1990s (Bond 2000, Habib and Padayachee 2000), and the vision was anchored in the 1996 constitution.

The constitution enables capital to move into spaces and financial opportunities which were previously closed to it. This is the first movement of Polanyi's 'double movement' and is explained in the first section of this chapter through an examination of the constitution. The constitution is the framework on which subsequent laws, those that reduce the role of the state and increase the place of capital markets in the running of society, are built. Capital is encouraged to pry open areas of society, of material life, and transform them into elements of the market economy. Critically, this is legally mandated by the state. The ANC has left the well being and interests of society clearly in the hands of the market and the private role of capital. The first part of this chapter works through elements of the constitution as they relate to local government responsibilities and service delivery. Particular focus is given to municipal debt and capital markets as a solution to fiscal incapacity to deliver the services.

The second part of this chapter examines the counter movement, the revolt by the population to this rule of market at the very place of their existence and struggle for survival. The energy and revolt voiced by people as they try and live in a society where the market has been given precedence over their basic survival needs is palpable in the reports and statements. The rebellion of the poor to the privatisation, capitalisation and commodification of material life is evident and unequivocal. The point highlighted in the conclusion is that township protests will not go away because the underlying problem is constitutional and national rather than processual and local.

'Movement':
The 1996 Constitution of South Africa

The South African state is proud of its 1996 constitution and advertises it as one of the most progressive and highly acclaimed internationally (South African Government Information 2009). This is particularly true in relation to the Bill of Rights, considered widely to be exceptionally comprehensive. But the shocking revelation that South Africa is now a more unequal society than it was at the end of Apartheid (Cosatu 2009), obviously in spite of the constitution, needs to be explained. Figure 6 (below) indicates the extent of inequality in the country.

> The poorest 40% of households (which comprise 55% of the population) were responsible for only slightly more than 10% of total consumption expenditure. The poorest 10% of households (17% of the population) accounted for less than 2% of total consumption, compared to the 45% of the richest 10% of households (which comprised just 6% of the population) (Armstrong et al. 2008, 5).

Inequality in South Africa: consumption shares by deciles

Decile	Percentage of population	Percentage of total consumption
1	16.9	1.7
2	14.0	2.4
3	12.6	3.0
4	11.1	3.5
5	10.1	4.3
6	8.9	5.2
7	7.4	6.5
8	6.7	9.4
9	6.6	17.6
10	5.8	46.4
All	*100.0*	*100.0*

Source: Statistics South Africa (2008a)
Note: Percentages may not add up to 100 because of rounding

Figure 6: Consumption Shares of each Decile of South African Population
Source: Data from Armstrong et al. 2008

This poverty continues to follow racial lines, as figure 7 demonstrates.

Poverty rate, population share and poverty share by population group

Group	Poverty rate of individuals (%)	Percentage shares of	
		population	poor individuals
Blacks	54.8	80.1	93.3
Coloureds	34.2	8.7	6.3
Indians	7.1	2.5	0.4
Whites	0.4	8.6	0.1
All	47.1	100.0	100.0

Source: Statistics South Africa (2008a)

Figure 7: Poverty among Black and Coloured[12] Communities Dramatically higher than for Whites
Source: Armstrong et al. (2008: 13)

A different reading of the constitution reveals a vision of society shaped by private and capital interests. The interests and wellbeing of South African society are, in actual fact, subjugated to the process of capital accumulation that has been underway in earnest for the last fifteen years. The transformation under way is shocking because it stands in the face of pledges of improvement for the masses that brought the ANC to power. This condition calls to mind the process spelled out by Polanyi in *The Great Transformation* where the interests of society were subordinated to those of the Self-Regulating Market (SRM).

For Polanyi (2001: 71), economic life was historically absorbed, or 'embedded', and enmeshed in social relations and institutions. The economy was part of human social relationships and was manifest in three historic forms: reciprocity, redistribution, and exchange. This association between the society and the economy underwent an historic transformation in 19th century Britain when agricultural societies were forced to adapt to the industrial economies and civilisations of the

[12] Coloured refers to the descendants of mixed-race relations. Under Apartheid about 9% of the population was classified as coloured. The coloured population is concentrated in the Western Cape. See Steffen Jensen 2008 for an ethnographic study of coloured communities in Cape Town.

Industrial Revolution. Societies with economies became societies ordered by the market economy, the SRM. This market system was the outcome of state policy developed within the liberal ideology of free trade, a competitive labour market, and the gold standard (2001: 141-145). The mechanism of price-setting by the market economy was applied to monitor the continual supply of labour, land and money for industrial production (2001: 78). Land and labour, people and nature were transformed into factors of production that were regulated—commodified—through a market price determined by the mechanism of supply and demand.

This singular historical departure represented a complete reversal of affairs from where formerly the economic order had been a function of the social to a new set of relationships where society became subordinated to the market economy's requests (Polanyi 2001, 74). The separation of the social and political from the economic in the form of the SRM was sanctioned by the state even as the workings of these markets threatened to destroy society. For Polanyi (2001: 146), all this action is possible through continuous and centrally organised action of the state. Markets absolutely require the legal sanction and framework offered by the state in order to operate. This is the relevant point for South Africa and one on which Braudel would concur.

Braudel's (1982: 225-229) analysis of Polanyi's work, however, challenges his idea that there is a particular moment when the market became disembedded from society. Braudel (1982: 226) argues that according to Polanyi, it was not until capitalism burst fully on the world in the nineteenth century that the great transformation took place. The main idea in Polanyi's work is that economic processes in most societies used to be socially embedded within formal and informal institutions; we acted on learnt norms socially constituted. The social and political then became separated from the economic with the advent of the SRM. A dialectic

process then ensued whereby people spontaneously revolt against this alienating system. The problem in Polanyi's theory is ontological homogeneity where change and difference only occurs through historical process. Diverse and multiple economies disappear within the totalisation of the SRM. As mentioned in my literature review, the homogeneity and material uniformity in both Keynes' and Polanyi's theories speak to the confidence that their scientific method and research in the West was applicable to everywhere; consequently ignoring the multiplicity of societies. This is problematic for Polanyi, who sees the process as sequences of time frames. Braudel (1982: 227) points out that Polanyi has not tackled the concrete and diverse reality of history. It is not clear where one form of exchange is economic and another is social. Braudel goes on to argue that "exchange is always a dialogue and the price is always subject to change" (Braudel 1982, 227).

These are very relevant counter arguments and I confer with Braudel. However, Polanyi offers an explanation of agency to oppression that is underdeveloped in Braudel's theoretical framework. This, for me, is the strength of Polanyi's argument; resistance does not necessarily have to be orchestrated, it occurs of its own accord and people resist having their material existence squeezed. In South Africa, the institutional change of importance was the adoption of the constitution that effectively legislates a reinforced role for capital markets in the development of the country. The notable difference with the Apartheid system is that capital was previously controlled by the state so as to favour the whites. The regulation of capital has since been freed from previous control and new sectors of the state apparatus, along with public debt and services, have been opened up for capital accumulation

> The growing power and influence of South Africa's corporate conglomerates over the direction of economic policy further eroded spaces for progressive thinking and ideas. Progressive ideas and policies coming from the academic community, which may have had the effect of reducing the power and profits

> of the conglomerates, were gradually shelved by the ANC leadership after about the middle of 1993 (Padayachee and Graham 2007, 34).

The extent to which capital interests were embedded in the constitution reflects the historical context of the period in which South Africa rewrote this law. The 1996 constitution reflects the social hierarchies in place at the time of transition – the historic power of capital and finance within the country; a state weakened by the end of apartheid and carrying the burden of economic crises and debt accumulated in its last decades; the tremendous political and administrative transformations of the public apparatus; and the global finance context of liberalization and deregulation. These historic processes fostered a distinctive configuration of financial power which became encapsulated within the chief legal document of the country.

Chapter 1, the Founding Provisions of the constitution, states that Human dignity, the achievement of equality and the advancement of human rights and freedoms defines the Law (Republic of South Africa 1996). Chapter 2 specifies that the Bill of Rights is 'the corner stone of the democracy'. Section 27(1) claims that: 'Everyone has the right to have access to-(a) health care services, including reproductive health care; (b) sufficient food and water; and (c) social security, including, if they are unable to support themselves and their dependants, appropriate social assistance. Section 27(2) assigns responsibility to the state to take reasonable legislative and other measures to achieve the progressive realisation of each of these rights. According to this vision it would seem that the interests of the poor have been defended. But a close study of other sections of the constitution reveals that the interests of capitalists underpin this rights-based vision of South African society. The first complication to meeting the Bill of Rights is the decentralisation of the state.

Decentralisation

The constitution reveals both a process of centralisation of political economic power and a decentralisation of state institutions in relation to public services, capital accumulation and processes of privatisation and financialisation. Centralisation is occurring through the deepening of established capital-state networks, such as the minerals and energy complex (MEC) (Fine 1996) mentioned in Chapter 2 and the presence of conglomerates that dominate the Johannesburg Stock Exchange (Carmody 2002, 255-275). The MEC is an evolving system of accumulation specific to South Africa (Fine 2010, 28) built on the three most crucial elements of the economy: the mining and energy sectors, the financial system and the role of the state in promoting this complex. In South Africa two sets of actors - the state and the country's major conglomerates have been in the forefront of integrating the domestic economy into the broader context of neoliberal globalization (Carmody 2002). These conglomerates have dominated the economy for the best part of the last century, supported by state policies which frame these actions. New opportunities for capitalists arise as the public body, the state, is decentralized, privatized and open to capital accumulation in various guises, such as opening municipal debt to financial markets and privatisation.

The decentralised state goes against the wishes of social movements who focused on a strong central post-apartheid state as the means of undoing the political, social, and economic fragmentation wrought by apartheid (Wittenberg 2006, 4). A strong central state could, in theory, be accountable to all its citizens wherever they found themselves and in whatever situation they found themselves. But the responsibility of responding to the basic needs of the community and of promoting the

social and economic development of its citizens was, in effect, relocated to municipalities in Section 152 (1) of the constitution.

Decentralisation is presented as a tool of development, a lever that can expand and improve basic service delivery as lower spheres of government respond more directly to peoples' priorities (World Bank 2003). The argument is that there is likely to be a closer match between the preferences of local populations and the services provided if the decisions are made locally (Wittenberg 2006). The downward shift in responsibility of services and local government budgets has the theoretical advantage of making consumers aware of costs and therefore more responsible in their utilisation of services, thus increasing the efficient use of human and material resources (Freire and Petersen 2004). Theoretically, this is not in and of itself problematic. Practically, however, it poses an enormous setback for the poor in contemporary South Africa.

A brief description of the political organization of South Africa situates the subnational units within the formal political structure of the country. The National Assembly consists of 400 elected representatives who meet at the Houses of Parliament in Cape Town. The executive arm of national government is headed up by the Cabinet which consists of the President, the Deputy President and various Ministers appointed by the President from the National Assembly. The National Council of Provinces (NOP) consists of 54 permanent members and 36 special delegates representing the nine provinces: Western Cape, Eastern Cape, Free State, Gauteng, KwaZulu-Natal, Limpopo, Mpumalanga, North West and Northern Cape, each with its own provincial parliament and administration. The NCOP represents provincial interests in the national sphere of government. There are 283 municipalities in South Africa. They are focused on growing local economies and providing infrastructure and services. In accordance with the constitution and the Organised

Local Government Act of 1997, which formally recognise organised local-government associations, organised local government may designate up to 10 part-time representatives to represent municipalities and to participate in proceedings of the National Council of Provinces (NCOP).

The core of the problem is that only 10 percent of the budgeted income needed by municipalities comes from the central state's *National Revenue Fund* (Ruiters 2006, 127-135). In other words, the shift in responsibility for service delivery from central state to the local sphere has not been accompanied by the transfer of sufficient funds to achieve the desired goal of ironing out the deeply rooted inequalities inherited from the apartheid regime. Municipalities are faced with a situation where the demand for their services effectively outstrips their supply: this situation is particularly acute in the areas of housing, clean water, roads, and electricity.

Chapter 13, Section 229 of the constitution specifies that a municipality may impose rates on property and surcharges on fees for services provided by or on behalf of the municipality. Of the three different income sources available to municipalities—own-source revenues, national government grants, and borrowing—it is the latter, debt capital raised through borrowing or bonds, that is gaining in importance as the other two sources fail to meet expanding budgetary needs. The problem is that decentralisation of the cost of servicing the needs of community through own-source revenues is a policy void of sense when people do not have the money to pay for basic services. This is not surprising considering that half of the population, 25 million people, survive on 8 per cent of national income (Gordhan 2010a, 3).[13] There are resulting deficits as revenue does not match the expansive needs of a poor population already marginalised under apartheid and the stress on

[13] Gordhan's figures differ slightly from those presented by Armstrong in Figure 4 where 54.5 percent of the poorest households account for 14.9 percent of consumption.

municipalities through urbanisation, which is at unprecedented historic levels. The United Nations Population Fund (UNFPA) reported that for the first time in history more than half of the world's population are living in towns and cities (UNFPA 2007).

In spite of these multiple pressures, the constitution makes clear that: "A municipality must strive, within its financial and administrative capacity, to achieve the objects set out in subsection (1)", Section 152(2). Research points out that most municipalities show signs of chronic fiscal stress due to a reduction in transfers from the national government and an inability or unwillingness to collect money from residents (SabinetLaw 2010, para. 11). The narrative is clear in World Bank documents where the argument is put forward that the downward shift in responsibility, for services and local government budget, puts in place a principle that consumers of public services and goods need to pay for them and be made aware of the costs involved (Freire and Petersen 2004, 17).

The second complication to meeting the Bill of Rights, therefore, is the lack of necessary funds for municipalities. The policy answer put forward by national government is to enable municipalities to seek additional investment through private public partnerships (PPPs) and through the issuing of bonds on financial markets. PPPs are the marketisation of basic services such as water, electricity and garbage collection with disastrous effects on the poor.[14] There are millions of low-income South Africans without formal homes, running water or electricity, and millions more that have services but cannot afford to purchase services they need (Swartz et al. 2006, 28). For instance, for solid waste management in black townships and rural

[14] McDonald and Ruiters (2006: 8-23) offer an excellent overview of the process of privatisation of public services in South Africa.

areas has changed little in the past years; people are forced to dump their refuse in open spaces or in communal skips (Qotole et al. 2001).

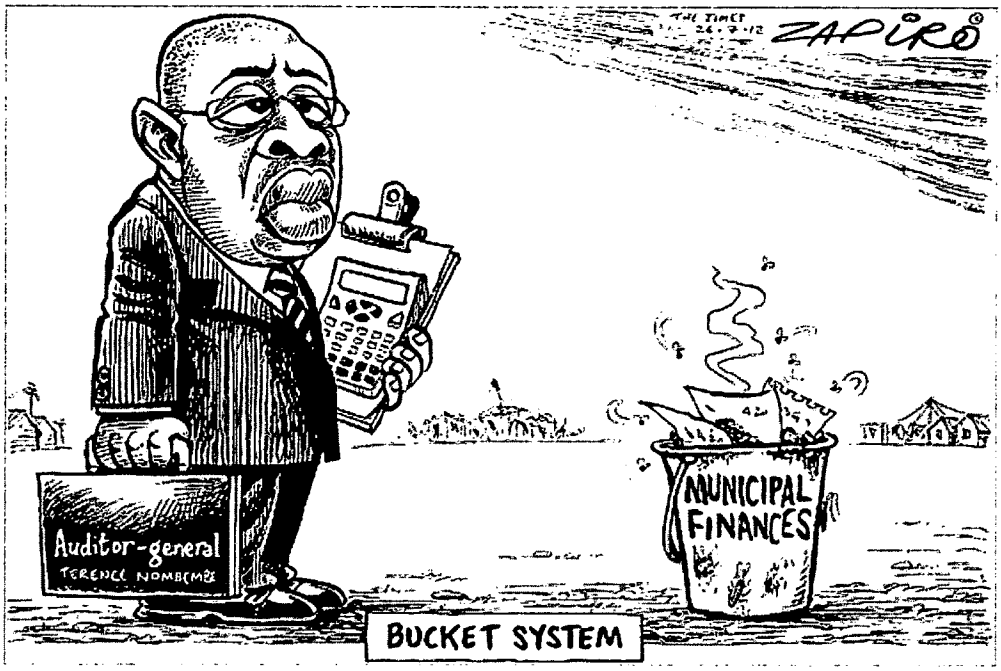


Figure 8: Many Municipalities have not yet replaced the Bucket System
Source: Mail & Guardian 2012

Zapiro's cartoon, figure 8, depicts the difficulties facing local governments to do away with one of the most demeaning systems of the apartheid era still lingering in South Africa, the bucket toilet system. While sanitation is now the responsibility of the Department of Human Settlements, having been transferred from the Department of Forestry and Water Affairs, it is up to municipalities to manage communities without sanitation infrastructure.

Municipal governments use commercialisation: privatisation, outsourcing, corporatisation, as a way of addressing the problem of lack of resources to meet the needs of their communities. Figure 9, below, indicates how citizens view the government in relation to charged services such as, in this case, water. The respondents, 174 people living in an area of Soweto, nearly unanimously saw the

prepaid water meters as not helping them and their families. They see the government's policies as unfair.

	Yes	No	Total(N=174)
Government is unfair to come with prepaid for poor people.	97%	3%	100%
Government is forcing us to take the prepaid water.	95%	5%	100%
Government is coming with prepaid because it wants to make us poor.	92%	8%	100%
Government is coming with prepaid because it wants to help us.	7%	93%	100%
I don't know why the government is coming with prepaid water.	86%	14%	100%

Figure 9: Community Perceptions about Government and Prepaid Water Meters
Source: Coalition Against Water Privatisation (2004: 16)

Other research (Swartz et al. 2006) reveals a complex and negative relationship between the marketization of these services and their access and affordability for the poor's mental health. One of findings of this research project is that there is a clear link between lack of basic services and declining mental health of low-income residents and household members.

The US Agency for International Development (USAID) believes that limited access to finance impedes the ability of many local governments in the developing world to address infrastructure needs, thereby limiting water, energy and sanitation services available to citizens (US Agency for International Development 2006). Helping subnational governments to finance municipal infrastructure through capital markets is offered as the viable answer to this problem. One of the USAID's development programmes is to support South African municipalities' analysis of the amount of new financing that they need for their infrastructure requirements and to help them identify investors interested in buying municipal bonds; in other words it matches municipal borrowers with investors (US Agency for International Development 2006, para. 2).

The South African government adopts this vision as it notes the interest in developing a securities-based municipal debt market. Mboweni (2006), governor of the South African Reserve Bank from 1999 to 2009, states that deep capital markets play an essential role in economic development. Municipal debt creates a larger capital market as individuals, investment funds, banks, financial institutions, and pension funds loan to local governments. This action deepens the capital market by creating additional avenues for investment and widening the number of actors participating. Along these lines, the state suggests that municipalities turn to the capital market rather than going to banks for a loan as the market generates and aggregates investment capital from multiple sources (Republic of South Africa 2000, 18).

Municipal Needs Provided by Capital Markets

The Constitution gives local government sufficient autonomous fiscal powers for municipalities to pledge their tax base in order to borrow capital and bonds are seen as being the ideal way to tap into South Africa's national capital pools. Municipal capacity will have to be met through the large and liquid financial sector of the economy, eager to lend to national government and municipalities (Glaser and White 2004, 313-336). This solution is set out in Chapter 13, Section 230A of the constitution which states that a municipality can raise loans for capital or current expenditure and bind itself and a future council to secure loans or investments. This section has been developed through additional policy documents such as the *Public Finance Management Act* (1999) and the *Policy Framework for Municipal Borrowing and Financial Emergencies* (2000). Together they provide the overriding framework for the financial structure of the local sphere and the borrowing powers of

municipalities. By pledging future revenue streams against long-term debt, municipalities are able to offer new security provisions for investors who take these pledges as guarantees underpinning their investments. For the government, subnational municipal debts have the desired effect of deepening capital markets as they aggregate investment capital from multiple sources within the country (Republic of South Africa 2000, 18). There are 284 municipalities in South Africa, each requiring funds from capital markets. In accordance with provisions made in Section 46 (3) of the *Local Government: Municipal Finance Management Act* (Republic of South Africa 2004), the two largest metropolitan cities of South Africa, Johannesburg and Cape Town, have both issued their own bonds on the capital markets. Johannesburg was the first to issue its own bond and its case demonstrates the multiple ways in which international financial institutions, the state, and national capital markets construct the emergence of these new sites for capital accumulation.

Braudel (1982: 519-542) enlightens our understandings of the history of state-capital relationships through the following examples. The first is his observation that it was within the context of the market economy that a certain version of capitalism and of the modern sate appeared (1982: 519). The points of comparison between the two are the establishment of a hierarchy in both cases and that they both resorted to monopolistic operations to raise money. The relationship of dominance and obligation between these two hierarchies has fluctuated across time and space. For instance, Braudel points to the English financial revolution of 1688-1756 when various aspects of tax raising and key institutions, such as the Bank of England, were brought under state control (1982: 526). This takeover of the financial machinery by the state contributed to developing the country's sophisticated credit system. The novelty to emerge out of this transformation was the development of the long-term public debt

which, through its conversion into a perpetual debt open for sale in the credit market, never had to be repaid in full (1982: 527). Creditors could transfer their titles to third parties and recover initial payment. The state never had to repay the loan and the lender could recover his money. This system relied on entirely on the credit worthiness of the state, meaning that value of the debt depended on public confidence (1982: 527). Sovereign debt depends on public confidence measured by credit agencies such as Moody's, Fitch and Standard & Poor or third parties, such as the International Finance Corporation (IFC), a member of the World Bank Group, who are will to offer subnational financing without taking sovereign guarantees:

> This is a novel approach to development infrastructure, as traditionally the World Bank has invested in municipalities through government guarantees as required by its charter. The International Finance Corporation, however, has invested in a wide range of subsovereign infrastructure projects but always through private sector sponsorship (International Finance Corporation 2010b, para. 2).

IFC offers guarantees for the issue of bonds as part of its goal of strengthening the borrowers' ability to deliver key infrastructure services such as water, wastewater management, transportation, gas and electricity, and to improve their efficiency and accountability as service providers. Capital for these subnational financing projects is provided by billion dollar foundations such as Citigroup Foundation, the Ford Foundation, the Soros Foundation, the Gates Foundations, etc. This is interesting as it highlights how capital operates with and through the state apparatus in at least two ways. Firstly, by following a company like Citigroup, a global financial conglomerate, we can see that global financial institutions profit from investing directly in sovereign debt, public debt or government debt, by buying up Treasury notes and bonds, Treasury bills and municipal bonds (Citigroup Inc. 2009, 1). In many advanced economies, the global financial crisis of 2008 and ensuing recession

resulted in large fiscal stimulus packages, the nationalization of private-sector debt, lower tax revenue, and higher government spending. This led to large budget deficits and an increased need by governments to borrow from capital markets. Secondly, emerging and developing economies borrow from international organizations, such as the World Bank and the International Monetary Fund. Citigroup Foundation advances capital to the World Bank's arm for lending to subnational government bodies, the IFC. The investment made through the international financial institution poses less of a risk for Citigroup (and the other foundations advancing capital) than does operating directing in the private capital markets. The City of Johannesburg Bond issued in 2004 is the example given by the IFC of the type of projects it supports.

The City of Johannesburg's bond was guaranteed for 40 percent of its principal by IFC and by the Development Bank of Southern Africa. The reasons for issuing the bond were to extend the maturity of the City's existing debt, to finance long-term infrastructure projects, to refinance existing high-cost bank debt and to diversify its funding sources. Issued at 11.95% interest, this bond was arranged with the help of leading commercial banks and financial investment companies. The City has since issued four municipal bonds, all listed on the Bond Exchange of South Africa. These bonds are destined for the national capital market but are also rated by international credit rating agencies such as Fitch. The rating of these agencies, the City points out (City of Johannesburg 2010), influences the debt servicing costs as a percentage of overall expenditure as its rating moved from BBB+ in 1999 to A- in 2003 and to A+ in 2007. Rating and financing of these bonds depends on the local levels of performance – higher tax collection rates for instance, and risk as calculated by investors.

As these bonds are listed on the Johannesburg Stock Exchange (JSE), creditworthiness becomes the overriding goal guiding municipal councils' actions. The head of investor relations at the City of Johannesburg, Mosilo Mothepu, put it this way: "As the City, we need to constantly satisfy our investors, meaning that throughout the year we need to make sure that we take care of them, the way they are taking care of us" (quoted in Reilly 2006, para. 13). Following Johannesburg, the City of Cape Town began to issue its own bonds, also listed on the JSE. Cape Town's recent third bond was nearly 60 percent oversubscribed. The mayor interpreted "this overwhelmingly positive response from the financial market as confidence in the City's financial governance" (City of Cape Town 2010, para. 5). Executive Deputy Mayor and Mayoral Committee Member for Finance Alderman Ian Neilson said in a media statement that Moody's recent credit rating in February 2010 had greatly assisted the City: "Moody's confirmed the City's rating of Aa2[15] with a stable outlook, providing investors with the confidence to support the City's borrowing strategy" (City of Cape Town 2010, para. 5; Moody's Investor Services, 2011). This appears to be an interesting outcome for financing public debt, at least for those municipalities that can access credit stemming from bonds, but the underside of this are the conditions of reduced risk and high profits fundamental to building up investor interest and confidence.

With the exception of the cities of Johannesburg and Cape Town, municipalities in South Africa do not issue their own bonds. Hilton Robbins (personal

[15] The highest ranking accorded to any bond or debt is AAA. This means that the credit rating agency considers that the borrower, whether it is a private company or public bond issued by a government, has extremely strong capacity to meet its financial commitments. The three major credit ratings agencies all use that three-letter code to denote that a bond is as safe as any bond can be. A weak rating of Ca means that the borrower is highly vulnerable. The Aa2 rating given to the City of Cape Town signifies that there is a relatively low risk of default because the issuer or carrier is fairly stable. Investors and policyholders are therefore taking very little risk with these companies.

communication, Cape Town, 2011), manager for the City of Cape Town's Treasury Department, noted that his decision to raise capital on the bond market was in line with national government directives to leave the traditional route raising money through bank loans to smaller municipalities . According to Mr. Robbins this explains the push from National Treasury for able municipalities, like Cape Town, to raise funds on the bond market and leave bank loans to municipalities unable to operate independently on the capital market. Most smaller or less financed municipalities use third party financial institutions to act as intermediaries between them and the capital markets. Two such intermediaries are the Infrastructure Finance Corporation, trading as INCA, and the Development Bank of South Africa (DBSA). INCA is an infrastructure debt fund that is 100 percent privately owned and operated. The institution was established in 1996 in response to the South African government's call for increased private sector involvement in infrastructure funding. Its mission is to provide finance and expertise to municipalities, provincial governments, and other public sector entities and to assist them in their developmental role (Infrastructure Finance Corporation 2008). Its declared business goal is to increase private sector involvement in public infrastructure funding through INCA bonds. INCA is seen as being an 'innovative' and rather unique financial institution because it lends to municipalities even though it is privately owned (Liebig et al. 2008, 7). It raises credit on local and international capital markets through its own bond issues and, in turn, lends credit to municipalities, water boards, and other public institutions. It has advanced over R8 billion in loans to infrastructure providers and has issued more than R6 billion in bonds to the South African capital market (2008: 28). R2 billion was raised in international capital markets. INCA holds 21 percent of all outstanding municipal debt in the country (2008: 7).

There is fierce competition amongst these financial institutions to loan to the most creditworthy and profitable municipalities. The DBSA, winning most of the tenders it competes in, has an unfair advantage (Liebig et al. 2008, 102). It is wholly owned by the South African government and reports to the National Treasury (Development Bank of South Africa 2010b). This self-funding financial institution has a mandate to finance infrastructure development in South Africa and has raised R28 billion over the last 10 years through its domestic bonds (Development Bank of South Africa 2010a). Yet 64 percent of DBSA's portfolio—the state's own development agency—goes into the metropolitan areas of the country (Liebig et al. 2008, 102), the ones that are most creditworthy and more easily financed by the private capital sector. As the DBSA's loan portfolio is filled with large metropolitan municipalities, although it is a development bank, it points out that the South African government does not target the second tier, less creditworthy municipalities who have much greater difficulty in securing investments on the open market. Insufficient access to private capital results in greater deprivation and underdevelopment in smaller municipalities. As a result, areas of deprivation and underdevelopment become further entrenched into patterns of exclusion and marginalisation as they neither receive insufficient transfer of national funds nor can tap into the private capital market. This association between public needs and financial investment logic entrenches patterns of exclusion and marginalisation.

The Management of the Public by Capitalists

In 2008, Moody's Investor Services launched its *Municipalities Services* and assigned first-time ratings to 10 municipalities in South Africa (Financial Markets Directory 2008). The assumptions are that conditions of reduced risk and good returns

on investment are critical to building investor interest and confidence in public debt. These variables of risk and profit are measured by Moody's, Standard & Poor's, and Fitch—among the largest international credit rating agencies—as they rate municipal bonds on the open capital market. Rating agencies essentially give value to debt by making judgements about the risk and the opportunities involved in various investment opportunities (Sinclair 2005). Moody's positive debt rating of the City of Cape Town, for instance, "reflects the city's buoyant budgetary performance and its comfortable liquidity position" (Moody's Investor Services 2011, 1). The City of Cape Town places Moody's Credit Analysis on its public web page in what can only be understood as an additional means to secure the 'public confidence' mentioned by Braudel. But favourable ratings are difficult for most municipalities to obtain. Rating and financing of municipal bonds depends on local performance—higher tax collection rates, privatisation of basic services such as water and electricity through cost recovery[16]—as well as political and social risks linked to unrest, protests and political will to deal with these social movements. Moody's notes that even for Cape Town there is risk of fiscal pressure as demands for service delivery swell (Moody's Investor Services 2011, 2). This could lead to new debt levels as the City responds to increased demand, creating cause for concern for investors.

The implications of this situation are that a municipality that fulfills its constitutional mandate of providing accessible services to its residents runs the risk of being downgraded by credit rating agencies.

> The ratings assigned to the abovementioned [10] municipalities acknowledge the sound institutional framework and legislation that governs the municipal sector in South Africa. However most of the challenges facing the municipalities are common to all. Infrastructure backlogs exist in the

[16] Cost recovery refers to the practice of charging consumers the full, or nearly full, cost of service provision.

townships and maintenance of existing assets is inadequate and increases the spending pressures. (Moody's Investor Services 2010, para. 7).

The paradox, therefore, is that a municipality becomes a good investment destination when its finances are 'healthy', i.e. when it least needs the capital to address the pressing needs of the population. Moody's statement, cited above, poignantly points to the political economic problem facing the country, grossly insufficient financial means for backlogs inherited from apartheid and rapidly growing demands for basic services from the population. The logic of financial markets draws investment to municipalities which already have money and are able to balance their budgets to an accepted degree.

These public debts are considered to be less risky investments than the poorer and smaller municipalities or municipalities that have to meet increasing social needs without the necessary funds. Municipalities who cannot issue their own bonds directly on the capital market must therefore obtain the funds through financial intermediaries such as DBSA. Yet, we have seen that the DBSA follows the same logic as the private capital markets; it lends money to municipalities with lower investment risks. Within this paradoxical situation, insufficient access to credit by poorer municipalities results in greater deprivation for their residents and systemic underdevelopment of infrastructure and services.

Subnational government bodies adopt policies that address the short-term interests of investors, even if they go against long-term development goals of society (Elkhoury 2008). Historic enclaves of poverty and exclusion in South Africa are becoming entrenched into patterns of exclusion and marginalisation as local government do not receive sufficient transfer of national funds to meet the needs of their budget, they cannot tap into private capital markets or easily access bank loans.

This has vast social implications as development is transferred to the hands of the private sector and the state stands back and lets capital interests govern. It is here that we can see the incoherence of the country's constitution at work. The Bill of Rights has little meaning within these contexts. In other words, local public spaces are being treated as financial investment destinations that have nothing to do with questions of entitlement, human rights, and social justice. This affords greater control over public policy by investors as central governments stand back and let capital govern.

But former governor of the South African Reserve Bank, Tito Mboweni, insists that capital markets of adequate depth can play a key national developmental role (Mboweni 2006, 1). Mboweni remarks that "in 2005, a total net amount of R23.8 billion was raised through the primary issuance of bonds on the Bond Exchange of South Africa (BESA) and R82.2 billion of share capital was raised by companies listed on the JSE. Combined, this equals almost seven percent of GDP" (Mboweni 2006: 3). This discourse points to the specific way that the South African state hopes to meet its developmental obligations, set out in the constitution. That is, the relationship between state's role, capital's interests and society's needs meet through a deepening of the national capital market and, in particular, the development of the bond market. The South African bond market was formalised in the form of the Bond Exchange of South Africa (BESA) in 1996; intriguingly in the same year that the constitution was adopted. Figure 10 demonstrates that over 70 percent of the BESA's business is conducted through central and municipal government debt.

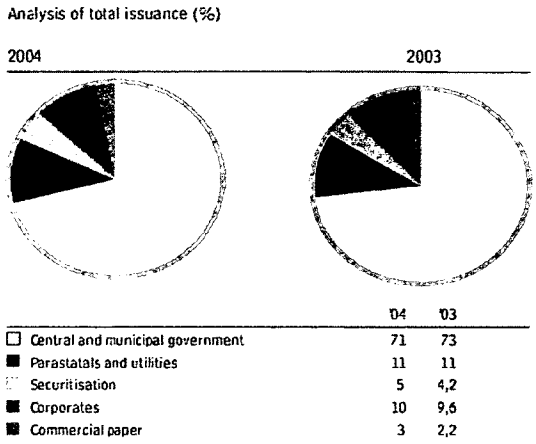


Figure 10: BESA's Market Performance, 2003-2004
Source: Bond Exchange of South Africa. 2010.

If, as illustrated in Figure 10, 70 percent of bonds issued on BESA are public institutions, this represents a value of R16 billion (US $2 billion) loaned to central and municipal government by private investors. The profitability of investment in government debt is clear in BESA's annual reports where, for instance, a high bond market turnover worth R11.4 trillion was recorded in 2006 (Bond Exchange of South Africa 2007, 29). In 2008, this turnover reached a record R19.2 trillion (up from R13.8 trillion in 2007), with listed debt securities of R825 billion (Bond Exchange of South Africa and Johannesburg Stock Exchange 2009, 12). Using this growing strength, BESA became a subsidiary of the Johannesburg Stock Exchange (JSE) in 2009, when it was valued at around R240.6 million ($35 million) (Bond Exchange of South Africa and Johannesburg Stock Exchange 2009).

But issuing bonds has a 'price', so to speak. This price is human and can be directly correlated to the core argument being made in this chapter that the protests are not about malgovernance but about deliberate governance choices made to meet the pressing need of the local populations through private capital markets. The Bill of

Rights is not only embedded in the constitution, it is also embedded in the institutional arrangements made between the state and capital. The third complication to meeting the Bill of Rights, therefore, is the financialisation of public debt through capital markets that employ the market logic of low risk, creditworthiness and good returns on profit. Returning to the central theme of continuity and discontinuity in this thesis, and the multiple examples that Braudel brings out, particularly in volumes 2 and 3 of Civilisation and Capitalism, of state-capital relations through sovereign debt, this dimension of South African society indicates continuity with the dominant model. This continuity is also in step with discourse of financialisation of sovereign debt as a solution to development, put forward by international financial institutions such as the World Bank and well integrated into South Africa's institutional framework, as witnessed by the DBSA.

What is different in the South Africa case, what denotes discontinuity and change from the current development model, is the rebellion of the poor. The issue for the poor is that they were promised human rights and means to securing a minimal existence through the constitution, a quintessentially Liberal document. The underlying problem for the poor is that these rights are expected to be met through private capital markets, another Liberal element of political regimes. The issue is that the constitution cannot deliver because the means for doing so have been handed over to financial actors, who do not have these goals in mind at all. There is direct conflict between public interests and private goals. The extent to which capital interests are embedded in the constitution reflects the historical context of the period in which South Africa rewrote its law. The supreme law reflects the social hierarchies in place at the time of transition – the historic power of capital and finance within the country, a state weakened by the end of apartheid, carrying the burden of economic crises and

debt accumulated in its last decades, the tremendous political and administrative transformations of the public apparatus, and the global finance context of liberalization and deregulation.

Padayachee and Graham (2007) reviewed scholarship in South Africa in order to better understand the role of academic economists and of economic policy think tanks in providing policy advice in general and, in specific, advice on economic policy in South Africa from the mid-1980s to date. Their research points to influences such as those of what the authors call "South Africa's own 'Harvard Boys'", brought in by the Treasury and the Presidency to conduct a 'fresh appraisal' of the government's economic policy (Padayachee and Graham 2007: 43). Importantly, these authors point out that "the spaces for progressive engagement within the state over really big questions of policy have closed up" (2007: 47). Of particular interest is their analysis that

> the government has consolidated a new, committed and pragmatic economic and technical elite [...]. Many of these highly competent people are to be found in the two preeminent economic institutions/policy centres of the new South Africa: the National Treasury and the South African Reserve Bank, where truly formidable, world class teams have been recruited and trained around macroeconomic policy formulation [...]. Technical economic advice from independent academic economists is no longer that important, and more radical alternative ideas and critique that challenge existing policy appear to be eschewed, despite some talk from the top of the importance of robust and critical intellectual debate in shaping policy (Padayachee and Graham 2007, 47).

These historic processes fostered a distinctive configuration of financial power to emerge and be encapsulated within the chief legal document of the country. In other words, the root of the protests are not to be found in local problems of inefficiency or corruption by local governments, although these factors certainly accentuate the underlying tension between public needs and finance. The point is that there is a tension embedded within the constitution between capital interests and

general public good. Protests are likely to continue as the poor become increasingly excluded and marginalised because their socio-economic interests simply do not enter into the equation of financial investment logic.

Polanyian Understandings of South Africa

According to Polanyi, the four institutions on which the nineteenth century British civilisation was based were the balance of power system, the international gold standard, the Self-Regulating Market and the liberal state (Polanyi 2001, 3). The institutions underpinning the American world order are international financial institutions (World Bank, International Monetary Fund, and Bank of International Settlements) and transnational private financial actors and credit rating agencies. A Polanyian understanding of South Africa's place in this world order would be to comprehend the effects of these institutions and their ideology on vulnerable sections of society. The preceding section argued that economic strain is being enforced in two ways. First, a disembedding of the market from society is occurring through the centralizing forces of conservative macroeconomic policy applied by the ANC government—in particular the Ministry of Finance, the National Treasury and the South African Reserve Bank—in order to maintain credit worthiness on the capital market. Investors respond to the representation of the country in the global arena created through credit readings which gauge its macroeconomic performance as well as the performance of subnational public bodies via-à-vis the balance of payments, exchange rates, budgetary restraint and control of inflation.

Secondly, this disembedding is accentuated through the decentralizing of the national state whereby the South African constitution delegates fiscal and operational responsibilities to sub-national bodies without the transfer of necessary funds. Sub-

national government bodies operate within the context of the retraction of the state from a broader role of comprehensive public service provisions. The solution to underfunding is to open these sites to capital accumulation, as areas of new privatization, financialisation and profit making. The state thus works towards macroeconomic stability and singular representation of the country in the international arena, on the one hand, while concurrently delegating budgetary control to sub-national units and opening these multiple strata of governance for new financial opportunities and capital accumulation, on the other hand. Capital markets interact and operate at all these points of governance.

There is a tension as capital works through the macroeconomic system of central banking and financial institutions such as credit rating agencies, sending signals of financial interest to global and domestic actors, and as these same actors integrate new spaces and areas of accumulation through the decentralisation and privatisation of state institutions. South Africa is the perfect illustration of these global institutions, their archetypal manifestation in material and ideational realms. Polanyi notes that "the market has been the outcome of a conscious and often violent intervention on the part of government which imposed the market organization on society..." (Polanyi 2001, 258). The constitution of South Africa reveals this process of *centralisation* of power and *decentralisation* of state institutions in relation to capital and processes of financialisation. Decentralisation of the state apparatus, inadequate transfer of funds from National government, cost recovery through the commodification of the necessities of daily life, privatisation of public services and dwindling revenues are answered through financialisation of municipal debt. The ANC government promotes social development through capital markets. The consequences are that financial investors, lending to these subnational government

bodies, require the municipalities to be run like private corporations, with low risk and high profit.

While development and service delivery are the constitutional responsibility of local governments and municipalities, the constitution concurrently endorses the role of private capital as the means to these ends. Service delivery protests are a sore in the side for the national government but it argues that it cannot allow itself "...to get drawn into a succession of (local) responses it has neither the capacity nor the fiscal resources to sustain" (Republic of South Africa 2000). Acute tension lies at the connection between macroeconomic management required by international financial institutions and micro management of the needs of society through privatisation and financialisation. Insufficient public funds are offset by a strong supply of capital available for subnational borrowing through loans and bonds. The legal framework shaping the political economic context promotes the implementation of these rights through private capital markets which are involved in the expanding market of municipal debt. This arrangement deepens domestic capital markets and disciplines municipalities as investors require that the institutions be run as private corporations: prioritising low risk and generating profit. Expanding municipal debt becomes the preferred option to financial viability of local governments with the consequence that these public spaces are increasing run by capitalist investment logic.

The state-capital relationship, embedded in the constitution and articulated through municipal debt as additional sites of capital accumulation, strips citizens of the rights pledged in the constitution because the means to their ends passes through private capital markets. In this way, the constitution does not undo apartheid's legacy of social and economic fragmentation. Rather, it facilitates the creation of new pockets of exclusion as municipalities act in response to the specific logic of capital

investment: low risk and good returns. As the central state disengages from its responsibility of ensuring adequate public services for all—as set out in the Bill of Rights—it creates new spaces and opportunities for capitalists through the constitution. Capitalists are able to dig their roots into the material life of the population through the multiple forms of capital accumulation. Populations are reacting to the expansion of capital accumulation and laissez faire politics through resistance and rebellion. These spontaneous and unstructured movements from marginalised communities point to the ongoing relevance of Polanyi's work.

The next part of this chapter examines social opposition to the logic of capital accumulation in the sphere of material life. For Braudel, material life usually conforms to slow rhythms and almost imperceptible change of human's daily habits. This image needs to be somewhat readjusted when thinking of South Africa because of the role of the state in actively uprooting Black communities, in forcefully relocating populations to rural and arid areas with no infrastructure or amenities, places that would not normally have fostered human settlements. In other words, material life in South Africa, like in so many colonised places around the world, has been a question of the struggle to survive without the benefit of historical structures of small accumulation built up through generations of family activity. It is in this context that the rebellion of the poor against the logic of capital must be placed.

'Counter Movement': the Rebellion of the Poor

"Society would have been annihilated if it were not for the protective countermoves of the affected population to defend society" (Polanyi 2001, 79). Polanyi recognises that resistance by members of society to market logic takes place as the agency of the oppressed resist and rise up against the unendurable impacts of

the Self Regulating Market (SRM) in their lives. Uprising and revolt appear in response to the social and cultural contradictions between a market disembedded from society and the conditions which make that society and its progress possible (Lacher 1999, 315). Another way of reading this is Braudel's (1984: 45) observation that the economy, as a subset of the social order, constantly tries to extend beyond its own area. The primacy of economics has become more overwhelming; directing, disturbing and influencing other orders within society (1984: 47). Society attempts to protect itself from encroaching market forces in a variety of ways—revolt, protest, violent opposition, migration—creating movements of resistance to movements of the extension and commodification by the SRM. From a Polanyian perspective this is fundamental. The disembedding of the economy is socially unsustainable and revolts will occur.

South Africa's relatively strong record of economic growth and deficit reduction masks a bifurcated society where levels of unemployment are unprecedented and the top and bottom of the income scales have moved further apart from each other than they were under apartheid. There is a general consensus that post-apartheid inequality is increasing even if there are disagreements about the precise levels at any point in time (Leibbrandt et al. 2010, 18). South Africa's social indicators (see figure 11 below) indicate an upper-middle income country where the distribution of income is skewed. Evaluations conducted at ten and fifteen years of post-apartheid rule point to enduring unemployment, poverty, poor service delivery, high interest rates, increasing inflation and violence that is largely uncontrolled by the state. While blame for this weak progress report may be placed on external factors such as the recent financial crisis, external shocks from high oil prices, lower levels of investment than desired and numerous other elements, there is nonetheless a

remarkable and growing divergence between the rhetoric of economic and social justice and reconciliation of the ANC and increased poverty within South Africa.

Income inequality in selected countries

Country	GNI per capita[1]	Gini coefficient	(Year)
South Africa	5 109	0.72	(2005)
Botswana	5 846	0.61	(1993)
Namibia	3 016	0.74	(1993)
Tunisia	2 860	0.40	(2000)
Brazil	4 271	0.57	(2004)
Chile	7 073	0.55	(2003)
Malaysia	5 142	0.49	(1997)
Romania	4 556	0.31	(2003)
Thailand	2 750	0.42	(2002)
Turkey	5 030	0.44	(2003)
Kenya	547	0.43	(1997)
Nigeria	752	0.44	(2003)
Sri Lanka	1 196	0.40	(2002)

Sources: South Africa: Statistics South Africa (2008: c); Other countries: World Bank (2007)
Note: [1] Current US dollars (2006)

Figure 11: South Africa's Gini coefficient exceeds those of all the comparator countries except Namibia
Source: Armstrong et al. (2008: 5)

The country's level of income inequality increased between 1993 and 2008 (Leibbrandt et al. 2010, 4). This unequal distribution is compounded by the country's high unemployment rate which, according to Integrated Regional Information Networks (2008) feeds into social unrest over public service delivery. The fact that the post-Apartheid society started off with such a high level of inequality adds an alarming note to this trend. The inheritance of a huge group of marginalized and rural poor from the apartheid era increases the difficulty and the costs of social delivery to all people living in South Africa. Another dimension to this picture is rapid urbanisation; data demonstrates that the proportion of the poor in rural areas is declining and poverty in urban areas is increasing (Leibbrandt et al. 2010, 15) as people move to cities in search of work and income. This is not only true of South

Africa but of the continent as a whole. One third of the world's population is on the move (Cobbett 2011); they are either urbanising or migrating. These two dimensions are the most daunting aspects of social order that states in the Global South will need to contend with.

The skewed distribution of human and physical assets that undergirds this increase in poverty in South Africa has not been addressed by the government. Failure of the ANC government to pursue an agenda of redistribution and economic justice created the present crisis of delivery of basic services to all members of society (Habib and Padayachee 2000, 245-263). These authors stress that the conventional wisdom given to countries which are making the transition to democracy, to stay away from issues of economic justice for they will merely complicate the agenda of the transition, acts as a direct source of the social crises that South Africa is presently experiencing. Democratic consolidation in much of the developing world, they conclude, has become an illusion as it is undermined by structural social inequalities. So, while the South African constitution guarantees social and economic rights, the reality looks far different the lower one moves down the socio-economic ladder in the country. Large parts of the population lack access to, or the means to pay for, basic services that are essential parts of daily living. In effect, the constitutional commitments to basic rights, like social and economic equality and dignity, are negated by other constitutional commitments to capitalists.

Materiality as Resistance

Braudel writes that: "the established order [in Europe during the 16th-18th centuries] could not tolerate peasant disorder which ... might undermine the very foundations of society and the *economy*" (Braudel 1982, 496, italics added). During

the five centuries covered by his research, Braudel (1982: 495) notes that there were tens of thousands of peasant revolts. Hierarchical society created situations of perpetual conflict between peasant communities and various oppressors: the state, the landlord, armed troops, hard times (1982: 495). The disappearance of peasant or commoner revolts in Western Europe and North America during the last century, which need to be distinguished from manifestations against the Vietnam war, is significant. The social contract established through universal suffrage, embedded liberalism under the Bretton Woods Agreement and global economic expansion of industrialised economies (at the expense of colonised territories and peoples) emerged out of the conflictual period explained so thoroughly by Polanyi.

The double movement of late nineteenth century and early twentieth century arose as the common person responded to the Self-Regulating Market and its laissez-faire economic institutional framework (Polanyi 2001, 138). This movement had been spurred by the abolishment of the Speenhamland Laws, giving birth to the modern working class through the establishment of a competitive labour market (2001: 105; 231). The Speenhamland system used poor rates to subsidise the wages of farm workers, providing a labour force at low direct cost to employers and mitigating rural poverty. It was funded by a tax levied on the beneficiaries of the enclosures – the commoditisation of land in England which had radically altered the living conditions of the rural population. The Speenhamland Laws were a crucial mechanism in the change towards a wholly market-dominated society, operating on three tenets—a competitive labour market, the automatic gold standard and international free trade—and forming one whole (2001: 144). This economic system depended on a continuous, centrally organised and controlled interventionism by the state (2001: 146-147). The requirements of the Self-Regulating Market had to be met by both national and

international life and mankind became caught in the grip of new mechanisms (2001: 228). The "... impact [of these tenets] on society was so violent that, almost instantly, and without any prior change in opinion, powerful protective reactions set in" (Polanyi 2001: 225).

Polanyi speaks to the South African context in a couple of ways. The first is to understand the significance of the ongoing wave of protective reactions by the excluded poor communities to the commodification of basic services such as water. According to Municipal IQ (2011), nationwide protests in South Africa have soared over the last years (see Figure 12 below).

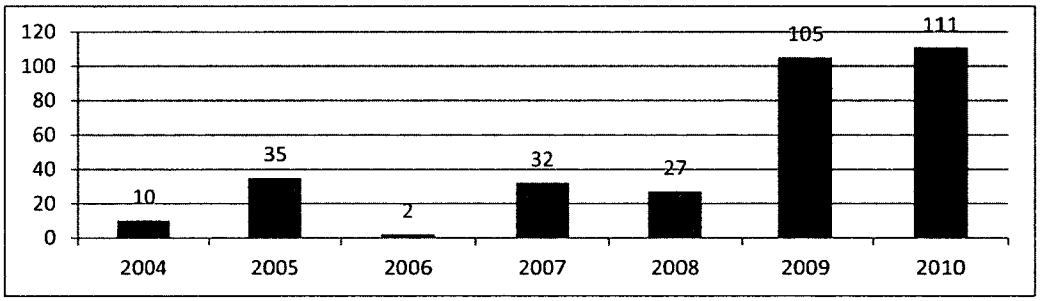


Figure 12: Major Service Delivery Protests, by year (2004 – Q2 2010)
Source: Municipal IQ. Available from 'Press Releases' at http://www.municipaliq.co.za/

Another report (Jain 2010) uses a more expansive definition to include all instances of unrest where protestors took to the streets and cited grievances against general living conditions. According to Jain (2010: 3), the country saw an average of 8.73 protests per month in 2007, 104 for the year, 9.83 protests per month in 2008, 117 for the year, and in 2009, the average number rose to 19.18 a month, 230 for the year. The first half of 2010 saw an average of 16.33 protests per month across the country (2010: 4). Yet another researcher (Alexander 2012) shows that latest police statistics demonstrate that 'crowd management incidents' (peaceful and violent) rose from 8,004 in 2004/5 to 11,033 in 2011/12. This level of protests reflects that people

are exasperated, desperate and see no issue for their grievances. Alexander (2012: para. 9) argues that South Africa is the protest capital of the world. He (2012: para. 9) argues that government attempts to improve service delivery have clearly not been sufficient to assuage the frustration and anger of poor people. The following cartoon (figure 13) refers to hotline number, 17737, launched in 2009 by President Jacob Zuma to allow citizens to get through to the President's office with questions or gripes about government service delivery (Wonkie 2010).

Figure 13: Presidential Response to Service Delivery Protests
Source: Wonkie Cartoons (2010)

The toll number was straight away inundated with calls; over 6 000 calls were made in the first 3 hours of operation, 10 500 calls by 2pm that same afternoon (Gifford and Tromp 2009). Zuma told the call centre operators: "You may receive calls from very angry people, who would have been provoked by your colleagues from other departments [housing, local government]" (South Africa Info 2009a). The President went on to urge the staff "to work together to eradicate the stigma that makes people think anything from the government is bad or is of inferior quality" (2009a: para. 13). The people are not 'thinking' about the government; they are living it and are enraged. Commentators and activists are qualifying these protests are part of a broader Rebellion of the Poor.

Lindela Figlan, a member of Abahlali baseMjondolo (Shack Dwellers) Movement, put it this way:

> [We] tell the government that we need this, we need what you told us, because they said in the constitution that the people shall share, the people shall have equal rights. But the only thing we notice now, (is that) we are not having equal rights. Some of the people are too poor, some of the people are too rich. We don't really need that division (Ngiam 2006, para. 19).

Ngiam points out that "the contract has been broken—and this more than anything elevates the movement above mere 'spontaneous outbursts' of passion, and places it on the solid grounds of moral and political contention in the democratic state" (Ngiam 2006, para.35):

> We are suffering with poverty, water cut offs travel in packed trains and buses, furthermore, we live in shacks, and we were promised better life all by Mandela. Ask you yourself where is that better life now? History is telling us that if we want to be free from these social ills we must go to the streets and fight the states (Facebook, May 6th 2011)[17].

The issue is not about "service delivery", a term which does much to obscure what is happening on the ground, but about the need for *public* services to answer basic living needs (Friedman 2009).

But this is precisely the point of confrontation: basic services have been privatised, commercialised and their value set by the market. In other words, they have been commodified. For South Africans, the brutal privatisation and financialisation of public goods and services is a catalyst for their counter movement. This extension of the market economy based on the rapacious commodification of public resources and services is being sponsored and endorsed by the state (McDonald 2008). The protests in South Africa point to more than a simple issue of malgovernance; they indicate a new locus of political confrontation between members

[17] This quote was taken from the South African slum dwellers movement Facebook page.

of society and capital accumulation as promoted by the state. "The commodification of everything is still underway in South Africa" (Bond 2005a, 352) and South Africans are fighting for 'decommodification' of goods and services needed for daily survival. Bond (2005b, 435) describes this fight as based on demands for access to services such as anti-retroviral medicines to fight AIDS, or for the right to a minimum amount of free water and electricity for each individual every day, and for prohibitions on disconnections of these essential services and against evictions in informal settlements[18]. Living conditions in these informal settlements are abysmal, there is little to no access to basic sanitation and water supply, there is solid waste accumulation, recurrent shack fires, safety and security risks, and a range of health hazards emanating from these living conditions (SANGONeT 2010, para. 3).

The popular response is: "We cannot be expected to live like this. Under these conditions it is right to rebel. It is moral to rebel. It is necessary, as a matter of survival, to rebel" (Unemployed People's Movement 2011, para. 4). The ongoing protests in the townships reflect great disappointment with the outcomes of democracy (Alexander 2010, 37). The majority of the population is poor and levels of unemployment are higher than in 1994. Consequently, inequality has increased. Abahlali baseMjondolo, the Rural Network, the Western Cape Anti-Eviction Campaign and the Landless People's Movement in Johannesburg joined to form an unfunded national alliance of poor people's movements–the Poor People's Alliance. For these activists, freedom is posed against the state's logic of freedom, which is limited to voting and some bits of service delivery here and there (Figlan et al. 2009, 89). These activists make clear that

[18] At least 10 percent of South Africa's 44 million people live in urban informal settlements. This equates to more than 1.2 million households and an informal settlement population of over 4.4 million (SANGONeT 2010).

> [...] many NGOs and human rights organisations reduce the struggles of the poor to 'service delivery protests', as if their struggles were only demanding greater technical efficiency from the current system. The participants are clear that: "our ideas about freedom go much further and deeper than the way our struggles are presented when they are described as 'service delivery protests'". They insist, against the stunted and anti-political language of the NGOs and human rights organisations, on the right to define their own struggle and to do so in explicitly political terms (Figlan et al. 2009, 89).

A member of Abahlali baseMjondolo claims that the protests are part of a 'living politics', a popular politics of ordinary women and men... a politics of those who do not count (Figlan et al. 2009, 78). This resonates, or draws links to, a contemporary understanding of activism and resistance by communities as 'living politics.' The members of Abahlali baseMjondolo describe their movement as 'made 'for us and by us' or, as their elected president S'bu Zikode describes, 'a living politics'[19] (Abahlali baseMjondolo, 2009).

> Throughout our struggles, we have found that others want to define us and they want to understand our struggle according their own definitions and projects. It is always necessary to resist this and to insist that we think and speak for ourselves. Without this discipline, our living politics would die (Abahlali baseMjondolo 2009, para.3).

The second way of applying Polanyi's insights to South Africa is through the significance of institutions set in place by the state and in the interests of capitalists. Nationwide protests are interlocking and overlapping campaigns carried out by social forces to turn their basic survival needs into genuine human rights as written in the constitution. These struggles have resulted in public debates and attempts to establish some notion of a minimum core of social and economic rights as set out in the constitution (Young 2008). But the argument being made here is that much focus is on the Bill of Rights and section 27(1) of the constitution, which sets out the socio-

[19] This terminology developed in South Africa is being used in literature such as *The Value of Nothing* by Raj Patel (2009) to talk about unorganised and local resistance taking place around the world to challenge capitalism and market logic.

economic rights of the population, while ignoring the institutionalisation of capital accumulation in the same supreme law. The South African constitution is claimed as one of the most progressive in the world yet I am arguing that it in fact embeds regressive elements of the American world order, promoted through its international financial institutions: decentralised state apparatus, integration of the national economy with the global economy of liberalised capital and free trade, withdrawal of the state from public services, and commodification and privatisation of basic necessities. In other words, the institutional framework of the social order, in line with global regimes, creates tension between economy and particular groups within society. The tension results in a double movement. The market and its logic push further and further into people's lives and causes severe social disruption. Society, in reaction, pushes back to protect itself from further intrusion.

Clearly, it can be argued that the market never was embedded in South African society. Only sections of the population, white and wealthy, had the privilege; which came at the expense of disembedding the majority. Yet, the case can be made that the majority expected to be part of a new social contract where the economy was put to work for them. It was believed that the ANC, with its Freedom Charter adopted in 1955, would set right the social wrongs of the past. The Freedom Charter sets out that

> We, the people of South Africa, declare for all our country and the world to know that South Africa belongs to all who live in it, black and white, and that no government can justly claim authority unless it is based on the will of the people.

The Charter further declares that

> The people shall govern. All national groups shall have equal rights! The people shall share the country's wealth! The land shall be shared among those who work it! All shall be equal before the law! All shall have equal human rights! There shall be work and security and comfort! There shall be peace and friendship! (Sisulu 1955, para. 3).

The Sowetan, started in 1981 as a liberation struggle newspaper in the township of Soweto, declared (Pheko 2012) that the ANC had relegated on its 1955 commitments written up in the Freedom Charter. For this newspaper, "This was a colossal colonial fraud. Fifty-seven years after this deception, there are two 'nations' in South Africa. One is an extremely rich and white minority, and the other is extremely poor and an 80% black majority" (2012, para. 3-4). From the point of view of the excluded and unemployed, South Africa is an example of the failure of the neoliberal economic model.

Finally, what does the ongoing rebellion of the poor tell us about continuity and discontinuity of the current world order? Referring back to Braudel's statement that peasant revolts were part of Europe's social reality for centuries and Polanyi's double movement, that engendered different national resolutions such as fascism, but arguably also brought in universal suffrage and the welfare state contract between labour and capital, it is imperative to note the return to street politics that are not only observable over the globe but also at the heart of world power. Occupy Wall Street movement denotes a shift in the social contract that has underpinned American hegemony and signals an era of transformation in the organisation and structure of world order (Cobbett and Germain 2012). Along these lines, the rebellion of the poor in South Africa speaks to Polanyi's double movement between the disposed and the global institutions set up in favour of capital. The insights generated by reflecting on these movements suggest that we may be about to leave behind a half century of American hegemony.

Conclusion

Polanyi's motive to writing *The Great Transformation* was to understand the rise of fascism in Europe. In other words, to analyse how democratic institutions give way to one-party authoritarian governments. During economic growth, when liberal capitalism produced booms in the interwar period in Europe, Bolshevism and fascism were pushed aside, except for in peripheral regions (Polanyi 2001, 251). The metanarrative of liberal capitalism gained credibility in the post war economic expansion. The Great Depression that followed the Wall Street crash in 1929 brought fascism back centre stage as it was seen as an alternative solution to the problem of unemployment and industrial society (2001: 252). Fascism's prescription lay in the reform of market economy achieved at the price of democratic institutions. Herein lies the critical issue for Polanyi, how to avoid market crashes and stop the rise of radical politics.

Radical politics arise when large sectors of the polity are subjected to market logic and capital accumulation while a small elite grows in wealth and power. This is the case in present day South Africa. The South African constitution embodies important institutional contradictions as the rights of the poor, legislated in the Bill of Rights, are embedded in a legal framework that advantages capital interests. In Polanyian terms, society has been embedded in the economy and its market. In other words, the common good has been subjected to financial logic of investment and capital accumulation and this relationship between the state, society and capital finds its *raison d'être* in the supreme law of the country, the 1996 constitution. In a Braudelian concept of social order, the economic subset has been allowed to take over other vital areas of material life. ANC policy has played an important role in this

capital formation through expansionary investment opportunities in the domain of material life: water, sanitation, habitation.

Unchecked expansion of capital accumulation, encouraged by the ANC government, has given rise to a counter response from society as vulnerable members of society move to protect themselves from the harmful effects of financialisation and privatisation. The protestors are confronting a political economic structure where capital accumulation is privileged by the state at the expense of the poor. These sites of accumulation occur exactly where the rights and needs of the poor are supposed to be met—at the level of local governance and basic service delivery. The protests are not about malgovernance, although there are almost certainly grounds for grievances relating to nepotism and corruption, rather they are about deliberate, structural governance choices made by the state which have handed over governance of public goods to capital and laissez faire market logic. In other words, the protests will not go away because the underlying problem is constitutional and national rather than processual and local. What remains uncertain is how these local movements and protests will continue to unfold and to what extent this shared experience will create a counterhegemonic force demanding for change in the world order.

South Africa's rebellion of the poor needs to be situated, therefore, within the broader context of the incoherence embedded in the neoliberal project and calls for change by populations caught in this contradiction. As highlighted at the beginning of this chapter, these tensions exist between constitutional and democratic politics and reveal the legal dimension to the metanarrative of neoliberalism. Considering the theme of continuity/discontinuity, this case reflects the pressures towards continuity, on the one hand, and resistance to neoliberal policies and calls for change, on the other. Theoretically, social protest reminds us of the need for ontology able to

apprehend change in all its dimensions: material, changing inter-subjective dynamics, coordinated movements and the more spontaneous reactions by ordinary people fighting for their rights and survival.

The following chapter places these tensions within the constellations of global political economic power. Here attention is brought to the South African Reserve Bank and its place in the international chain of central banks that keep the global finance system afloat. This chapter unpacks the narrative of the macroeconomy. It considers the problem of how to practically instantiate or envision an economy. One way this is done is through using national identity.

Chapter 4

THE SOUTH AFRICAN RESERVE BANK AND THE TELLING OF MONETARY STORIES

This chapter is about moments of potential discontinuity, as political and financial institutions struggle to enact metanarratives of the American world order in situated places; in this case contemporary South Africa. The method I use to trace the links between global capital and society is through the construction of macroeconomic narrative by central banks. This chapter explores the development of metanarratives through economic language, which has acquired properties of being incontestable and unassailable, and the application of this language to policy goals. The integration of economies, a vision of globalisation or American world order, through global financial architecture is not a given. Central banks play a decisive role in connecting domestic economies together to create seamless opportunities for global capital. Strain to meet this goal arises through the effects of cultural variance, contesting ideologies and difficulties inherent in governance of populations.

The last two decades have seen constant efforts by the South African Reserve Bank (SARB) and by the African National Congress government to bring the South African economy in line with global financial requirements. This chapter contends that South African political and economic leaders are in a struggle to put in place a master narrative of the economy, a supranational identification of common socio-economic problems and goals, which are not in the interests of the poor majority. The SARB's dominant metanarrative is the need to reintegrate the economy into a rapidly changing global financial environment after the long period of Apartheid isolation (Van der Merwe, 1997).

The elaboration of macroeconomic narrative as a tool for state intervention depends on the development of a specific language of economics achieved through the transition of verbal to mathematical tools, and then back to verbal tools with communication to the public. In 1994, when the ANC government was elected, the biggest challenge for the SARB was to build a single and national unit of economy, an economic nation-state. At a time when member countries of the European Union decided to forgo their national currencies in favour of a supranational currency, the Euro (Gilbert and Helleiner 1999, 1), South Africa was faced with the task of constructing a national identity in line with macroeconomic policy. This narrative was to be developed along the lines of global capital regime and its interests. External factors, such as the global economy which endorsed liberalised capital and domestic markets, were a major force in shaping this narrative. Cox (1987: 109) points out that the relative weight of internal and external factors is not constant but is conditioned by the prevailing structure of world order. At the time of South Africa's transition to democracy, these external factors were considerable as the USA economy was in expansion. States integrating into the global economy had to promote policies of inflation targeting, currency stability, controlling government spending relative to GDP; in sum putting in place conservative monetary and fiscal policies. There were, and continue to be, important oppositions to this narrative.

The Congress of South African Trade Unions publicly condemns the neoliberal choices that accompany this goal, claiming that these policies amount to "a capitalist onslaught on the working class" (Vavi, 2010b, para.7). For Cosatu's general secretary, Zwelinzima Vavi, there is a pressing need "to give a concise class understanding of post-Apartheid South Africa and the nature of global capitalism" (Vavi 2010b, para.8). According to Vavi, South Africa is in a crisis (Marrian, 2010).

Price stability, carried out through the SARB's monetary policy, has to play a subordinate role to national developmental goals of creating jobs and eradicating poverty. If necessary, Vavi claims, the government should tax the super rich and use these funds to meet these targets. The SARB plays a critical role of communicating its macroeconomic policies to the general public and of undermining alternatives, such as Cosatu's, that question their decisions. To do this, the Bank tells 'monetary stories.' Central banks are not usually associated with narrative storytelling, or with nation building yet recent research demonstrates that monetary policy is an outgrowth of a master narrative and produces, in turn, the context in which the formal economy takes place.

Macroeconomic imagination emerged as a key economic tool for policy during the twentieth century (Suzuki 2007: 471-517; Morgan 2001: 361-384). People have come to know the concept of macroeconomy in relation to their social realities through the rhetoric elaborated to express this concept and have come to accept this narrative as an ordering principle on their lives and in the social spaces that they live. States are explained through macroeconomic data which, in turn, becomes the language of communication to other states, international financial actors and with populations living within their territories. This economic language governs populations by providing a narration about living in the space of that state which constantly endeavours to meet economic targets and make these known to their population.

Economic statistics, modelling and econometrics, along with accounting processes, render visible "illusive economic realities" (Biondi and Suzuki 2007, 585-602) for the benefit of the state and governance. Where formerly economic matters were related through a verbal tradition, a change occurred at the turn of the last

century when economics progressively came to be known through mathematical formulations and modelling (Morgan 2001, 43). This movement revolutionised the way we came to think of economic reality and the means at our disposal for making that reality known. It was the emergence of a new general culture of economics that placed its premises on modernism and scientism. This vision of economics relied on mathematical rigor, the potential of prediction and a vision of humanity as made up of the rational subject (Ruccio and Amariglio 2003).

The first section of this chapter explores how the SARB uses national identity, expressed in this case through sport and the 2010 World Cup FIFA, to further its policy goals. Historically states have used monetary phenomena, such as currencies, to cultivate a sense of national identity (Helleiner 1999, 223). In this section I present this relationship between national currency/macroeconomy and national identity as a dialectic that is being established in South Africa. National identity reinforces macroeconomic goals, and discourse of the macroeconomy creates the identity of economic citizens as they live in the nation-state of South Africa. In the following section, on decentralised and privatised global finance, I look at the external factors that the prevailing order is exerting on the macroeconomic narrative being told by the SARB. The third part of this chapter looks at discourses of power where central banks act as narrators, engages directly with Holmes' (2009) concept of 'economy of words.' Holmes applies Callon's (2007) insights on performative theory to research on central bank communication strategies that have changed radically over the last two decades. These theoretical insights are then placed to the side as I provide an overview of the rise of the financial system in South Africa. This sets the framework for the fourth section where I apply Holmes' theoretical framework to contemporary

South Africa by offering examples of monetary story-telling which aims to bring public action in line with macroeconomic goals.

The World Cup Narrative

Stories about the new South Africa—its miraculous and peaceful transition to democracy, its macroeconomic stability, and its strong regional and continental diplomatic role—abound and serve to reinforce a master narrative of a transformed country rising from a violent past and now heading in the right direction. The hosting of the 2010 World Cup FIFA (Fédération Internationale de Football Association) is an example of this new South Africa: a successful African state hosting a major international event. Tito Mboweni, former governor of the South African Reserve Bank, said that preparations for the World Cup came at a time of strong economic growth (Mboweni, 2007). The persistent adherence to prudent macroeconomic policies by the authorities had resulted in the country's solid economic performance in recent years and strengthened its capacity to host the games. This rhetoric portrays South Africa as a new and active participant on the world stage, a status aided by the prudent and long-sighted actions of the SARB, which created a stable macroeconomic environment. In short, the story goes that South Africa is an international success story and this achievement is linked to sound economic policy.

In a continuation of the FIFA story, the SARB represents itself as a team, one amongst other national teams. In this case, the analogy is with sport. The Reserve Bank is a team, like the national rugby, cricket, and football teams, who are all working towards the common goal of making South Africa strong and internationally relevant:

> We have a busy sporting year ahead of us, with the current cricket world cup games on the go, and the rugby World Cup finals just around the corner. In monetary policy decision making, we rely somewhat on our forecasts for inflation. My current central forecast is that both the cricket and rugby teams are going to do well this year... Allow me to wish Mr White and the Springboks all the best in their endeavours in the rugby World Cup finals in France. We are fully behind you and believe that you have what it takes to bring the cup home. You dare not disappoint the people of South Africa (Mboweni 2007, para. 5).

Mboweni presents Jake White's role as coach of the national rugby team and his own as governor of the Bank, as being similar: they both have to reach targets.

> One common aspect centres around the target that both of us have. For Mr White it is to win matches and tournaments, while in my case it is to ensure that inflation remains within the target range (Mboweni 2007, para 1).

Mboweni uses the excitement of national sports and the feelings of patriotism associated with the successes of national teams to anchor the Bank's goals of inflation targeting.

> Of course, when the world cup finals begin in 2010 we will be keen spectators and supporters of Bafana Bafana [the South African national soccer team], but there is not much we can do to directly impact on the fortunes of the team. I will leave that in the capable hands of Mr Carlos Parreira [the team coach] and his team. We have to keep our eyes on a different ball and a different goal. Through this exciting growth phase that we are experiencing, monetary policy has to ensure that inflation is kept under control (Mboweni, 2007, 4).

Master narratives such as these are standard practice in the creation and maintenance of images of states as they promulgate frameworks through which people are led to make meanings of themselves, of their lives, of their identities, and of their social relationships. Braudel's work on centres of world-economies and relationships between political capital and capital offers a fertile way of thinking these issues through. While South Africa is not at the centre of a world-economy, it is the leading continental economic power and transition to the post-apartheid regime has seen a renewal of capitalist networks of power, interest, and wealth collude with and

operate through states, contributing to a transformation of public framework and institutions. Germain (1997: 15) explains that the political economic power in powerful cities takes place through social interactions between the government's executive branch, business actors, investors, and groups of intellectuals who develop coherence around the flow of information, ideas, the production and distribution of credit.

Monetary stories told by the Reserve Bank reflect a pressing need to engrain and settle these parameters into the national imagination of South Africa and what it means to be a citizen of this country. People are implicitly asked to let go of the former vision of a post-Apartheid South Africa of social and economic justice that carried the ANC to power and work and live within a revised economic agenda of free markets, global competition, and individual responsibilities. Cosatu opposes this vision claiming that the "SARB does not give a damn about what happens to the economy and job creation" (Mail & Guardian 2009, para. 3), and wants the SARB nationalised because it is an asset of the people and not of shareholders. Cosatu publically engages with the SARB and with the minister of finance about policy direction. When the 2010 national budget came out, Cosatu said that it had expected monetary policy to be changed to target employment directly and primarily, as pointed out in the election manifesto of the ANC and in the various meetings of the [Tripartite] Alliance (Mail & Guardian, 2010).

This is a political debate and here I look at the *political* role of central banks in a world characterised by decentralised and deregulated finance. The case of South Africa demonstrates well a broader theoretical discussion on the role of central banking in the global financial system. Literature indicates that central banks have changed their relationship with the general public over the last two decades (Blinder,

Ehrmann, Fratzscher, De Haan, & Jansen, 2008; Davies & Green, 2010; Hall, 2008; Holmes, 2009). These institutions have adopted new communication techniques that seek to anchor macroeconomic goals within society. These changes need to be understood within the broader context of the current global financial order. This is the subject of the first section of the chapter, which provides an overview of the world financial system and the roles of governance played by credit rating agencies and by central banks. This is followed by analysis of the changes in structural power bought about as central banks are made institutionally independent from political pressure within their countries and freed to follow regulations elaborated by international financial institutions. Following this, theory on central bank communication methods and how they 'perform' the economy through the telling of monetary stories is examined. Of particular interest are central bank narratives within countries undergoing extensive social, political, and economic transitions. South Africa experienced a transition to democracy, which put a black-majority government in place. Yet the decision by the South African political and economic elite to direct the economy towards global neoliberal goals radically alters the ruling party's former vision of a developmental and redistributive state. The ongoing public debates about the choices open to South Africa are at the heart of this struggle to manage the national economy and instil a dominant narrative within the national imagination.

Decentralised and Privatised Global Finance

In the last 150 years three international financial systems have existed: the gold standard, the Bretton Woods Agreement, and free-floating currencies with no set anchor for monetary value (Broz & Frieden, 2001). Financial systems may be said to consist of (i) exchange rate arrangements; (ii) capital flows; and (iii) a collection of

institutions, rules, and conventions that govern their operations. Each system produces specific relations with domestic financial markets.

The gold standard operates through a balance of payments equilibrating mechanism where deficit countries would experience an outflow of gold while surplus countries would experience receive gold inflows (Snowdon and Vane 2005, 80). As countries' money supplies are linked to the supply of gold, deficit countries experience a deflation of prices as the quantity of money declines, thus making its exports more competitive, while surplus countries experience inflation and their goods become less competitive. This balance of payments mechanism restores equilibrium to the international payments imbalances. The implementation of this model within country settings deviates to some extent as central banks adjust the payments mechanism when necessary to meet state interests (Eichengreen 1990, 2).

The Bretton Woods arrangement of fixed exchange rates against the US dollar permitted a system more embedded liberal welfare policies through support provided by international financial institutions. The goal was to establish a global credit system consistent with the domestic aims of the strongest postwar economies, such as the USA and Britain (Germain 1997, 75). This system does not offer colonial or postcolonial countries the same protection as that to western industrialised states.

The shift towards decentralisation and deregulation of the global credit system, that has been taking place since the collapse of Bretton Woods after 1971, compels domestic markets to adjust to the effects of mobile capital. This current financial system is characterised by a lack of one nexus of control—even as we recognise the ongoing dominance of Wall Street—rendering the system more complex and requiring us to pay careful attention to institutional arrangements (Porter, 2005). Two constellations of power have emerged as strategic institutional

arrangements central to this global governance of finance: credit rating agencies and central banks (Sinclair 2005). These constellations are key infrastructures in the performance of the economy.

First Constellation of Power: Credit Rating Agencies

Credit and bond rating agencies such as Moody's, Standard & Poor's, and Fitch produce comparative readings of investment opportunities and risks which put value on corporate and public debt worldwide (Sinclair, 2005). Credit rating is a form of institutional financial coordination that seeks to promote the interests of investors through the production of investment data. Rating agencies essentially give value to both public and private debt by making judgements about the risk and the opportunities involved in various investment destinies. Like central banks, rating agencies are a centralising force as they act as a crucial nerve centre in the world financial order: "a nexus of neoliberal control that is exercised through emitting judgements about the economic performance of states and corporations" (Sinclair 2005, 68).

Credit ratings are not imposed on governments, but governments seek them as means of attracting capital and of assuring financial investors that their money is safe in the country (Sinclair 2005, 10). The South African government invites foreign investors to this 'dream of a business destination,' which combines favourable investment conditions: the stability of a developed nation, the opportunity of a vibrant emerging market and a climate that fosters growth. "It's time, [the government reminds investors], to take a closer look at South Africa" (South Africa Info 2010, para.1). Trevor Manuel, former minister of finance, states that in South Africa "we've taken some very tough decisions to provide a climate for certainty. The Constitution,

the legal framework, the macro-economic framework, all adds up to certainty and predictability. South Africa has created a climate that investors need" (South Africa Info, 2010, para. 10). These 'very tough decisions' resonate well with rating agencies; Standard & Poor's set South Africa's long term rating at BBB+ and foreign currency issue rating at A+ (South Africa Info, 2009b). The National Treasury points out that "the affirmation of South Africa's rating reflects confidence in our credit position and future policy direction, thanks in large part to a record of prudent execution of macroeconomic policies" (South Africa Info 2009b, para. 3). The country's financial systems are presented as being sophisticated and supported by robust banking regulations that rank among the top 10 globally (South Africa Info, 2008).

These ratings reflect investor opinion on national policies, which can be seen in the following excerpt from Moody's November 2009 reading of South Africa.

> There is also increased risk that easier fiscal policy, with emphasis on the social safety net, will become entrenched due to the greater influence of the labor unions in government. Moreover, the growing impatience of the population for the government to deliver on promises of improved social services and housing, jobs, and better education, among other demands, could make it difficult to rein in spending increases as currently envisioned over the medium to long term (Cailleteau, Lindow, & Orchard, personal communication, April 15, 2010)

Social and political disturbances or unrest play against favourable credit ratings but they are offset by the state's stable management of the macroeconomic environment through central bank management. Moody's goes on to say that:

> The economy's growth potential is likely to shrink in a less supportive global environment...this would mean that pressure from within the government alliance for unaffordable and distortive fiscal and monetary policies will need to be resisted, despite frustration with the slow pace of progress on the jobs front (Cailleteau, Lindow, & Orchard, personal communication, April 15, 2010).

Here we clearly see Moody's argument against any accommodation by the ANC of left-wing members of the government's Tripartite Alliance: the South African Communist Party (SACP) and the Congress of South African Trade Unions (Cosatu). The relevance of looking at credit rating agencies when studying central bank action resides in understanding the degree to which banks need to obtain good ratings from the agencies for national and subnational debts. Agencies give good ratings when the monetary policies put in place by central banks reduce risk for foreign investors and when the political climate is stable, that is, when it will not threaten the rates of profit or the possibility of withdrawing money from the country once the investment is over. Central banks therefore undertake to influence and direct markets and public behaviour in line with these rating agencies' standards and goals.

Second Constellation of Power: Central Banks

A network of central banks links populations, states, national economies, and global financial arrangements within a transnational regime of financial governance. The ultimate objective of central banks has always been monetary and financial stability (White 2006, 1). This stability is assured through regulatory standards that are internationally negotiated and domestically applied. This goal has become more difficult to achieve as global capital moves freely across borders. The paradox is that the decentralised and deregulated global financial system depends increasingly on the regulated and centralised domestic control of central banks. National economies are stabilised through monetary policy, which acts as an anchor of value for global capital.

The power of central banks to implement their vision through national policies resides in part in their historic relations of collaboration and coordination between

central banks, dating from around 1930 when the Bank of International Settlements (BIS) was founded. The BIS is the world's oldest international financial institution and remains the principal locus for central bank cooperation and governance. Helleiner (1994) identifies this cooperation as a movement towards what Peter Haas (1992) calls an *epistemic community,* or networks of knowledge-based experts. Haas notes that epistemic communities play a key role in articulating complex problems and in helping states identify their interests, frame public debates, and put forward specific policy solutions. Importantly, epistemic communities have their own vision of reality built through a historic consent on how the world works.

This knowledge-based network, now known as the Basel Community (White, 2006, 14), has developed a vision of 'correct' beliefs through iteration of beliefs, practice, and experience. This vision is strengthened through the common education received by central bank governors and senior members of the banks. Interbank cooperation is fostered through the hundreds of meetings that take place every year involving central bank governors and specialists (communication experts, auditors, security experts, economists, etc.). This has resulted in convergence to a mutually accepted interpretation of the world and identification of the most appropriate solutions to financial problems. It is this shared understanding of reality that shores up the current global financial order.

Central banks therefore 'belong' both to their individual countries, where they are at the centre of national monetary and fiscal control, and to this international community of central bankers, which promotes and supports the implementation of their shared vision of the global political economy. The BIS secretariat explains it as follows: the central bank, an organisation with a public mandate, belongs to the government in a broad sense—as do the legislative, executive, and judicial

branches—and acts in interplay with other governmental bodies within a country's governance structure (Oritani, 2010). Yet, central bank independence from government and political pressure is now considered a requisite element of global financial architecture. Central banks and governments clearly recognise their interdependence in the national arenas but these patterns of coordination between central banks and governments have changed with the demise of the Bretton Woods financial order. The fiat money system that succeeded the breakdown of Bretton Woods saw wide-reaching institutional reforms as central banks moved to assure financial stability worldwide and price stability domestically. Central bank independence was prompted by previous failures of anti-inflation policies and a belief that independence from political pressure would help secure lower inflation in the future (Crowe & Meade, 2007). The belief is that bank independence reduces the possibility of policy swings that can arise when monetary policies are determined by political parties representing special interests (Oritani 2010, 41).

The 1990s saw a wave of new legislation securing this legislative independence in new banking acts and revised constitutions. The Maastricht Treaty and the creation of the European Union clearly set out the legal independence of the new European Central Bank (ECB) and its members, the central banks of Europe. This independence from direct political pressure is guaranteed by Article 107 of the Treaty, which reads that "no member of the ECB shall seek or take instructions from Community institutions or bodies, from any government of a Member State or from any other body" (European Union 1992, 17). This wave of legal changes in central banking has been particularly noted in developing and emerging market economies (Crowe & Meade, 2007). Countries of the former Soviet Union, for example, saw their constitutional laws rewritten and a new independence given to their central

banks. African countries have generally moved to more market-based financial systems with greater autonomy and accountability applying to central banks (Mboweni, 2004). The transition to the post-apartheid state and the rewriting of the South African constitution were perfect opportunities to grant the SARB legal independence. Sections 223 to 225 of the constitution and the South African Reserve Bank Act, 1989, provide the framework for the Bank's operations. Subsection 224 (2) of the South African Constitution states that "the South African Reserve Bank, in pursuit of its primary object, must perform its functions independently and without fear, favour or prejudice" (Constitution of the Republic of South Africa 1996, 1331 [28]). Hirsch (2005) points out that one of the debates on the independence of the SARB was that the ANC adopted the position on the independence of the central bank in fear that a statement to the contrary would unsettle international financial actors' views of policy stability in the new South Africa.

The Reserve Bank's mandate is "to achieve and maintain price stability in the interest of balanced and sustainable economic growth in South Africa" (South African Reserve Bank 2012, para. 1). The Bank achieves this through setting an inflation target against which price stability is measured. The claim is that price stability underpins the stability of the financial system and financial markets (2012: para. 2). The SARB's monetary policy committee (MPC) clarifies that it makes monetary policy decisions independently of its shareholders and the government. Constituted by the executive directors (the governor and the three deputy governors) and the professional members of the SARB, the MPC has the mandate to elaborate and implement the monetary policy framework for the country. Although the Reserve Bank has complete instrumental independence, Mboweni (2004) adds that it is of course accountable to the citizens of South Africa.

Accountability is indeed a key issue. The constitution stipulates that the Reserve Bank must be in regular consultation with the cabinet member responsible for national financial matters (Constitution of the Republic of South Africa 1996, 1331[28]). Apart from this condition of regular meetings with the minister of finance, there is little legal provision to make the Bank responsive to political demands and citizen discontent about economic policy. The constitution acts, rather, as a shield that protects the committee from 'external' pressure.

Discourses of Power: Central Banks as Narrators

Central banks have changed their relationships with financial markets and the general public over the last two decades through the development and use of new communication techniques (Blinder et al., 2008; Hall, 2008; Holmes, 2009). Before the 1990s, central banks were shrouded in mystery—it was believed that they should be—and decisions were made behind closed doors (Blinder et al., 2008). Blinder et al. (2008: 25) point out that central banks are now making their decisions known, widely available, and transparent in the belief that if their actions are more predictable to markets, markets will react in expected ways to monetary policy. This communication can be understood broadly as the provision of information by the central bank to the public regarding such matters as the objectives of monetary policy, the monetary policy strategy, the economic outlook, and the outlook for future policy decisions (2008: 10). For example, the making public of the minutes from a central bank's monetary policy committee meetings along with the release of a central bank's inflation reports appear to move financial markets significantly in the direction desired by the banks (2008: 34). Communication strategies are considered essential elements, for instance, in anchoring the long-run inflation levels by announcing a

numerical inflation target and making it widely known to the general public. The markets and the public integrate this information and adapt their behaviour in reaction to anticipated changes, thereby enacting the desired result. These changes have been referred to as a communication revolution and are powerful components of every central bank's toolkit.

Blinder et al. (2008: 5) point out that no consensus has emerged on what communication policies constitute best practice for central banks. Practices, in fact, differ substantially and are evolving continuously according to state histories, practices, and politics. This echoes current literature on the state (Hansen and Stepputat, 2001), which points out that while there are commonalities in state, governance, and the language of 'stateness', no institution, policy paper, or universalised regime is 'the same' everywhere. Keeping in mind this caveat, it remains possible to identify common analytical frameworks within which emerging central banking practices are embedded. Using the analytical framework of cultural anthropology, Douglas Holmes (2009: 383) builds on Blinder et al.'s observations of central bank communication by linking them to the work of John Maynard Keynes. According to Holmes, Keynes identified the power of central banks in his *A Tract on Monetary Reform* (Keynes 2009). Keynes saw these financial institutions as possessing great regulatory power, pacing the activity in the economy as a whole, as virtually all transactions are in one way or another contingent on financial mediation (Holmes 2009, 388). This power is subject to intense public scrutiny but yet to very little formal accountability (2009: 387). The challenge, Keynes identified, was to tame the 'animal spirits' of economic actors when they act with little regard for monetary authorities or not in the interest of the larger group. Expectations needed to be disciplined with persuasive narratives and Keynes was concerned with developing a

language for money and monetary policy (2009: 390). The goal was to find a language that could make economic phenomena into meaningful public discourse, and thereby into instruments of intervention (2009: 391).

Working within Keynes' intellectual tradition, Holmes applies Michel Callon's (2007) insights on performative theory—that economic theory is the means for creating economic phenomena and regulating economic behaviour rather than being merely the tools for representing or analysing them—to Blinder et al.'s research on central bank communication strategies. Callon's performative thesis argues that words perform the decisive function of creating countless contexts that frame data series, statistical measures, and econometric projections. Economic theory is therefore the means for creating economic phenomena and regulating economic behaviour rather than a simple tool for representing the economy as object. Building on this theory, Holmes introduces the notion of an *"economy of words"* as the means and medium through which this kind of creative labour is articulated and enacted (Holmes 2009, 384; italics added).

An *economy of words* is the process by which central banks linguistically model economic phenomena operating at the limits of calculation and measurement. In other words, central banks name and render observable economic phenomena that are largely outside of common knowledge and thus, make known complex economic phenomena through simplified economic parameters. Well known symbols, such as interest rates and inflation targets, act as parameters for general social behaviour while a wider range of more complex monetary and financial tools create the broader context for the operations of financial markets. The underlying principle is that successful monetary policy is not so much a matter of control of monetary tools, such as overnight interest rates, but rather about managing expectations and future action

through communication. Towards the end of the last century, central bankers came to adopt an experimental ethos of communication performed in situ (Holmes 2009, 386). Initiated by the Reserve Bank of New Zealand, central banks worked out the means for modelling linguistically and communicatively economic phenomena (2009: 411). Narratives, or monetary stories, informed by a continuous stream of data and analyses, articulated in a measured and consistent fashion, became the modus operandi for central banks (2009: 385). This practice represents the most decisive and convincing demonstration of Callon's performative theory (2009: 383). Words create the economy simultaneously as a communicative field and as an empirical fact.

What does the central bank's communication achieve? Holmes claims that the answer is both simple and profound (2009: 403). The public's expectations will cleave over time to monetary policy targets, such as permissible levels of inflation, which are integrated in their future behaviour. People, in other words, will adapt their expectations and actions to fit into the parameters set out by the central bank, such as proposed changes in the rate of interest.

The Rise of Finance in South Africa

The history of banking and finance in South Africa shows the progress from small local banks of the nineteenth century to the highly concentrated commercial banks of the twentieth (Houghton 1971, 46). This historical trajectory has been largely determined by its role as world gold producer and its place within the British Empire. The South African Reserve Bank has been closely tied to the western international financial system for over a hundred years. This was so even during the years of Apartheid when the country became member of the Bank of International Settlements in 1971 and the central bank financed the Apartheid government's debt on foreign

markets. The establishment of a South African central bank in 1921 needs to be understood within this broader context of historic global financial ties.

A hundred years ago, domestic monetary policy was shaped by imperial banks operating in South Africa under the direction of the Bank of England (Ally, 1994). This gradually changed as Britain found it increasingly difficult to compete with the other leading European industrial countries and the United States' rising financial power during the inter-war period of 1919 to 1939. Britain's monopolistic relationship with gold producers in South Africa had been central to maintaining its former position at the centre of the global financial system. But in 1917, Jan Smuts, prime minister of the Union of South Africa, had come under criticism from Nationalists for allowing imperial Britain's interests to override South Africa's independence, especially in regards to local currency requirements, dependent on overseas production in England (1994: 76). At the same time, the Chamber of Mines pushed to have more control over the gold refinery process and wanted to install a refinery within South Africa instead of shipping all its unprocessed metal to London where it fell under the control of the Bank of England. The Chamber of Mines argued that a local refinery would lead to important savings for the industry and to greater control over the selling of gold. Of interest to the Chamber was the interest shown by the United States of America, who saw an advantage in breaking the British monopoly and dealing directly with South African gold suppliers. In 1919, political opposition in South Africa against the country's subordination to Britain's imperial interests finally created enough leverage to establish two key national institutions: a gold refinery and a national mint (1994: 84). These moves to independence were facilitated by the challenging economic context facing post-war Britain and its limited resources in managing these crises.

The earliest proposals for the establishment of a central bank were made as far back as 1879. These calls for a South African central bank were strengthened when the British government came off the gold standard to let the British pound float in the aftermath of the First World War. As the South African pound was linked to sterling, it was also devalued, plunging the country into recession. Merit was seen in breaking with sterling and establishing new banking norms and a state bank within the country. While this goal was at the fore of nationalist sentiment, the creation of a South African central bank was actually made possible by the Bank of England's decision to encourage the spread of central banks worldwide (Ally 1994, 88). This decision built on a political economic re-evaluation of Britain's relative global strength and its place and power within the changing economic and financial world context. Britain's informal financial system, developed under its global dominance, had shrunk as it faced the economic consequences of the war and increasing rivalry from New York as financial centre (1994: 89).

The Bank of England saw the establishment of national central banks around the world as a means of pursuing its influence over global finance. It reasoned that in the changed environment a more formal international monetary system would separate national political pressures and governments' interests from financial control and monetary stability, and help secure direct British influence through a worldwide banking system. Britain had consistently endeavoured to separate the interests of the mining industry from that of the Union government,[20] wishing to secure its privileged relationship to gold producers (Ally 1994, 81). The national 1919 Gold Conference of mining companies (which met to address the problems encountered with the

[20]The Act of Union of 1910 brought together the previously separate colonies of the Orange Free State, Transvaal, Natal and the Cape to form the Union of South Africa. The Act was the result of several years of negotiations among South African politicians and between South Africa and the British government.

marketing of South Africa's gold production) pinpointed the need to introduce a uniform bank act that could protect against the inflation of the currency, maintain the price of gold, and offer greater degree of national power (1994: 90). Following on the Gold Conference's recommendation, a Select Committee of Parliament composed of ten members was established on 31 March 1920 to examine the practicalities of establishing a central bank.

Jan Smuts invited Henry Strakosch, managing director of the Union Corporation—a holding company with extensive foreign investments in South African gold mines—to the country for consultation and advice on improving the national banking system (Ally 1994, 87). Strakosch, in collaboration with the Union Corporation's treasury, drafted the original Bill of the Currency and Banking Act of 1920, ensuring that management of the future reserve bank would not be under government control; rather he proposed setting up a central bank with private funds obtained through shareholders (1994: 90). The South African Reserve Bank opened its doors for business for the first time on 30 June 1921. The Bank was a paradoxical mix of British imperial interests with nationalist goals of greater independence from British rule and the identification of the need of a central bank under the control of local government.

The inter-war period effectively saw the establishment of the upstream industries linked to the minerals-energy complex (Fine and Rustomjee 1996). In 1923 the Electricity Supply Commission of South Africa (ESCOM) was established, as was the Iron and Steel Corporation of South Africa (ISCOR) in 1928. In 1950 the South African Oil and Gas Corporation (Sasol) was established to produce petroleum from coal. Sasol, the world's current biggest producer of liquid fuel from coal, commercialised the Fischer-Tropsch method of converting coal to liquid fuel and

chemicals. In line with these industrial developments, the banking and financial sector expanded.

After 1949, the financial market deepened with the emergence of a short-term money market, along with financial institutions such as the Land Bank, discount and accepting houses, building societies and the Johannesburg Stock Exchange (Houghton 1971, 46). The South African banking and financial industry became, and remains, the most sophisticated in Africa. The role of South African business and finance was limited during apartheid year by international political isolation, sanctions and self-imposed domestic exchange controls (Verhoef 2011, 5). Verhoef points out that while the internationalisation of business enterprises was reined in, domestic economic development took place in an incubated space. This developed an adequate platform for rapid internationalisation of business and finance once political and economic restrictions were removed, as was the case in the early 1990s.

Habib and Padayachee (2000) note that the 1989 Bank Act renewed historic alliances between the state and powerful business as the state prepared for its transition to liberal democracy. A group of powerful conglomerates involved in mining, finance, and energy worked to ensure that the new black-majority government would create a macroeconomic context that would facilitate the globalisation of their activities (2000: 260). A pivotal aspect of this move to secure the desired macroeconomic context was to grant greater autonomy to the SARB (2000: 248). Enshrined in the 1996 constitution, the political economic structure witnessed a return to the original vision of independent global financial power within the domestic economy.

Hirsch (2005) associates this move to ensure greater independence for the Reserve Bank in the constitution to the influence of the International Monetary Fund

(IMF). Hirsch (2005: 65-66) points out that the South African Constitution clearly enshrines terminology put forward by the IMF, for example in the phrase: "must perform its functions independently and without fear, favour or prejudice" (Article 224, Constitution of the Republic of South Africa 1996). Hirsch also draws attention to the clause which reads: "The primary object of the South African Reserve Bank is to protect the value of the currency in the interest of balanced and sustainable economic growth in the Republic" (Hirsch 2005, 65). This was, Hirsch notes, the interpretation of a South African Chamber of Business (SACOB) report, which noted that these clauses regulating central bank decisions were "probably also supportive of international investor perceptions and business confidence" (SACOB in Hirsch 2005, 65). "[T]he wording of the constitutional clauses on the SARB has been characterised as a victory for 'capital' or 'international finance capital' (Marais in Hirsch 2005). This arrangement between the SARB, the government and the business elite underpins the political economy of contemporary South Africa.

Braudelian understandings of the associations between state and capital inherent in these arrangements are well demonstrated by the case of Tito Mboweni, former governor of the Reserve Bank. After ten years at the helm of South African monetary and fiscal power as governor of the Reserve Bank, Mboweni now works for Goldman Sachs, the Wall Street global banking, investment, and securities firm. Colin Coleman, managing director and head of South Africa for Goldman Sachs, said:

> In his capacity as an advisor, Mr. Mboweni's unique experience, wealth of wisdom and knowledge in the political and financial arenas will complement our capabilities in South Africa, Sub-Saharan Africa and around the world (Reuters 2010, para. 4).

Goldman Sachs trained a number of senior ANC economists in New York before the 1994 elections (Mohamed 2010b). The current director-general of the

National Treasury, Lesetja Kganyago, and his predecessor, Maria Ramos, both attended the Goldman Sachs ANC senior economists training programme.

Monetary Stories in the New South Africa[21]

Sixteen years after the first democratic elections in South Africa there has been little change in the overall level of income inequality. South Africa has overtaken Brazil as the world's most unequal country as its Gini coefficient index—which shows the level of income inequality—increases to 0.679 (Cosatu, 2009). In spite of this dismal record, the SARB continues to move the country towards full compliance with the global neoliberal regime of deregulated finance. This means working to orientate human expectations and actions towards the desired neoliberal macroeconomic goals of privatised public services, greater individual responsibility for human welfare, and new opportunities for financial investment. While the ANC's executive is fully supportive of this orientation, social groups and trade unions are voicing their opposition. Social movements are holding the government to its former electoral promises of social and economic redress for the poor majority. This tension is manifest within the Tripartite Alliance government where Cosatu publicly opposes the central bank's conservative monetary policies.[22]

The following excerpts from an article in the *Mail & Guardian* newspaper, published February 17, 2010 (Mapenzauswa, 2010), make evident this public debate

[21] As a frequent visitor to South Africa over the last few years, I am constantly surprised by the weighty and constant presence of the central bank in the media. The central bank is a very eloquent, visible, and particularly powerful actor in public debates and is foremost in the creation and maintenance of the country's macroeconomic narrative. My impression is that the Reserve Bank's governor has as much, if not more, influence than the governing party.

22 This tension extends equally to the South African Communist Party (SACP) who criticizes some of the ANC's policies as anti-poor; however the focus here is on Cosatu who engages publicly and regularly with the ANC executive and the SARB on issues of monetary policy.

over monetary policy, poverty, and economic growth between Cosatu, on the one hand, and the SARB and Minster of Finance Pravin Gordhan, on the other hand:

> The ANC's labour union and communist allies want an overhaul of monetary policy, saying the central bank has pursued its inflation targeting mandate blindly at the expense of economic growth (Gordhan 2010b, para. 4).
>
> Unions have proposed that the 3% to 6% target for consumer inflation be scrapped or widened, or that the central bank's mandate to be broadened to take into account economic growth and job creation (Gordhan 2010b, para. 6).
>
> I wish to confirm that the Reserve Bank will continue to pursue a target for CPI inflation of 3% to 6%, Gordhan [the minister of finance] said (Gordhan 2010b, para. 7).
>
> Ongoing assessment, discussion and commentary about our monetary policy by analysts, interested members of the public, interest groups and the broader research community is constructive for the emergence of a social consensus in this area over the longer-term, he [Gordhan] said (Gordhan 2010b, para. 9).
>
> In apparent reference to calls [by Cosatu] to nationalise the central bank, Gordhan reiterated that South Africa's Constitution stipulated the institution should pursue its mandate independently and without fear, favour or prejudice (Gordhan 2010b, para. 10).
>
> The role of the Reserve Bank in maintaining financial stability would also be enhanced, Gordhan said. He warned that South Africa's present inflation levels were higher than those of its trading partners, lowering its competitiveness (Gordhan 2010b, para. 14).

The SARB has the task of grounding its economic narrative in a country undergoing significant social and political transformations and upheavals. In contrast to well established liberal market democracies where the distribution of power within the political economic structure is largely accepted by the population, the SARB needs to make sure that its narrative is seen as unquestionable, as the undisputed truth, regardless of deepening tensions between private financial interests, on the one hand, and escalating poverty and pockets of exclusion, on the other.

When the new governor of the central bank, Gill Marcus, took up her functions in November 2009, Pravin Gordhan sent her a letter in which he reiterated

that credible monetary policy holds a central place in South Africa as it endeavours to attract foreign investment and stimulate growth (Gordhan 2010b, 2). In this letter, he emphasised that communication with the public needed to be improved so as to increase the effectiveness of the central bank in achieving its mandate of low inflation and greater economic growth. This letter is an effective media communication that confirms the direction of the SARB in line with the broader global financial regime and the ideological links between the ANC and the SARB as the change in the governor of the central bank was carried out. The letter aimed at reassuring financial markets that the transition to the new governor of the central bank would not interrupt the same conservative monetary policies in place since the ANC came to power. It was also a message to social actors, such as labour unions and grassroots activists, that there would be no change in monetary policy and no question of nationalising the central bank. Cosatu National Spokesperson Patrick Craven asks:

> The Freedom Charter called for the people to share in the country's wealth. How can we achieve that when the country's most important financial institution is not under any democratic control by, or accountability to, the people? (Cosatu 2010, para. 4).

This idea was qualified as "nuts" by Governor Marcus (South African Press Association 2010, para. 1). These calls to nationalise the SARB have been accompanied by simultaneous demands by private shareholders of the Bank to obtain a market value for their shares in the event of nationalisation. The South African Reserve Bank Amendment (Act No. 4 of 2010) was passed with the aim of confronting both challenges to the SARB's independence.[23]

These debates are examples of frequent ideological confrontations in the public arena between left-wing members—the SACP and Cosatu of the Tripartite

23 The Law seeks to preserve the independence of the SARB by preventing the formation of shareholder voting blocks. The Bank faced challenges from a group of private shareholders who wished to wield greater influence in the Bank.

Alliance Government—and the Minister of Finance, and the SARB. What the Reserve Bank and the executive committee of the ANC national government are endeavouring to do is to effectively sideline calls from the left-wing members for nationalisation of the central bank, for an easing in monetary policy towards lower rates of interest, for less Bank preoccupation with the inflation target of three to six percent, and for greater emphasis on expansionary macroeconomic policies and job creation. Yet ANC support of the central bank's economic policies appears to stand in direct contradiction to declarations made by President Jacob Zuma:

> The ANC, a disciplined force of the left, accepted the electoral mandate which came primarily from the workers and the poor, with a commitment to take further the struggle for a better life for all. The ANC must now use its victory and control of State power to improve the quality of life of the poor and marginalised (Zuma 2009a, para. 10-11).

There is a division in the economic discourse used by the Minister of Finance and the SARB, on the one hand, and the revolutionary rhetoric of the ANC executive, on the other. This can be explained by a desire to maintain the image of social and economic justice being performed through the president and his office. The president brings together the nation; he is the concerned father who listens to all problems. Debates are thus carried out between the central bank, the finance minister, and the members of the Tripartite Alliance, leaving the president aside.

These mediatised debates are a double edged sword; I believe that they actually help anchor the central bank's goals in important ways. Cosatu and the SACP are historic and powerful social bodies that act as social and political media rods for the SARB's narrative. Being called upon by these actors to justify its monetary policies, the SARB is brought into the public realm and the rather obscure institution is made known and 'real' through exchange with these well-known social actors. By engaging with them, the central bank becomes more visible to the wider public and its

economy of words is disseminated. What's more, these debates permit the SARB to establish more direct and influential links with the country's citizens as Cosatu and SACP directly inform their members—workers, social groups, and activists—of the Reserve Bank, its role, and its economic goals.

Holmes' (2009) work on the Reserve Bank of New Zealand points to these innovations used by central banks for securing the implementation of monetary policy. His hypothesis is that central bank communications *are* the instruments of policy themselves, *they* make the economy. In this sense, South Africa's central bank is creating the context, or the dominant narrative, of the national economy through ongoing debates with Cosatu. The current political economic power structures ensure that there is no real threat to the SARB's independence—neither to its vision nor to its power to implement policies. This explains the willingness with which it engages in these public dialogues. In so doing, its vision is actually embedded within the public realm and validated. The dialogues, in other words, create this particular *economy of words.*

The SARB uses special occasions for storytelling that permit it to tie its policies to powerful national symbols. In a remarkable speech given in 2009 at the Annual Steve Biko Memorial Lecture, which I will quote at length, Mboweni, then governor of the South African Reserve Bank, stated:

> To break a bit with tradition, the thrust of my address tonight will be on economic issues. In particular, I will share a few observations and thoughts on selected macroeconomic developments in South Africa in the past 15 years. From 9 November 2009 I will no longer be allowed to comment on monetary policy. As the outgoing governor, however, I will take advantage of this platform to remind you of a few truths, one being that no central bank worth its salt can ever tolerate high inflation. Price stability may not be a sufficient condition but I maintain that it is a necessary condition for a solid foundation for sustainable growth and prosperity (Mboweni 2009, 2).
>
> I would like to believe that Steve Biko would have been gratified by the fairly contained pace of inflation over the past 15 years, knowing the dire

> consequences of inflation for the poor—those who are usually least able to hedge against inflation—in particular. Since 1994 average headline inflation has amounted to approximately 6.5 per cent per annum. Over the preceding 15 years, 1979 to 1994, it had averaged almost 14 per cent per annum. Inflation has been uneven over the period, though, induced typically by significant changes in key exogenous drivers of inflation, such as oil prices (Mboweni 2009, 3).
>
> Secondly, the recent upsurge in strike action has led to some commentators describing the wave as a "winter of discontent". In this regard, I would like to comment on some worrying trends in the settlements reached. Wage settlements above the projected rate of inflation and in excess of productivity gains tend to undermine the fight against high inflation. They lead to labour cost increases way above those of trade competitors and, therefore, loss of competitiveness (Mboweni 2009, 3)

It would be astonishing to some that the central bank governor was invited to address the public at this particular event. The fact that the SARB is there speaks in all probability to its desire to make clear and explicit links between its policies and potent national symbols. Mboweni's discourse itself is striking for several reasons. Firstly, it clearly demonstrates the way the central bank produces a narrative of the economy using influential national images linked to the history of South Africa and its struggle against apartheid. To link Biko, known for his elaboration of a pro-black radical doctrine and his death at the hands of state interrogators, to inflation targeting seems to be an attempt to validate divisive economic policies by appealing to the legacy of a man who would almost certainly have contested these very policies. Cosatu's position on the SARB's conservative monetary policy framework is more indicative of a position that Biko would have likely taken, that of focusing on the developmental needs of the country where the unemployment rate and inequality gap are amongst the highest in the world (Dlamini, 2009). Yet, Mboweni's attempt to authenticate the SARB's controversial monetary policy by invoking this powerful historic personage is strong evidence of how an economy of words is performed.

Secondly, this reference to Biko transforms the failure of state development in terms of poverty reduction and service provision into a narrative of policy success and state accomplishment. The central bank congratulates itself for having obtained better macroeconomic goals than those achieved under the previous apartheid administration. Since 1994 average headline inflation has amounted to approximately 6.5 percent per annum. Over the preceding 15 years, 1979 to 1994, inflation had averaged almost 14 per cent per annum (Mboweni, 2009). The SARB uses the dimension of time—before the transition of 1994 and the current post-apartheid period—to shed a favourable light on its current performance. It portrays the current South Africa state as putting good governance practices in place and respecting its macroeconomic engagements in a much better light than that acknowledged by the apartheid state. This is ironic because the Reserve Bank was an integral part of the South African apartheid state's political economic structure. But by using this difference in time, it differentiates itself from the apartheid past, showing that the country has turned a new economic page with satisfactory results.

Thirdly, Biko's well-known line, "that the most potent weapon in the hands of the oppressor is the mind of the oppressed", (Biko and Stubbs 1978, 92) resonates strangely with the central bank's desire to direct human economic action through communication. Biko's link between the ideational and material life takes on a new twist as the governor calls upon Biko's persona to validate the Reserve Bank's macroeconomic policies. The man who is being called upon to speak on behalf of contested policies is the very person who spoke about the need for the oppressed to free their minds from political manipulation. In other words, Biko is being used to authenticate monetary policies that depend on reflexive subjects. Central banks recognise that the ideational—influencing and directing people's ideas and

expectations about their socio-economic lives—will create the desired national economy through managing human expectations and their action.

Conclusion

This chapter asks us to consider how an economy and a country in political and legal transition becomes part of the world order. A Braudelian approach points to the difficulties that financial institutions, or capitalism more explicitly, encounters when trying to integrate countries where the social order is less stable into the world order. This chapter on the SARB explores how an economy in transition can be represented, visualised and thus accepted as 'normal' by the population. The challenge facing the SARB is the struggle to *settle* the revised economic orientation away from one of redistribution to one based on neoliberal principles. The SARB and the ANC executive have a vision of South Africa as a full member of the deregulated and decentralized global financial order. These political economic leaders are putting in place a master narrative of the economy; a supranational identification of the country as an economic power participating in a globalised world. There is social tension as the visions associated with the overthrow of colonial power and the election of the first black-majority government are put aside by the state to ensure compliance with the interests of capital and the global financial system. People are implicitly asked to let go of the former vision of a post-apartheid South Africa of social and economic justice and to work and live within a revised economic agenda of free markets, global competition, and liberal freedoms and individual responsibilities.

This direction undermines the former vision of social and economic justice that accompanied the ANC to power. Social groups contest this route. In particular, Cosatu challenges the central bank on its monetary policies and calls the ANC

executive to respect its former commitments of improving lives through shared wealth and social justice. The national strike of public workers, carried out by COSATU just a month before the ANC's national general council (NGC) in 2010, is an indication of the deepening rift within the government Tripartite Alliance. The strike demonstrates the state's difficulty in outlaying a more unified vision of the political economy of the country. Cosatu is calling for a wage increase for the public sector workers and the SARB responds that wage increases in the public sector are inflationary (Donnelly, 2010). This tension has not been resolved and South Africa is at a defining moment in this struggle for a master narrative of the national economy and, consequently, of society.

In other words, the SARB needs to get South Africans on board as it moves the national economy and the human action that makes it, towards global financial and economic norms and standards. This challenge is met, amongst other methods, through the role that the SARB has adopted in defining the parameters of acceptable economic action within the country. These socio-economic boundaries are drawn by using and adapting new communication techniques developed by central banks over the last two decades. Words create the economy as a communicative field and as an empirical fact (Holmes, 2009). In this context, the language of macroeconomic fundamentals adopted by the SARB and the ANC government is presented as the defining order of permissible economic and social action for people living in South Africa. Monetary storytelling reinforces the message that the SARB's policies are part of the country—what being South African is all about—and, therefore, the definitive bench mark for economic choices. The SARB reinforces these stories by linking them to powerful national symbols such as sport and historic figures of apartheid resistance. In this context, the question is how will the SARB make sure that domestic inflation is

maintained within the target range of three to six percent and that foreign investors are not scared off by political unrest. Yet, opposition to this policy, such as that from Cosatu, also draws on the FIFA success to point out that "The World Cup has demonstrated to the working class and the poor that indeed the state has the fiscal muscle to spend on developmental projects. We have seen what is possible with unity and decisive leadership. When we demand better education, healthcare, jobs and housing we will now have the World Cup experience as a reference point" (Vavi, 2010a, para. 7).

Thinking about this struggle to settle a metanarrative of the macroeconomy—between capital and the state through the SARB and between the working class and marginalised poor through Cosatu—in terms of Braudelian world-economies, it is helpful to think about situated state power. Braudel notes that an exceptional state is to be found at the centre of each world-economy: "strong, aggressive and privileged, dynamic, simultaneously feared and admired" (Braudel 1984, 51). Here, at the centre, power is shared between state and capitalists without the state being swallowed by capital interests. How then might we think about the relationship between capital and states in the context of zones outside the central area of the world-economy? Here, Braudel argues, governments find it more difficult to breathe a wider air (1984: 53). If we move to the outer fringes of world-economy, such as the colonies of the last two centuries, it was possible for cities and local elites to have some power to control affairs on the spot but much was reoriented to the mother country.

The South African state, through its historic but dependent relationship with global economy and finance, conducted through the minerals-energy complex, its fragmented governance produced through apartheid, its weakened international position undermined through sanctions and debt crisis during the last stages of

apartheid, raises the question of how strong the present post-apartheid state is. This question is relevant in regards to capitalists and in relation to the possibilities for the different social communities and their collective mentalities to resist its dominant narratives and promote alternative visions for the country. The next two chapters provide indications of how metanarratives can be contested. Chapter 5 shows the discontent and resistance by the marginalised and unemployed members of society, even as it demonstrates the immensely powerful tools that the state deploys to draw all members of society into the economy through the Old Age Grant (OAG). Seekings and Nattrass (2002) point to the exceptional nature of this state redistribution at a time when withdrawal from welfare programmes is the norm in terms of world order pressures. In this sense, OAG can be seen as an example of discontinuity.

Chapter 5

ELDERLY AT THE BORDERS: THE CASE OF THE OLD AGE GRANT

If the last chapter on South Africa's Reserve Bank brought us to think about how an economy in transition can be presented by financial institutions and thus accepted as normal, this chapter asks how that vision can be instantiate on the edges of an economy, there where it is very fragile and contingent. This third substantive chapter thus provides an idea of links between material life and capitalism and their mutual relation to the state. Ontological approaches, such as Braudel's, that encourage the inclusion of a wide variety of human conditions and realities in analytical research, are of particular importance when studying emerging economies such as that of South Africa. That is because on top of the challenges of national unity and development facing any nation-state, the South African state has created a particularly fragmented geopolitical, social economic and political space over the last centuries. It is important to capture the diversity of the human condition in the country as it reflects patterns of inclusion and exclusion, continuity and discontinuity, shifting modes of production and power and wealth. Without understanding and seeing all these aspects of daily lives and social structures, it is much harder to grasp how society, markets, state and capital are being constituted and transformed.

Braudel sees 'material life' as being "...made up of people and things: the study of things, of everything mankind makes or uses – food, housing, clothing, luxury, tools, coinage or its substitutes, framework of village and town..." (Braudel 1992, 31). Material life is made up of those constraints and possibilities upon which the social world is based at any given point in time and place; it makes up the fabric of everyday life. This is the domain of the phenomena of tendencies that stretches out

with almost invisible ups and downs, a slowly unravelling history, *l'histoire structurale* (Braudel 1980, 87). In this chapter, I make the case that the situation in which poor South African elderly find themselves is a new manifestation of historic patterns between the state, capital and society. This is illustrated through an examination of the elderly and state Old Age Grants.

Research for this chapter reveals a history where state pensions link different economic spaces generated by the policies of segregation, apartheid and, now, of neoliberal governance. Pensions reflect these internal socio-economic and political lines of demarcation and fragmentation characteristic of South Africa's political economic history. While fragmentation is a feature of post-colonial states, the divisions, the internal borders and the ensuing enclaves are more pronounced in South Africa due to its history of institutionalised racist and capitalist policies linked to its role in the global political economy.[24] The ideas and transforming realities of boundaries and borders play a key role in scholarship across the social sciences (Lamont and Molnár 2002). The idea of borders—geographic, political, social, cultural, or economic—is both significant and paradoxical in the contemporary world. On the one hand, the disappearance of borders is proclaimed and implemented, but on the other hand, national frontiers are heavily patrolled and new internal lines of discrimination and partition are materialising within domestic spaces. Lamont and Molnár point out that

> focusing on boundaries themselves may generate new theoretical insights about a whole range of general social processes present across a wide variety of apparently unrelated phenomena—processes such as boundary-work, boundary crossing, boundaries shifting, and the territorialization, politicization, relocation, and institutionalization of boundaries (Lamont and Molnár 2002, 168).

[24] See Bill Freund and Harald Witt (2010, 3-25) for a broad review of scholarship on South Africa's economic history.

This is particularly significant in South Africa where internal boundaries buttressed the policies of segregation and apartheid and performed the ideology of race partition. Divisions were physically and geographically enacted through the creation of Reserves, Bantustans and townships. The new South Africa was supposed to unite the former fragmented spaces and peoples into one society, one public. The former internal boundaries based on race and separate development and polity were to move to the exterior, to the sovereign borders of the new state. My investigation reveals that internal economic and social borders—between inclusion and exclusion, protection and exposure, financial security and spiralling debt, relative poverty and absolute poverty, survival and death—are not only durable, but are being fortified in the post-apartheid period. Elderly who are poor enough to receive a state pension occupy a place at these borders. This is because they receive a small amount of public money, which is enough to live on within a context of systemic poverty. But the context of high unemployment leaves many adult family members with little to no means for self-sufficiency; instead they rely on the elderly for survival. This is a situation which gives rise to ethical and political questions not addressed by the state.

Considerable research has been conducted into the positive impacts of state social pensions in South Africa. The pensions improve children's nutritional status (Duflo 203), combat acute poverty (Møller and Ferreira 2003), serve as a safety net for family members who have no unemployment protection (Klasen and Woolard 2008, 1-51) and act as a lifeline in rural areas where they provides relief to the poorest of the poor (Lund 2009). There is also literature which argues that the existence of a redistributive or distributional regimes such as the Old Age Grant mitigate the effects of liberalization of the economy (Seekings and Nattrass 2006, Bähre 2011). While these accounts are clearly accurate, the dominant portrait of state

pensions in South Africa misses a more critical analysis of the place they occupy within the political economy as a whole. My interest for this critical reflection is rooted in accounts of considerable stress, exposure and violence that elder persons experience as they shoulder the impacts of systemic inequality generated by the economic system.

In no way do I make the claim that social grants are not decisive in addressing the needs of the poor. Rather, this chapter draws attention to socio-ethical problems produced through welfare programmes in South Africa. Thinking about the political economy of state pensions necessitates a framework which recognises that the social order in South Africa has historically created zones of exclusion. These zones of geographical and socio-political-economic exclusion are intimately linked to the country's specific patterns of capital accumulation through the minerals-energy complex. The ethical questions are thus situated in the broader argument that state pensions reflect historic socio-economic and political lines of demarcation and fragmentation characteristic of South Africa.

The acute absence of jobs, the limitations of the current social safety nets and the ever-increasing basic service deficits point to the pressing need of moving beyond the rhetoric of commendable state policy to investigating how systemic poverty and social grants produce ethically questionable outcomes. I thus draw attention to socio-ethical problems ignored in scholarship on welfare programmes in South Africa. The elderly are living at the border/hinge between neoliberalism, as experienced by the majority, and its exception, the Old Age Grant. In a landscape of unemployment and survival, the elderly are amongst the exceptional few to receive cash on a regular and dependable basis. However, in a context of increasing structural poverty, the pensioner's monthly allowance has become a primary means for families to access

money and credit. The elderly find themselves at the frontier between those who have money and those who do not, those able to access credit and those unable to obtain loans. The elderly find themselves in a new locus of debt—credit relations as their grant becomes a question of life and death. The elderly live on one side of the divide of protection and exposure, security and risk, and relative and absolute poverty; their families on the other.

I analyse this reality through the theoretical contributions of Harold Wolpe and Aihwa Ong. Both of these thinkers articulate political economy as sets of historic relationships between the state and society that respond to global patterns of production and movements of capital and investment. These thinkers examine the ways in which capitalist production creates zones of participation in this domestic and global economy while, simultaneously, creating marginalised, or peripheral, areas. This dynamic between participation and exclusion is historically and spatially specific and is apparent in Harold Wolpe's seminal article, "Capital and Cheap-Labour Power in South Africa: From Segregation to Apartheid" (1972: 425-456). Wolpe's argument is that the economy, the dominant ideology and the state's political practice are reflected in complex transnational relationships. My argument is that the state pension reflects these historic arrangements.

In the second part of the chapter, current manifestations of these arrangements are reviewed through Aihwa Ong's analytical framework in *Neoliberalism as Exception* (2006). Ong analyses the interplay of exceptions and neoliberal technologies of governance in countries with emerging-market economies. Ong argues that neoliberalism needs to be seen as an enabling technology of governance that is taken up in different ways by different regimes, whether authoritarian, democratic or communist. Here, the point is that the South African government has

made an exception to its neoliberal policy through state pensions. The goal, however, is to use this transfer of cash to the elderly as a means to sustain an economically unviable system.

A critical point raised by Ong (2006: 21) is that the oscillation between neoliberalism and its exceptions engenders ethical geographies. Important ethical questions arise as the poor elderly are demarcated as a selected group to be protected while their families and communities are exposed to neoliberal calculations. The outcome is that the elderly find themselves in a position of increased vulnerability as they become the source of money and credit for their families. Three angles of interaction-relations between the elderly person and her environment draw attention to ethicopolitical issues surrounding the grant: credit-debt relations, financial abuse and biometric governance techniques. These brief portrayals point to what it might mean to have access to even a little amount of money in a sea of poverty. The conclusion makes the case that pensions are part of the under-belly of the political economic body and reflect the South African state's strategies of race, capital accumulation, elimination, prohibition and segregation.

A Political Economic History of State Pensions in South Africa

This first section explores the relationship between state, capitalism and society and asks how pensions have historically fit into this political economic framework of South Africa. It examines succeeding governments' policies of segregation, apartheid and neoliberalism while recognising South Africa's specific system of capital accumulation built around the Minerals Energy Complex (MEC) (Fine and Rustomjee 1996). As mentioned in chapter 2, the MEC is a system of accumulation particular to South Africa built on the mining and energy sectors, the

financial system and the economic role of the state in supporting these industries. The MEC is a structure built up over the last 150 years and has the attributes of a Braudelian *longue durée* time span. As a system of accumulation, the MEC was driven by state economic policies on behalf of Afrikaner capital in the post-World War II period and its continuing integration with English capital (1996: 65). Mining and closely related capitalists continue to hold economic power in South Africa, shaping state macroeconomic policies. South Africa's industrialisation evolved and continues to develop around the core MEC sectors (Fine 2010, 29).

Segregation

In analysing South Africa's political economy, Wolpe refers to the importance of Ernesto Laclau's (1971: 19) distinction between 'modes of production' and 'economic system':

> We understand by 'mode of production' an integrated complex of social productive forces and relations linked to a determinate type of the means of production.... An 'economic system', on the other hand, designates the mutual relations between the different sectors of the economy, or between different productive units.... An economic system can include, as constitutive elements, different modes of production... (Laclau 1971, 33).

Wolpe's point here is that South Africa's political economy needs to be analysed through the links and articulations between the different modes of production that make up the economic system. Wolpe saw the relation between racism and capitalism as contingent, "insisting that apartheid was not simply the deepening of segregation but reflected the transformation of the underlying economic order" (Burawoy 2004, 662). In other words, apartheid was not uniquely the outcome of a more deeply entrenched and politicised racist ideology of the ruling Nationalist Party, but a key means to maintain the provision of cheap labour to capitalist

production when the mode of production in the Reserves changed. According to this analysis, during the policy of segregation, from 1870 to the 1930s, South Africa had three modes of production: a) the emerging *dominance* of the capitalist mode of production—coming first through British dominance and then through internal capitalist development and linked to two other modes of production; b) the African redistributive economies, maintained in the Reserves, and c) the system of labour-tenancy and crop-sharing on White farms (Wolpe 1972, 431). These three modes underpinned the emergence of foreign investment into mining and then, later on, domestic appropriation of these sources of wealth and their exploitation through cheap labour.

The policy of segregation protected the Reserves from White expropriation of land attributed to Blacks, on the one hand, and made it difficult for Africans to settle permanently in urban areas and on land owned by Whites, on the other. The Reserves were created by the 1913 Native Land Act and constituted 13 percent of the land area into which Africans were moved while the good, arable land was given to Whites. Reserves were meant to provide a subsistence existence—the African redistributive economy—based on kinship, cattle and agriculture and living off the land (Burawoy 2004, 662). Male adults migrated to towns for employment, principally in the mines, and received a wage little above bare maintenance costs while their families remained in the Reserves and absorbed the costs of renewing the labour force through subsistence agriculture and kinship networks (Burawoy 1981, 296).

Non-contributory pensions for all White and Coloured persons were introduced in this period under the 1928 Old Age Pensions Act. A clear racial hierarchy underpinned this social welfare policy (Seekings 2006, 5), supporting the economic vision and policy of segregation. In early 1926, the Pact Government's

Minister of Finance appointed a multi-party Commission on Old Age Pensions and National Insurance under the chairmanship of a veteran Nationalist Party member, Pienaar (2006: 3). The Commission decided to exclude Africans from this initial pension plan because it was argued that 'Natives' would be able to rely on their traditional custom, which was safeguarded in the Reserves, to provide for the maintenance of dependents in their society (Devereux 2001, 2). The Pact Government that voted in this policy was a coalition led by the Afrikaner republican National Party. J. B. M. Hertzog was at its head as Prime Minister and as Minister of Native Affairs and was joined by the socialist and pro-British Labour Party under Fred Cresswell, which brought in support of the White working-class towns of the Witwatersrand (Seekings 2006, 3). Concerned with poverty among the White population, the Pact Government promised policies that would ensure that ordinary White people enjoyed a 'civilised' standard of living (2006: 3). For Hertzog, the state had a major responsibility for uplifting poor White people out of poverty while Natives could depend on their kinship networks to take care of their old people, rendering state assistance unnecessary (Seekings 2006). Pensions were intended to 'top up' existing pension schemes or yearly incomes of White and Coloured elderly to a defined poverty line, with Coloured pensioners receiving smaller pensions than White pensioners (Devereux 2001, 2).

The way in which the pension fits into the broader political-economic design of the state becomes clear with the Pension Act of 1928 when the state put in place its policy of segregation. The inter-war development of capital relied on the strength of mining capital, which dictated the boundaries within which national capital could be supported (Fine and Rustomjee 1996, 122). In spite of various fractions of capital—domestic and foreign—that were vying for control of the mines via various political

power blocs, Afrikaans and British, controlling black labour was articulated as a common interest to all and goal for capitalists and mining companies (1996: 126). The Pact Government reinforced the system of allocating 'reserved' areas for Natives as their permanent homes, curtailing their political power and excluding them from the benefits of social policies put in place for the Whites and the Coloureds. The existence of Reserves and their redistributive economies underpinned the rhetoric that, culturally, 'Natives' could rely on kinship networks to take care of their vulnerable members. This discourse fitted perfectly with the government's decision to exclude blacks—often used as cheap migrant labour force for capitalist production—from the benefits of state pensions.

The economic system maintained pools of black cheap labour in distinct political and geographical spaces and relied on other members of these communities, kinfolk, to see to the social security of the communities' members, freeing funds for the state to supplement targeted populations. Pensions were given to those members of the community, the Whites, who had voted in the Nationalist Party and supported the vision of a society divided along racial lines. Reserves presumed to be the spaces where 'Natives' could live their customary pre-capitalist lives, in keeping with their traditional culture of caring for the children and elderly. Migrants moved from Reserves, the spaces of African tradition and culture, to the capitalist process of mining and to upstream sectors of production.

Apartheid

The decision to exclude 'Natives' from the state pension was reversed when the state realised that pensions could be used to control movements from the Reserves to the cities. Referring to Mamdani's observations that 'deurbanisation' of Africans

was part of apartheid policy even before it was formalised by the National Party in 1948, Devereux (2001: 3) argues that the social pension for 'Natives' was subsequently developed by the state as a political tool to curb the urbanisation of Africans. Accordingly, the 1928 Pension Act was amended in 1944 to extend welfare to 'Natives' and Indians, but at lower rates than those given to Whites. The justification for allocating lower amounts to Natives was that they paid less tax than did Whites.

The 1940s were characterised by important industrial and political conflicts in both urban and rural areas. For Wolpe, the radical change that occurred between the two systems, segregation and apartheid, was the destruction of the pre-capitalist mode of production in the African Reserves and its economic basis of cheap migrant labour-power. The limited amount of land available under the 1913 Land Act, the increasing pressure of population growth, the migration of adult males to the mines and the little surplus product produced on the Reserves, had progressively led to rural impoverishment. The fragile equilibrium that had been established in the Reserves broke down due to lack of new and sufficient investment.

> The effect of large-scale investment in the Reserves [by the state] would be to make cheap labour-power costly in the sense that the accumulation advantages to capitalism deriving from such labour-power would be lost or reduced if the surplus was utilized in the African rural areas (Wolpe 1972, 440).

There were two possible responses for the state: modifying the racial order to allow Africans to take over positions held by white labour power or *apartheid*, where cheap African labour could be perpetuated through a new political economic order (Burawoy 2004, 662).

> The practice and policy of Separate Development [of apartheid] 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 labour force, but for the purposes of

> reproducing and exercising control over a cheap African industrial labour 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 (Wolpe 1972, 433).

Reserves had become 'homelands', the basis of the 1960s Bantustans, politically autonomous and economically self-sufficient areas. Extended families would continue to fulfil 'social security' functions necessary for the survival of the migrant force (Wolpe 1972, 435; inverted commas in original). The movement between homelands and urban areas was controlled through the subdivision of elderly 'Natives' into three categories: city residents, town residents and rural pensioners (Devereux 2001, 2). Each subcategory received different amounts of pension. While those in the cities received more, these elderly urbanised Natives could only receive a pension if they had resided in the city for five of the preceding seven years, if they had no land in their rural home and if there was no family close by to take care of them. The goal was to prevent the elderly coming to urban areas to receive state assistance. Rural 'Natives' could only receive a pension if they did not have any land in their name. The argument put forward by the 1943 Commission on Social Security was that state pensions had to avoid breaking down the traditional food sharing habits of rural communities (2001: 2). Communities in the homelands took care of the very young and very old, the sick and the migrant labourer in times of 'rest'. The families relieved the capitalist sector and the state from the need to expend resources on these necessary functions (Wolpe 1972, 435).

Poverty created incentives for people in the homelands to move to the urban centres and urbanisation, a movement that the state attempted to control through

additional measures such as the pass laws.[25] The pass laws can be seen as an incremental form of removal of people from urban areas, determined by the amount of labor needed by the white capitalists. In 1965, the differential payment rates for the elderly living in cities, towns and rural areas were abolished as it was feared that they were encouraging the urbanisation of the 'Native', now renamed the 'Bantu.'[26] The pension was equalised for all in order to assist the Bantu to resettle in their homeland. Mamdani (quoted in Devereux 2001: 3) points out that these urban-rural dynamics were at the centre of state formation strategies across colonial Africa. These strategies were pushed to extreme limits in the South African context, creating racial and spatial inequalities (Hickey 2006, 26). The idea was that if the state pension was the same for all, it would prevent the urbanisation of the elderly from their 'homelands' to the urban centres where they might receive more state money. And, if the pensioners stayed in their homelands, then their families would stay with them too, in order to benefit from the grant. The state expected the vulnerable members of the community and any 'excess' labour to gravitate around the African pensioner for 'social security' in their 'ethnic' homeland. Braudel's (1984: 64) argument that Wallerstein and Luxembourg were both right to point out that capitalism can only coexistent if surrounded by other social modes of exploitation speaks directly to Wolpe's line of thought.

[25] Pass Laws resulted from legislation, specifically Act No. 67 of 1952, introduced in South Africa requiring black Africans to carry identity documents in the form of a 'reference book' when outside of set of reserves (later known as homelands or Bantustans). The Pass books contained details of their employment history and rights of residence. While there had been antecedents to the 1952 Act, in the sense that Reserves were part of the state vision to control the movement of Blacks, the pass laws constitute a key element of Apartheid structure.

[26] The South African state systematically used divide-and-rule strategies founded on ethnic categories. These categories largely ignored the important cultural and class differences between the dominated groups (Beinart 2001, 96).

Post-Apartheid South Africa

South Africa's transformation in the early 1990s was not a radical break with the past but a new, internally acceptable presentation of the historic social and economic order (Lester et al. 2000, 145). The transfer of political power in 1994 followed the collapse of the Rand in 1984 and the debt crisis in 1985. These crises necessitated realignment of the national economy to the criteria of international financial institutions that rolled the country's debt over with adjustments in interest rates (Gelb 1991, 101-02). In line with these international discussions and new economic constraints, the late apartheid state implemented policies aimed at securing positive credit readings of its economy and attracting foreign investment. These policy goals were not changed by the African National Congress when it gained power, rather the new government was "committed to continuing the growth model laid out and accepted by the de Klerk government following the IFI consensus of the day" (Freund and Witt 2010, 20). The ANC all but abandoned the idea of developing a radical alternative macroeconomic framework to the existing Washington models (Padayachee and Sherbut 2007, 30).

The ANC's Reconstruction and Development Programme (RDP), for instance, was to attack poverty through service provision, in preference to welfare programmes (Pelham 2007, 17). The controversial 1996 Growth, Employment and Redistribution Programme (GEAR) was based on a neo-classical macroeconomic model put forward by the South African Reserve Bank that was, in turn, based on the apartheid regime's neoliberal Normative Economic Model (NEM) of the 1980s (2007: 32). But ensuing macroeconomic stabilisation policies, adopted to reduce the country's budget deficit and public debt, have not been conducive to broad-spectrum job creation. Neither formal nor informal labour markets are able to absorb the vast

pool of poor of unemployed, representing around 30 percent of the adult population who are actively searching for a job, with rural unemployment rates higher than that, especially in the former 'homelands' (Klasen and Woolard 2008, 1). Two-fifths of the population is not employed and earns no, or little and intermittent, cash income (Lund 2009). And "only about 3 per cent of the unemployed are receiving unemployment support at any one point in time" (Klasen and Woolard 2008, 4). Even those who do work do not earn enough to do more than simply survive. In its 2011 Budget Review, the National Treasury stated that about 400 000 jobs a year will be needed just to keep the unemployment rate at 24 percent (Republic of South Africa National Treasury 2011, 41). Research indicates that even if South Africa were to have an annual rate of growth of eight percent, similar to China's, it would take the average poor household ten years to escape from poverty (Hoogeveen and Özler 2005, 42). South Africa's GDP growth rate is currently at 2.4 percent. Integration of South Africa within the global economy has meant acquiescing to free market doctrines that impede large-scale effective redistribution (Lester et al. 2000, 146).

The Mbeki government attributed the ongoing structural poverty and unemployment to the juxtaposition of dual economies.

> Our country is characterised by two parallel economies, the First and the Second. The First Economy is modern, produces the bulk of our country's wealth, and is integrated within the global economy. The Second Economy (or the Marginalized Economy) is characterised by underdevelopment, contributes little to the GDP, contains a big percentage of our population, incorporates the poorest of our rural and urban poor, is structurally disconnected from both the First and the global economy, and is incapable of self-generated growth and development (Mbeki 2003, 5).

Skinner and Valodia (2007) offer interesting insights into this vision of dual economies; they note that instead of the two economies being 'structurally disconnected', as Mbeki claims, there are, in fact, multiple forward and backward linkages between the formal and informal activities of each of the sections of the

economy (2007: 114). This becomes clear when we know that South Africa's biggest companies actually rely on the informal economy to supply or to retail their goods (2007: 115). The argument put forward by Skinner and Valodia (2007: 116) is that the First and Second economies are the main feature of the growth pattern in the post-1994 period, where mainstream economic development is closely linked and integrated with informalisation.

These linkages between the different economic spaces, identified by Wolpe and Skinner and Valodia, are at the heart of South Africa's social order. Cash transfers are one way that the state maintains the dual system of formal and included economic participation and informal, peripheral social economic action. In Zuma's 2011 State of the Nation Address, the ANC clarifies that "Since we are building a developmental and not a welfare state, the social grants will be linked to economic activity and community development, to enable short-term beneficiaries to become self-supporting in the long run" (Zuma 2011, para. 29). This is reflected in the recent change of the ANC slogan: 'a better life for all' became 'working together we can do more' (Zuma 2009b, para. 3). Public works programmes, announced in the last three State of the Nation Addresses, which transfer food or cash to individuals in exchange for their labour in building roads, for example, demonstrate this 'working together'. These positions are reminiscent of late stages of neoliberalism in industrialised countries, as was the case of British Labour Party's 'Third Way' ideology under Prime Minister Tony Blair. Here, 'partnership' emerged as a key action between public and private agents, between citizens and government, between rich and poor, between donors and recipients (BBC 1999). The British government, as was the case with other western economies, promoted the idea of 'empowerment' for citizens who became increasing responsible for their individual and collective wellbeing (1999:

para.17). The ANC is using similar dominant rhetoric of the need for greater responsibility by individuals for the outcomes of their lives, and adapting it to the particular situation of underdevelopment in South Africa. Here, progress and improvement will be created through strengthening the First economy, the part that has got it right, as it collaborates closely with the global economy. The Second economy is the 'Africa' of South Africa; the poor, backward, a bit of a hopeless Africa that 'can-be-improved' through strong macroeconomic management.

How do we understand the pension system in this context? There has been an important shift in the pension scheme over the decades since its first implementation in 1928 (Pelham 2007, 18). Pelham names two rationales to explain the decision to provide non-contributory state grants to the elderly. Firstly, it is recognised that the poor elderly are one of the most economically vulnerable groups in society and that they are often care providers to even more defenceless groups, such as orphans or people living with HIV/AIDS. Secondly, the state acknowledges that a vast proportion of labour is outside the formal employment sector and cash transfers to the elderly offer indirect help to unemployed and marginalised members of society.

The OAG is perceived as a right and is accepted by the state as so. The Old Age Grant is now universal, in the sense that there is no racial segregation, and all elderly South Africans over the age of 60 years can apply. Accessibility is assessed through a means-test. Yet, the state pension continues to serve its historic political economic role of bridging the divides of different economic spaces. As we have seen, rhetoric about traditional social and family networks of the 'Native' and the 'Bantu' served to underpin the racist capitalist system of production in the South African political economy over the last century. As Wolpe (1972, 435) points out, Reserves were the spaces of 'social security' where the vulnerable, the sick, the young and the

elderly were taken care of outside of the capitalist-state system. Kin networks were seen as organic to their lives as 'Natives' and within that system the traditional role of older Africans was to assist their families and societies in ways that would ensure their survival and continuity. Several decades later, rhetoric that 'Blacks' take care of their kin and dependents in distinct cultural ways has resurfaced. The most notable discourse on caring to have emerged is the concept of Ubuntu, roughly understood as 'my humanity is caught up, is inextricably bound up, in what is yours.'[27]

Neoliberal Policy and Ubuntu Caring

Ubuntu has become widely employed in post-apartheid South Africa by the state, the private sector, academics and non-governmental organisations (McDonald 2010, 139-52). There are three clusters of this discourse: the first uses Ubuntu for nation-building and national 'branding' intended to attract capital to South Africa, the second promotes an 'Ubuntu capitalism' rhetoric, while the third is employed in public—and often neoliberal—policy and 'good governance' (2010: 142). It is in this third cluster that I situate the narrative of care by the elderly for their families. As a philosophical and ethical system of African relationships within society, Ubuntu is being used to underpin a transfer of social risk to individuals, in this case to the elderly. This discourse comes in large part from central government and filters down to provincial and local levels of governance (2010: 146). Ubuntu-based reforms promote self-help and personal responsibility in ways that dovetail with many of the larger ideological objectives and disciplining mechanisms of neoliberalism. Ubuntu is used in post-apartheid reconstruction policy documents aimed at the poor, the main objectives being to reduce the costs of rebuilding South Africa. Ubuntu repackages

[27] This expression is associated with Archbishop Desmond Tutu (1999) in his memoir on the Truth and Reconciliation Commission, where the African worldview – which he calls Ubuntu – entails recognition that my humanity is caught up, is inextricably bound up, in what is yours.

'Black culture' and serves it in the interests of a reduced state, capital interests and as a panacea for inadequate industrial and employment policies: Ubuntu and its 'togetherness' become virtues of the poor (2010: 146).

African pensioners are under severe normative pressure to share their grants within their families and this load is heightened by state policies that prompt the elderly to share their pensions with the needy members of their families (Sagner and Mtati 1999, 393). In-depth interviews conducted by Sagner and Mtati (1999: 395) with elderly living in Kayelitsha, a township outside of Cape Town, showed that old age is intertwined with the cultural norm of Ubuntu as it stresses the 'natural' interdependence of people. The research demonstrates that all the respondents have been socialised into this cultural ethos. The following response stands as example:

> Mr. A.L., aged 83: My children should take care of themselves. But that is easier said than done when one considers the kind of situation we are coming from. You will find out that our children were not given access to other spheres of growth [sic!], either economically or otherwise, thus making them dependent on their parents for everything. This is a situation that we really can't ignore at all, even if we would wish to. But having said that, I'm therefore not making an excuse for those who are loafing around, I'm simply saying, let's see everything in its total aspect. We need a holistic approach in rectifying this situation. We need more jobs for our young people (Sagner and Mtati 1999, 408).

Reciprocity around the pension is enacted by the elderly and their families through a complex cultural matrix that defines pensioners' obligations to give and the deservingness of receivers to be supported (Sagner and Mtati 1999, 404).

The following case, taken from a study by HelpAge International (2008: 2), is a typical example of this complex matrix. A grandfather lives with his two children and five grandchildren in KwaZulu-Natal. His two adult children have other children who do not live with them, but whom they support. The parents of the five grandchildren who live with him have died. As the HelpAge International reports indicates (2008: 1), migrating in search of work or death as a result of HIV and AIDS

force the elderly to take care of their grandchildren. This elder person spends his Old Age Grant on bills—water, electricity, and rates—and food for the children. He gives money for transport for other members of the family to visit and he pays for funeral arrangements for family members who have passed away. In addition, he meets his grandchildren's school fees and uniforms and provides food. He often pays for the hospital treatment of his 15-year-old granddaughter who suffers from asthma.

Reciprocity does not necessarily imply equity, as appears to be the case between elder pensioners and those who share their wealth. Indeed, the research conducted by Sagner and Mtati demonstrates that "[m]ost of our older interviewees regarded pension sharing as greatly unfair. This feeling stems from the fact that most elderly still subscribe to the 'traditional' cultural concept of a moral life-course, according to which virtuous people should be able to 'sit back' when they have reached a certain age" (Sagner and Mtati 1999, 405). The principle of reciprocity, to help out, is applied through moral pressure, by both the state—which assures the pension through the principle of redistribution and valorises traditional kinship networks of help in order to sustain the unemployed—and by the families and communities, who offer measures of assistance to the elderly in return for a share of their monthly cash incomes.

It is interesting to see this principle of reciprocity in terms of a mode of allocation, thus as a distinct economic process. According to Polanyi (2001: 57), all economic systems up to the end of feudalism were organised along one of four principles: reciprocity, redistribution, householding and exchange. Wolpe identified the Reserves as pre-capitalist spaces of redistribution that existed alongside the capitalist mode of production. Yet, other modes of allocation, such as redistribution and reciprocity, are not uniquely the 'hallmark' of primitive or pre-capitalist societies

but exist today in conjunction to contemporary capitalist markets. By taking a more dynamic interpretation of Polanyi's (2001: 59) modes of allocation and by building on his observation that reciprocity, redistribution and householding may occur in a society without being prevalent in it; it is possible to understand a contemporary economic system as being composed of various modes of production. Reciprocity emerges in the context where the South African capitalist system produces large pools of unemployed people between the ages of 18 and 60, adults without any form of income. According to Statistics South Africa's Income and Expenditure Survey (Comins 2009, para. 12), two-thirds of people between the age of 15 and 34, nearing 3 million people, are unemployed and of those, the majority have never once been employed. Figure 14 below shows the clustering of the destitute around the recipients of state old-age grants in households headed by individuals aged 65 and older (Armstrong et al. 2008, 14-15).

Indicators of poverty by the age of the household head

Age (years)	Poverty rate (%)	Percentage shares of	
		all households	poor households
0 – 14	21.9	0.3	0.2
15 – 24	27.9	5.7	4.8
25 – 34	23.9	22.3	16.0
35 – 44	31.4	22.1	20.9
45 – 54	34.2	20.3	21.0
55 – 64	36.8	14.9	16.5
65 +	47.3	14.4	20.6
All age groups	33.2	100.0	100.0

Source: Statistics South Africa (2008a)

Note: Percentages may not add up to 100 because of rounding

Figure 14: Incidence of poverty increases with the age of the head of the household
Source: Armstrong et al. (2008: 15)

Reliance on grants is unlikely to change in the foreseeable future as employment opportunity for the majority is increasingly uncertain (Seekings and

Nattrass 2005, 364). The elderly thus share their grants with these adults and take care of their grandchildren in an economic space on the periphery of the dominant capitalist mode of production.

States and Places of Exception

Ong (2006) offers another analytical angle for examining the clustering of the destitute around the recipients of state old age grants that builds on Wolpe's work. Ong brings together, in a single approach, two concepts—neoliberalism and exception—that others have dealt with separately. Working within the tradition of Michel Foucault, Ong understands neoliberal governmentality as a technology of governance that relies on calculative choices and techniques arising from the infiltration of market-driven truths and calculations into the domain of politics. Within this framework, 'exception' is a departure in policy that can be deployed by the state to include or to exclude selected populations.

Building on but moving beyond Carl Schmitt's definition of sovereignty—the principle of the power of the state to decide on circumstances of exception—Ong argues that sovereign exception can be understood in two ways. The first is the conventional way to exclude subjects who are denied protection, as in the case of *neoliberalism as exception*, which occurs in sites of transformation where market-driven calculations are introduced in the management of selected populations and the administration of special places (Ong 2006, 3). Capital coordinates labour in new ways within a system of global production, creating spaces of exception within domestic economies. This reflects Braudel's (1984: 622) argument that the enduring characteristic of capitalism is its ability to choose. This freedom is rooted in capitalism's dominant social position, its strong links to political and social

hierarchies and its valuable communication networks that it establishes nationally and globally (1984: 65). Southeast Asian states make 'exceptions' to their usual governing practices in order to engage more fully in the global economy (Ong 2006). These zones operate outside of the normative and regulatory context of the country in which they are based.

The second way to understand this power to decide on circumstances of exception is through decisions to exclude or shield targeted populations and spaces from neoliberal governance (Ong 2006, 4). These *exceptions to neoliberalism* are modes for protecting social safety nets and welfare benefits for citizens such as social housing and social grants, as in the case of the older person living on the Old Age Grant in South Africa. But, *exceptions to neoliberalism* can also be ways of excluding populations from the benefits of capital development. In South Africa, the populations living in the former Bantustans, those living in informal settlements on the periphery of urban areas and the millions of unemployed are excluded from the benefits of capital-led development. These policies of exception create uneven geographies of development; pockets of exclusion become pits of despair as people struggle to survive without jobs and government support. It is here that I analytically place the situation of the poor elder person in South Africa living on an Old Age Grant. The OAG is the ANC's exception to neoliberal rule. This socio-economic 'place' of exception co-exists alongside the unemployed sections of the population who are on the periphery of the formal economy.

Ong conceives of the spatialities of sovereignties and exceptions "through the selective deployment of the neoliberal exception, on the one hand, and exceptions to neoliberalism, on the other, that are instrumentalized in the spatializing practices of sovereignty" (Ong 2006, 18). In China, for instance, the creation of Special

Economic Zones was an exception to the centralised socialist production and permitted the state to launch market reforms that produced spaces and conditions radically different from the rest of the country (2006: 19). Ong notes that there are important differences between East Asian environments, where the state is robust and centralised, and weaker and more dispersed formation of states in Africa. Yet, South Africa must be situated somewhere between the two state forms: it has a strong central state that has historically interacted with the global economy and it has weakened and dispersed political formations in peripheral areas, constructed through segregation and apartheid. The minerals and energy complex is part of this history, through its connection to domestic nodes and networks of production and its connection to overseas buyers and investors. Yet, these historic spaces of exclusion have been transformed by a politics of exception that is more related to sectors and processes of production. As Ong points out:

> The logic of spaces of exception is that they are not always defined by prior political boundaries but brought into existence by neoliberal calculations that demarcate human territoriality in relation to opportunities presented by the deliberate mobilization of flows and resources (Ong 2006, 20).

The divide between earning a wage and being left with no means to live created through neoliberal calculations in present-day South Africa is as dramatic and condemning as the historical zones of segregation and apartheid indicated by Wolpe. This is apparent in the growing urban-rural wealth divide and in the circles of severe inequality and uneven development that extend around urban areas, features of urban life that surpass the conditions under apartheid (Bond, 2002).

An interplay emerges between technologies of governing and of disciplining, inclusion and exclusion, and giving and denying value to human conduct, which Ong qualifies as a hinge between different economic spaces and rationalities (Ong 2006,

4-5). Ong adds that we need to explore these hinges as they breach ethnographic milieus or, in political economic terms, the varying material and normative conditions associated with different modes of production and allocation. This oscillation between neoliberalism and its exceptions engenders ethical geographies (2006: 21). Policies are "invested with a moral calculus about more or less worthy subjects, practices, lifestyles, and visions of the good" (Ong 2006, 21). By invoking exceptions, the South African state invests different economic spaces, be they geographical and/or procedural, with varying value systems. The elderly are living at this hinge, or this social economic border, of the dominant rule of neoliberalism as encountered and experienced by the majority of adults and its exception, the social grants received by selected populations.

The reasons for the exception of social grants are numerous: pensions are part of historic agreements that are hard to renege on, especially during the transition to democracy and amid rhetoric of improving the lives of the poor; grants do reduce absolute poverty and are a trouble-free way of also maintaining a certain level of civic peace. The importance of the pensions for the political economy is illustrated in the following statistics. As of April 2011, 2, 686, 838 elderly[28] receive the Old Age Grant, which represents 18 percent of total grants in the system (Seekings and Nattrass 2005). Non-contributory pensions reach this large number of poor older people at a relatively low cost; in 2002, the cost was 1.4 percent of GDP (South African Social Security Agency 2011). The maximum amount that the poorest elderly can receive in 2012 is R1 200 per month, plus an extra R20 if the person is

[28] The Black Sash, a human rights advocacy NGO, noted the very low uptake of the Old Age Grant by needy men aged 61 and 62. According to statistics provided by the South African Social Security Agency (SASSA), it is estimated that only around half of those eligible have applied for the monthly grant.
http://www.blacksash.org.za/index.php?option=com_content&view=article&id=576&Itemid=236.

over 75 years of age.[29] These pension incomes increase the income of the poorest five percent of the population by 50 percent (HelpAge International 2003, 12). The poverty gap would be two-thirds larger if the non-contributory pension income was to be removed (2003: 14). HelpAge International's report points out that, overall, "having a non-contributory pensioner in the household appears to reduce the probability that those households will be in the lowest category of acute vulnerability, and it is apparent that non-contributory pensions act as a safety net" (2003: 15). It has been documented, for example, that girls living in a household with an older woman who receives a state pension are 3-4 cm taller than girls in households with older women who do not receive a pension (HelpAge International 2004, 7).

Receiving the pension does not lessen the view held by many older persons, who have lived through apartheid and view themselves as victims of social and political history and developmental backlogs, that their marginalisation and exclusion are not being addressed formally or satisfactorily (Gorman 2004, 7). The comments of an elderly pensioner living in Atlantis, north of Cape Town, reflect these perceptions:

> We have to look higher, to the Government [to solve our problems]. Those people there have to allocate the money at the right place. They make policies, they allocate money and then the money disappears. Nelson Mandela said: For Old Persons, you get this and this and this for free. But it doesn't happen like that. The same with school children...We say thank you for everything that happened. They have conquered Apartheid. We are free. But you can only enjoy it when you have got money. So without money you're still under the Apartheid law, you know what I mean? (Labonté 2011, 36).

Those elderly "still under the apartheid law" are exposed to the effects of neoliberal policy. Unemployed adults are dependent on their parents for their

[29] R1 200 per month is the equivalent of USD $154. This amount is allocated through a means test where an elderly living alone is not allowed to earn more than R3, 950 per month (USD$ 509) or have assets worth more than R752, 400 (USD$ 102,000). If married, the combined income of the couple must not be more than R7 900 per month (USD$ 1,018) and they must not have assets worth more than R1, 584 000 (USD$ 204,157).

livelihood, attempting to escape what Agamben refers to as the inhuman condition of "bare life" (quoted in Ong 2006, 22). Cash transfers exist at this socio-economic border, where protection offered by the pension overlaps with insecurity lived by unemployed family members. This financial support sustains a reversal in usual family roles as elders take on the role of active care providers and financial providers rather than care recipients (Ferreira and Gurland 2007).

This is an outcome of what Ong (2006: 77) calls "postdevelopmentalism", where market-driven logic shapes political policies according to corporate interests and generates a fragmentation of the national space. This differs from developmentalism, where the national economy is the target of state action. Postdevelopmentalism produces a checkered geography of governing, a differential regulation and treatment of populations as these are connected to or disconnected from global circuits of capital. Ong suggests that, instead of seeing the political economy as the market versus the state, we need to see that: "market society entails the existence of some areas in which the state is very strong and its protections very significant, and other areas where it is near absent, because these zones must be flexible vis-à-vis markets, or they become structurally irrelevant" (Ong 2006, 96). The importance of this analysis resides in Ong's (2006: 5) observation that the 'scissor-like' politics of exception in an era of globalisation has disquieting ethicopolitical implications for those who are included in as well as for those who are excluded from shifting technologies of governance and of demarcation.

Ethicopolitical Implications of the Old Age Grant

Important ethical questions arise as the poor elderly are demarcated as a selected group to be protected while their families and communities are exposed to

neoliberal calculations. Three angles of interaction-relations between the elderly person and her environment draw attention to ethicopolitical issues surrounding the grant: credit-debt relations, financial abuse and biometric governance techniques.

Credit-Debt Mutations of Citizenship

In the present era, where social problems have to find their solutions in privatisation of public services and deepening of capital markets, the Old Age Grant is a site of new credit-debt relations. We usually associate social grants with the easing of poverty and not as a point of departure for escalating debt. Yet, this is the case of the poor elderly as they share their income to meet the survival needs of their families (Møller and Ferreira 2003). The elderly find themselves at the frontier between those who have money and those who do not, those able to access credit and those unable to obtain loans. People living on low or no income have very limited access to the formal and semi-formal financial sectors due to the absence of collateral requirements for borrowing (Okurut 2006, 34). Only those earning a regular income or receiving regular grant payments from the state are in a position to get into debt and to repay it. In a landscape of unemployment and survival, the elderly are amongst the exceptional few to receive cash on a regular and dependable basis.

The easiest way to access credit is through loan sharks, *mashonisas*, who lend to pensioners on the strength of their monthly grants. While the National Credit Act strictly forbids credit provision by abusive lenders, who charge up to 60 percent interest, it is common practice to target pensioners at pension pay points to offer loans (Ferreira and Møller 2003, 26). "[Loan sharks] wait for pension day at rural pay points and then walk up and down the lines of pensioners offering 'cheap' loans. Once they have their claws in a pensioner or other helpless victim, they confiscate

their pension cards and their ID books" (Stoop 2009, para. 10). The South African Social Security Agency (SASSA) chief executive officer, Fezile Makiwane (2009, para. 4), explains that pensioners' payment cards and identity documents are confiscated by these loan sharks as security for the money borrowed. These micro-lenders hold pensioners' bank cards and identity books so that they can withdraw the money owing to them directly from the bank on pension day (James 2012). The lenders refuse to let indebted pensioners return home with their pension money before they have paid up. A pensioner living in Langa, near Cape Town, said he could not imagine life without *mashonisas*: "It's difficult because I need to pay rent and buy electricity. I am left with nothing to buy food," he said (Luhanga 2009, para. 4). The pensioner usually borrows R300 to get through the month and is charged R40 per month for every R100 he borrows. The money is collected when he receives his grant, meaning that he always takes home less than the full amount of his grant. Repayments are easily extracted from the elderly on pension pay days.

SASSA chief executive officer Fezile Makiwane Makiwane clarifies that "it is illegal for any unauthorised person to take away and keep someone's payment card or identity document as these belong to the state" (Stoop 2009, para. 7). Those who have their cards taken are denied access to government services where such documents are required. The loss of these documents, especially the national identity card, prevents the elderly person from exercising her civic rights, such as voting. An example reported in the media tells of a 66-year-old pensioner who had borrowed R4000 from a micro-lender in December 2008 and was forced to hand over her ID and bank card (Fuzile 2009). When national elections took place in April 2009, this pensioner was not able to vote. She said that "I never registered and my identity document is with them and I will get it when I've paid them their money. I never voted yesterday

because I owe them big money" (Fuzile 2009, para. 13). Fuzile reported that the paper he worked for, *The Daily Dispatch*, visited four loan sharks and found more than 100 identity documents in their possession.

These practices effectively prevented thousands of people from voting in the 2009 national elections. Citizenship is suspended as they hand over their ID documents. The outcome is that the elderly find themselves in political spaces of non-citizenship at the border between state policy, their families and credit markets.

Elder Abuse

The grant helps the elderly secure new loans to meet the needs of their adult children and grandchildren, but this deepens their financial burden. This is a new locus of debt—credit action operates at the limits between protection and exposure, between security and risk, between relative and absolute poverty. This is a dangerous place to be. Ferreira and Lindgren (2008: 102) highlight that the financial abuse of older persons such as extortion and control of pension money and assets, is extremely common across the country. Sexual assault of older women by sons and grandsons are amongst the types of violent abuse used to extort pension money (2008: 93).

These increased levels of danger have been the object of a special government hearing. Findings of an independent research by Medical Research Council (Republic of South Africa Parliament 2000) point to three levels of elder abuse. Macro-level abuse occurs at a societal level and includes, for example, limited access to water and sanitation; mezzo-level abuse occurs at the community level and might include the misuse or theft of old age pensions; micro-level abuse occurs within the family structure. The Council reported that "Many [elderly] are in a poor financial position due to primary dependence on their welfare pension and [they] were solely

responsible for fulfilling the basic needs of their grandchildren" (Republic of South Africa Parliament 2000, para. 9). Reliance on the grant by family members has increased in the wake of the 2008 global financial crisis (Comins 2009). "There is less money to be spent on items other than food. This makes a lot of vulnerable members in communities fall victim to loan sharks" (Comins 2009, para. 17).

The elderly thus find themselves increasingly entangled in new relationships of debt and credit. They are a captive market. In fact, they are not one market but are several markets because of family members who use the pension to guarantee their own loans. A worker at Action on Elder Abuse reports that *"Granny's pension can pay for the loans"* is a widespread idea (personal communication 2010). The older person's grant acts as security for furniture, not for herself but for her adult children who get the parent/s to sign for the loan at stores or with loan sharks. The elderly are at risk of abuse from both their family members, who need the money from the grant or credit obtained on the strength of the grant, and loan sharks who put pressure on the elderly for these third-party debts. This practice is on the rise as poverty deepens, Social Development Minister Zola Skweyiya (Skweyiya 2006) notes that many pensioners are being financially abused by the loan sharks who approach them to offer financial help between payouts.

Documents and reports on social protection in South Africa typically do not address these risks. Critiques of social protection programmes are usually articulated along the lines of "perverse incentives" such as discouraging work, crowding out informal self-help, using the money on alcohol and drugs and raising fertility rates (Devereux 2010, 6).

Politics at Pay Points: Biometrics and Security

The actual physical spaces of grant delivery to pensioners are also noteworthy sites for investigation. Firstly, 'protecting' the elderly through social grants has enabled the development of biometric techniques of governance. Breckenridge (2005: 282) points out that there is a perception that information technologies affect only the lives of the wealthy and connected bourgeoisie. In fact, he argues that it is the very poor that are in direct contact with these cutting-edge technologies and the database systems that maintain them. The intense debates around biometric identification that are taking place in industrialised economies do not appear to have materialised in South Africa.

As adult recipients of state cash transfers, the elderly were the first group of South Africans to be part of a large-scale application of fingerprint-based digital biometrics that began in 1990 (Breckenridge 2005, 272). Grant money can be paid out in cash on specific days at a pay point, or pensioners can get their money paid electronically into bank accounts. Florence Njobe, like many pensioners, says that she prefers collecting her grant from a pay point instead of receiving it through the bank because the grant is already low and she does not want to pay bank charges and transport costs to get it. Fifty percent of adults in 2007 did not have a bank account (Comins 2009, para. 13) and the challenge is getting the money to communities that have little formal financial services infrastructure.

Cash is usually delivered in truck-mounted dispensers and processed through biometric and/or PIN based authentication technology, such as eMax. Empilweni (2009) is one of the service providers to offer this end-to-end mobile banking through a combination of smartcards and biometrics with transportable ATMs. The company group includes Sonqoba Security, which provides security for the cash in transit, and

Paytronix, the technology unit developing biometric techniques such as eMax. These different services are all interrelated and interdependent. EMax records and stores the personal identity details of each grant recipient. By definition, biometric authentication refers to technologies that measure and analyse human characteristics for authentication purposes. Sonqoba Security transports the money in onboard vaults inside industry-leading armoured vehicles between processing centres and payout points or ATMs.

The use of computerised biometrics is driven by the fantasy of administrative panopticism—the urgent desire to complete and centralise the state's knowledge of its citizens (Breckenridge 2005, 271). NEC (Nippon Electric Company) is the Japanese company that created the world's largest civilian fingerprint identification database in collaboration with South Africa's Department of Home Affairs. Pensioners are being used to test these techniques in the field, as it were. This experimentation is linked to the state's objective to invest in a massive scheme of digital biometrics for the delivery of benefits and the elimination of fraud (2005: 267). Since 2002, South Africa has begun to implement a Home Affairs National Identification System (HANIS), which plans to ensure that every single new and existing fingerprint can be processed and verified properly and accessible in real time using Automated Fingerprint Identification System (AFIS). This is supposedly creating a new society of equal citizens:

> In the past [South African] citizens were divided by race or belief. Today, everyone is integrated into a single digital archive, recognized through NEC technology by just one universal human feature, their fingerprint (Nippon Electric Company 2010).

Secondly, pay points continue to be sites of crime and violence in spite of the heavy security accompanying the money: "Pension pay points are regarded as soft

targets by criminals" (Comins 2009, para. 7). The majority of older persons interviewed by Black Sash, an advocacy group, felt that not enough was done to keep them safe at and around the pay point sites and that the security provided was purely focused on protecting the cash to its point of delivery (Black Sash 2010, 4). Indeed, this security has not prevented loan sharks on or close to the pay point sites from offering loans or exacting payments; they continue to compromise the safety of the elderly as they collect their money. The Black Sash (2010: 7) suggested to SASSA that police patrol vehicles should monitor activity immediately outside the pay point and ensure the safety of beneficiaries when they leave the premises.

This situation provides the strange, indeed surreal, image of state-of-the-art biometric and digital technology fabricated in Japan, accompanied by heavily armed guards in military-like vehicles, dispensing money to the poorest members of the community in the middle of fields or townships where basic facilities such as shelter, seating, toilets, water and fencing are not even available for the frail pensioners (Black Sash 2010, 6). In most rural communities, the majority of beneficiaries are forced to walk extremely far distances to the pay points and, when they get there, the conditions in which the pensioners receive their pensions are appalling and degrading (2010: 4). Black Sash's community monitors believe that the beneficiaries said publically that the service was good because they felt intimidated by the service providers.

Conclusion

The situation in which the elderly find themselves in contemporary South Africa is a new manifestation of the historic patterns between the state, capital and society. The argument in this chapter is that state pension payments have historically

linked different economic spaces that are constituent of the country's political economy. As such, pensions are part of the long-term structures put in place by the state to promote capitalism in the country. State pensions may appear to be an insignificant part of this economic system and yet they are constituent of the social complex that upholds the particular vision of capitalist enterprise in the country. Millions of unemployed are 'structurally irrelevant' for the country's political economy, which has evolved around the MEC. Failure to achieve adequate employment and poverty reduction for the majority means government will continue cash transfers to the elderly who live in poor communities.

Pensions are an important indicator of the internal borders characteristic of South Africa. Looking at state pensions helps us understand that, in terms of the country's political economy, the gaps between different economic spaces, between wealth and abject poverty, are widening and that the state is adopting new forms of control to regulate these spaces. Borders between inclusion and exclusion, protection and exposure, financial security and spiralling debt, relative poverty and absolute poverty, survival and death are not only durable but are being fortified. The elderly occupy a place at these borders as they receive cash transfers, a government policy of exception to neoliberalism, amidst the abject poverty characteristic of the conditions of the majority who do not have access to a secure income. State pensions connect these different economic spaces historically.

Wolpe and Ong both speak to these multiple and interdependent segments of economic systems. Wolpe highlights the historic links between capitalist, redistributive and labour-tenancy modes of production that have shaped the country's political economy. The link between mainstream capitalist and peripheral economies was articulated through reciprocal links of wage, on the one hand, and agriculture

production and 'social services' of the African society, on the other (Wolpe 1972, 435). Ong's work leads us to understand how global capital and production processes create multiple and segregated conditions for workers and populations. Close analysis of unfolding social realities reveals the crisscrossing patterns of capital and labour and their relationships to the state (Ong 2006, 138). The market society entails the existence of some areas and populations in which the presence of the state is very strong and others where it is near absent because these zones must be flexible vis-à-vis global markets or because the areas and populations are structurally irrelevant (2006: 96).

As beneficiaries of a social grant in a context of poverty and historic levels of inequality, the elderly are led to believe that they are responsible for taking care of their families and sharing their monthly pensions. This arrangement propels them into a new space of vulnerability and abuse as they live within a society governed by neoliberal ideology and underpinned by situated norms such as Ubuntu. Therefore, while non-contributory pensions have existed for nearly one hundred years, their existence historically indicates 'the edge' of South African politics. That is to say, pensions are part of the under-belly of the political economic body and reflect the South African state's strategies of race, capital accumulation, elimination, prohibition and segregation.

Micro-finance is part of the plethora of financial instruments that are filling the gap created by reduced government or government services that never fully developed in the way they did in western welfare states. This practice is championed by global development agencies, NGOs, states and local government as an excellent response to systemic poverty and social marginalisation. It corresponds perfectly to principles of decentered and private governance techniques. Micro-finance is in fact

just one of several products available to the poor. Research shows that very poor families living in the townships around Cape Town, South Africa use twenty-nine different financial instruments to survive (Collins et al. 2009). These new products are developed within the burgeoning world of the telecommunications revolution. There is a massive leap occurring in the use of cellular phones for banking and credit services by people who do not have and probably never will have banking accounts in formal institutions.

Mobiles are increasingly part of these informal networks of finance. In a more conventional understanding of banking, mobiles are being used to check balances, transfer funds, pay bills and perform other financial transactions but the important shift in patterns is how, for instance, airtime is increasingly used as money. For example, an Indian living in the UK can transfer recharge from his mobile phone to the mobile account of his brother in India. The airtime is resold as airtime remittance and becomes income. Mobile phone surfaces as one the major payment channels for small income earners away from home. Banks and telecommunications companies can possibly collaborate to offer banking services to the rural areas. The same people who use cellular phones to buy and sell credit through air time also use services offered in their area by a variety of sources such neighbours, credit circles, churches, loan sharks, and organized crime operators. These people usually live in districts with weaker security, higher unemployment, reduced public services and are exposed to disease through a combination of malnutrition, poor public health resources, lack of clean water and inadequate sanitation. Criminal syndicates can be both source of finance and security as they control the area and connect shacks to nearby electricity wires, as well as being unrelenting cause of widespread violence, bloodshed and instability.

Social hierarchies are present in all societies; there is no society totally without framework or structure (Braudel 1982, 463). Yet, the degrees vary and strata can be reduced by redistribution of wealth. The OAG is both part of neoliberal order world, in that it attempts to attenuate the effects of neoliberal development, as well as being a discontinuity from the dominant neoliberal model of reducing welfare transfers. The following chapter looks at another aspect of the diversified plurality of South Africa's hierarchal order, that of Islamic finance. There are, as Braudel points out,

> not one society but several, coexisting, resting on each other to a greater or lesser degree; not one system but several; not one hierarchy but several; not one order but several; not one mode of production but several, not one culture but several cultures, forms of consciousness, languages, ways of life. We must think of everything in the plural (Braudel 1982, 465).

Islamic finance is a contemporary example of this social plurality. Moreover, this system of belief and practice within South African society is part of an alternative global network of economics and finance.

Chapter 6

THE SHAPING OF ISLAMIC FINANCE IN SOUTH AFRICA: PUBLIC ISLAM AND MUSLIM PUBLICS

> I believe that the 21st century is the time of Islamic banking and the Muslim population of Africa, as well as people who are not Muslim but who believe in the underlying principles of Islamic banking, will ensure that this continent becomes one of the major Islamic banking communities in the world (Muhammad n.d.).

Braudel (1984: 65) reminds us that cultures, what he also refers to as civilisations, are ways of ordering space just as economies are. This chapter present Islamic finance as an alternative ordering financial space. The theme explored here is competing metanarratives of finance. This is examined through the important changes taking place with the rise of different world-economies. The one being examined here is the re-emergence of the ancient Islamic civilisation.

Islamic finance is an inescapable component of the current global political economy. The current market size is estimated at US$1 trillion and the acknowledged resilience of Islamic banks during the 2008 global financial crisis underpins the perception that this market can be an interesting and viable alternative to conventional finance. In addition, estimates calculate that Islamic financial institutions are serving less than five percent of the world's Muslim population and market potential is enormous (Moola n.d. 2010). Yet, as banks and financial institutions enter this niche market they are facing the realisation that there is no simple equation between being Muslim and using Islamic financial instruments (Pepinsky 2010, 1). While religion remains the dominant reason for using Islamic finance, the relationship between faith and economic practices is complex. It is not because a Muslim is pious that he or she

will necessarily switch to Shari'ah-compliant[30] financial products. Additionally, this relation transforms in various ways in non-Muslim contexts.[31] This chapter argues that everyday actions at the intersection of religion and the economy are culturally and historically specific and that this will have an effect on the development and spread of Islamic finance. This suggests that Islamic finance, presented as a set of financial products,[32] is shaped by dynamic interpretations of Islam as they are expressed spatially and contextually.

Culture and civilisation (which Braudel sees an interchangeable concepts) are the "great reservoirs of habits, constraints, accumulated lore, accepted practice and statements" (1982, 555). Interestingly, Braudel (1982: 555) compares civilisation to capitalism, in that it has been, at the different points of its history, the sum of certain methods, instruments, practices, habits of mind which travelled and were exchanged. Voll (1994) brings this understanding of cultural context, in particular transnational Islamic civilisation, to the analytical level of world systems. Engaging with Wallerstein's world-system theory, he asks whether Islam can be considered a special case of world-system. Voll (1994: 215) argues that Islamic experience represents a special case that suggests a different way to formulate a world-system analysis. Voll (1994: 219) notes that Wallerstein pointed to the difficulty that scholars face when thinking about the "elaboration of world-systems other than that of the capitalist world-economy" (Wallerstein 1990: 291). Voll suggests defining world-systems in "ways that are not as closely confined to the economic and material dimensions of history .... [but] as a social system or human group possessing boundaries, structures, coherence, and rules of legitimation" (Voll 1994, 119-220).

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[30] Shari'ah is Islamic law, revealed in the Holy Qur'an, Hadith and Sunnah.
[31] See Tahir's 2007 article for an overview of Islamic banking in contexts where Muslims are not predominant.
[32] See Iqbal and Molyneux Thirty Years of Islamic Banking (2005) for a comprehensive introduction to Islamic finance.

This social system is Dar al-Islam, the cultural boundaries of what Muslims call the Abode of Islam (1994: 219). What Voll is arguing, and of interest to the rise of Islamic finance in South Africa, is that both Wallerstein's capitalist world-system and the Islamic world-system are "relatively comprehensive social systems that can qualify as world-systems, even though the primary identifying characteristics are drawn from different dimensions of the social system as a whole" (Voll 1994, 220).

The metanarrative that this chapter unpacks, therefore, is that of capitalism as a fixed set of practices and set of beliefs. Global neoliberalism is in crisis and this has allowed for the growth of the Islamic economy (Abraham 2011). The rise of Islamic finance in South Africa points to discontinuity with the global neoliberal capitalist model. This is demonstrated in the case of South Africa's Muslim communities and the rise of Islamic finance. This small and peripheral expression of Islam (Tayob 1995, xii) sheds light on the dynamics produced by various actors as they develop Islamic finance to advance their respective goals.

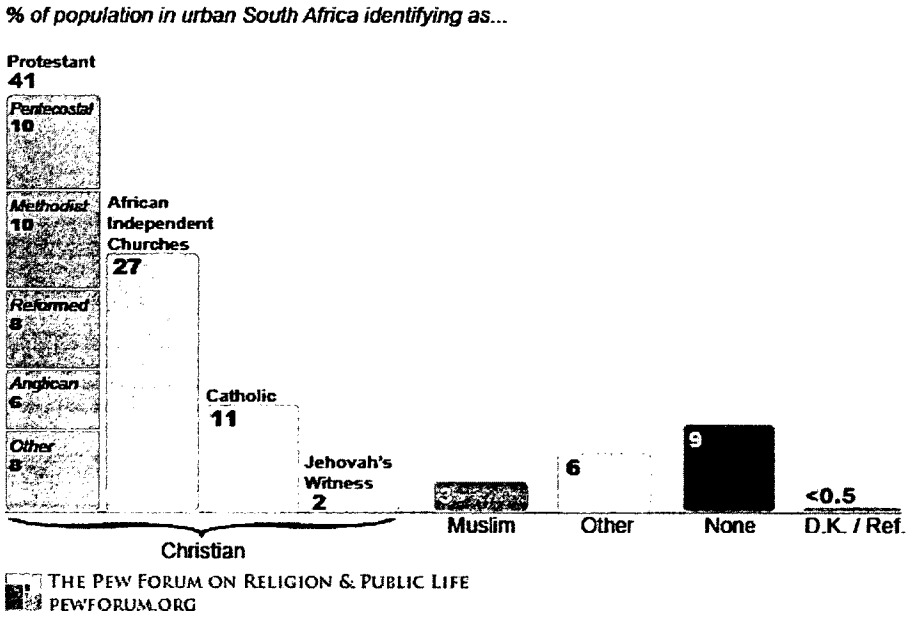

Figure 15: Percentages of Populations Identifying with Different Religions
Source: 009

Figure 15 (above) shows the percentage of Muslims in relation to other religions in contemporary South Africa.In spite of these small numbers, the relevance of the South Africa Islamic finance case lies in the combination of the country having the most mature and sophisticated financial markets on the continent, a constitution which recognises cultural plurality and the presence of influential Muslim communities, along with South Africa being in a continent where half the population, around 400 million people, are Muslims. As this chapter argues, this last fact is playing a determining role for the state who sees a Islamic financial sector as a means to consolidating regional power.

The emergence of Islamic finance in South Africa is analysed through the concepts of Public Islam and Muslim Publics. Public debate and public space are being transformed by religious issues (Göle 2002). Public Islam and debates on the place of Islam and religion in the public: "...point to a shift in the orientation of the Islamic movement from macropolitics toward micropractices, and ... it challenges the borders and the meanings of the secular public sphere" (Göle 2002, 173). The concepts of Public Islam and Muslim Publics, discursive spaces that structure Islam in the public sphere and in society, are developed within the South African context by Abdulkader Tayob (2007: 2010), a scholar who studies modern Islam in Africa. Financial institutions are partaking in the construction of Public Islam as they develop and implement Islamic products and impart Muslims with the idea that these services are an essential component of their lives. South African Muslims, on the other hand, are responding to these developments in an array of ways that does not necessarily promote the institutionalisation of Islamic finance. There are, in other words, dynamic interactions between representations of Islam and their anchorage in everyday lives.

Braudel has an insightful way of theorising dialectical situations such as the one between Public Islam and Muslim Publics. He (1982: 136) asks whether what goes on at the top have repercussions at a lower level and, if so, what? Similarly, can what is happening at the level of the village market and everyday economic interactions have an effect on the upper end of the scale? If so, how does this happen? This is an interesting way of framing mutual influencing elements of social economic life. This chapter sets this out by recognizing the tremendous influence of religion on individual lives of believers and the manner in which financial institutions aim to use this relationship to their advantage. Yet, it also highlights how everyday economic interactions are shaping financial markets at the upper end of the scale. This dynamic is particularly important as it works between the ideational and the material aspects of faith and finance.

Accordingly, the first section explores the analytical concept of Public Islam—highly diverse invocations of Islam as ideas and practices that various actors bring to civic debate and public life (Salvatore and Eickelman 2004). Finance is part of this Public Islam as different actors compete to define its practices worldwide. The particularity of actors operating in the national context is the subject of the second section. Of note is the South African state's goal to become the principal financial hub of Africa and its perception of the role that Islam can play in this ambition. Africa has a population of around 400 million Muslims who are progressively entering formal banking and investment markets and both the South African state and financial institutions want to use this movement to their advantage. The experience and expertise gained in South Africa will serve to create new markets in Africa. The third part of this chapter demonstrates how these institutions participate in the construction of Public Islam as they create this niche market and advertise these products to

Muslims as an indispensable part of their everyday lives. The final section looks at Muslim Publics, the realm where views and actions on Public Islam are expressed, debated and enacted.

Four broad themes emerge from data collected[33]. The first theme relates to narratives on Muslim identity in South Africa, including how identities have been influenced by connections to the state. The second theme relates to stories about historic links between Muslims and financial institutions. Muslims in South Africa are already banked, meaning they use formal banking and financial institutions, and their consumer patterns reflect family traditions and employment relationships with financial institutions. A third theme reflects on the role given to Islamic finance as a specific project within the modern Islamic paradigm. A tension exists between Islamic finance, as an economic and social project within a secular state, and the 1996 Constitution, which recognises the pluralist nature of state-society relationships. The last theme highlights the ways in which Muslims relate to Shari'ah law on finance in their lives. There is a combination of personal judgment and individual action as well as the use of Islamic financial products produced by banks and investment agencies. In the light of dynamics between Public Islam and Muslim Publics, the conclusion observes that financial institutions will face important challenges as they expand their operations because the intersection between religion and economics is contextually specific.

Public Islam

There is an almost compulsory reference to the return of religion in public life (Tayob 2009a; 1, Göel 2002). Debates on the place of religion in society are being

[33] The section on Muslim Publics is based on primary data drawn from in-depth interviews (2010-2011) conducted in Cape Town and Johannesburg.

brought back into the public sphere, even in countries with constitutions that secure the secular nature of their political systems. This return of religion can be seen as unexpected, as a surprising failure of the modernisation model and secularisation theory of modernity. The inadequacy of these models, which predicted a progressive end to the influence of religions in the public domain, calls us to think anew about how faith, economics, and society interact in complex ways in a globalised world (Abraham 2011). As religion continues to be a vital force in the political and social life of people worldwide, its role in shaping contemporary political economies comes forward as an essential category of analysis.

The move of religion, and in this case, of Islam into national public spheres, disturbs and unsettles the liberal principles on which the project of modernity was built. The homogeneous structure of these public spheres become unsettled (Göel 2002, 173). The revival of Islam over the last forty years represents this return to religion in force; it "looms largest over all other forms of late modern religious revivals" (Tayob 2009a, 1). Drawing on Wilfred Cantwell Smith's (1978) and Armando Salvatore's (1997) theories of religion, Tayob (2009a) draws attention to the structural foundations of Islam in the context of modernity. The revival of Islam is based on a modern Islamic paradigm produced through the public and political discourse of hermeneutic circles of Arab societies during the 19th and 20th centuries (2009a: 29), in relation to encroaching Europeans power. During this period, Muslims came to think about their religion as 'al-Islam', that is, as an organized and institutionalised religion. Smith (1978) argues that religion is institutionalised through a process of reification where individual relationships between God and believer are transformed into systems of observances or beliefs. Reified, religion is transformed

from personal experience into a collective category that can be identified through distinct group characteristics.

The Muslim use of the term 'islam', in this reified sense of a religious category, was a means to articulate faith and beliefs in the context of encroaching European power (Smith 1978, 105). Salvatore (1997: 28) understands this framing potential of religion through reification, the constitution of religion as an autonomous field, as a crucial passage within the longer-term processes of subjectification. The formation of this distinct sphere, 'Islam', frames social and political ideologies and provides the basis for the founding of social orders via reference to a communal normativity. Salvatore (1997: 48) highlights 'Shari'ah' as the crucial keyword of the reified Islam, central to Arab and Islamic framework of communal reference. Shari'ah gives meaning and significance to daily life, as a comprehensive code of life. This code is not static but is debated and enacted by a range of actors as they endeavour to define Islam for new and changing political spaces (Tayob 2007, 1). It is in this 'public' capacity that Islam configures the politics and social life of large parts of the globe as it informs human action (Salvatore and Eickelman, 2004, xii). Public sphere, a key concept in social thought, is employed to explain the concept of Public Islam, the multiple ways in which competing notions and practices of the common good, along with ways of envisioning alternative political and religious ideas and realities, reconfigure established boundaries of civil and social life. In this way, it serves as a template for ideas and practices, a way to envision alternative political realities.

Such is the case with Islamic finance, presented as a viable alternative to western liberal finance and a means to reconcile religious principles with economic activities (Abraham 2011). Struggles for post-colonial independence and nascent nationalism provided the historical context for theoretical work on the subject of

Islam and economics (Tahir 2007). Building on these theoretical premises, elaboration of financial instruments and their implementation over the last forty years has been shaped by ongoing debate as Shari'ah scholars, theologians, Islamic economists, and professional bankers discuss prohibitions and recommendations. There is no defined working model of Islamic finance; rather practices produced a 'learning by-doing' process where there are few consensuses and many diverging interpretations of the Shari'ah (2007: 1-2). Islamic finance is being produced through active discourse and new practices as competing actors struggle to define their understanding of Islamic finance in the current global economy. This is reflected in doctrinal debates on key issues, such as interest (known by the Arabic term *riba)* and permissible forms of transactions (2007: 1-2).

The desire for a riba-free financial and economic system is the best known characteristic of Islamic finance. However, there is a lack of clarity on what is meant by riba and the actors are defining it in different ways. The Qu'ran prohibits riba:

> Allah has permitted trade and has forbidden interest...O you who have believed, fear Allah and give up what remains [due to you] of interest, if you should be believers. And if you do not, then be informed of a war [against you] from Allah and His Messenger. But if you repent, you may have your principal—[thus] you do no wrong, nor are you wronged (Surat Al-Baqarah 2: 275, 2: 278-279).

Mainstream financial institutions, in the process of developing new Islamic products, present riba as simple 'interest' gained on the principal (Wigglesworth, 2010). But influential Islamic scholars bring into question this simple equation of riba with interest. Mufti Taqi Usmani, a world renowned legal scholar, presents Islamic finance through an analytical framework that Tayob (2009a: 145) qualifies as 'modernisation through tradition.' Usmani argues that the challenges of modernity's progress can be met by Islam and that this is possible for finance as for other aspects

of the Shari'ah. The task at hand is to conserve the integrity of Islamic teachings on finance and the economy as the new industry develops into a global phenomenon. At the centre of Usmani's preoccupations are the structural effects of riba rather than the particular outcome of any one financial contract. He notes that: "The instrument of interest has a constant tendency in favor of the rich and against the interests of the common people" (Usmani 2002, 164). Earning interest is to unrightfully take the wealth of others and to prevent a fair distribution of profit. Consequently, wealth produced in a society needs to be distributed in a just manner so that it works towards the greater project of a peaceful society.

This comprehensive view of riba is largely ignored by conventional financial institutions as they enter this new market. The lack of a well-defined and widely accepted model for Islamic banking permits other interpretations and new financial products (Tahir 2007, 5). Banking groups, investment banks, hedge funds, and even pension funds are entering Islamic finance as an exciting, not-to-be-missed opportunity: "This is a new, parallel financial system," says Sameer Abdi of Ernst & Young, a financial consultancy firm: "It's not something that can be ignored" (Economist 2006, para. 4). HSBC, which established the Amanah Islamic Finance brand in 1998, and other global banks such as Deutsche Bank, Citi, UBS, and Barclays, all offer interest-free Shari'ah-compliant products created by a generation of Islamic bankers who gained their experience in the City and on Wall Street.

But Shari'ah scholars such as Mufti Usmani feel that the global industry is straying too far from its roots and is mimicking conventional structures too closely (Wigglesworth 2010, para. 13). Usmani has come out against Islamic products that he declares to be un-Islamic (McSheehy, 2008). As chairman of the Accounting and Auditing Organisation for Islamic Financial Institutions' (AAOIFI) Shari'ah Board,

Usmani has considerable power in defining Islamic finance in accordance with his teachings of Islam and in shaping the behaviour of its members. AAOIFI has become the benchmark for Islamic financial institutions in terms of transparency, accounting processes, and disclosure requirements. Products such as Islamic bonds—*sukuk*—have been reviewed by the AAOIFI, who calls for Islamic financial institutions to "decrease their involvements in debt-related operations and to increase true partnerships based on profit and loss sharing in order to achieve the objectives of the Shariah" (Accounting and Auditing Organisation for Islamic Financial Institutions, 2008, 4) have been made. International credit rating agencies such as Moody's Investors Service see these statements by the AAOIFI as major paradigm shifts in the framework regulating Islamic finance (2008: para. 4).

Amongst other things, Public Islam is being shaped by AAOIFI rulings and by financial actors operating within mainstream finance as they produce new products and services, indirectly challenging the more traditionalist vision. The definition of Islamic finance is also being shaped through *fatwas* (legal decisions) as they contribute to Islamic jurisprudence on finance. If investors and bankers of global banks and investment funds do not find an Islamic scholar ready to produce a fatwa attesting to the Shari'ah compliance of the financial product in question, they will simply seek another scholar until the approval is obtained. An investment banker based in Dubai, working for a major Western financial organisation explains: "If he [scholar] doesn't give it to us, we phone up another scholar, offer him a sum of money for his services and ask him for a fatwa. We do this until we get Shari'ah compliance. Then we are free to distribute the product as Islamic" (Foster, 2009, para. 35). These rulings make it possible for banks and investment agencies to create and promote Islamic finance as a niche product, an alternative option available to a wider clientele.

It is essentially extracted from Islamic parameters and marketed as a product that adds extra guarantee in uncertain economic times.

From a slightly different angle, these debates about money, its value and meanings, have been picked up in recent scholarship such as that of Bill Maurer's work on money as 'meaning' in *Mutual Life, Limited: Islamic Banking, Alternative Currencies, Lateral Reason* (2005). Using an ethnographic approach to enquiring about money, Maurer investigates the very cultural contexts in which money acquires value. Maurer argues that Islamic finance is just one of many social projects that reimagine the meaning of money to reflect specific, often local, societal conventions and understandings.

Debates to define Islamic finance globally shape its emergence within national contexts. In the context of South Africa, Muslim accountants recognise the leadership of the AAOIFI in establishing credible Islamic practices and are currently discussing how these guidelines relate to their faith and the everyday practices of their businesses. This is but one aspect of public debates surrounding the theory and practice of the new market. The following section begins with the broader context of the state and its interests in Islamic finance.

South Africa, Banks, and Public Islam

South Africa Moves Centre Stage

The development of Islamic finance in South Africa is a valuable component of the National Treasury's strategy to position South Africa as a gateway into Africa.

> South Africa's location, its strength in financial services and its banking infrastructure make it a potential gateway into Africa. Government proposes measures to enhance this role. In 2010/11, further investigations will be done to enhance our attractiveness as a viable and effective location from which

businesses can extend their African operations (Republic of South Africa National Treasury 2010, 78).

This vision of South Africa as 'gateway' is underpinned by the invitation to join the BRIC group of major emerging economies—Brazil, Russia, India, and China. Trade and Industry Minister Rob Davies used this concept of gateway at the 2011 Davos forum to defend the country's new role among the leading emerging economies (Business Day, 2011). Davies admitted that South Africa's economy is small in comparison to other BRIC countries but highlighted its political and economic position on a continent that has considerable growth potential as millions gain consumer power. This conforms with the line of reasoning that South Africa was selected in accordance to the priorities of existing BRIC members, namely the need for an African geographic representation in the group (Brooks, 2011). While Nigeria serves as the major economic hub for West Africa and Kenya serves as key economic hub for East Africa, South Africa is seen as the undisputed major economic hub for Southern Africa and potentially for the entire continent: "'We will be a good gateway for the BRIC countries,' said Nkoana-Mashabane, South Africa's foreign minister, to reporters in Pretoria. '...we don't just speak for South Africa; we speak for Africa as a whole'" (Conway-Smith, 2011, para. 11).

China's invitation to South Africa is about forging political economic connections with the African continent (Rossouw, 2011). "What the G7 was for the old world, BRICS is for the new and to make it more representative, of course there has to be an African economy there to speak for the developing world" (Herskovitz 2011, para. 10). This economy is South Africa, "with its world-class financial sector, deep experience in African markets and an extensive corporate footprint on the African continent" (Battersby and Lu 2011, para. 39). It is already the biggest emerging-economy investor in the continent and its companies are active in at least

half of all African countries. South Africa sees itself as continental headquarters for companies doing business in Africa, many of which will be Islamic-based businesses and investment agencies. Finance Minister Pravin Gordhan explained:

> The development of Islamic finance in South Africa is critical to the expansion of National Treasury's strategy to position South Africa as a gateway into Africa. The treasury envisages South Africa being a central hub for Islamic product development and ensuring the rollout of such products into African markets (PricewaterhouseCoopers South 2011, para. 4).

To these ends, the state is bringing the country up to par with global Islamic jurisdictions. Its aims are to facilitate integration of international Islamic financial actors into the national markets, thereby increasing capital inflow, and to assist domestic actors to gain access to African markets, thereby reinforcing the country's regional and continental influence. The government has stated that it will review both exchange controls and tax laws in order to facilitate the use of foreign funds being channelled through the country and destined for regional use (Republic of South Africa National Treasury 2010, 78).

A key component of this revision is the Income Tax Act, identified as acting as a barrier to Shari'ah-compliant products (Republic of South Africa National Treasury, 2010). The existing tax law deprived Islamic financial investors of benefits available to mainstream financial actors (SARS and the Republic of South Africa National Treasury, 2010). The first three underlying structures to be accommodated from a tax perspective are Mudarabah, Murabaha and Diminishing Musharaka. ABSA (Amalgamated Banks of South Africa 2012) explained how these changes would concretely change the situation for Shari'ah-compliant products. An example of how tax changes impact on these practices can be seen in Mudarabah, a partnership where one partner provides the capital to the other for investment in a commercial enterprise. Under current legislation tax payers are exempt from paying tax on the first R22 300

they earn in interest, on any investment. Investors who use the Shari'ah compliant Mudarabah option don't enjoy this tax exemption as they are earning a profit share rather than interest. The amendments propose that the profits earned by individuals, in terms of a Mudarabah arrangement, will be treated in the same way as the interest gained by any other investors. This ensures that the same tax exemptions will apply to Islamic investments as it does to mainstream investment schemes.

Legislators recognise that individuals will benefit from these changes but also point out the advantages for the country as a whole:

> ...tax has become a hindrance to a vibrant and growing Islamic financial market. This lack of access not only prejudices Islamic finance but also works against South Africa's financial role in non-Western markets, thereby undermining South Africa as a regional financial centre (SARS and Republic of South Africa National Treasury 2010, 49).

The tax measures are the start of legislative changes, the wider objective being to introduce a comprehensive regulatory and legal framework to facilitate Islamic finance (Parker, 2010). The state believes that Islamic investors and financiers will use these new insertions into the tax law to expand their business in the country and that this will secure Islamic finance as a permanent feature of the South African economic landscape (Grant Thornton, 2010).

Africa, the Next Financial Frontier

South Africa's political and economic focus is moving eastwards and southwards, in relation to the West and the global North (Battersby and Lu 2011, para. 27). As it focuses on Africa, South Africa regards the continent's estimated 400 million African Muslims as an important component of future economic operations. The African continent is in the singular context of participating in the renaissance of a modern Islamic paradigm while possessing a large percentage of the world's

estimated one billion unbanked populations. Only an estimated twenty-five percent of the continent's population currently participates in formal markets (Bandyopadhyay, 2008). The unbanked include owners of small businesses, traders, tradesmen, workers, and employees of state or private sector organisations who do not have a bank account and have unmet needs for financial services. If tapped, they represent a significant growth opportunity for Islamic banking as Africa's forty-two percent Muslim population (Kettani 2010, 136) integrate into formal banking and financial markets. There is, in other words, a continent needing to be banked and about half of that population may be sensitive to special products that correspond to their faith.

Africans are deeply committed to the practices and major tenets of their religions (Pew Forum 2010, 18). Sub-Saharan Africa is, in fact, one of the most religious places in the world where nine in ten people say that religion is very important in their lives (2010: 3). There are clear opportunities for Islamic financial services in both the financial sector and capital markets (Corbett, 2010). In line with this, South Africa was the first sub-Saharan African country, other than Sudan, to start Islamic banking but it is not alone in seeing the special circumstances emerging in Africa. There is, in effect, a scramble to partake in the new market as central banks produce legislation to accommodate Islamic finance. Kenya's first fully fledged Islamic bank, First Community Bank, was launched in 2007 and a year later the Gulf African Bank, a fully Shari'ah -compliant bank, started business by building on its Gulf States and African connections (Gulf African Bank, 2008). The Gulf States are evaluating opportunities for investment and banking among the hundreds of millions of Muslims who live in the Muslim north, calculating that the middle class will turn to Islamic finance and that firms will increasingly raise money through Islamic bonds (Economist, 2008). Zambia is formulating guidelines for Islamic banking with the

hope that the country will get an extra developmental push through new investment by Muslims (UKZambians, 2010). Similarly, the Central Bank of Nigeria said that Islamic banking would begin shortly and that a non-interest banking system would help develop the nation's economy (Vanguard, 2011). Globally, these African countries join a growing number of other non-Muslim countries who are developing their Islamic finance sector by changing regulations to attract investors who can only put their money in Shari'ah-compliant assets (Grant Thornton, 2010).

South African Financial Institutions, at the Fore of this Market

National legislation underpinning Islamic finance in South Africa is strangely well-developed for its small Muslim population of 654,064 (Kettani 2010, 137) who remain somewhat uninformed about the range and availability of Islamic products. This niche market did not arise in response to political pressure from below, from Muslims demanding non-interest financial instruments and Shari'ah-compliant products. Rather, national financial institutions were at the forefront of this initiative, developing expertise and experience that can be used to create new markets elsewhere in Africa. As ABSA, one of the four major South African banks put it, the race to bank Africa is on (Moola, 2009); the interests of the South Africa state and financial institutions converge at this point of realisation.

The South African Reserve Bank issued licenses to practice to two Islamic banks in the late 1980s: the Al Baraka Banking Group based in Bahrain, which operates to this day, and the Islamic Bank (of South Africa), which folded in 1997. In the interest of the country's financial system, the SARB exceptionally compensated all depositors of the failed Islamic Bank of South Africa up to 50,000 rand ($6,500 in current value) each (Warde 2000, 199). This compensation demonstrates the close

surveillance by the central bank of emerging niche financial markets as the country moved into the post-apartheid era. Al Baraka continues to exist and offers its services "in response to the need for a system of banking in line with Islamic economic principles" (Al Baraka Bank 2009c, para. 1). It reports that the bank was born out of the process whereby "the reawakening of Islamic Commercial thought of the last four decades resulted in the establishment of Islamic banks" (Al Baraka Bank 2009a, 2). The bank's corporate ethos is: "We believe that banking has, or ought to have, a crucial role to play in society, one in which as bankers we have an incredible responsibility of stewardship for the resources placed in our hands" (Al Baraka Bank 2009b, para.7). In a concept of going 'beyond banking', Al Baraka believes that it connects to Muslims through shared beliefs that form the basis of strong bonds between the institution and its clients, forming the basis of long-term relationships (2009b, para. 12).

Al Baraka Bank has been in the cross fires of public debates on Shari'ah compliancy in South Africa. Although the bank is a member of AAOIFI and Mufti Usmani was Al Baraka Bank's first chairman of the Supervisory Board, its practices have been questioned in a well-known and public debate started by a fatwa issued by Mufti Ebrahim Desai of the Daarul Ifta of Camperdown, KwaZulu-Natal in 2001. Daarul Ifta is a South African advice forum administered by Muslim theologians that emits fatwas; the information is usually available via internet. This public space was used to argue that the standards of AAOIFI are not stringent enough to ensure full Shari'ah compliance (Wadvalla, 2007). The fatwa stated that Al Baraka's "contracts and workings are seriously flawed, and it does not have a local *aalim* (scholar) on the board" (2007, para.5). Through these interventions, Mufti Ebrahim Desai emerges as

an influential national public figure that raises questions that lie "at the heart of the Islamic view of the moral economy" (Vahed and Vawda 2008, 459-460).

Almost two decades passed between the establishment of Al Baraka and a second wave of institutionalisation of Islamic finance. In 2004, South African banks began to offer Islamic services via 'Islamic windows'[34] and have not (yet) been subjected to the same interrogation of competing public voices as has Al Baraka. As they produce financial instruments and represent these through text and symbols, they evoke a certain understanding of Islam and Shari'ah law. First National Bank (FNB) proposes that "Islamic Finance has a solution for you. Banking according to shari'a laws needn't be difficult. Allow us to offer you the solution to all your banking needs" (First National Bank 2011, para. 1). ABSA offers unique banking requirements, with solutions and services compliant with Shariah Law (ABSA 2011). ABSA asserts that Shariah Law governs the manner in which Muslim people conduct their lives, including banking (ABSA 2010). FNB does "everything by the Book" (First National Bank, 2011).

In this way, 'Islam' becomes a recognizable seal used to authenticate financial contracts. This 'stamp' of authenticity serves to reassure Muslims as well as to reach out to non-Muslim clients who may be seeking a different financial product, one that has clearly visible ethical values. In effect, all sectors of the population are targeted as potential clients. ABSA, for example, promotes its services by explaining that Islam disciplines banks through its strict code of behaviour:

> You do not have to be a Muslim to achieve your banking goals through Islamic banking; you need only follow the discipline through which Islamic Banks are governed...This is where discipline comes in: by inculcating and strictly following a set of rules, we are able to much more easily prevail over the challenges of life.... (Muhammad 2010, para.8).

[34] Islamic windows are special facilities offered by conventional banks to provide services to Muslims who wish to engage in Islamic banking.

This package of religion and finance is promoted, for instance, as a powerful solution to high levels of illiteracy among the unbanked:

> Expecting a person to hand over his cash to the bank in exchange for a piece of paper he cannot read is unreasonable. However, as a faith-based offering, Islamic banking has huge potential in reaching the vast unbanked market in Africa (Moola 2008, para.7).

Conventional banks describe themselves as responding to the needs of Muslims to be Sharī'ah-compliant in all aspects of their lives. Yet, as already mentioned, this specialised market did not arise in response to social pressure from below, from Muslims demanding Shari'ah-compliant products. Rather, financial institutions are instrumental in promoting the idea that Muslims, and other discriminating clients, need these Islamic products. They are creating and marketing Islamic financial tools as vehicles through which Muslims can fulfil the requirements of their faith. They are, in effect, creating the very conceptual and material environment through which they can then sell their Shari'ah-compliant financial instruments. The fact that banks are also including non-Muslims as potential clients for Islamic products is remarkable in and of itself as it will unavoidably impact on the definition of Public Islam.

In this way, banks participate in the construction of Public Islam and produce new views of normativity; using Islamic products is presented as a *sine quo non* for being a good Muslim. Islam finance, in effect, is a site of new articulations between culture, religion, and economic action as it carves out a new space on the border of religiosity and consumerism. This action is necessarily framed by the political system in place. The state recognises the benefits of Islam for the country. An important goal of the state is to foster economic and social development within the constrained context of neoliberal policy and it looks to private sources, such as Muslim wealth, to

these ends. An interesting meeting place between these state goals and Muslim communities is that of *zakat*. The practices of zakat (obligatory charity) and *sadaqah* (voluntary charity) are seen as being beneficial to the whole country and contributing to nation-building.

The state is emphasising the contribution of Islamic finance in "establishing a positive environment that will facilitate nation-building and community upliftment" (Manuel 2007, para.7). The former Minister of Finance, Trevor Manuel, recognises that "SA has some 350 000—400 000 Muslim households creating a potential savings and investment market of R1.8bn a year" (Manuel 2007, para.12). At the 2007 International Waqf Conference, Manuel pointed out that the pool of savings made through *waqf* can be utilised amply and efficiently for the benefit of society. Waqf is a voluntary perpetual charity where the donated capital is invested and the revenue utilised to ensure the general wellbeing of all Muslims. The South African state recognises the benefits emanating from this private provision of welfare, as Manuel declared: "In the battle to win hearts and minds, it is important that we emphasize the important role that Sharia funds can make towards promoting development and fighting poverty" (Manuel 2007, para.17). This interaction between the state, financial institutions and Islamic organisations is actively shaping Public Islam in contemporary South Africa. Muslims debate this representation as they ask what place Islamic finance occupies in their lives.

Muslims at the Crossroads of Faith and Expanding Financial Markets

> Islamic finance is having transactions that are favourable in God's eye. You can make a lot of money, a nice thing for Islam, and have God's blessing (Ibrahim, personal communication, Cape Town, 2010).

Muslim publics—discursive spaces formed by multiple and competing interventions—have arisen in response to the action taken by financial institutions and the state to create and market Islamic products. Muslim publics point to the dynamic associations between systems of belief and financial institutions as the latter strive for acceptance and legitimacy. This raises the question of whether and how Muslims come to accept these banking and financial services as authentic, because they are Shari'ah-compliant, and indispensable to their lives. The tension lies in what appears to be a noticeable turn towards greater compliance with globalizing norms of Islamic behaviour. In practice, within the African context at least, what appears to be convergence towards a homogeneous idea and practice of religion is in fact a superficial veil that reveals much more complex patterns of identity, politics and culture (Tayob 2008). It is in these specific, local sites that religious leaders need to gain legitimacy.

Muslim publics are the spheres of exchange within Public Islam where views and actions are expressed and concretised (Tayob 2007, 1). There are many Muslim Publics in response to the production of Public Islam and this is reflected through the different positions being adopted as Muslims interact with financial institutions. Discursive spaces are forming around the practice and presentation of Islamic finance and banking and can be distinguished by at least four themes: questions of identity for Muslims living in South Africa, historical relations with banks and financial institutions, Islamic finance as a Muslim project within a secular country, and faith as personal practice.

1. South African Muslims and Muslims living in South Africa

A first element of Muslim publics in South Africa is the question of identity. A common Muslim identity is not easily achieved in South Africa. According to Ibrahim, "There is not one Muslim voice to speak in unity about the cultural group's interests but rather a thousand voices" (personal communication, Cape Town, 2010). To be a Muslim, to be South African, and to be African is the challenge facing Muslims as the African continent witnesses the unfolding of the re-naissance of Africa (Jhazbhay, 2000). Ethnic, linguistic, and cultural dissimilarities produce important differences between localised communities throughout the country. Yet, Muslims were drawn together in the struggle against apartheid and through local resurgent organisations, which introduced and shaped a modern Islamic paradigm. Muslim identity was forged through the struggle: "during apartheid we clung to our fundamental Muslim principles. We had a reinforced community identity brought about through the racial segregation put in place" (Ali, personal communication, Cape Town, December 3, 2010). The resurgence of Islam in South Africa drew on liberation struggles worldwide and on the emergence of global Islamic ideology as it became a contender for power in various Muslim states (Tayob 1995, 188).

The end of apartheid changed the status and place of Muslims within the country as it acknowledged the cultural heterogeneity of its citizens. Cultural diversity and customary authority operate within a political agreement set out by the South African state and embedded in the 1996 constitution. There is recognition that in a world characterised by many religions co-existing side by side, Islam must live in peaceful co-existence with other religions and be willing to be a part of a multi-faith world (Pahad, 2006). In line with rights conferred in the constitution, Muslims regard as important the commitment by the state to ensure that they enjoy the same

benefits from the banking sector as do other South Africans (Aisha, personal communication, Johannesburg, January 21, 2011). Islamic finance is seen as part of this new political context where Muslims are a minority group and, as such, need to have their rights secured (Khaled, personal communication, Johannesburg, January 27, 2011). Access to Islamic finance is viewed as a constitutional right.

Islamic finance is also perceived as a structural force that has grown through association with influential people in government. Trevor Manuel, former Minister of Finance and now currently serving in the Cabinet of South Africa as Minister in the Presidency, is considered to be a friend of Cape Town's Muslim communities, even though he is not a Muslim (Malika, personal communication, Claremont, December 18, 2010). Malika, a business woman living in Claremont, Cape Town points out that Manuel was influenced by strong Muslim activists and politicians such as former Western Cape Premier Ebrahim Rasool and Dullah Omar, former Minister of Justice. Malika mentioned that Manuel's 2007 speech at the international AWAFQ conference held in Cape Town makes the link between the state and Muslim wealth. The state sees the pools of savings created through awqāf as a way to tap into Muslim money for the benefit of society.

This relationship with the state is reciprocated through legislation as the government sees the potential of Muslim economic action and puts in place specific legislation to enable Islamic finance. For this Muslim, the state sees the affluence being generated by these communities, such as Johannesburg Muslim entrepreneurs and business people who are moving up in companies, becoming wealthier and accumulating capital reserves (Ali, personal communication, 2010). Islamic finance is therefore underpinned by the strengthening positions of Muslim communities and their relations to the state. This relationship gives Muslims "the strength and

resources to punch a particular agenda. We have contacts in financial and legal services; people in positions of power to help us with our agenda" (Khaled, personal communication, 2011). Muslims have strong connections to the government in power and the rising power of their communities in the country underpins a strong connection to a common South African identity.

But there are tensions as Muslims experience ongoing divides based on class, race, and geography. Malika says that "in principle there is one Ummah[35] but in practice this is not so. We have been brainwashed to divide. The indoctrination about being a Muslim, being 'coloured' is still there; it is inherent" (Malika, personal communication, 2010). She goes on to say: "Here in the Western Cape the community is diverse; there are Arabs, Malays, Xhosa, people from the African continent. We are all Muslims—at prayer we are all one but as soon as prayer is over we are back into our divides" (Malika, 2010). This is witnessed by the divide between richer, more established Muslims in the urban areas and those living in townships, often refugees and migrants coming from West and East Africa, who are regarded as a charity case, without access to the educational systems, mosques, and financial institutions that the richer Muslims frequent. Rigorous criteria governing Islamic loan arrangements mean that it is mainly the affluent who take advantage of services like those offered by Al Baraka Bank (Jeppie and Vahed 2005).

There are other divides highlighting descendants from Indo-Pakistan culture, resident in KwaZulu-Natal and the Johannesburg-Pretoria belt, from those in Cape Town, who look to Malaysia and Indonesia as their roots. For example, Oasis, the investment fund, was established by three Muslim brothers who grew up in Cape Town. While Oasis operates in the whole country: "they donate money to the local

[35] Ummah is an Arabic word that means community or nation. The term Ummah is used in reference to the community of believers in the Islam religion.

community and build on historic relationships with families and business here in Cape Town" (Fatima, personal communication, Bo-Kaap, October 13, 2010). Oasis has a privileged position with Muslims and their involvement in the community is a source of pride. "My parents told me about Shari'ah compliance, we talked about finance during supper conversations. Oasis was portrayed as the good guys, new on the market" (Ibrahim, personal communication, Cape Town, 2010). Another South African Muslim commented that "Oasis started giving donations to sports activities for Muslims; the interest from their investments that they could not use was filtered back into the communities. This is how they got to be known and started growing" (Fatima, personal communication, 2010). Al Baraka Bank is considered to be a Durban bank and oriented towards the Indian community living there (Fatima, 2010). The bank did not do well in Cape Town because it is oriented towards the Durban Indian community. These historic relations play out with individual conventional banks, as the next section demonstrates.

2. Historical Relations with Banking Institutions

One of the characteristics of the Muslim communities in South Africa is that most of their members are already 'banked.' They have a history with specific banks and do not take transferring to new institutions lightly. Historic relationships of trust, and not only compliance to Shari'ah law, underpin Muslims' decisions of with whom to bank and do business. Research demonstrates that there is a particular attachment to FNB as it was one of the first banks to employ 'coloured' people during apartheid (Fatima, personal communication, 2010). FNB is one of South Africa's 'big four' banks: the FirstRand Bank, who are the operators of First National Bank (FNB), the ABSA group (Amalgamated Banks of South Africa), formed in 1991 and owned by

Barclays[36], Standard Bank, and Nedbank, owned by Old Mutual. "Whoever was learned and had capabilities went to FNB; managerial positions were offered to coloured girls" (Fatima, 2010). This was one of the few openings for women from these communities and current banking consumer patterns reflect these family traditions and relations of employment established during the apartheid years.

ABSA is referred to as the Boer bank because of its links to the Volkskas Bank. Volkskas Bank, founded in 1934 with clear associations with Afrikaner nationalism, merged with United Bank, Allied Bank, and Trust Bank to form ABSA in 1991. "Volkskas was the bank nobody wanted to do business with during apartheid. ABSA [Volkskas] had the Afrikaners, Barclays had the others, and when Barclays pulled out because of sanctions, it became FNB" (Fatima, personal communication, 2010). Fatima adds that "the coloured Muslims went to FNB, which employed them; FNB was not associatefor braudeld with the Afrikaners or with the apartheid regime as was Barclays, who tried to continue operations in spite of international sanctions".

These patterns of banking continue on to the next generation. Abdullah, a student at the University of Cape Town, says that he banks with FNB because his whole family banks with them (Abdullah, personal communication, Pretoria, 16 January, 2011). Aisha (personal communication, 2011) banks with Standard Bank, as does her family. She says that her parents stayed with Standard Bank and so shall she. Her family's experience with Islamic products took place through her father's operations with Al Baraka Bank where he had an account. The family had some complications with the bank when her father died. Aisha believes that the bank did not have the necessary infrastructure or expertise to deal with this particular process

[36] In 2005, Barclays bought a majority stake in the ABSA Group, one of South Africa's largest financial services organisations.

and the experience has left a bad impression with the family (Aisha, personal communication, 2011).

Bad experiences such as these leave their mark and speak to the reluctance of some Muslims to reinvest with Islamic institutions. Muslims interviewed spoke of the failed Islamic Bank that began at the same time as Al Baraka Bank and folded in 1997. Muslims they knew had invested in this financial project, symbolic of renewed Islam worldwide and the change of an era as apartheid came to an end. Muslims also link the establishment of this new Islamic Bank to the 1997 Asian financial crisis and the desire of Muslims to put their money somewhere different, more secure, and in line with their beliefs. Those who had invested in the bank lost considerable capital and this has had an impact on other Islamic financial institutions. "Muslims feel safer with the big four [banks] who can cover their losses" (Fatima, personal communication, 2010). Using conventional accounts with these banks and making personal decisions about how to redirect the interest gained in their accounts, usually through charity organisations, is an alternative to using Sharīʿah-compliant products offered by Islamic institutions or services. And yet, the Muslims participating in this research are adamant that Islamic finance is an important component of their faith and that it must continue to exist as an institution.

3. *Shari'ah-compliant Finance, an Islamic Project within a Secular Country*

The 2008 global financial crisis strengthened the Islamic cause, suggesting that an economy based on western finance is doomed to repeated breakdowns. "We are looking for alternatives to this [conventional] system. A fair percentage of users of Islamic finance products are not Muslims but ordinary people who do not want to be exposed to fluctuation, erratic fluctuation" (Ali, personal communication, 2010). For

Ali, the Islamic economic project is seen as offering a middle road, another third way, between capitalism and communism. This vision takes on a special meaning in the South African context where there is an alliance between the South African Communist Party, the trade union federation Cosatu, and the government, which has adopted a clear neoliberal agenda. Ali believes that "our communists within the government can recognise and associate themselves with Islamic finance principles" (Ali, 2010). Islamic finance is a rallying point between unbridled riba-based capitalism and socialist models. It is an alternative ethical banking and financial system that recognises and promotes trade and investment in tangible projects but denies speculation and so reduces risk. While the South African context is that of a minority Muslim population, Ali's analysis echoes Weiss's (2002, 9) observation that "[the Islamic state in a context of modernity] became the cornerstone of the argumentation of the various Islamist and other critical scholars, who rejected both the Western Capitalist and the Socialist models".

Islamic projects, such as the Muslim Youth Movement's (MYM) action to establish the South African National Zakah Fund in 1977, brought questions of Islamism and finance to the fore towards the end of apartheid. Zakat (or Zakah)—charity—is the second pillar of Islam and seen as a religious obligation, a social responsibility that needed to be renewed in the context of Islamic revival in South Africa (Tayob 1995, 121). The MYM made the collection and distribution of zakat nationwide and turned this personal duty into a social obligation that was collectively managed. Islamist projects became more challenging within the secular political context of post-apartheid South Africa. The issue for Muslims in the current context appears to be how to ensure the validity of Shari'ah compliance in a secular political setting.

For Muslims there is a mixture of appreciation in being able to comply with Shari'ah law in matters of personal finance but there is also a tension as they question to what extent Islamic finance can be authentic in South Africa: "I'm sceptical as to whether you can have truly Shari'ah-compliant products in a secular context" (Ali, personal communication, 2010). One aspect of the discussion questions 'Islamic windows' established by mainstream banks. A principal concern here is that banks such as ABSA adopt models for Islamic finance that were elaborated in Muslim majority countries and are applied to a Muslim minority situation (Vahed and Vawda 2008, 463). These Islamic sections within conventional banks are criticised on the ground that they cannot reflect the true Islamic spirit and teachings because the banks themselves are devoid of religious conviction and operate in a broader secular setting. While influential legal scholars, known collectively as *Ulama*, such as Mufti Taqi Usmani, permit 'Islamic windows', as long as the funds are completely segregated, (2008: 464) debates about the desirability of these dual banking systems are ongoing.

Yet permission or authorisation by international scholars cannot take into account what takes place in the physical space of a financial institution where human exchange takes place. A Muslim client reported overhearing a conversation being conducted by bank staff that was highly questionable in an Islamic context. This Muslim has a holistic approach to finance and believes that Islam is more than economics. It is not simply a religion; it is a way of being, of life. For these reasons, he feels a lot more sceptical about an institution that is not purely Shari'ah based (Faheed, personal communication, Cape Town, 20 November 2010).

This feeds into a distinction made by Muslims interviewed between financial institutions that are Islamic and rooted in historical relationships to Muslim communities, such as Al Baraka and Oasis, and conventional financial institutions

that are perceived as getting on board for the profit. "Islamic windows are just a way to tap into this money; a way to get to the wealth created by generations of Muslim traders" (Malika, personal communication, 2010). "Conventional banks have looked overseas and seen that there is a growing market for Islamic products. They saw that Shari'ah finance has not been as affected by the financial crisis as much as they [conventional banks] were" (Khaled, personal communication, 2011). Khaled goes on to add that the question for these banks is "how can we push our products and make more money". The emergence of Islamic finance is driven by big financial institutions: "I think the banking industry realises that there is a market to be tapped into. It is profit driven—the big four banks do not want Al Baraka, the Bahrain based group, to have the market" (Abdullah, personal communication, 2010). Aisha concurs with this explanation and adds that the banks try to offer these Islamic services and then manipulate people to feel that they should use them (Aisha, personal communication, 2011).

While ABSA reports that only about 5—10 percent of the total Muslim population in South Africa uses Islamic products (Moola, 2009) and that this leaves a significant growth opportunity for Islamic banking, Muslims do not appear to think that they absolutely must use Islamic products in order to be pious. Aisha conducted an informal survey amongst her friends on Facebook, asking them: "why don't people use Islamic banking?" (Aisha, personal communication, 2011). The answers that she received ranged from the lack of adequate security underpinning the Islamic banks to impressions that Islamic banking is a gimmick—there are Islamic principles on the outside but the transaction itself is interest-based and thus, the result is the same and Islamic finance is actually more expensive than conventional banking. Other reasons given include insufficient ATMS, branches, and support staff. Instead of banking with

Islamic products, the young adults who answered the survey appear to believe that Muslims can be compliant with Shari'ah law through personal decisions and actions, without the mediation of a financial institution.

4. Personal Actions in Response to Shari'ah Law

The rhetoric supporting Islamic finance is that if institutions don't provide the necessary Shari'ah-compliant products, millions of Muslims will remain torn between the practical necessities of economic life offered by conventional financial institutions and their traditional Islamic beliefs. Yet, as the preceding section demonstrates, the association between faith and financial products is not that simple. The intensity and extension of Shari'ah's normative power varies historically and geographically. Muslims do not inevitably feel that they are torn in the way described above. "My older brother, a solid Muslim and good in economics, does not know that much about Islamic banking. Whatever interest he accrues, he puts into a separate account and gives it to charity" (Khaled, personal communication, 2011).

Many Muslims in South Africa are continuing with their mainstream banking practices and putting into practice their personal interpretation of Shari'ah law supported by fatwas, public teachings, and private readings. A practicing accountant explained that he is repositioning himself as a Muslim. Personal research is guiding or guides the reawakening of Islam within himself: "I am reading books [such as *The Prohibition of Riba in the Qu'ran and the Sunnah* by Imran N. Hosein] and have thought about the economics of my life" (Ali, personal communication, 2010). Fatwas available on electronic Islamic advice forums are an important source of counsel for Muslims and contribute directly to shaping their actions in relation to finance. For instance, a Muslim asked: "Can I use the interest money to pay bank

charges" (Tarmahomed and Desai 2010, para.1). The answer, "Bank charges are legitimate service fees. Hence, it will not be permissible to use interest money to pay for bank charges," was given by Mufti Suhail Tarmahomed and checked and approved by Mufti Ebrahim Desai of the Jamiatul Ulama (KZN) Fatwa Department. The work of international scholars, such as Usmani's *The Disposal of Interest Money*, (2010) are available in South Africa through these Islamic portals. Electronic sites such as the following one, www.fatwa.co.za and the Islamic Finance Institute of Southern Africa, www.ifisa.co.za/ contribute to discussions by making shari'ah opinions on economic decisions taking place in South Africa available to the public.

Ibrahim, the UCT student, shared that:

> a friend of mine wanted to play the stock market but I advised him to invest rather in Oasis which is Shari'ah-compliant. Acting in the right way according to God, this is the most important thing. Life is temporary, we are really living for the afterlife, for ever—so why make an extra couple of thousands and have God's wrath upon you. It is not worth it (Ibrahim, personal communication, Cape Town, 2010).

Ibrahim explained: "I have personally been saving up funds from my allowance and I know it has to be placed in a Shari'ah-compliant product" (personal communication, Cape Town, 2010). For Ibrahim this is possible through the investment group, Oasis. Talking with other young Muslims on the internet and in his study circles has reinforced this understanding of Islam—that you are personally accountable and need to practice your faith in the right way. Friends form groups and get together to discuss Islam and how to practice their faith in everyday life. "Inner consciences tell us Muslims to steer more to the religious way of doing things and when it comes to finance, the young will go to specialised classes which instruct them as to what they must do" (Fatima, personal communication, 2010).

"Religion is a personal thing" (Khaled, personal communication, 2011). Khaled explains: "it is personal because we come from minorities—Indian culture minority and Muslim minorities in society and we live our faith within our communities." In effect, decisions such as whom to bank with are seen as "very personal" (Aisha, personal communication, 2011) and not made only in accordance with Islamic teachings or what the banks say that we should be doing. Malika uses a variety of banks to meet her financial and banking needs (Malika, personal communication, 2010). She banks with FNB for personal and private affairs but her business accounts are with Standard Bank which has the scope to do international money transfers, letters of credit, and instruments of trust. She will not use existing Islamic financial services for these commercial transactions because they do not have the expertise and global reach. When dealing with business partners, she will personally apply Islamic principles, even if the other person is not Muslim. It is up to her as a practicing Muslim to be compliant with Shari'ah law and she has integrated this ethic into her practice. "The difference is the attitude and operating in good faith. We need to be ethical" (Malika, 2010).

These experiences demonstrate the complex relations that Muslims have with banking and financial institutions. Salvatore notes that: "the intimate field of belief recalls what is on the surface, on display, and the related games of representation" (Salvatore 1997, 27). In other words, there is interplay between public manifestations of Islam, regarded as socially and politically important in the new South Africa, and 'inwardness', inner reflections on the meaning of Islam for Muslims living in South Africa. The dialectic between publicness and inwardness is producing public support for Islamic finance as Muslims continue their historic practices with conventional financial institutions. These interactions between the two, far from being paradoxical,

combine to produce the complex social contexts in which financial institutions have to operate.

Islamic Finance in South Africa and Beyond, Contextual Challenges for Financial Institutions

Everyday actions at the intersection of religion and the economy are culturally and historically specific and this will shape the development of Islamic finance. This speaks to Braudel's (1982: 136) observation that economic action at the village market can impact on the upper end of the scale, and vice versa. Religion, as an additional category of analysis for political economy, calls us to think anew about how faith, economics, and society interact and about possibility lines of influence. There are no simple correlations between faith and the economy but rather complex socio-political and economic settings which need *in situ* analysis. Muslims make economic and financial choices that reflect a myriad of contextual and historical factors, reflected in Muslim Publics—discussions, debates, and gestures that concretise ideas about Islam in everyday lives. While relatively little research has been conducted into consumers' perceptions, support and satisfaction with Islamic bank services, findings indicate that religious motivations are but one of multiple factors that influence the choice of banking and financial services (Gait and Worthington 2008, 789).

These debates, discussions and gestures are framed by Public Islam as the South African state and financial institutions adapt the language and ideas of global Islamic finance to the national context. Banking and finance institutions see Islamic finance as offering significant prospects for growth, both domestically and regionally, and are actively promoting its development. The economic goals are being supported

by the South African state as it sees its own gain in this niche market. In this respect, the South African state is reacting as are many other states globally. The growth of Islamic finance worldwide has depended on the willingness of national governments to support its establishment (Gait and Worthington 2008, 799). In the case of South Africa, supporting Islamic finance is a good policy move as it believed that it will not only bring profits to the domestic financial sector, thus increasing national wealth, but will also help position South Africa as a key regional financial hub.

South African Muslims, the potential clients of these banking and financial services, see the action taken by the state to recognise Islamic finance as an appropriate response towards meeting the needs of minority groups whose rights are secured in the constitution. The development of Islamic finance and banking is considered an obvious and positive outcome of post-apartheid democracy and cultural pluralism. But, in spite of increased access to Islamic financial products, Muslims have not integrated into this faith-based market to any meaningful extent. This is worthy of note. Muslims do not feel automatically or necessarily part of this new market.

The global trend towards greater conformity to an Islam being constructed through a text-approach to religion needs to be placed side by side with the new social and political roles of Islam at local levels. Islamic identities as religious identities are compounded by class, nationality, and ethnic origins (Tayob 2009b, 262). Recent research underpins these findings, arguing that "piety or religious principles need to be analytically crossed with class and identity in understanding what shapes individual demand for Islamic banking products" (Pepinsky 2010, 21). In sum, there does not appear to be a straightforward correlation between the provision of a material

basis for the expression of faith and a corresponding adoption of, or identification with, Islamic finance.

This suggests that as Muslims debate what, if anything, Islamic finance means to them in their lives, financial institutions will not be able to automatically expand their operations as rapidly or as extensively as hoped. Potential for new markets and growth is obvious but creating the market for them is challenging. This is particularly significant for banks, such as ABSA, as they aim to create domestic markets for Islamic finance elsewhere in Africa. Not only is there no simple correlation between faith and banking practices but: "Islam in Nigeria differs from Islam in Kenya and from Islam here. The banks are going to have a hard time integrating into these communities" (Malika, personal communication, 2010). Malika elaborates by explaining that,

> It is more likely to be local banks that have success with local Muslims because of elements of trust. Being Muslim is not enough, you have to train locals and you also need people of elite and power to be in the banks. Those who chose to bank with you will do so because they know who is employed there; it will be their families, their cousins, their aunts, and close friends (Malika, personal communication, 2010).

Norms are constructed in a particular place for a particular time. Consequently, an important point of tension emerges as Muslims take into account multiple factors when choosing financial services: their faith and traditional responses to its set of values, the efficiency of financial institutions and cost of transactions, the narratives surrounding financial institutions—especially stories about trust and confidence, and how these tie into their historical relations with these institutions.

Conclusion

For Braudel (1982: 555), civilisations contain elements of both the permanent and the changing. Islamic finance is an 'edge' where economy, faith, and state meet.

Islamic finance arises out of distinct historic, ideological and material foundations. Abraham (2011) argues that the most important point to grasp in understanding Islamic finance, the most developed aspect of Islamic economics, is that it is a manifestation of Islamism. The rules governing Islamic Finance are derived from the Shari'ah. The Shari'ah is a framework of Islamic Jurisprudence derived from the primary sources: the Qur'an and the teachings of in the Sunnah. In addition, there is a vast body of secondary source of common law rulings and scholarly interpretations referred to as Fatwa's. Fatwas occupy a special place between Shari'ah Law the changing realities in financial markets. In other words, there are important cultural and historical differences between Islamic and western liberal capitalism.

The current revival of Islam worldwide builds on historic and even ancient world-systems of shared social networks, concepts and symbols that provide a sociomoral foundation for transregional communal identity (Voll 1994, 221). Braudel (1982: 556) reminds us that trading and financial practices that we take to have emerged in the West, in the medieval Italian city-states and in the Roman Empire were borrowed and adapted from Islamic world-economy, part of a vast trading zone that stretched from Gibraltar to China (1982: 557). Muslim economy grew on established sets of links between merchants of Spain, North Africa, Syria, Iran, Gujerat and to the East Indies (1982: 558). Braudel (1982: 559) clearly points out that the long-distance trade on which early capitalism emerged, was not an inheritance from the Roman Empire but took over from the great age of Islam in the eleventh and twelfth centuries.

This chapter demonstrates, through interviews, text, and other data collected, that Muslims in South Africa feel part of an ancient and ongoing Muslim world-community. Islamic finance is thus both continuity with an ancient past and

discontinuity, with the current dominant liberal capital system. Voll (1994: 225) argues persuasively that there can be more than one world-system at a time: they may compete and they can also operate in different dimensions of a social system. This speaks directly to Braudel's claim that world-economies can exist simultaneously, that they can be governed by different cultural values and meet and over overlap. The concept of world-economy analytically permits for an assortment and range of social orders to exist around the world. The reason that we may have some difficulty in thinking about multiplicity of world-economies is because we continue to think in terms of twentieth century modernisation theory where linear progress and stages of development bring all countries to a western liberal end. Diversity in South Africa is what makes it such an interesting case for studying multiplicity, movements of convergence *and* discontinuity in the world order. Overlapping is taking place in very remarkable ways in Africa and, as this chapter demonstrates, in South Africa.

Outcomes of this meeting between faith, economic practices and the budding Islamic global finance are being harnessed by the state to underpin its foreign policy goals on the continent. As Verhoef (2011) observed, the transition to democracy and the end of political and economic isolation permitted South African domestic conglomerates to internationalise. The financial and banking sector are amongst the leading companies to enter African markets. One of the ways that the state is facilitating this expansion is by harnessing the power coming out of global Islamic capital. This is one of several elements underpinning its continental ambitions; the theme of the next, and the last, substantive chapter.

Chapter 7

'GATEWAY' TO AFRICA: SOUTH AFRICA'S CONTINENTAL AMBITIONS

The preceding chapters convey the multiple ways in which capital, the state, and society are articulated in South Africa. These sub sets, or dimensions, of South African society indicate an overall movement of change when we place them within the state's new foreign policy goal of becoming Africa's leading financial centre and gateway. This foreign policy goal may give the impression of a well-thought-out and carefully implemented master plan by the government and business elite that can explain, *a posteriori,* domestic and foreign policy goals since the end of apartheid. On the contrary, my belief is that this vision arises as shifts in the global patterns of production, trade, and investment create fresh opportunities for the country. In other words, the ANC government did not aim to make South Africa a leading African international financial centre in 1996; however, today, that status is a very real possibility.

This chapter studies how South Africa is using the moment of discontinuity in world order to further its regional power and build its own regional world-economy. It is doing this by connecting more closely to a China-centered world-economy and the resources generated by the rise of emerging economies and their links to Africa. This element of ANC's foreign policy—to place Johannesburg as the leading African financial centre—needs to be situated within the broader changes taking place on the global arena. In the last two decades, South Africa has moved from pariah state to new player on the global scene. The world in 2012 is a very different place for South Africa as it forges new relations with Asia, Latin America, and other emerging regions. South Africa has been identified by China—the key player in the emerging

multipolar world order—as the geopolitical representative of the continent for the international political organisation of leading emerging economies, the BRICS (Brazil, Russia, India, China, and South Africa). The undeniable and steady move to a multipolar world order is accompanied by the increasing influence of the BRICS. These developments are having a vital impact on South Africa's domestic and foreign policies. The changing world order is providing important windows of opportunity for South Africa as centers of power of the last century shift, and space for fresh prospects is created. These developments are conveyed in rhetoric of new alliances, global change, and new opportunities, as is evident in the following excerpt of the South African Minister of International Relations and Cooperation's speech:

> Led by President Zuma, we joined the BRICS formation, just a few years after we co-founded IBSA [India, Brazil, South Africa], as another important formation to champion the cause of the marginalized, and to bring their voice into the political space that will craft our common future. We have maintained excellent bilateral relations with each of the BRICS countries and our membership binds us in a community of nations that are at the cusp of the wave of change. We must direct our energies to ensuring that this results in tangible outcomes that improve the lives of the people in South Africa, Africa and in the countries of our partners (Nkoana-Mashabane 2011, para. 32).

South Africa's foreign policy is geared to securing the role of gateway to Africa; IBSA and the BRICS are to provide this link with the African continent (Lianxing 2011). This chapter looks at how South Africa's foreign policy is an active component of the changing structures of the current world order. The meta-narrative being explored here is the integration of states and capitalism along Braudelian lines, with South Africa and its pursuit of gateway status amplifying the pressures on the dominant world order. The significance here is to think about how historic global patterns of production and investment facilitate South Africa's emergence as a key regional player.

This chapter thus examines movements in the global economy that are influencing South Africa's place as rising actor in a multipolar world. The first section examines Braudel's analytical category of 'world-economy.' The question of moving centres of power that mark changes in the world-economy is of importance here. There is a conventional wisdom that we are seeing a shift in power from the West Atlantic region, notably the United States, to the Asian Pacific political economy. I believe that these changes are visible in Africa. This is the theme of the second section, Africa Looks East. The third section looks more closely at the reasons that China is interested in South Africa. The fourth section examines South African foreign policy and its aim to situate Johannesburg as Africa's leading financial centre and operating base for continental business. The fifth and final section identifies possible obstacles to this ambition, notably the political, social, and economic tensions within the country. This is followed by the conclusion, which argues that an important line of investigation for further study is to consider to what extent, and in what ways, an African financial centre is a departure, or not, from historic North American and European financial centres.

Shifting World Order

We are living in unusual times. Historic poles of economic and political power are facing unprecedented challenges and new centres of global political economic power are surfacing. There is a growing understanding that the United States and Europe have to adjust to an encroaching multipolar world, characterised by a 'rise of the rest,' notably the BRIC countries (Brazil, Russia, India, and China). This shift is being accelerated by the 2008 financial crisis and global recession. As an indication, the American stock market lost around one-fifth of its value in the decade preceding

2009, while emerging markets have registered gains in the double and triple digits (Timmons 2009, para. 1). Patterns of wealth are not only changing globally but are shifting within the economies of industrialised countries. Data collected by the *New York Times* (Deparle and Gebeloff 2010) demonstrates that, following the financial crisis, around 1 in 50 Americans in 2009 received no income and lived off food stamps provided by the state. According to Goldman Sachs (Rao 2009, 17), a rebalancing of global consumption patterns away from advanced economies and toward emerging markets is occurring and is reflected in record levels of funds flowing into these countries. Given its low savings rate, the US economy now depends heavily on foreign capital inflows from countries with high savings rates such as China and Japan.

China is the world's largest and fastest growing holder of foreign exchange reserves (FER) and has invested a huge share of its FER in US securities. As of November 2011, China holds $1 13 trillion of US treasury securities (US Department of the Treasury/Federal Reserve Board 2012). This is changing diplomatic relations between the two countries. During President Obama's first official visit to China in 2009, Chinese officials asked their American counterparts detailed questions about the health care legislation, wanting to know how the health care plan would affect the US deficit (Cooper, Wines, and Sanger 2009). The *New York Times* reporter Helene Cooper explains: "Like any banker, they wanted evidence that the United States had a plan to pay them back" (Cooper, Wines and Sanger 2009, para. 4). The central question raised by the Chinese was how much the health care bill would raise the national deficit. Even though the Obama administration argues that health care "[w]on't add a dime to the deficit and is paid for upfront" (Obama 2009, para. 15), if China decides not to continue financing U.S. debt, the health plan could be affected

through a possible devaluation of the dollar, additional financial crises, and a retrenched economy.

This snapshot of China–US relations points to deep transformations of global economic currents and new trends in world trade and investment. Significant changes to the pattern of trade and investment include the increasing role of major emerging markets, especially China, and shifts in the organisation and structure of global production (UK Department for Business, Innovation and Skills 2010, 3). Figure 16, which charts movement in GDP, shows these shifts. We can see that China has moved past Japan to become the world's second-largest economy; Brazil has surpassed Spain and Italy as the world's seventh-largest economy; and India and Russia have moved into ninth and eleventh positions, respectively (Wilson, Burgi, and Carlson 2011).

BRICs Move Up USD-denominated GDP Rankings

	2007	2008	2009	2010	2011*	2012*
1	USA	USA	USA	USA	USA	USA
2	Japan	Japan	Japan	China	China	China
3	China	China	China	Japan	Japan	Japan
4	Germany	Germany	Germany	Germany	Germany	Germany
5	UK	France	France	France	France	France
6	France	UK	UK	UK	UK	UK
7	Italy	Italy	Italy	Brazil	Brazil	Brazil
8	Spain	Russia	Brazil	Italy	Italy	Italy
9	Canada	Spain	Spain	India	India	India
10	Brazil	Brazil	India	Canada	Russia	Russia
11	Russia	Canada	Canada	Russia	Canada	Canada
12	India	India	Russia	Spain	Spain	Spain
13	Korea	Mexico	Australia	Australia	Australia	Australia
14	Mexico	Australia	Mexico	Mexico	Mexico	Korea
15	Australia	Korea	Korea	Korea	Korea	Mexico

*based on forecasts from our regional economists
Source: GS Global ECS Research

Figure 16: Shifts in Global GDP Rankings
Source: Data from Wilson, Burgi, and Carlson (2011: 2)

The BRICs' contribution to world GDP, as shown in Figure 16, is growing (Wilson, Burgi, and Carlson 2011). In 2011, the BRICs' GDP was over US$11.2 trillion, 75 percent that of the United States' GDP (2011: 2). The Goldman Sachs' report, *The BRICs Remain in the Fast Lane,* also highlights that the BRICs are the

dominant drivers of global growth, contributing to over 50 percent of global growth in the last three years; this compares to 27 percent for 2000–2007 (2011: 2). It is worth noting that the 2008 financial crisis did not adversely affect this growth, as it did that of the advanced economies.

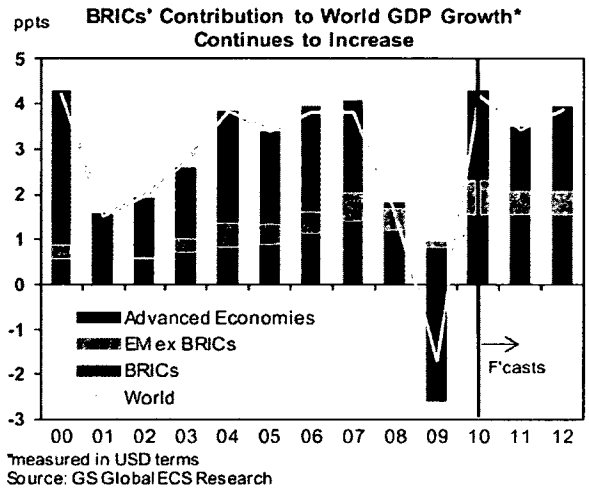

Figure 17: Goldman Sachs' Analysis of the BRICs' Contribution to Global GDP
Source: Data from Wilson, Burgi, and Carlson (2011, 2)

Figure 17 shows that negative growth in the advanced economies will place the BRICs' aggregate GDP ahead of the United States' in the next couple of years.

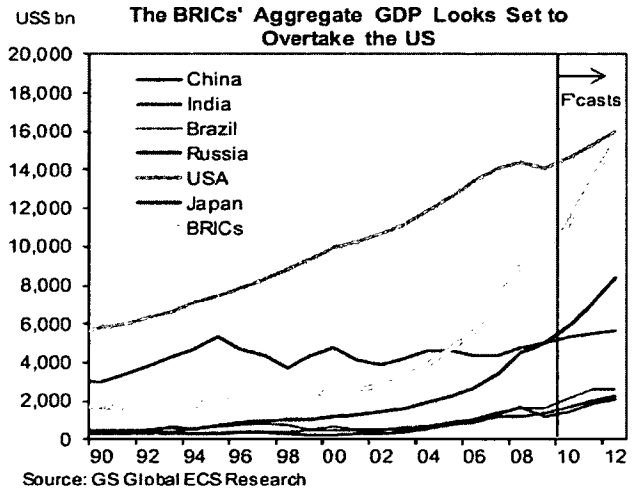

Figure 18: BRICs' Aggregate GDP will overtake the USA's
Source: Data from Wilson, Burgi, and Carlson (2011: 1)

The Goldman Sachs' report states that, while the BRICs' catch-up with the most developed countries had been forecasted, these shifts happened more quickly than the analytical team had envisaged in its 2008 projections before the financial crisis unfolded (Wilson, Burgi, and Carlson 2011, 2). This analysis is supported by the Carnegie Endowment's report, *The World Order in 2050* (Dadush and Stancil 2010), which argues that these trends in the global economy—the rapid shift in the world's economic balance of power from traditional Western powers to emerging markets—have been accelerated by the global recession that came on the tail of the financial crisis. In other words, or in Braudelian terms, the recession that continues to affect the West, in particular the United States and Europe, is a catalyst for a shift in the world order.

Braudelian World-economies

Braudel's concept of world-economy is helpful in analysing these new configurations of trade, investment, and power. As discussed earlier, Braudel examines the organisation of capitalism through its largest units and processes by distinguishing between *the world economy* and *a world-economy* (Braudel 1984, 21–22; italics in original). The former corresponds to the whole world, the market of the universe, the human race or that part of the human race that is engaged in trade and makes up a single market (1984: 21). The latter, a world-economy, is a large zone of economic coherence able to provide for most of its own needs, a section to which its internal links and exchanges give a certain organic unit (1984: 22). World-economies are composed of, at ground level, networks of local and regional markets, built up over centuries (1984: 36). These economies are drawn, albeit unevenly, into larger processes of trade and capitalism and are part of the interests of a dominant city or

zone until another 'organizing centre' emerges (1984: 36). Shifts in these centres of gravity are significant as they open up new perspectives for world order (1984: 32).

The interest in distinguishing a world-economy as an analytical unit within the sum of action of the world economy is that it permits us to identify changes in dominant currents of production, trade, and investment. What I believe we are witnessing is the decline of the US world-economy and US-led cycle of accumulation and the rise of a burgeoning Asian world-economy with China at its centre. An essential element of Braudel's argument is that the central core area changes political form. The European world-economy grew from a city-centred economy to a national one; in other words, the central core expanded from cities and their hinterland to regional economies and then to a dominant national economy. If we are indeed seeing power shift from the political and financial centre of the US world-economy and the New York–Washington nexus, to a Chinese world-economy with a Beijing–Hong Kong nexus, it remains unclear how this new core will become manifest. The rise of China is inevitable; but other powers are rising as well. This raises the prospect of not one superpower being replaced by another (or of one centre of gravity being replaced by another), but instead of US dominance being succeeded by a multipolar world, with several powers—including China—vying for dominance.

Braudel (1984: 26) argues that the boundaries of world-economies change slowly and under exceptional circumstances.

> The limits on one world-economy can be thought of as lying where those of another similar one begin: they mark a line, or rather a zone which is it only worth crossing, economically speaking, *in exceptional circumstances*." (Braudel 1984, 26; italics in original)

There is a general agreement that the financial crisis of 2008 created exceptional circumstances within the global economy. 2009 and 2010 were, to put it

in Goldman Sachs' terms (Wilson, Burgi, and Carlson 2011, 2), watershed years in this regard. As industrialised countries failed to fully recover output lost during the financial crisis, emerging economies were able to accelerate out of the global recession and overtake floundering western economies.

> What does seem clear is that the global credit crisis and its aftermath have caused more damage to the major developed economies than to the BRICs and N-11 countries. Consequently, our projection from 2008 that China could become as big as the US by 2027—and therefore the BRICs collectively as large as the G7 by 2032—now looks more, rather than less, likely as a result of the crisis (O'Neill and Stupnytska 2009, 4).

When the capital city of a world-economy is in decline or faces a major crisis, as is the case for the US, it sends ripples throughout the system to the periphery. These movements represent "massive historical shift of forces, revealing the precariousness of the previous equilibrium and the strengths of the one that was replacing it" (Braudel 1984, 32). These shifts in the world order become visible in Africa.

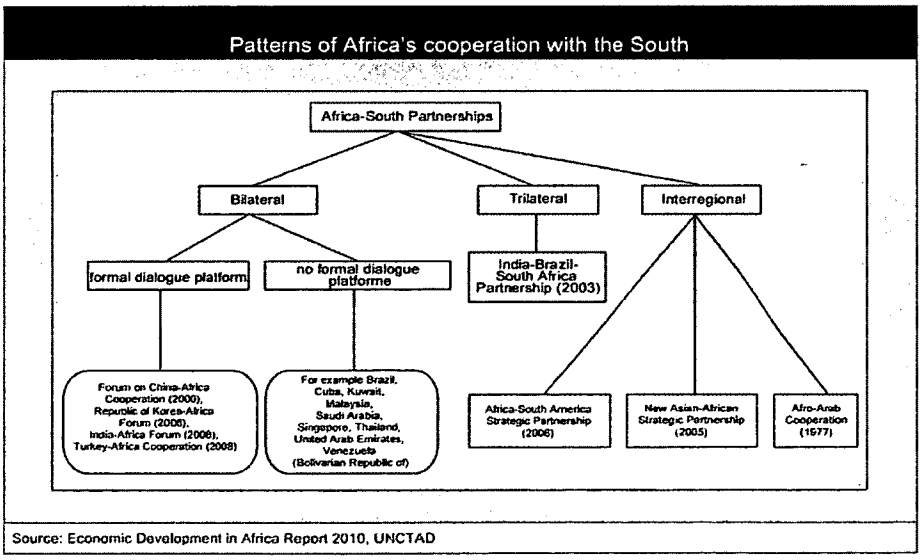

Figure 19: UNCTAD's Schema of New South–South Alliances
Source: Data from Economic Development in Africa Report, (UNCTAD 2010, 12)

The significance of the graphs provided by Goldman Sachs can be seen in the latest institutional arrangements between Africa and emerging economies, (Figure 19 above). This diagram offers a snapshot of increasing South–South economic interactions between Africa and China, India, and Brazil. These new trends in South–South economic relations are transforming traditional patterns of economic development, and this transformation is nowhere more evident than in African–Asian trade and investment flows (Broadman and Isik 2007). Africa, which has been on the edges of the North Atlantic world-economy for the last centuries, is being drawn into the rising Asian zone of political economic influence. Chinese President Hu Jintao underlines the substantive quality of these new patterns of political economic alliances in the joint declaration made at the 2006 Beijing Summit on the Forum of China–Africa Cooperation:

> We propose to enhance South–South *cooperation* and North–South *dialogue* to promote balanced, coordinated and sustainable development of the global economy to enable all countries to share its benefits and realize common development and prosperity (Shangwu 2006, para. 7; italics added).

The use of the word 'cooperation' for the South–South relations as opposed to 'dialogue' for North–South relations indicates China's intention to privilege the global South as its active trading and investment partners.

Africa Turning East

Since the early twenty-first century, there has been a sharp increase in non-western influence in Africa. A reason for this is the continuing higher than average growth rates in Sub-Saharan Africa (Shields 2011). Shields notes: "Against a threatening global backdrop, most economies in sub-Saharan Africa turned in a solid

performance. Growth averaged more than 5 percent and export shares stayed high" (Shields 2011, para. 3).

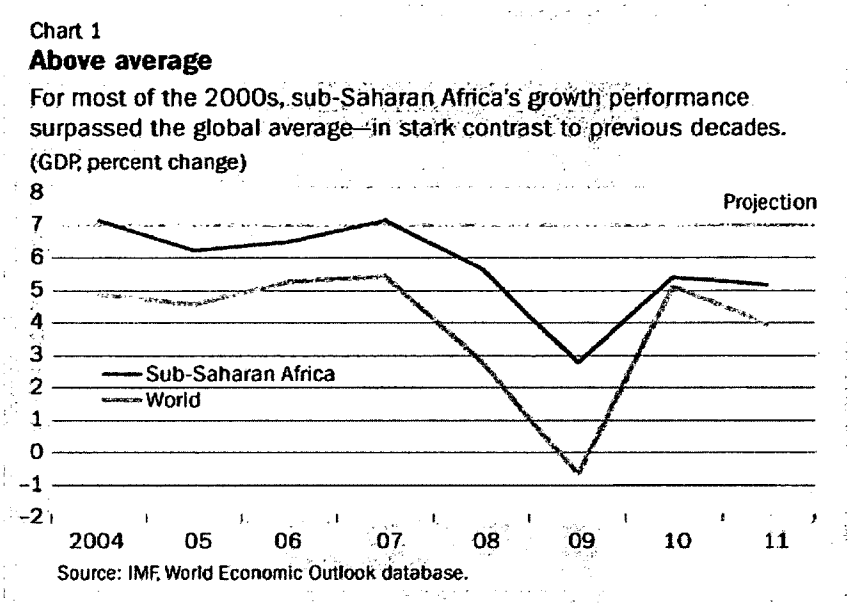

Figure 20: Sub-Saharan Africa's Growth Surpasses Global Average
Source: International Monetary Fund (Shields 2011)

The continent's accelerating and broad-based growth is underpinned by new trade links with Asia, especially with China who sees its relations with the African continent as part of its long term strategy (Wang 2007). The continent's mineral resources and oil are the foremost reason why Africa is of such importance to China (Sanlam 2011; Wang 2007). The World Trade Organization (WTO) reported a 50 percent increase in China's imports of fuel and mining products in 2010 (World Trade Organization 2011). As China's economy has continued to grow and transform the country into a major global player in all spheres, it has become clear that it needs to secure reliable sources of resources to support its economic development. The strong continuing flow of natural resources coming out of Africa keeps the Chinese economy 'humming,' and able to maintain a nine percent growth rate and support the political structure of the Chinese Communist Party (Rumi Forum 2010). China is set to

overtake the United States as Africa's largest trading partner (Shinn 2010, para. 5). This will help the development of markets in Africa for Chinese exports (see Figure 21).

SHIFTING TRADE FLOWS US$ bn.		
CHINESE TRADE WITH AFRICA	*Jan-May 2010*	*Jan-May 2011*
Exports to Africa	22.7	26.3
Imports from Africa	27.3	39.5
Total	50.0	65.8
Balance	–4.6	–13.2
US TRADE WITH AFRICA	*Jan-May 2010*	*Jan-May 2011*
Exports to Africa	10.7	14.0
Imports from Africa	34.8	29.6
Total	45.5	43.6
Balance	–24.1	–25.6
EU 27 TRADE WITH AFRICA	*Jan-May 2010*	*Jan-May 2011*
Exports to Africa	69.0	78.4
Imports from Africa	75.0	89.5
Total	144.0	167.9
Balance	–6.0	–11.1

Sources: China Customs; US Census Bureau; Eurostat

Figure 21: Africa's Trade with China Continues to top its Trade with the United States
Source: Africa-Asia Confidential 2011

The other domain of interest is gaining political support from African countries for Chinese political positions and ending Taiwan's diplomatic influence on the continent (Rumi Forum 2010). As China's African Policy sets out very clearly: "The one-China principle is the political foundation for the establishment and development of China's relations with African countries and regional organizations" (People's Republic of China, Ministry of Foreign Affairs 2006, para. 15).

China sees opportunities where many western economies have historically seen only risk (Sanlam 2011). China and India's newfound interest in trade and investment with Africa presents a significant opportunity for growth and international integration of Africa (Broadman and Isik 2007). African governments are equally

interested in and actively establishing multiple relations with Asian countries (International Monetary Fund 2010). The volume of African exports to Asia is growing at an accelerated rate. Exports from Africa to Asia grew annually by 15 percent between 1990 and 1995 and by over 30 percent between 2005 and 2010 (Africa Business Pages, n.d.). Asia now accounts for 27 percent of Africa's exports. This volume of trade almost matches Africa's exports to the United States and the European Union (EU)—Africa's traditional trading partners.

South Africa–China Relations

The success of the BRIC nations for the African continent has changed the manner, means, and rhythm in which other—new and old—partnerships with the continent are being undertaken. But how does South Africa fit into this emerging world order? What makes South Africa different from the rest of Africa for China? There are two key dimensions to South Africa's privileged relationship with China, the rising power. Firstly, South Africa is a strategic geopolitical gateway into Africa and, secondly, the country is an important economic partner in its own right.

South Africa's historical capitalist base, built on mining and its sophisticated financial system, is placing the country as the leading interlocutor between rising China and the African continent. China's invitation to South Africa to join the powerful BRIC group of major emerging economies was based on the idea that South Africa represents Africa as a whole. What the G7 was for the old world, BRICS is for the new world; and to make the latter more representative, there had to be an African economy. China chose South Africa to be this economy, justified by its developed financial sector, experience in African markets, and extensive corporate footprint on the African continent. Miller Matola (South Africa Info 2011a, 11), CEO of

International Marketing Council of South Africa, believes that South Africa's invitation to join the BRICS will open up new trade and investment opportunities for the country. This will build on the country's already extensive presence in Africa as the biggest emerging-economy investor in the continent, active in at least half of all African countries (South Africa Info 2011a, 17).

The ANC's view of South Africa as regional hegemon has been strengthened by the country's place as a non-permanent member of the United Nations Security Council (UNSC) for a second term, following the previous term in 2007–2008. Minister of International Relations and Cooperation Maite Nkoana-Mashabane has listed other developments that confirm South Africa's role as gateway: its admission to the most-powerful bloc of emerging markets, the BRIC; leadership of the infrastructure development initiative within the framework of the New Partnership for Africa's Development (NEPAD); assumption of the chairpersonship of the Southern African Development Community Organ on Politics, Defence and Security, and hosting the United Nations Climate Change Conference 2011 in Durban and the fifth India–Brazil–South Africa (IBSA) Summit in October 2011 in Pretoria.

South Africa is willing to support China's political positions. The Dalai Lama was refused a visa to participate in a peace conference in Johannesburg in 2009 in line with the one-China policy. South Africa's decision was seen as a compromise that went against its recent history of democracy and human rights. But for South Africa, the Dalai Lama's visit was strategically insignificant compared to broader development and foreign policy goals. South Africa has only 12 years of diplomatic relations with China and yet China is South Africa's largest trading partner and export market, and South Africa has become China's largest trading partner in Africa (Bangguo 2011). With an economy of around US$363 billion, South Africa is

perceived as an economic powerhouse and a powerful African player. South Africa and China's 'comprehensive strategic partnership' is built on increasing volumes of trade, valued currently at US$25.7 billion and accounting for one-fifth of the total trade between China and Africa (Xiunhua News Agency 2011b).

Chinese Vice President Xi Jinping and South African Vice President Kgalema Motlanthe signed two deals in 2011: one on geology and mineral resources and another on the development of financial cooperation (Xiunhua News Agency 2011b). Motlanthe said that "South Africa will work with China to further expand cooperation in trade, investment, aviation, mineral resources and international affairs" (Xiunhua News Agency 2011b, para. 11). Domestic growth in trade and investment with China permits South Africa to diversify its commercial relations and move beyond its traditional northern axis partners (Alves and Sidiropoulos 2010). Booming mineral prices, deepening domestic capital markets, and shifting trade patterns and investment relations are opening up new political and economic possibilities for the country.

China's influence on South Africa is not only material but also ideational. President Zuma's 2012 State of the Nation Address referenced the influence of the Chinese model of state capitalism. The capacity of the BRICS economies to weather the 2009–2010 credit crunch is leading the ANC to consider the virtues of a 'state capitalism' idea of centralised economic planning (Ford 2012). At the heart of this vision is the new infrastructure-driven model, which will overhaul parastatals and place them under one department, and take control of strategic assets in the economy to meet the government's new growth path target of five million jobs by 2020.

Johannesburg as Africa's Financial Centre

Increasing Financial Flows to Africa

Africa is an unexpected new destination for global capital flows arising from the active economic presences and investments of the BRICS and Asian economies. Financial flows to Africa are increasing (International Finance Corporation 2011b) as investors see the continent's huge long-term growth possibilities. Financial analysts believe that attention should be paid to the powerful BRICS countries and the economies in which they invest (Sullivan 2011). In other words, the fact that China invests heavily in Africa is reason for western investors to reconsider the opportunities in Africa. These significant shifts in global investment denote yet another departure for the organisation of finance worldwide and its governance beyond traditional centres of power.

The continent has grown faster than most other regions did in the five years before the 2008 financial crisis; more than 40 percent of its countries enjoyed an average annual economic growth rate of five percent or more (Africa Progress Panel 2011). The five percent growth rate was driven by strong global demand for commodity exports and an emerging African middle class, two factors that have attracted an increasing number of international investors to the region (Financial Times 2011). Business and investment firms are shifting their attention from Africa's problems to its vast economic resources and potential. Private equity investment firm Ernst & Young (Neondo 2011) notes that new projects in Africa are expected to attract foreign direct investment (FDI) inflows of up to US$150 billion by 2015. The London Stock Exchange organised an African Investment Summit in October 2011 because in the last decade, six of the world's ten-fastest growing economies were in sub-Saharan Africa (Financial Times 2011). Rapid transformations in African

financial institutional arrangements are taking place as states and business respond to the increased level of global capital being invested in the continent (International Finance Corporation 2011a). Financial systems in leading African countries are responding to these increased capital flows by diversifying their activities, deepening their lending, and increasing their reach with new products and new technologies (World Bank 2006). Increased trade and investment is breathing new life to African financial systems as states, local governments, financial institutions, and businesses interact to create the necessary infrastructure to manage and direct mounting financial flows.

As investment in Africa increases, firms will identify 'gateway' countries that serve as points of entry into the continent and as headquarters for foreign companies doing business and investing in African markets. The need for an African gateway country—an international financial and business centre—is accentuated by the fact that foreign investment is no longer concentrated in isolated countries, but is spreading throughout the continent (Business Report 2011). Financial centres are strategic geographical locations that have the necessary legal and regulatory infrastructure and market depth to deliver international financial services. Financial centres of any importance have historically been situated in Europe, the United States, and, in the last decades, Asia (Braudel 1982; Cox 1987; Eichengreen 1996, 1990; Germain 1997; Helleiner 1994; Keynes [1936] 1991). The empirical importance of financial centres resides in their roles as channels of global economic integration, as flows of capital, and as engines of growth. The growth of technology, the mobility of capital, and the spread of financial deregulation have created a growing network of connections between financial centres around the globe. Today's financial centres are

increasingly dependent on their connections to one another as the number of transactions between them increases.

Two big changes have encouraged the proliferation of financial centres around the globe: the shift of economic activity and jobs towards China, India, and other developing countries, and the growing demand for natural resources (Klein 2007, para. 8). This observation gives weight to Germain's (1997) argument that we are living in an era of decentralised globalisation, which is seeing the appearance of multiple principal financial centres. This era is gaining momentum with the financial crises in Europe and the United States and is creating space for the emergence of new governance arrangements for world finance (Langley 2002). Non-western economies and financial systems are now major components of the global economy (Germain 2010, 65; Lavelle 2004). Braudel (1984:25) tells us that a profusion of these cities either indicates immaturity of the particular world-economy in question or some kind of decline or mutation. If there is more than one centre, then it indicates that something else is taking place. In the 1960s and 1970s, it was clear as to where the axes of political economic power were; it is not so clear now. This is, in itself, a sign that the world economy is not as coherent as it used to be.

'Gateway' to Africa

Chinese officials and experts acknowledge that South Africa is the BRICS countries' gateway to the African continent and that its membership in the BRICS enhances South–South cooperation (Lianxing 2011). China sees major opportunities on the African continent for its domestic development. The South African state is calling on South African businesses to focus on opportunities in Africa's fast-growing economies. South Africa has the competitive advantage of long-standing historical

ties with and geographical proximity to the continent and unmatched integration with the continent. The state plans to control flows of capital entering the region by supporting and reinforcing Johannesburg's role as an international financial centre. The country's mature financial industry makes it a suitable stepping stone for foreign investors operating in Africa. There are very significant advantages to becoming the leading regional financial centre, including increased levels of investment and business that transit through the country's borders.

The state's dedicated adherence to liberal regimes of governance and economic development has brought it credibility and legitimacy as a global actor. It is a country that recognises and goes by international rules set out by international financial institutions and leading states. This adherence to the rules was the case even during the apartheid regime. For example, South Africa became a member of the Bank for International Settlements in 1971. Recognition and adherence to the world order has not fundamentally changed over the past 150 years as the country was linked to and part of the British and US world-economies. South Africa's place in world-economies is now beginning to change; South Africa believes that it can become the main port of entry for business and finance into the continent. Braudel (1984: 207) observed that the first condition for the economic success of the Dutch and the greatness of its global operations from the sixteenth to the eighteenth century was Europe. The second condition was the world. Once Holland had conquered European trade, the rest of the world was a logical bonus. Does Africa offer South Africa similar platform, albeit for a more modest expansion?

The SARB has brought about important modifications to the 1961 Exchange Control Regulations, which prohibited the export of capital without the permission of the SARB's Exchange Control Department. These exchange controls had restricted

the globalisation of domestic capital and South African conglomerates have been frustrated in their attempts to globalise their operations (Fine 1997). This is changing as the SARB, the Minister of Finance, and the National Treasury lead a new political vision of the country as a financial and business centre. The 2010 budget speech contained additional exchange control relaxations for foreign investments for South African banks and South African private equity funds (Snyckers 2010, 3). The Minister of Finance also announced the reform of exchange controls for individuals, authorising South African residents to invest capital abroad. The SARB's decision to relax exchange control restrictions is pivotal to this vision of South African as the preferred African financial site from which to raise and manage private equity investments into Africa (Snyckers 2010). South African banks are now able to acquire direct and indirect foreign exposure of up to 25 percent of their total liabilities, excluding Foreign Direct Investment (2010: 4). In addition, private equity funds that are members of the South African Venture Capital Association and mandated to invest into Africa, may apply to the SARB for an annual approval to invest into Africa.

In 2011, the Exchange Control Regulations introduced the concept of a headquarter company that is to be treated, for exchange control purposes but not reporting obligations, as a non-resident company (Matarirano and Modise 2011). Headquarter companies can obtain investments or borrow from abroad; and in turn, these funds can be invested locally or offshore as per the funds' investment strategy. The goal is to make South Africa a more attractive country of choice for private equity funds that are classified as international headquarter companies to raise capital offshore without exchange control approval. Along these lines, the South African government is making fundamental changes to historic financial legislation and

promoting South African financial companies' penetration into African markets and South Africa as the continental base, or gateway, for foreign investment into the continent (Matarirano and Modise 2011).

A gateway's embryonic form—a cluster of financial service companies operating in one location—already exists in Johannesburg. Johannesburg, South Africa's major economic city and powerhouse, is at the heart of South Africa's financial system and is identified as an important regional centre (Yeandle 2011). This city appears to demonstrate the existence of a cluster effect attributable to a financial centre. A clear indication of this status are the Johannesburg Stock Exchange's (JSE) plans to set up an 'Africa Hub' platform that will manage increased trading between participating African capital markets (Boyfield 2011).

The following comment from the headquarters of the Islamic sector of ABSA (Amalgamated Banks of South Africa) points to the vision that financial institutions have of the state's involvement in the vision of the country as financial centre: "while Johannesburg is the financial and business hub of South Africa, it could not undertake to be the hub for Africa alone. National Treasury sits in Pretoria and all the laws governing finance are passed in Cape Town" (Pat Roberts, ABSA, personal communication, February 2012). Roberts has explained that

> South Africa rather than specifically Johannesburg is being positioned as a financial centre for Africa and the tax amendments referred to in the attachment [referred to in the preceding chapter], which have now been signed into law, are part of that. As Islam is the majority religion on the African continent, we cannot be a financial hub without a legal system that provides equality for Islamic Banking (ABSA, personal communication, February 2012).

The government is clearly providing the legal infrastructure for this vision.

Industrial and Commercial Bank of China–Standard Bank Nexus

The question that emerges is: how does China contribute to the developments of South Africa as leading financial centre and with what consequences? According to the South African ambassador to China, Bheki Langa,

> South Africa's abundant mineral resources provide good opportunities for potential investors in China. South Africa has grown into a regional hub from where Chinese investors can go further into the continent. China and South Africa have become the largest two investors in Africa. Chinese investors played a positive role in creating production capacity in South African industries. We welcome and cherish Chinese investors and believe this partnership would benefit both economies (Xiunhua News Agency 2011a).

An indication lies in a new China–South Africa–Africa investment nexus rooted in the Johannesburg hub. In comparison with China's trade and political engagement with Africa, China–South Africa investment cooperation was underdeveloped (Bangguo 2011, para. 3). This is now changing as South Africa accommodates branches of most of China's major financial institutions and Chinese banks are investing in South African financial institutions. China's largest bank by assets and earnings, the Industrial and Commercial Bank of China (ICBC), injected US$5.46 billion into the Standard Bank of South Africa when it acquired 20 percent of the shares of the bank in 2007. These developments are directly in line with China's Africa Policy, which states that the Chinese government will support the effort of Chinese financial institutions to increase exchanges and cooperation with their counterparts in African countries (People's Republic of China, Ministry of Foreign Affairs, 2006).

ICBC, worth some US$269 billion at the end of 2009, is currently the world's largest bank in terms of market capitalisation (Industrial Commercial Bank of China 2010, 3). The Standard Bank Group is the continent's largest lender, with assets worth

R1 341 billion (US$202 billion) and market capitalisation of R170 billion (US$26 billion) at 31 December 2010 (Standard Bank 2012, 2). In 2007, the Chinese government granted permission to ICBC to search for a potential investment and cooperation partner in Africa. Although the China Development Bank and the Export-Import Bank of China (China Exim Bank) were operational in Africa, no real equity ownership or formal partnership existed (Paul Nel, the General Manager and Head of Operations and ICBC Strategic Partnership at Standard Bank personal communication, 2011). Nel,[37] explained that just before the US financial crisis the Standard Bank Group was looking to increase its capital base and faced a variety of options. The preferred option was a strategic partnership with a banking group, such as ICBC, that would be interested in focusing on emerging markets (Nel, personal communication, 2011).

Standard Bank has a strong sub-Saharan African footprint and is able to assist its client base in China to navigate the financial services arena in Africa.

> We have advisor (mainly Chinese) teams in China that work with ICBC, other Chinese banks and the Chinese clients who trade and transact in Africa and we ensure that we assist, in China, where possible to enhance the cross-border banking experience (Paul Nel, General Manager and Head of Operations and ICBC Strategic Partnership at Standard Bank, personal communication, 2011).

The Standard Bank Group has been ranked the most valuable banking brand in Africa in *The Banker's* 2012 global Top 500 Banking Brands listing (South Africa Info 2011b). Standard Bank is Africa's biggest bank with nearly 150 years experience and expertise in Africa in the mining and metals, power and infrastructure, oil and gas, and retail banking sectors. This ICBC–Standard Bank nexus provides mutual earnings benefits through cooperation, strategic alignment on market growth

[37] This chapter draws on primary research conducted with two of South Africa's four leading banks: The Standard Bank Group and ABSA. I interviewed Paul Nel, General Manager and Head of Operations and ICBC Strategic Partnership at Standard Bank in Beijing and Pat Roberts, at the Islamic Division of ABSA in Johannesburg.

potential, and sources of new capital; it also establishes favourable conditions for China and South Africa to deepen and expand their investment cooperation (Bangguo 2011, para. 3).

This association between the Standard Bank and the ICBC may prove to be key to South Africa as China exerts its considerable power in the continent. It is certainly in line with Zuma's foreign policy goals of South–South cooperation and 'look East' policy of strengthening ties with China and India. Paul Nel believes this partnership was instrumental in South Africa becoming a member of the BRIC.

> The fact however that China has a significant long term plan would suggest that lessons learnt from the ICBC investment may have had a positive impact in determining whether South Africa would be a valuable participant within the BRICS structure. We [the Standard Bank Group] believe that the political discussions between South Africa and the BRIC countries was more material in the entire process leading up to South Africa's invitation. Africa is a natural partner to any emerging market and using South Africa as a platform for access to Africa seems a logical path to follow given the diversity and complicity of Africa—versus one country (as the BRIC countries are) (Paul Nel, General Manager and Head of Operations and ICBC Strategic Partnership at Standard Bank, personal communication, 2011).

It is into this trajectory that the South African state makes the case that the country is the region's financial center. There are, however, material and ideational challenges that stand in the way of the success of this project.

Challenges to the South African Case

Looking beyond the rhetorical veil it becomes apparent that trade heavily favours China, whose exports to South Africa are more concentrated than are its imports from South Africa. General and electrical machinery dominates exports to South Africa, while ores, slag, and mineral fuels dominate exports to China (Sandrey and Edinger 2011). While South Africa exports mainly primary products to China, the government hopes to be able to export products with more added value in the future

(Xiunhua News Agency 2011a, para. 4). The South African economy (and with it the rand) is more exposed to any eventual economic slowdown in China than it is to potential contractions in either the United States or the European Union. President Zuma recognises the long term consequences of declining terms of trade: "Africa must move beyond the point of being producers of raw materials to build dynamic and competitive manufacturing sectors which process minerals and agricultural products into consumer goods" (Govender 2011, para. 1). This is not the first call to change the basis of trade and certainly not one to which there is an immediate or viable solution.

South Africa has historically recurrent balance of payments (BoP) deficits; its imports exceed exports on the current account and this imbalance needs to be offset by the inflow of capital on the capital account. During the Bretton Woods era, imbalances in the current account were rare as capital flows were strictly limited by the government through the means of exchange controls (Draper and Freytag 2008). This changed in the period after the first democratic elections of 1994 as the country began to soften its exchange control policies and sought actively to integrate the global economy. Changes in the BoP necessarily lead to changes in international reserves, held by the Reserve Bank. The Governor of the Reserve Bank, Gill Marcus, made clear that: "The approach that we have, and consistently have had, as government and as the bank is that it is prudent to build reserves... We still have a commitment to steadily build reserves as and when appropriate" (Cohen 2011, para. 7).

A country needs to export in order to earn foreign reserves to maintain currency stability; a long term option is therefore to modify trade policy. Of all the BRIC countries, China presents the biggest competition for South Africa in terms of exports of manufactured goods to African markets. The alternative policy to offset

recurrent BoP in the short to medium term is to attract capital and investment. Higher investment in general—be it foreign direct investment (FDI) or portfolio investment—is positively correlated with increasing international capital flows. One possible consequence of capital inflows is a stronger currency. In a flexible exchange rate regime, capital inflows can cause an appreciation of the currency as the demand for domestic currency increases. The key driver of the upward surge in the rand in the last year has been capital inflows, creating pressure on exports and high unemployment. Yet, Pravin Gordhan, Minister of Finance, stated that "Our prudently managed fiscal and monetary policies, which aim to keep the country's debt burden at a sustainable level and control inflation, are essential to support investor confidence and reduce the probability that capital outflows become destabilizing" (Cohen 2011, para. 9).

There is an inherent conflict here. Attracting capital offsets the BoP deficit and draws investment into the minerals-energy complex (MEC), an important foundation of South Africa's financial system. This implies pursuing the path of exporter of primary materials, which is the historic basis of South Africa's social relations of production and the reason why China is interested in South Africa in the first place. The declining terms of trade maintain the vicious circle of BoP deficits and the need to draw capital and investment to offset it. The current-account deficit is a function of the lack of diversification of the economy. This, in turn, necessitates tight macroeconomic policies of inflation targeting in order to attract the interest of investors. The problem here is that these are not conditions for economic growth outside of the MEC, and thus, can lead to deepening unemployment and marginalisation in large sectors of society.

This situation raises a first question as to whether South Africa can be considered an international financial centre as these centres have historically existed in Europe and North America. Financial centres act as channels of global integration and as engines of growth. South Africa aims to develop such a centre for its own developmental purposes as it partakes in the larger processes of change in the global political economy. But financial centres have historically emerged at the heart of commercial, financial, and political power networks where there is great economic and political stability. Tense state-society relationships, and a widening gap between civil society interests and political legitimacy, challenge the feasibility of developing a South African global financial centre. Put in another way, the apartheid government put forward its version of economic nationalism through oppression and repression. The new South Africa is being built on the basis of a tight ideological fit between the ANC and the people, but this basis is being brought into question as the material foundations of the country's integration into the global political economy remain largely unchanged. South Africa faces ongoing challenges of consolidating internal democratic transformation within the context of vast social and economic problems.

A second issue that threatens South Africa's ambitions of being Africa's business headquarters is captured in the merger and acquisitions (M&A) problems faced by the transnational giant, Walmart. In 2010, Walmart offered US$2.4 billion for a controlling stake in South Africa's Massmart, supporting claims that the country can in fact act as the gateway for investment in Africa (Mundy 2011). Massmart is a globally competitive regional management group invested in a portfolio of wholesale and retail chains. The takeover bid provoked reaction from the unions and from some government members who were concerned about Walmart's poor workers' rights record and that competition would hurt domestic suppliers of produce and increase

unemployment. The *Financial Times* argues that this bidding was rendered complicated because of government involvement and that this could discourage other investors "if every transaction that ever happened required a business to negotiate with the government" (Mundy 2011, para. 8). M&As will recur if large multinational corporations use South Africa as a springboard into Africa. The ongoing uncertainty over demands from the ANC Youth League and Cosatu to nationalise the mines, adds to the climate of uncertainty for investors who are not sure which way government policy will turn. Doubt remains, therefore, as to whether there is political will to put all the necessary measures in place to make Johannesburg more than a local financial market.

Ideational Basis of State Legitimacy

How is the population tied to the goals of the state? What are the basis of inclusion and common identity in order to provide the legitimate basis for state action? At the end of the day, the most pressing problem facing the country is not the rising currency; it is the continuing high level of unemployment and the relationship between the state and society. In an update of his 1996 Minerals-Energy-Complex argument, Fine (2010, 34) argues that the pressing problem of development in contemporary South Africa lies with the long-term overhang of disinvestment attached to domestic conglomerates at the heart of the MEC. According to Fine (2010: 40), the MEC is a major employer of labour in South Africa and is part of the construction of labour market segmentation and levels of employment and unemployment. Historically, industrial policy has had very uneven results as it played second fiddle to the interests of MEC. There is no common connection to production for the adult population who remain outside of the processes which connects the

formal economy to the state. The dominance of the MEC needs to be cross-analysed with the observation made by Cosatu (1997) that global labour market flexibility is generating increasing differentiation and fragmentation within the organised working class as different workers perceive themselves as having different interests.

The apartheid state did not seek the political legitimacy of 'the people'; the importance was the backing of the White voting population and the capitalist elite. The ANC came to power in 1994 with the full and extensive backing of the majority. The ANC government grew organically out of the struggle against oppression and for the liberation of the politically and economically excluded. The fit between political legitimacy and the government was extremely close. Sixteen years later, this fit is a whole lot looser and waves of contestation put into question the political and authoritative legitimacy of the ANC:

> Over the past eight years our movements here in South Africa have been digging local trenches of resistance to the neoliberal onslaught. We have resisted evictions, water and electricity cut-offs, prepaid meters, lack of service delivery and have fought hard for decent housing, education and healthcare for all (Appolis and McKinley 2009, para. 4)

This turnabout in a very short period of time speaks to the ongoing social inter-subjectively that Cox articulated in his work on social structures and world order. States are not given realities but are constantly involved in constructing their national and international identities, reviewing and renewing their relationship with their populations, associating with global capital, with other states, and with international bodies. Conversely, populations generate ongoing and changing ideas about their own lives, their relations to each other and to political authority. This is what Cox calls the intersubjectivity dimension of social relations of production (1987: 22). These ideational facets of reality are implicit in Braudel's work but become explicit in Cox's.

So, how do people come to recognize their common situation, shared reality and class? Cox sees ideas as both mental collective images that people form of their reality and as intersubjective meanings. Intersubjectivity arises through shared ideas about the world we live in, relationships we are engaged in, the articulation of myths, the formal articulation of shared realities and common goals. The collective sense of what might constitute a sense of class or a distinct group within society are all elements that contribute to shared identity and lead collective action. The understanding of historical development is achieved through structures. Structures are manifestations of human subjective and objective interaction. The intersubjective dimension of development is derived partly from material life, but also the production of ideas, institutions and social practices.

For Cox, power is not just a function of sovereignty, military might and territoriality, but a complex combination of economic and social orders premised on specific modes of production. Therefore, rather than taking the state as a given or pre-constituted institutional category, consideration is given to the historical construction of various forms of state and the social context of political struggle. This is accomplished by drawing upon the concept of a historical bloc and by widening a theory of the state to include relations within society. A historical bloc is the configuration of social forces upon which state power ultimately rests (Cox 1987, 115). It refers to the way in which leading social forces within a specific national context establish a relationship over contending social forces. Different forms of state are considered as the expression of particular historical blocs. The state is not unquestioningly taken as a distinct institutional category, or thing in itself, but conceived as a form of social relations through which capitalism and hegemony are expressed.

"The state is involved in a dynamic relation where it is dependent on production *and* is dominant over the development of productive forces and productive relations" (Cox 187, 400 italics added). States make choices for societies in regard to their modes of development. States create the conditions in which particular modes of social relations achieve dominance over coexisting modes. They structure the dominant-subordinate hierarchy and linkages to accumulation. These actions are conditioned by the manner in which the world impacts upon the state. New modes of social relations become established through the exercise of state power, the political-legal-institutional tools of the dominant economic class. There is a crucial development role for the South African state to play but it is, instead, participating in the changing world order on the basis of its historic social relations of production, the MEC.

Cosatu has called on government policy "to include subordination of finance capital to developmental goals" (Vavi 2008, para. 23). Unemployment rates are between 25 and 40 per cent, there is increasing income disparity and persistent dire poverty among large parts of the population. Many will be marginalised and continue to be left behind economically and socially as the state fails to put forward an alternative basis for employment and inclusion. Unless an ideology has wide resonance with the population, it has no staying power. This is the challenge facing the South African state as it manoeuvres its policies towards becoming an international financial centre built on the power of its mineral and energy complex.

Conclusion

Just 25 years ago South Africans were still in the grips of a state whose domestic and foreign policy goal was apartheid. For the world, South Africa was a

minor, if not irrelevant actor in world affairs, ostracised through economic and political sanctions. South Africa's transition to democracy in the early 1990s, took place on the tail of the fall of the Berlin Wall, the end of the Cold War, the transition of the Eastern Bloc countries to democracy, economic boom in the USA, and the rise of the Asian Tigers and their export-oriented economies. It was a period of tremendous change in the world order. Yet, in this environment, "Africa was little more than an after-thought, or at best the passive object of other nations' foreign policies" (Herbert 2011). However, in little more than two decades, this is rapidly changing as new economically influential countries show increasing interest in Africa and its resources and market potential.

This chapter demonstrates that emerging powers are changing international relations and reshaping the world order as they assert their influence and power. Brazil, Russia, India, China and South Africa (BRICS) have formed a bloc to institutionalise their growing influence and augment their bargaining capacity. The new various institutional arrangements being set up by the emerging powers are "positioning themselves in relation to the system of global governance, the ideas they articulate, and the extent to which their rise constitutes a counter-narrative to that which is presented by the West" (Qobo 2011, 3). There is a discourse of mutual empowerment between South Africa and the BRICS, cast in terms of South–South relations that points to a counter-hegemonic project aimed at the prevailing world order.

Cox tells us that within a world order, a situation of hegemony may prevail based on a coherent fit between material power, a widespread and collective image of world order (including norms) and a set of institutions which administer the order. Nonhegemonic order creates space for autonomous action, by individual states and by

new groups of power. What we are seeing is an undeniable and steady move to a multilateral world order, propelled by the increasing influence of new power blocs of cooperation and negotiation. China, India, and Brazil in particular are remapping the geography of global economic power. The global economic crisis of 2009-2010 has highlighted the divergence of economic performance between the West and the emerging economies, thereby accelerating their convergence in the long-run; this is particularly evident in globalising Asia and rising China. South Africa, as the latest member of the BRICS, is using this position to consolidate its goals as regional power and situate Johannesburg as business headquarters and financial centre for global companies operating in Africa.

While the world is still operating through the set of institutions established under US hegemony after the Second World War, such as the World Bank, World Trade Organisation and International Monetary Fund, the global material bases are shifting as production patterns change. We can also see a different set of norms that offers alternatives to the neoliberal regime that has dominated international relations for the last decades. As highlighted in this chapter, an interesting example of these normative shifts can be seen in South Africa's President's Zuma State of the Nation Address last February, 2012 when he reiterated his 'look East' foreign policy. The major component of the Address was that the government is going to bring infrastructure expansion back within state control. In line with the country's ambitions to be regional power, the private sector has failed to invest in needed infrastructure for economic growth. The state has a vision for the country as regional hegemon and this goal cannot be hampered by diverging interests of private capital. This is seen as a turn from Mbeki's adherence to the neoliberal model and privatisation. I think that it is here that we can clearly see a discontinuity with the current world order. The point

for South Africa is the need to build the necessary infrastructure to be a regional power. Industrialised countries at the centre of world power have long consolidated these necessary bases for domestic economy; not so African countries. Thus the model of development being put forward by China, India and Brazil is adapted to suit South Africa's needs.

Chapter 8

CONCLUSION

The goal of this thesis was to examine different dimensions of South Africa's political economy in South Africa—the edges where politics, economy, society and state meet—to ascertain whether the broader structures of world order are being sustained or are unravelling. This objective set out to answer the following research question: What is the nature of the relationship between changes in world order and the organisation of finance in South Africa? And how do we understand these changes theoretically?

In response to the first part of my research question, I argue that patterns of both continuity and change in the world order are perceptible in South Africa as the country finds itself at the heart of historic shifts in world-economies. The relationship between changes in world order and the organisation of finance in South Africa is studied through a Braudelian historical mode of inquiry which analytically brings together the various levels and subsets of social order and reveals their multiple associations. This thesis has highlighted important changes taking place in the world order (the rise of the BRICS, the new prominence of China-centred and Islamic world-economies, worldwide social protests against neoliberalism), as well recognising structures of continuity (the influence of neoliberal ideology, the power of global financial market pressures, the enduring power of societal groups with links to global economy such as the Mineral Energy complex). A Braudelian analysis of change identifies the connections between the event, *événementielle*, and existing structures, the *longue durée.* Events occur within structures and are shaped by these long cycles of human activity. A study of history of changes over the long term will reveal the complex interconnections between the slow unchanging material life, the

faster sphere of events and the movements of capital expansion and retraction. Events, in turn, create the context of future events. There are moments of more major ruptures in structures, in world order, which point to change. I have argued that we are in a period of change and that this is noticeable in South Africa.

South Africa is an excellent case study for observing change as it is connected to several world-economies and demonstrates the shift in world power. It is also a relevant case study as it readily followed the American world order of neoliberalism during the period of its transition. In other words, South Africa indicates the overlapping of cultural (or civilizational) orders as it relates to centres of world power and influences these networks through evolving domestic dynamics.

In response to the second part of my research question: How do we understand these changes theoretically, this dissertation provides some answers and avenues for further research. Braudel's concept of three distinct levels of economic life (Material life, the economy, and capitalism), his multiple time frames (événementielle, conjuncture and longue durée), along with his core theoretical building blocks: 'world-economy' and 'set of sets' are strong analytical tools that help us conceptualise change over time. This is elaborated upon in the following section.

Theoretical Implications of this Thesis

I began this thesis with the purpose of broadening the span and scale of International Political Economy's (IPE) ontology. There are two key reasons for questioning the habitual ontological boundaries of the field: greater empirical exactitude, so that the multiple aspects of reality can be brought into research and offer a more exact image of changes taking place, and a more critical approach to research. The ontological parameters of IPE are frustratingly constricted. These

disciplinary borders leave out critical elements of material and ideational reality that are at the heart of the human condition and social order. Important features of human action have been left out of IPE in the endeavour to write clear theory and to develop a coherent analysis about the world. What is being left out matters and I believe it matters even more so now, in this period of change where the world order is 'messier.'

Braudel is a historian and not an IPE scholar, yet his analytical framework can enrich the field through his understanding of elements such as disorganisation, movements of continuity/discontinuity, chaos, unpredictable or paradoxical outcomes and the general messiness of a multitude of actions. If we work with the premise that groups, or 'sets,' make up the whole of society, it stands to reason that we need to understand just how, and whether, they fit and work together. It is as if we are looking at the tip of the iceberg and have no idea that most of the vast mass is invisible to our eye. This will inevitably distort our analysis. There is a good part of the iceberg that IPE is not looking at. Braudel points out that markets, capitalism and political institutions are built on the broad back of material life. By looking at the bottom layer, we see reflections of how things are happing on the layers that were built on its back. For instance, what may appear to be a straightforward and commendable state policy, such as giving the elderly state pensions, show paradoxical or inconsistent outcomes when the context in which they are given changes. If we think, as most researchers have done when investigating state pensions, that this is a admirable and laudable policy that demonstrates how well the poor are being treated by the state in South Africa and how this is an exception within the context of Africa, then we are actually missing key elements of a larger picture of power structures and marginalisation.

In strictly empirical terms, a great deal is left out of IPE that is relevant to how we understand changes that are occurring. For change is certainly occurring; this is startlingly clear. Processes are not converging along the lines we thought they would. Who could have foreseen the moment when a South African Muslim living in Cape Town would say: "We no longer look to the West, for help, for progress, to improve our lives; we look to the East" (Ibrahim, personal communication, October 2010). Hearing this and similar comments made during interviews I conducted, as well as informal discussions, made me realise to what extent change was under way on the continent. The metanarrative of Africa in the west has been fixed as

> ... 'a scar on the world's conscience': a stricken continent in need of charity, whose development should be seen as a moral imperative [...] Africa as a haven for 'terrorists': a potentially dangerous continent that needs order and strong governments capable of effectively policing their territory. There is Africa as a source of risks, threats and problems such as war, famine, drought, migration, disease and environmental degradation: a neglected continent that needs fixing before these problems wind up on our own shores. And there is Africa as a source of opportunity and riches with abundant sources of minerals, energy and wildlife... (Williams 2007, 1021).

My research in the field highlights many changes taking place in Africa. These changes are taking place rapidly, to the degree that my thesis has had to follow this quickened pace. There is a high degree of heterogeneity as people move around the continent, coming to the regional economic powerhouses. There is the obvious increased Chinese presence, even in the remote areas of a village in the high mountains of Lesotho where a family speaking only Mandarin owns the local general store and petrol pump. There is the burst of Islamic finance that reflects the growth of a global industry based on alternative ideologies and has its goal set on the African continent. And there is the growing influence of India and Brazil, manifest in the India Brazil South Africa Dialogue Forum.

This is not to paint a rosy picture of Africa, which would not be warranted by any means, but it is to indicate that things are developing in unprecedented ways. Unprecedented, that is, in terms of the concepts and place that IPE assigned Africa: Underdeveloped, Lesser Developed Countries (LDC), Third World, Periphery, Failed States, etc. Is it possible to associate the changes now being witnessed to the rise of the BRICS? Can we liken or compare what China is doing in Africa to the US's Marshall Plan in Europe after World War II? In other words, are we seeing the effects in Africa of a new world-economy, in the Braudelian sense? China's presence in Africa can be viewed as filling a superpower gap, or as becoming the continent's new neo-colonial power, in search of raw resources to exploit and new markets to fuel its growing economy (Taylor 2006, 2009). Taylor, an expert on Sino-African relations, notes that China is being "criticised about exploiting Africa's natural resources and flooding the continent with low-priced manufactured products while turning a blind eye to its autocracies..." (Taylor 2009, 1). This is in line with Braudel's vision of world-economy as a multi-layered whole, the uppermost being the far-stretching capital networks while the bottom layer shows the small micro economic and cultural changes of shifts: "we no longer look to the West, but to the East."

Braudel's analytical categories remain critical to IPE because they not only widen the focus of observation but in doing so, they also draw attention to changing patterns of power and influence. Helleiner (1997) argued in favour of Braudel's four axes of investigation—time, space, social orders and hierarchy—to develop a deeper understanding knowledge of economic globalisation. These categories and approach to studying society, economic orders and change not only continues to be relevant but becomes even more so. Space, Helleiner argued (1997: 91), is at the heart of globalisation of economic action as it focuses on broader patterns of connection

without regard to state boundaries. In other words, IPE can follow processes and developments freed from the ontological boundaries of International Relations (IR), the discipline from whence it emerged. Using world-economies as a conceptual tool to understand distinct patterns and processes within the current phenomena of economic globalisation permits research to distinguish patterns of power and influence. Global capital *does* exist, open borders for trade and ideas and culture *are* being forced by powerful actors, states *are* constrained by global financial actors; but we need to look further afield to where heterogeneity and divergence exist in order to see other patterns, reactions, and organisations that can point to change.

Why does it matter to reflect this diversity in political economy, to look into 'the complex web of the present', as Braudel puts it (1980: 59). The answer is that thick and rich descriptions offer inclusive indications of reality and change. I believe that a Braudelian approach is particularly suited to studies of political economy in Africa. There is a greater degree of different and/or competing sites of authority and governance in this region which requires an analytical framework able to examine phenomena not habitually captured in IPE. It is not simply a question of a picking up on the diversity but also of realising that there is no inevitability direction or line of progress as understood in the tradition of western civilisation. This does not mean that there will not be development but can we say how this will take place? Consequently, I believe that Braudel's historical work on civilization and capitalism offers a very most promising conceptual and analytical path to thinking about complex relations between the political, the social, the economy and capitalism.

I believe that a larger ontological frame of investigation has analytical ramifications. If we focus on the layer of the macroeconomy and its data, we miss debates such as the one that the South African Reserve Bank is having with Cosatu.

We consequently take the narrative it is telling as settled, as definite and complete. It is only through asking why the central bank needs to engage so actively in telling its particular monetary story that we explore the discursive environment and ask who the Bank is talking to, who is it trying to convince? And, most importantly, why is it doing this? These questions can lead into many directions but the underlying premise is that things are not so settled, or solid, as they might at first appear to be. The picture suddenly becomes hugely more complex and interesting, pointing to shifts in power and therefore to changes in South Africa's political economy. The idea is to change the angle of investigation, turning around, so to speak, to see which other actors are involved, and why and what are they doing.

The other reason for challenging the ontological boundaries of IPE is for ethical reasons. As mentioned in the introduction, questions of critical thinking and ethics necessarily bring us to Cox's (1981) famous observation about the purpose of theory. He outlined a crucial distinction between problem-solving and critical theory, this being the dimension of time (Cohen 2008, 87). I am suggesting that another difference between the two is ontology; not just space in the sense of width but ontology through depth as well. An enlarged ontological framework promotes and facilitates critical thinking because the wider the lens, the more that space comes into view and this includes marginalised communities or groups that appear to be insignificant but, in fact, are part of whole. They have a story to tell and these stories have significance for our understanding of political economy, at all scales of investigation. But more than this exactitude of representation of the material and ideational world, a broader perspective brings people in because they matter, ethically. Recent scholarship, such as Brassett and Holmes (2010), raises the question of how the field might engage with ethics, arguing that this has not happened to any

meaningful extent. They suggest that IPE is a suitable discipline in which to explore ethical questions because of the deep concern it holds with globalisation (2010: 431). I agree with this but it depends on how you approach research, how you understand globalisation and, consequently how you understand the categories used for exploring its impacts. If you understand globalisation is understood as a system under a particular world order, then it can be useful to use Coxian neo-Gramscian models of hegemony.

Cox's model is very powerful for understanding how structures of power are institutionalised domestically and globally. Yet, Cox's decision to privilege a neo-Gramscian analytical framework for his investigation into world order and change has had the paradoxical effect of restricting one's ontology. Cox picks up where Braudel leaves off historically – the social relations of production and world order of the twentieth century. Braudel demonstrated that world-economies with clear centres of economic, social and legal power have defined the world historically. Working within this tradition, Cox argues that to understand change occurring during the current period we need to develop a theory of production, power and how these produce world orders. Cox's starting point is in the rich and diverse production of material life, including ideas, norms, and practices of everyday life. Cox's social life is a richly descriptive one and, moreover, his ontology of social relations of production does not determinately evolve into capitalist hegemonic blocs; they can also be, for example, feudal or redistributive through central planning. Cox (1987: 13) uses a general notion of work that is very inclusive; work is that which is done to satisfy human needs. Work produces both the physical and social and moral conditions that meet this goal of satisfaction. Work, Cox notes, takes place in a constituted world made by people. Production relations are therefore those social relations that govern the way work is

done in any particular context. These social contexts are constituted in every kind of work – in subsistence agriculture, in domestic housework, in schools, in brothels, in factories, in civil bureaucracy and in Wall Street. In fact, Cox (1987:32) lists twelve modes of social relations of production within the late twentieth century, including peasant-lord, self-employment and central planning. This certainly is in accordance with Braudel's concern to depict all kinds of work that is not necessarily capitalistic in nature.

The difference that arises between the two works is that Cox (1987: 12) argues that the three aspects of social relations – accumulated social power, the nature or 'the what' that is produced, and the structure of authority that emerges from the production process – are all dialectically related within a single historical whole. The structure of production in a particular society gives the basis for its class structure; in fact, it creates the potential for class relations (1987: 6). There is a clear line of causality between the modes and social relations of production and class. Class arises through the interaction between relations of power, forms of consciousness and intersubjectivity created through sets of collective images and institutional forms of decision making (1987: 22-29). Classes are the components of societies, and states are the product of differing social compositions.

While Cox's work is indeed a strong echo of Braudel's historic work on world-economies through the 15th-18th centuries, there is an important distinction to be made between the two scholars that speaks to the preoccupation of social and economic diversity. Simply stated, for Braudel, you cannot conflate market economies and capitalism. Cox appears to not do this, in fact he is very careful to distinguish between the unique and historic configurations of social relations of production. However, in the final analysis he appears to have done just exactly that;

the rich diversity of his ontology gets lost in hegemonic social blocs. Diversity gets lost once the picture is fixed at a particular historical moment. The focus moves to the dominant socio-economic and political relations that determine the state. In this desire to explain how states emerge from dominant social forces we lose sight of other socio-economic relations occurring at the same time. I can assume from this approach that these other facets of the economic sphere and social order become theoretically insignificant as they are not the principle force shaping the state. The point I am making is that the diversity of society is eradicated through the master narrative which, in the current example, is capitalist.

This is a dominant metanarrative in IPE, maybe *the* dominant metanarrative. This narrative of capitalism is the broad ideological parameter of social, economic and political action in South Africa. This is, in effect, continuity with the country's past and continuity with the world order. Capitalism is equated with growth and progress, and so we conflate the deeper integration of South Africa into the global political economy with this metanarrative. A major difference with this capitalist narrative, however, is that in the post-apartheid period the normative rhetoric underpinning disparities in wealth has shifted. Whereas formerly, material inequalities were justified and perpetuated on the basis of racism and separate development, the current ideological message being made is more complex and multi-dimensional. South Africa combines the liberal principles of human rights with the promotion of unfettered capitalist accumulation, while holding a discourse of human development and, more recently, rethinking a more state-centred model of development. This incoherence is evident in the constitution, the topic of my first chapter on the South African constitution as a site of conflict between capitalism and the poor and marginalised.

Chapter 3 argued that socio-economic rights embedded in the constitution have not stymied underdevelopment, nor reduced the wretched poverty in which millions of South Africans live. Instead of seeing an improvement in the general level of public welfare—as could be expected from a country with considerable wealth and a strong government—the general direction for the majority has been a worsening of living conditions. Inadequate distribution of national resources, systemic unemployment, privatisation of public resources and poor service deliveries are some of the multiple facets that have aggravated social and economic conditions. Thirty seven percent of children, for instance, live in households without any employed members (Mining IQ 2011). More than 3.3 million youth, between 15-24 years old, were neither employed nor attending any educational institution in 2009 (Statistics South Africa 2010, ii). The mass evictions of families, a familiar sight during apartheid, remains a regular experience for the poor and the vulnerable as they are removed from farmlands and prime development sites. Although the law requires the state to implement planning legislation in a manner that is sensitive to the widespread poverty, inequality and vulnerability bequeathed by apartheid, unrestrained capital accumulation is the *opera mundi* (Mining IQ 2011, 280).

A key element contributing to these outcomes is that the 1996 constitution places socio-economic rights in a secondary and inferior position to the creation of new sites for capital accumulation. The constitution is the legal and social framework which renews the relationship between finance and the state in a way that favours capital accumulation over the social and economic rights as set out in the Bill of Rights. Braudel (1977: 64) argues that the state enables capitalist networks of power and the accumulation of wealth. Indeed, capitalism triumphs when it becomes

identified with the state, when it is the state. This is the case of South Africa and it is evident in the legal, cultural, and material infrastructure developed for capital action.

The national public framework has been decentralized, transferring responsibility of service provision and budgetary autonomy to local government. This is a second element of the discourse that underpins wealth disparities but is explained as the state getting closer to the people. Local government is supposed to be closer to the people and more responsive to their demands and needs; thus bringing services closer. Whereas in fact as the state disengages from its responsibility to ensure adequate public services for all, it creates new spaces and opportunities for capitalists by opening up municipal debt to capital markets and by privatising public services. Only 10 percent of budgeted municipal income comes from the central state (Ruiters, 2006) and the context of massive unemployment, insufficient number of taxpayers and a backlog inherited from the apartheid era has created substantial financial difficulties for municipalities. It is here, at the local level of everyday living, that opportunities have been opened up for new capital accumulation. Monetization of the municipal debt is put forward as the appropriate response to difficulties through the provision of private funds for infrastructure programmes and budgetary deficits. Both the City of Johannesburg and that of Cape Town have issued bonds on the capital markets.

But the institutional prerogative given to capital is provoking a social revolt, what Alexander (2010) calls the rebellion of the poor. The unstructured and responsive character of these protests is fully evident. The argument being made is not that this is inherently a good thing but that it is a part of human agency that needs to be accounted for more fully. Its importance can be seen as tension in Braudel's 'set of sets' where certain economic action is held at bay or refuted by people as it

compresses their material life. Polanyi's double movement is a useful framework for studying these counter-movements of the poor. The strength of Polanyi's ideas reside in seeing the counter social movements as arising through spontaneous reactions of people as they fight to secure some degree of organic integrity. This is a very valuable insight and has the force of recognizing agency situated in local places as everyday people resist incremental commodification of their lives. Polanyi was concerned with asking how it was possible to maintain the dynamism of the market without destroying the human and natural substance of society. The South African government does not appear to be overly concerned with this dilemma. Instead it is set on finding ways to bring human action in line with its macroeconomic goals.

This speaks to my second chapter on the South African Reserve Bank and the telling of monetary stories, where we understand that central banks are political agents. As a key financial interface between nation-states and decentralized global economic relations and as anchors of monetary value in the current global financial system of floating exchange rates and mobile capital, central banks are increasingly involved in the socio-management of populations. They are political and economic linchpins connecting networks of domestic and global governance. The absoluteness of central bank authority, in the sense that its policies cannot be contested or modified, further underpins the discourse of why there is wealth disparity. The inflation target and monetary policies are non-negotiable and they are there for the public's good.

States are responsible for regulating the safety, soundness, and the breadth of financial institutions while ensuring economic growth and modernizations within their territorial boundaries. The underlying principle of this world order is that territorial states will govern their people in line with transnational regimes. Global finance acts

within and is a part of this rationality. Central banks form part of the global liberal order as they offer conceptual pathways through which global finance operates in each country and between states. The global financial system depends on this control as financial markets operate within national economic systems. This control is exerted through the telling of monetary stories as a means to shape human expectations and behaviour. Macroeconomic narratives maintain the economic borders of nation states. These borders exist as economic spaces that send a picture, a reading of the nation-state that is evaluated by global financial actors such as credit rating agencies. They are the measure for internal discipline towards macroeconomic goals. These narratives direct the population to adopt the state's particular national economic imagery as the only credible and feasible parameter for human thought and action. This is accomplished through the reinforcement of the rationalisation that economic borders are the ultimate arbitrator of what is permissible by citizens.

States which fail to satisfy their obligation in respect to the control of populations are seen as posing a threat to other states and therefore as legitimate objects of intervention by the international community (Dombrowski 1998, 1-28). The same can be said of the international monetary system: states that do not conform to the international standards of inflation targeting and balanced macroeconomic aggregates are seen as a global threat in that they undermine the global objective of stable global finance. The international community will undertake to ensure adherence to these financial goals and methods for achieving them. Domestic welfare and stability are thus subordinate to the principle of liberalisation of finance, reversing the balance between international and domestic authority and stability.

In South Africa, the federation of trade unions, Cosatu, is contesting the Reserve Bank's vision of the economy through an alternative narrative embedded in

the Marxist Soviet tradition of class war and revolution. Cosatu's President, Dlamini states: "We have confirmed Lenin's insight, through our deeds, that the working class is the only consistent combatant for democracy in the democratic revolution" (Dlamini 2009, para. 20). Cosatu is in the unusual position of being part of the government through its position in the Tri-partite alliance and yet remains a vocal opponent to the state's financial policies. "Differences will always be there but it is differences among comrades. However, the maturity of our revolution is increasingly beginning to show to ordinary workers and the masses of our people, that there are no hostile differences within our ranks" (Dlamini 2009, para. 7). Further along in the speech Dlamini said that: "In the historic 52nd ANC conference, it has been agreed that all our policies, including macro-economic policies, shall be realigned to meet the objective of creating decent work and eradicating poverty" (Dlamini 2009, para. 16). But turning to an ANC policy discussion document we find a rather different, but very clear state position, on increasingly integrating South Africa into the global economy and opening up the economy to private capital interests:

> Our vision of the economic base of a National Democratic Society is characterised by...an economy in which the socio-economic rights of all are *progressively* realised...a mixed economy, where state, cooperative and other forms of social ownership exist together with *private capital* in a constructive relationship, and where democracy and participation lead to growing economic empowerment...an economy that is *connected to the world* ... and which is an integral part of a balanced regional economy that contributes to the growing prosperity of Africa (Speed 2007, para. 2; italics added).

Tensions such as these are historic and have been traced in IPE scholarship, particularly where the emergence and expansion of the electoral franchise changed the relationship between 'the masses' and governments (Eichengreen 1992). Eichengreen points out that in the early twentieth century governments could no longer sustain political unrest stemming from unemployment and decreased wages that came from

maintaining fixed exchange rates with the gold standard. The situation was aggravated by the financial collapse of 1929 and the Great Depression, which saw the elaboration of the Keynesian middle way of embedded liberalism. We may ask: How is it that governments no longer feel overly concerned about the domestic political consequences of liberalized global capital? Why is democratic accountability not a determining force to greater capital control, especially in light of the current global recession which is the worst since the Great Depression? How can democracy be seen as a force for development and economic growth when, at the same time, national constitutions have undermined the economic power of governments by placing monetary policy in independent central banks and outside of their legislative control?

The 2008 financial crisis prompted a wave of critical reflection on the links between global finance and material life. In 2008, the United Nations convened a Commission of Experts on Reform of the International Financial and Monetary System, led by Joseph Stiglitz, where it was laid out that: "Our global economy is broken" (Commission of Experts of the President of the United Nations General Assembly 2009, 8). It boldly set out that

> The crisis is not just a once in a century accident, something that just happened to the economy, something that could not be anticipated, let alone avoided. We believe that, to the contrary, the crisis is manmade: It was the result of mistakes by the private sector and misguided and failed policies of the public (Commission of Experts of the President of the United Nations General Assembly 2009, 8).

This is an extremely important point to be made by the UN. It recognises, along Braudel's line of analysis, that the economy is firmly entrenched within the social order. Accordingly, the Commission argues that

> Greater transparency in responding to the crisis is necessary. More generally, democratic principles, including inclusive participation in decision-making, should be strengthened and respected. Regrettably, in responding to the crisis, many governments have undertaken non-transparent actions and relied heavily

> on central banks, with only limited democratic accountability (Commission of Experts of the President of the United Nations General Assembly 2009, 19).

This rhetoric denotes an ideological shift taking place in the world order. This is a call to re-embed the economy within the framework of democratic accountability, both in the global and domestic spheres. According to democratic principles, those who are deeply affected by a policy should have a say in their formulation and those who are responsible for massive failures and injury should be held accountable. Yet, the present system of global economic governance does not meet either of these fundamental tests of democratic governance. The separation of central bank policy from government influence, as explained in the second chapter, brings into question this principle of democracy and accountability. Momentous domestic tensions are being created as the global financial order undermines the pillars of democracies understood as social contracts in bounded spaces. The rhetoric that governments are answerable to citizens for macroeconomic policy through electoral process confronts global financial architecture as it reflects the interests of global and mobile capital.

There is here a paradox and a tension that is difficult to understand unless we bring the element of physical force and state control of the public into the picture. Control of the public is not new but we are seeing a broader global move to controlling populations and this merits attention. A facet of this reality is the financialisation of security. This is touched upon briefly in my third chapter on the elderly and the Old Age Grant. Private security firms are outsourced by provincial governments for pension pay-out points. This brings together in the same place, vulnerable members of society, cash, security to guard the cash, and security firms getting paid by the government to deliver the pensions. Yet, one of these companies suggested, during a parliamentary hearing, that soldiers be assigned to perform this

task of transportation and distribution of cash as the risks of armed robberies were very high and lives were frequently lost: "we believe that the use of soldiers would save billions of Rands ... and help the government retrieve the millions paid towards employing the security companies to be used elsewhere in the fight against poverty for a better life for all" (Republic of South Africa Ad Hoc Committee on Coordinated Service Delivery 2010). This is an interesting nexus of finance, security, state and citizens.

Braudel (1982: 572) notes that the liberal project is embedded in cultural associations made in western thought between rationalism and capitalism that underpin current structures of capital accumulation. Braudel argues that we live within a general feeling "that capitalism equals growth; that capitalism is not one stimulus among many, but *the* stimulus, the tiger in the tank, the prime mover of progress" (Braudel 1982, 575; italics added). Capitalism has been accorded characteristics and virtues attributable to the market economy. Features such as increased transparency, greater competition, and a superior allocation of resources, are conferred on capitalism whereas, Braudel clarifies, it is rather risk-taking, monopolistic practices, and speculation that more accurately describe it (1982: 578). There is, in capitalism, an underlying notion of gambling, cheating, and inventing a counter-game to oppose the regular mechanisms and instruments of the free and competitive market, in order to draw huge additional profits. Yet, capitalism is still endowed with the economic prowess to encourage growth and ensure efficient allocation and distribution of resources, as the following statement made by the South African Reserve Bank and the Bank of International Settlements demonstrates: "The financial sector plays a key role in the economic development of an economy. Failure to develop the financial sector can place severe constraints on growth prospects. The

broadening and deepening of the financial system is needed to support high economic growth rates at sustainable levels. Currently, this issue is of particular relevance to policymaking in many African countries" (Bank for International Settlements 2007, para. 2).

Today, Braudelian scholars would argue that capitalism has grown even further and colonised more of the material world. Here, I would argue that this is not automatically so; rather it depends on where you are. The narrative is that until the eighteenth century, *market economy* and *capitalism* affected a minority of the population; the majority of people participated in relationships that were outside of exchange relations, located within the vast domain of *material life*. National economies were the creation of the state in relation to capitalism; as capitalism expands, so the state is brought in. Braudel sees it as lock-step; as the realm of capitalism grows and colonizes more of material life so the strength of the state grows. The story, therefore, is about the intensification of capitalism on the economy—the space is both geographically and socially much larger—and how the state grows in line with this. There is a dynamic and a power that emerges as the state interacts with capitalism. The point I am making is that it also depends on the nature of that association, on the material and ideological basis for situated and historic state-capital relationships.

The claim being made, in regards to finance, is that we obtain an incomplete picture when we comprehend capital's reach on material life as being in continual expansion. This is clear in my chapter on the elderly. There are, as Ong (2006) argues, people and sectors of society that are intentionally excluded from capitalist development. The situation of the pensioners demonstrates how cash transfers, which are policy exceptions to neoliberalism, are in fact an exclusionary practice that has

been used by the state to control the movement and behaviour of certain sectors of the population. The state continues to use racialised concepts such as tribal practices, customary traditions, African ethics and Ubuntu to defend these policies. The goal behind these situated narratives is to maintain the desired status quo of law and order.

The rise of Islamic finance in South Africa, examined in chapter 6, is another fascinating case of associations between ethics, finance, private capital and the state evolving in a manner that suggests we are witnessing important ideological shifts. At the global level, Islamic finance recently breached the $1,000 billion mark in assets, marking a significant point in its forty year history (Wigglesworth 2009, 13). These practices reveal an endeavour to reconcile modern finance with religious law, and are producing unprecedented political economic intersections. These ideas and practices are being enacted in interesting ways outside of the historic core centres of economic and political power. Malaysia, for instance, has established a national Shari'ah advisory council within its central bank, overseeing both the country's conventional financial system and its Islamic products. The Malaysian central bank is active in both the western based global financial architecture and in domestic and global Muslim networks. Global mainstream banks such as HSBC, Citi, UBS, and Barclays have all started offering Shari'ah products for clients in Gulf States.

The African continent is in the singular context of participating in the renaissance of a modern Islamic paradigm while possessing a large percentage of the world's estimated one billion unbanked population. Only an estimated twenty-five percent of the continent's inhabitants currently participate in formal markets (Bandyopadhyay 2008). The unbanked include owners of small businesses, traders, tradesmen, workers, and employees of state or private sector organisations who do not have a bank account and have unmet needs for financial services. If tapped, they

represent a significant growth opportunity for Islamic banking as Africa's forty-two percent Muslim (Kettani 2010) population integrates into formal markets. There is, in other words, a continent needing to be banked and about half of that population may be sensitive to special products that correspond to their faith. Africa, therefore, is in particular at the heart of these transformations.

ABSA, South Africa's largest bank and a member of the Barclays Group, decided in 2006 to start an Islamic banking division. The ideas was to offer Shari'ah banking products suitable to every sector of the South African population, and not only to Muslims, to focus on innovation in line with global banking trends and capture part of the business offered by an affluent Muslim population and access the new market of 400 million Muslims in Africa. The challenge for banks and investment firms is to create a market for Muslims even as identity and religious practice are contextual. This means that there is no straightforward correlation between the provision of uniform Shari'ah banking products and a corresponding adoption of or identification with these financial practices. This suggests that as engagement by Muslims with Islamic finance as an idea and as a practice is contextual, financial institutions will not necessarily be able to expand their operations as rapidly or as extensively as believed. This is an important observation as the banking and investment world tries to enter and capture 'new' markets globally.

The challenge is being taken on by Asian economic powerhouses, China and India, as they enter Africa. Large emerging economies—the BRICS—are the new engines for global growth and attract increasing levels of capital flow and foreign investment. China's trade with the other four BRICS nations surged by 45.8 percent to reach 59.9 billion U.S. dollars in the first quarter of 2011 (Iqbal and Molyneux 2005; Qureshi 1979; 1946). Low-income countries (LICs) are increasingly relying on

the BRICS for trade and investment (China Internet Information Center 2011). A report by the IMF (International Monetary Fund 2011) points out that trade between LICs—mostly in Africa—and BRICS is already close to half of the value of combined trade with the European Union and the United States, and larger than with other emerging market economies. The gap between the BRICS and the US and Europe is diminishing rapidly and the Financial Times (2011) believes that the financial crisis of 2008 will, in all probability, be seen as the tipping point of the change in historic global patterns of production, wealth and investment.

These changes are noticeable in the shifting world networks, trade patterns, investment and political alignments between African countries and high growth economies. Chapter 7 indicates how these changes are enabling South Africa to build economic and political relations with China and other powerful emerging economies. This inclusion takes place along historic lines of production and social relations, notably in the mining and financial sectors. On this basis, the country is positioning itself as the financial centre of the continent. But thinking of South Africa in the new world order means thinking about the political, economic and social bases on which the country achieve this goal as Africa's leading financial centre. In other words, can it grow into a regional power while internal divisions continue to widen?

While it appears that South Africa is set on being the leading African financial centre, few IPE scholars are actively investigating the consolidation of international financial centres in Africa (Lavelle 2004). South Africa may be the continent's powerhouse but there are considerable challenges facing a state as it takes on the role of financial centre. Financial centres have historically emerged where there is great economic and political solidity, at the heart of commercial, financial and political power networks. An important line of investigation for further study is to consider to

what point, and in what ways, can an African case be atypical (or differ) from historic North American and European financial centres?

One of the primary areas to study will be state—society relationships as the gap between the wealthy and the destitute widens. The ANC grew organically out of the struggle against decades of state racist and economic oppression and it came to power in 1994 with the full and extensive backing of the majority. The fit between political legitimacy and the government was as tight as is possible in similar circumstances. Sixteen years later, this fit is a whole lot looser and waves of contestation put to question the political and authoritative legitimacy of the ANC. As highlighted in chapter 7, Cosatu has called for finance capital to be subordinated to developmental goals. With unemployment rates between 25 and 40 per cent, there is increasing income disparity and unrelenting dire poverty among large parts of the population. This means that an increasing portion of the population will be left behind economically and socially. This is the challenge facing the South African state as it manoeuvres its policies towards becoming an international financial centre built on the power of its mineral and energy complex. In a very real sense, this means that the state needs to be preoccupied with everyday lives and ensuring more than bare survival.

Avenues for Future Research

The 1990s marked the beginning of a shift in power in the world order. This thesis leads me to examine how South Africa is situating itself as the key link between the global economy and African markets. This is a very new and as yet undocumented aspect of South African domestic and foreign policy. A country that acts as a regional financial centre has significant advantages due to the increased levels of investment

and business that transit through its borders. This is being recognised and articulated by the South African government as it sees the major opportunities on the African continent for its domestic development (Patel 2009). The government is calling for greater focus by South African business on opportunities in Africa's fast-growing economies. Accordingly, this research goes beyond the national aspects of financial action in South Africa to investigate how the country is placing itself as the interface between regional, African, and international financial actors. My interest lies in understanding how new articulations of global finance in Africa, the influence of new growth driver countries, such as the BRICS, is shaping South Africa. Using a Braudelian framework, my future research project will examine the transformation of Johannesburg as 'gateway' to Africa.

Little research is being undertaken in International Political Economy (IPE) to understand the institutionalisation of finance and the establishment of financial centres in African economies. This is in good part because financial centres of any importance have historically been situated in the industrialised economies of the West and investigation has largely concentrated on this reality (Arrighi 2010; Braudel 1982; Cox 1987; Eichengreen 1996; 1990; Germain 1997; Helleiner 1994; Keynes 1991; Kindleberger 1974; Langley 2002; Strange 1988). We are living in an era of decentralised globalisation and of multiple principal financial centres. Non-Western economies and financial systems are now major components of the global economy (Germain 2010). This decentralisation is provoking a changing balance of state and market authority and denoting a new direction for the organisation and governance of finance worldwide, beyond traditional centres of power. Africa is the unexpected new destination for global capital flows. Yet, the pressing issue of how African countries are being integrated into this changing world order has not been raised or addressed.

The very real issues that literature has not yet answered and which my next research project addresses, is African governments are positioning themselves in the rapidly changing financial world order and how they are establishing ways to control flows of global capital.

There will be different elements to this new research project. Firstly, it is important to investigate the spatial, economic and social mapping of the financial centre in relation to the surrounding area of Gauteng. A remarkable aspect of the Johannesburg Stock Exchange's (JSE) history was its move from downtown Johannesburg to the rich northern suburbs of Sandton in 2000. This corresponds to the massive occupation of central Johannesburg by people, South Africans and migrants, kept out through apartheid. This move by the capital elite is intriguing and I would like to know how it ties in to the current vision of the financial centre as Africa's international financial centre.

South Africa is the biggest emerging economy investor in Africa; its companies and financial institutions are active in at least half of all African countries. In accordance with this observation, research will examine two financial nexus. In 2005, Barclays acquired a majority stake in ABSA, which is at the fore of the new Islamic financial markets in Southern Africa. South Africa's National Treasury envisages South Africa as being a central hub for Islamic product development and ensuring the rollout of such products into African markets. The second nexus is the Industrial and Commercial Bank of China (ICBC)/Standard Bank nexus. In 2007, the ICBC acquired twenty percent of the shares of Standard Bank, South Africa's largest bank by assets and earnings. This association between the Standard Bank and the ICBC is as important to South Africa, which establishes connections to the world's largest bank by market value, as it is to China, who will use Standard Bank's

considerable expertise and footprint in African markets to deepen its African operations.

The implications of this research for IPE will be to acquire a greater and more in-depth analysis of events unfolding in Africa and the links these have to change in world order. It is necessary to more fully comprehend of how powerful emerging economies are interacting with African states and the implications of this for western powers. In addition, it is essential that a Braudelian analytical framework be used in order to grasp the various articulations and manifestations of these processes at all levels of society. It is through this approach that we can understand to what extent these changes will have an impact on marginalised or poor communities, whether development will be more substantive for societies and, consequently, whether financial centres like Johannesburg can be sustainable, in the sense of operating in a context of economic and social disparities.

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Appendix A

Letter of invitation to community leaders and academics to participate in research on financial practices in South Africa

Dear Sir or Madame,

My name is Elizabeth Cobbett and I am a PhD student in the department of Political Science at Carleton University, Ottawa, Canada. I am conducting a research on the different meanings and practices of finance in South Africa, mainly in but not restrained to the Western Cape. This study is being conducted under the supervision of Professor Randall Germain.

The subject of my research is how credit and financial practices are conducted within different communities. I'm particularly interested in hearing about how people understand and speak about money and credit. Within the community setting, I'll be looking at who provides financial services to people, how credit is made available, and on what terms is it lent. I am also interested in finding out how leaders in the community - government representatives, religious and community leaders - speak on matters of money and credit and what influence they have in shaping lending and borrowing practices.

I will be in South Africa this May and June 2009 for field research. I will be conducting two sets of interviews: interviews with community leaders, academics and business leaders and interviews with the general public. There are distinct sets of questions for both groups.

I would like to ask for your participation in two ways: to grant me an interview and to refer me to members of the general public who would be willing to grant me an interview.

If you accept to grant me an interview, I'll meet with you once and the interview will last about an hour. I can also send you the questionnaire and you could answer me directly via email or by post. The interviews are semi-structured and open ended. Please see the questionnaire annexed to this invitation, briefly I'll be asking about what you know about traditions of money lending, of credit opportunities that are available to people and what people you know think and say about this. There are no personal questions; I'm interested in general narratives about financial practices.
I'm securing total confidentiality for members of the general public. As an academic/community leader you have the choice of the degree of confidentiality that you desire as participant in this research. Should you choose complete confidentiality, I will protect your identity and neither your name nor your title will appear in any publication I will produce. If you don't mind, your answers could be attributable. Besides members of the dissertation committee, the original information collected in this research will not be shared with any other person unless you authorize it. All audio recordings of this interview will be destroyed as soon as I have written up a transcript. The written transcript will contain no personal information about you and identification will no longer be possible. Furthermore, the transcript will be sent to you for verification after I have typed up the interview.

If you accept to participate, you'll be under no obligation to answer any question that you do not feel comfortable with. You may also withdraw from the interview at any

moment, as well as withdrawing from the research at any stage of the research, should you desire to do so. Should you decide to withdraw you may decide at that time if I may use the information you have provided or you may request that it be destroyed. Decision to withdraw from the research needs to be made by May 2010.

While the results of the research may not benefit you directly, by participating in the research you will be contributing to the production of potentially insightful ideas about questions on finance and morality. The research findings will not be readily available to the participants but I am very open to sharing findings with you.
I will combine the insights gained from the interviews with reviews of current literature, government policies and international institutions documentation related to the issue of financial practices. This will form the basis of my PhD dissertation and a series of academic papers which may be published in scholarly journals.

This research project has been reviewed and received ethics clearance by the Carleton University Research Ethics Committee. If you have any concerns or questions about your involvement in the study please contact the ethics committee chair. The chair's name and contact information is as follows:

Professor Antonio Gualtieri, Chair
Carleton University Research Ethics Committee
Office of Research Services
Carleton University
1125 Colonel By Drive
Ottawa, Ontario K1S 5B6
Tel: 613-520-2517
E-mail: ethics@carleton.ca

My contact details are the following:
Elizabeth Cobbett
Department of Political Science,
Carleton University, Canada
ecobbett@connect.carleton.ca

The contact information of my supervisor is as follows:
Dr Randall Germain,
Department of Political Science,
Carleton University, Canada
Telephone: (613) 520-2600 Ext. 2771
Email: randall_germain@carleton.ca

_____

Signature of the researcher and supervisor

Professor Randall Germain

Appendix B

Letter of invitation to general public to participate in research on financial practices in South Africa

Dear Sir or Madame,

My name is Elizabeth Cobbett and I am a student in the department of Political Science at Carleton University, Ottawa, Canada. I am doing a research on the practices of finance in South Africa. The purpose of my research is to see what opportunities people have to borrow money. I'm particularly interested in hearing about how people understand and speak about money and credit. As well, I wish to look at how leaders – government people, religious and community leaders - speak about these matters of money and borrowing.

I would like to request your participation in an interview. I'll be meeting participants once and each interview will last between 1-1.5 hours. The questions asked will not be of a personal nature. I will not be asking questions about your own financial situation but about what is happening in the community, or communities, that you live and participate in. I will be interested in hearing what you know about traditions of money lending, of credit opportunities that are available to people and what people you know think and say about this.

I will ensure complete anonymity and will protect your identity. Neither your name nor your title will appear in any publication I will produce. Besides members of my research committee, the original information collected in this research will not be shared with any other person. All audio recordings of this interview will be destroyed the written interview will contain no personal information about you at all.

If you accept to participate, you'll be under no obligation to answer any question that you do not feel comfortable with. You may also withdraw from the interview at any moment, as well as withdrawing from the research at any stage of the research, should you desire to do so. Should you decide to withdraw you may decide at that time if I may use the information you have provided or you may request that it be destroyed. Decision to withdraw from the research needs to be made by May 2010.

I use all the interviews to write my final research paper. I will also write papers that may be published in university journals. While the results of the research may not benefit you directly, by participating in the research you will be contributing to the production of potentially insightful ideas about questions on finance and morality. The research findings will not be readily available to the participants but I am very open to sharing findings with you.

This research project has been reviewed and received ethics clearance by the Carleton University Research Ethics Committee. If you have any concerns or questions about your involvement in the study please contact the ethics committee chair. The chair's name and contact information is as follows:

Professor Antonio Gualtieri, Chair
Carleton University Research Ethics Committee
Office of Research Services
Carleton University
1125 Colonel By Drive
Ottawa, Ontario K1S 5B6

Tel: 613-520-2517
E-mail: ethics@carleton.ca

My contact details are the following:
Elizabeth Cobbett
Department of Political Science,
Carleton University
Canada
ecobbett@connect.carleton.ca

The contact information of my supervisor is as follows:
Dr Randall Germain,
Department of Political Science,
Carleton University
Canada
Telephone: (613) 520-2600 Ext. 2771
Email: randall_germain@carleton.ca

_____

Signature of the researcher and supervisor
Professor Randall Germain

Appendix C

Questionnaire for community leaders, academics

(No personal questions asked, answers can be attributable if authorized by person. Written verbatim sent to person interviewed)

1. What are the different ways members of the population can obtain credit?
2. What about other sources of credit such as burial societies, unauthorised money-lenders, etc?
3. How does the urban/rural difference play out in this domain?
4. How do the following criteria influence obtaining credit: gender, race, language, health, marital status, etc?
5. Who are the principle creditors operating in this domain?
6. How are these different actors perceived? (by other creditors and by the general public)
7. What happens when people can't pay back their loans?
8. What are the sources of capital available for small business?
9. Where does investment for business come: domestic and international sources of credit?
10. Are there any patterns of investment that are worth remarking on, meaning from particular areas of the world, or investment done by particular communities or religious groups?
11. What are the current discourses on finance and credit?
12. How do leaders - religious and community leaders - speak out on matters of money and credit?
13. What influence do they have in shaping lending and borrowing practices?
14. What about the government? What role does it say it should play in questions of money and finances of the general population?
15. Does the government BEE policy have an impact on the availability of credit for individuals or small businesses?
16. What other key public policies impact on financial practices?
17. Is there anything remarkable or worthy of mention about any of these financial practices?

Appendix D

Questionnaire for general public

(Confidentiality assured, no personal questions asked)

1. Do you belong to a community? How would you describe it? (Looking for geographic, social, cultural links)
2. What are the great things about this community?
3. What are the difficulties that people have to face in and around your community?
4. When people need money, do they go to the banks for loans?
5. Are there other places where people can get credit? (For example, money-lenders, burial societies, kitchen groups, and other ways that people lend money to each other).
6. How do these loans function?
7. What are the major differences between these different types of loans?
8. Can anyone borrow money? What about people that have no secure job, what do they do to get loans?
9. Is it different for women, or belong to different religions, for example?
10. Does getting credit depend on where people live?
11. What happens if people can't pay these loans back?
12. What do community leaders say when talking about these money practices?
13. What do churches or other religious groups say about money loaning?
14. Do religious groups help people financially?
15. When people talk about money, what do they say?
16. What about the government, do people say that it should help people with money and loans?
17. Do all groups of people have the same chance of getting financial help?
18. Do you have anything to add, either about the situation of your community, or about the financial situation of people that you know?

Appendix E

Questionnaire Municipality

1. Please describe the political and financial context leading up to the decision by the City of Cape Town to issue its own bonds.

2. How have developments at the national level impacted or affected Cape Town's decision to issue its own bonds?

3. Former governor of the South African Reserve Bank, Tito Mboweni, sees capital markets of adequate depth as playing an essential role in economic development. What role do bonds play in this?

4. How does the issuance of municipal bonds support or contribute to the City's broader economic development goals?

5. The issuance of bonds obliges the City to respond directly to credit rating agencies? How do these ratings impact on municipal action?

6. Does the issuance of bonds have any impact on the ability of the City to expand services and infrastructure to vulnerable populations?

7. Given what is occurring in Europe, are there limits to the debt the City is taking on? What do you consider to be the risks in expanding the debt of the City of Cape Town?

Appendix F

Questionnaire Islamic Finance

Islamic finance and banking

1. What do you understand by Islamic finance, what makes it different from conventional banking?

2. How do you explain the emergence of Shari'a banking and financial services in South Africa in the last couple of decades?

3. Does it come from a demand from ordinary Muslims or from the decision of banks and investment companies to create a new market niche?

4. What role do (did) religious leaders have in the emergence of Islamic finance?

5. Muslims have more access to Shari'a compliant banking and financial services than before. Do you personally use any of these services? If yes, which? If no, why not?

Muslim identity

6. Is the way that Muslims describe themselves or their communities changing in any significant way in the post-apartheid period?

7. D you believe Muslim communities are gaining in social, economic and political strength in South Africa?

8. Do you think that using Shari'a compliant financial services and products are increasingly part of what it means to be Muslim here in South Africa?

9. Is the emergence of a global network of Islamic finance connecting Muslims together in a new or unprecedented way?

The South African state

10. Why do you think the South African government actively supports Islamic financial and banking services?

11. Do you see South Africa playing a special role in the development of Islamic financial products in Africa?