Inequality caused by Macro-Economic Policies During an Era of Durable Overaccumulation Crisis

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Abstract
The problem of overaccumulated capital – the driving force underlying capitalist crisis formation, according to the Marxian framework – has on occasion been severe in post-apartheid South Africa, but has taken different forms. On the one hand, the metabolism of South African capital in relation to world economic trends has been uneven as a result of the country's excess reliance upon commodity exports. But on the other, the core processes associated with overaccumulation, and the prevalence of neoliberal policy responses, are all evident. They include a falling corporate profit rate from levels amongst the world's highest in the 1970s and again in the early 2010s, 1990s-2000s financialisation (i.e.g, higher relative debt and share-portfolio ratios, as well as illicit financial flows), worsening uneven spatial development (within cities and between rural and urban livelihoods), and an amplification of environmentally-damaging commodities extraction (South Africa's main form of 'accumulation by dispossession'). Moreover, as has been the case during such episodes across the world, indications of corporate criminality are extremely high and perceptions of state corruption are also worsening, even after Jacob Zuma left office in early 2018. The post-apartheid adoption of neoliberal public policy accommodated and accentuated rather than ameliorated or reversed all these symptoms of crisis. Although great rhetorical effort is made to address social distress through fiscal policy, the reality is that most macro-economic policies – especially in monetary and international spheres – are amplifiers of inequality. But the most important constraint is a deeper problem than public policy typically admits: capital's durable tendency to overaccumulation. As for resistance, notwithstanding success in AIDS medicines access, free municipal services, some trade union gains and the #FeesMustFall movement, South Africa has suffered from the fragmentation of progressive social forces, which prevents a generalised attack on the root causes of inequality. Those causes remain deep within the capitalist mode of production; a socialist economy would at least eliminate those aspects that can be traced to the drive for profits and for capital accumulation at any cost.

Introduction

South Africa achieved its liberation in part because white English-speaking capital found its interests diverging markedly from the apartheid regime's during the mid-1980s. The August 1985 financial crisis compelled that break, which was symbolised by major white business elites visiting the banned African National Congress (ANC) and SA Communist Party (SACP) leaders in their Zambian exile in September 1985. However, as part of what ANC military leader Ronnie Kasrils (2017) termed the ANC's 'Faustian Pact,' white capital demanded and won a series of macro-economic policies that amplified historic class, racial, gendered and other injustices. The ANC had told the citizenry that its policy framework once power was achieved in 1994 was the Reconstruction and Development Programme (RDP). But in reality, the subsequent macro-economic policies as well as micro policies in each of the developmental or social policy arenas were either neoliberal (market oriented) or provided merely tokenistic relief to the poorest (Bond and Khosa 1999, Bond 2014a). Corporate profit rates initially recovered as tax rates fell rapidly, and at the same time the state began doling out increased welfare grants (albeit in the range of $25-35/month for raising a child, and declining over time in real terms), or a modicum of free basic services (typically worth approximately $10/month).

The adoption of neoliberal macro-economic policies that gradually undermined the majority's living conditions prevailed under the regimes of Nelson Mandela (1994-99), Thabo Mbeki (1999-2008), Kgalema Motlanthe (2008-09 as caretaker for eight months), Jacob Zuma (2009-18) and Cyril Ramaphosa (2018-present). Globally, too, most national regimes had adopted neoliberal macro-economic policies, occasionally augmented by welfare policies grudgingly approved by the Bretton Woods Institutions (Bond 2003). What is extraordinary in South Africa, though, is that this condition is maintained by what is often rhetorically-radical African nationalist rule, turbulent though it has been (two presidents – Mbeki in 2008 and Zuma in 2018 – were victims of palace coups in large part because of growing social unrest). Using both coercion and consent, the ANC leaders have suppressed the energies of a working class often judged the world's most militant (World Economic Forum 2017), along with radical social movements and community protesters alike (Runciman et al 2017).

With protests remaining fragmented and single-issue in nature, the single most and embarrassing feature of post-apartheid political economy – perhaps aside from Mbeki's AIDS denialism and the post-apartheid era's systemic, clumsy bouts of corruption – may well be the fact that South Africa became the world's most unequal country, overtaking Brazil, after 1994 (World Bank 2016). Likewise, Johannesburg is considered the world's most unequal city (*Euromonitor* 2017). There are various ways to bean-count South African inequality, with the Gini Coefficient on income measured at 0.63 in 2015 (IMF 2018a). But consider income inequality drawn only from the 'market,' i.e. before any state spending on cash grants to poor, disabled and elderly residents is included, in the form of welfare or other pecuniary and non-pecuniary transfers. In this category, the Bank (2014) measured South Africa's Gini coefficient at 0.77. This estimate has been regularly repeated by international and local Bank consultants (e.g. Woolard, Metz and Inchauste 2015).

But in South Africa that assumption cannot be sustained. For example, state spending would tend to drop the Gini coefficient and in South Africa, welfare cash grants are means-tested. Nevertheless, during the first decade of implementation, social-grant spending became more regressive over time, with a lower share directed to the poorest (van der Berg 2009, 12). But even more disturbingly, the South African state is 'captured' by or generally friendly to corporate capital and the most influential, wealthiest strata, hence biasing the overall state budgets much more towards elites than in other societies (Bond 2015). The Bank (2016) concedes that in South Africa, the highest-earning 1 percent increased their take of national income to 20 percent by 2002, from just 11 percent in 1991.

One reason the elites have gained such extraordinary wealth since the end of apartheid is that although political corruption is average in international terms – South Africa ranks 73rd in the latest Transparency International (2019) corruption perceptions index, worsening slightly from 71st least corrupt in 2017 (and 23rd in 1994) – the PwC (2018) economic crime report continues to rate Johannesburg-Cape Town-Stellenbosch-Durban *corporate* sector as "world leader in money-laundering, bribery and corruption, procurement fraud, asset misappropriation, and cybercrime" (Hosken 2014, FM Fox 2014). The Steinhoff business empire's collapse in 2017 followed by a major regional bank (VBS) only confirmed how weak financial regulation at Treasury and the SA Reserve Bank had become. To illustrate the systemic lack of accountability in fiscal and financial policies and the conniving role of major accountancy firms, fraud in state procurement contracts is the single largest state expenditure annually. Leading Treasury official Kenneth Brown estimated in 2016 that vast shares of the annual tender budget are lost to overcharging by corporate suppliers of outsourced goods and services: "It means without adding a cent, the government can increase its output by 30-40 percent… That is where the real leakage in the system actually is" (Mkokeli 2016).

The 2016-19 revelations about the Gupta and Bosasa empires' grasp over vital state organs, politicians and officials generated estimates of more than R100 billion in damages, but Brown's estimates suggest that state spending transfers far more to elites than previously understood: R240 billion *annually*. Hence another reason to take the Gini with a grain of salt, and consider 0.77 a potentially *conservative* estimate, is that that South African firms sell services that are overpriced to the state, and then in turn they specialise in widespread tax dodging and offshore "Illicit Financial Flow" transfers of income, estimated at $21 billion per annum for 2004-13 byGlobal Financial Integrity (Kar and Spanjers 2015). Financial regulation of Base Erosion and Profit Shifting, misinvoicing, transfer pricing and other tax dodges appears non-existent; Ramaphosa himself was regularly implicated in billions of rands worth of Lonmin, MTN and Shanduka financial offshoring to zero-tax havens including Bermuda and Mauritius (AmaBhungane 2016, 2017).

Having established the extreme scale of the problem of inequality, partly associated with extreme corporate malfeasance, what now might a deeper-level structural critique of capital accumulation patterns and neoliberal state policies add to our understanding of inequality causation? Structural economic processes and state neoliberal policies include: 1) long-term (50-year) tendencies to the overaccumulation of capital that have never been properly resolved; 2) a resulting stagnation in the productive sectors of the economy (as witnessed when South Africa's corporate sector profit rate fell to dangerously low levels by the late 1980s before a dramatic 1990s turnaround, before another recent plunge); 3) the mid-1990s closures of labour-intensive industries and the widespread replacement of workers with machines (causing a dramatic rise in unemployment); 4) the ascendant class power of export-oriented and mercantile capital, as well as domestic and international financial capital during the era of financialisation; and 5) the dominance of "Washington Consensus" ideology. The latter was devastating to macro-economic policy debates, especially once the Soviet Union's crash diminished the confidence of African nationalists, Communists and trade unionists during the early 1990s, leaving the Mandela government to adopt a neoliberal agenda (Bond 2014b).

Our task in the pages below is to expand upon these aspects of capitalist overaccumulation, financialisation and uneven development, and link them to inequality in a manner that mere reformist gestures (of a Keynesian and social democratic character) have had problems in grappling with. As Stavros Mavroudeas and Demophanes Papadatos (2018: 451) explain, identifying the roots of the inequality symptoms is vital, so to address policy in terms that transcend Keynesian framings:

> The spectacular ballooning of the financial system during the recent decades of weak profitability and accumulation does not constitute a new epoch, let alone a new capitalism. Instead, it represents a familiar capitalist response to periods of weak profitability. This does not preclude the proliferation of new financial instruments, which lend specific new forms to a well-known capitalist process. The Marxist theory of crisis and fictitious capital offers an analytically and empirically superior understanding of this process.

Specifically in relation to that theory's application to the prior round of capitalist crises (from the early 1970s) that are understood to have kick-started both financialisation and globalisation, Simon Clarke (2001: 6) explains their deeper roots:

> The growing pressure of international competition expressed not so much the internationalisation of capital, as the growing overaccumulation of capital on a world scale. Indeed the internationalisation of capital has continued to be the means by which capital has sought to overcome the barriers to accumulation as the more dynamic capitals, with the growing encouragement of the state, seek to conquer world markets. 'Internationalisation' is a threat to backward capitals, but it is also an opportunity for the more advanced. Similarly the speculative movements of international money expressed not the breakdown of earlier 'national' modes of regulation, but the uneven development of capital which underlay the growing imbalances in international payments which international capital was called on to finance.

The implications for tracking South Africa's deeper accumulation dynamics should be clear, since from the early 1990s, the more backward fractions of capital in the main cities' industrial districts were destroyed ('devalorised' in Marxist terms) by international competition. The overaccumulation tendency was then experienced again from the early 2010s, once the global commodity super-cycle peaked. In both cases, there were shifts in accumulation towards rentier and financial fractions, and the geographical implications of deindustrialisation and offshore capital movements also became acute. Using the Marxist theories of capitalist crisis formation, the simultaneous rise of fictitious capital (i.e. paper representations) and amplified uneven development, we might more rigorously tackle the vast problems faced by policy makers. For we contend that inequality can only be addressed in a manner that not only cuts against the grain of prevailing neoliberal public policy, but also that transcends typical Keynesian measures (e.g. Padayachee 2018 calls for merely a *temporary* imposition of exchange controls).

The next sections consider in more detail the core problem of overaccumulation crisis, followed by macro-economic policy choices: fiscal policy, monetary-financial processes and international economic relations. The conclusion confirms the combination of neoliberalism and tokenistic welfare, and points out precedents for alternatives based on 'commoning' – especially AIDS medicines and fee-free tertiary education – that transcend these barriers.

South Africa's overaccumulation crises

The condition of overaccumulation builds up as the core logic within the capitalist mode of production. That logic emphasises the ever-increasing capital-labour ratio within production, which in turn is caused by both technological change and intercapitalist competition. Ever more concentrated and centralised capital facilitate the process. The dilemma for an individual capitalist is that in trying not to lose market share by producing less efficiently, there is a technological imperative to raise the ratio of machines to workers. However for capital as a whole, the resulting drive towards cutting-edge production means that the basis for profits – extraction of surplus value ("living labour") – shrinks in relationship to the means of production ("congealed labour"). The capacity for making profits by taking advantage of the power relationship between capital and labour is therefore also diminished.

Overaccumulation has various symptoms. Given the intercapitalist competition within and between industries which leads to ever rising capital intensity and hence overproduction, there is a tendency for gluts to develop: high inventory levels, unused plant and equipment, excess capacity in commodity markets, idle labour and bubbling financial capital. The latter seeks rates of profit that are increasingly difficult to identify in the economy's real sector. Hence corporations shift profits from reinvestment in (overaccumulated) fixed capital into purchasing fictitious capital, a process that stalls the devaluation of the overaccumulated capital since credit displaces (across time) the need to pay for the goods and realise the profits (Harvey 1982).

More generally, capitalism responds to overaccumulation crisis tendencies in what is ultimately a self-destructive way, attempting to restore profitability through what Marx (1954) described as "relative" and "absolute" forms of surplus value extraction. The former is the even more rapid replacement of workers with machines in search of an advantage against competitors while the latter is a speed-up of the assembly lines and working hours, and the reduction in worker wages. But in addition, capital seeks ever more desperate means of shifting profits that would otherwise have been reinvested in plant and equipment, into new outlets with distinct geographical and temporal features. Uneven spatial development is exacerbated, and financial markets allow more creative (and risky) debt instruments to delay payment but to consume in the present as a means of mopping up the overproduction (Harvey 1982, Bond 1998).

Finally, in the search for profits, there are also means of squeezing non-capitalist systems (nature, mutual aid arrangements, the state's public functions, the role of women in social reproduction) in what has been termed by David Harvey (2003) – after originally theorising by Rosa Luxemburg (1913) – "accumulation by dispossession." So the crises caused by overaccumulation may as a result be displaced, through the techniques noted above: shifting the overaccumulation (through uneven geographical development), stalling the overaccumulation temporally (through financialisation) and stealing so as to accomplish accumulation by dispossession. However, only widespread devalorisation of the exposed capitals clears the decks for a new round of accumulation. (Such devalorisation happened in capitalist history most dramatically during the Great Depression and World War II.)

How does overaccumulation reveal itself in South Africa? Quarterly estimates of the general rate of profit over 1960-2016 suggest the economy has experienced two major phase changes in the pace and rhythm of capital accumulation. The rate of profit exhibits a cyclical tendency to fall, mainly driven by the tendency of capital intensity to rise. The economy experienced a crisis of absolute overproduction of capital in the mid-1980s. This crisis was not only characterised by stagnation in the mass of profits, it was also characterised by a halt in capital accumulation. Thereafter, the rate of profit recovered primarily because of the fall in the capital-output ratio, although it failed to reach the levels seen in the 1970s. By 2012, the economy entered a new crisis of overproduction of capital characterised by stagnant profits and prolonged overaccumulation, which makes it impossible for economic growth to recover.

The analytical framework that South African policymakers use to set targets for policy is not capable of detecting the actual pace and rhythm of capital accumulation. The theoretical basis for assessing these rhythms of accumulation and overaccumulation can be discerned through the movements of profit rates, as argued by Heinrich Grossman (1992) in 1929, and subsequently elaborated by Anwar Shaikh (1992) and Lefteris Tsoulfidis and Persefoni Tsaliki (2016). These authors assume that the rate of profit tends to fall at a certain rate until it hits a point where the mass of profits are stagnant. At this point, according to Marx's *Capital* Volume Three, there is an overproduction crisis. Shaikh proceeds from the general classical political economy view that the rate of capital accumulation is proportional to the rate of profit. He then posits that private investment equals capitalist savings from profits. A time-varying rate of profit signals when there is overproduction of capital. At that stage, the effects of macro-economic policies on the course of capital accumulation can be evaluated (Malikane 2017).

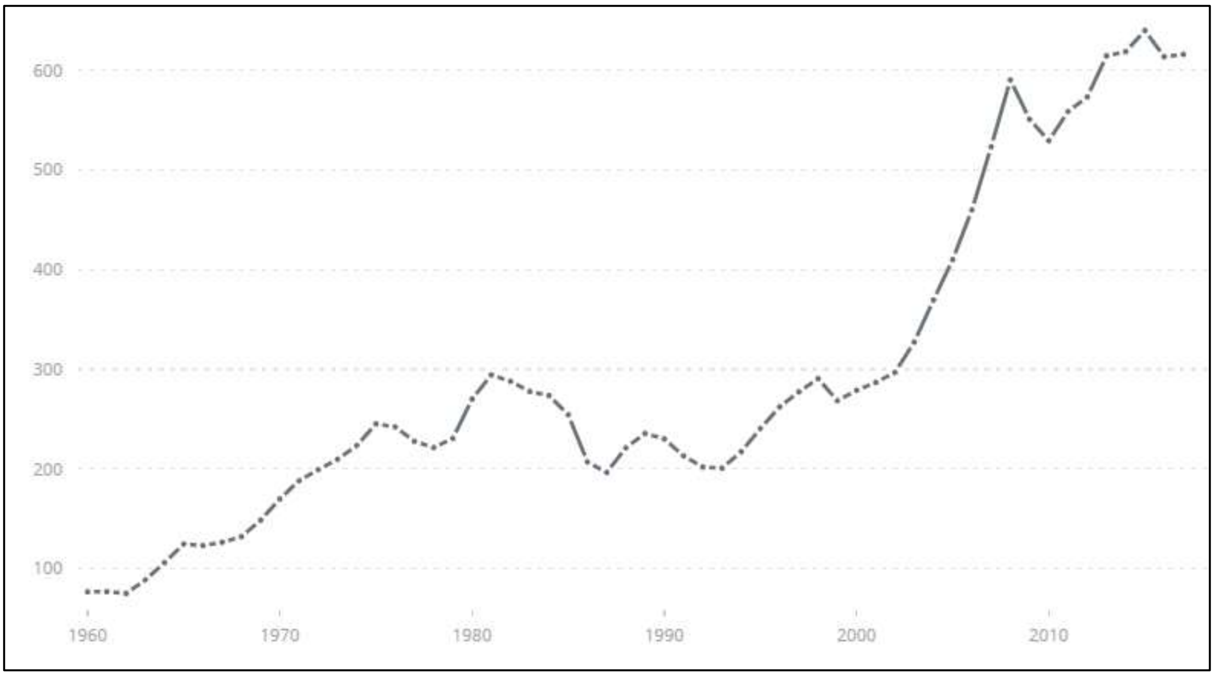
Quarterly fixed capital stock is a proxy for genuine capital accumulation (not including fictitious capital, i.e. the paper representation of capital). The perpetual inventory method proposed by Shaikh (2016: 847) allows us to calculate the quarterly rate of profit. The resultant quarterly rate of profit exhibits a tendency to fall, in a manner articulated by Marx in *Capital* Volume Three, Part Three. The main cause of the falling rate of profit is the increase of capital intensity of production (the "organic composition of capital"). This finding is consistent with the results from recent empirical Marxist research on Greece (Maniatis and Passas 2013).

The South African national account estimates of the real fixed capital stock for the aggregate economy shows a slowdown in accumulation from the mid-1980s to the mid-1990s. During this period, there was a crisis in a sense that there was no additional capital for purposes of capitalist production. Prinsloo and Smith (1997) note that "a contributing factor to the decline in the growth in real fixed capital stock during the 1990s is that the increase in gross fixed investment fell short of the growth in the depreciation allowance from 1989 to 1993." In Marxist terms, the crisis rate of profit was above the actual rate of profit, and the economy was experiencing an overaccumulation crisis.

Between 1960 and 1998, the profit share remained fairly constant, fluctuating around 0.495. Thereafter the profit share rose sharply in the early 2000s and started declining after 2007.

On the other hand, from the early 1960s to the mid-1980s, the capital-output ratio rose persistently.

Gross Fixed Capital Formation, in constant Rands, 1960-2017

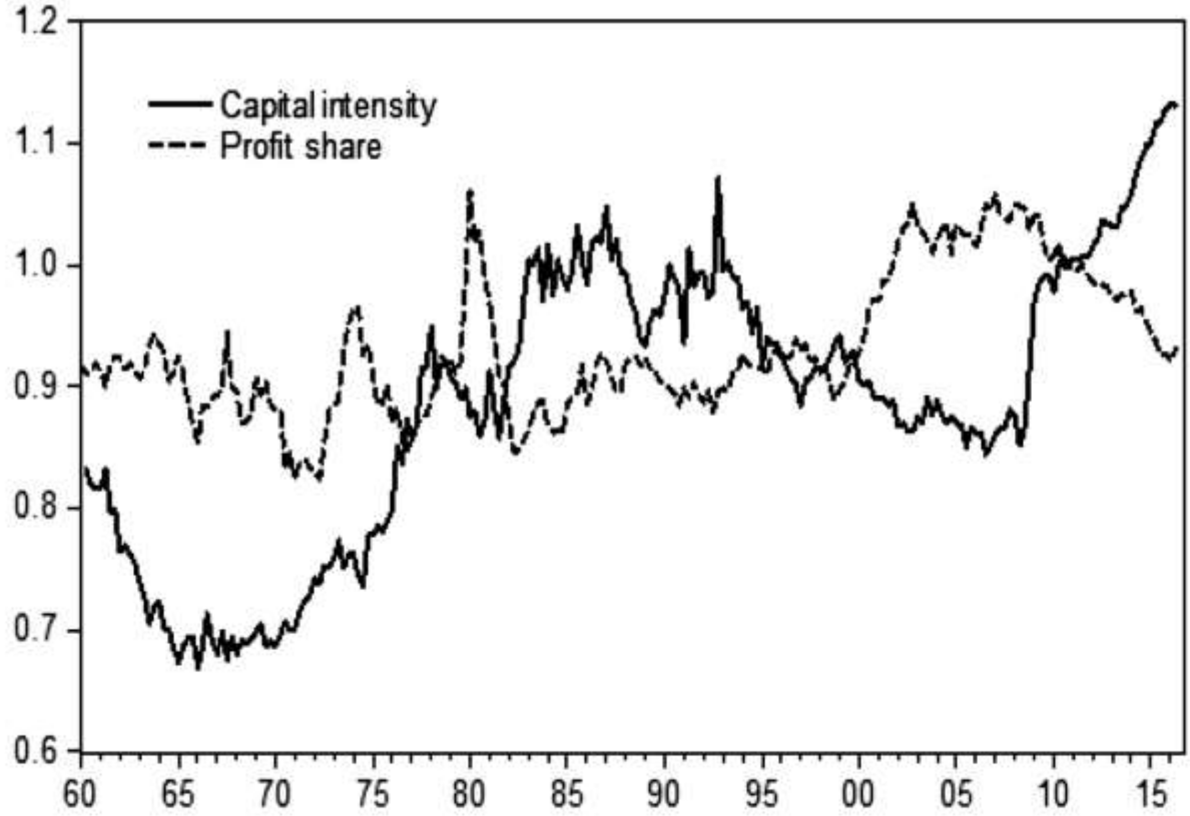


Source: World Bank, https://data.worldbank.org/indicator/NE.GDI.FTOT.KN?locations=ZA&view=chart

The quarterly rate of profit 1960-2016

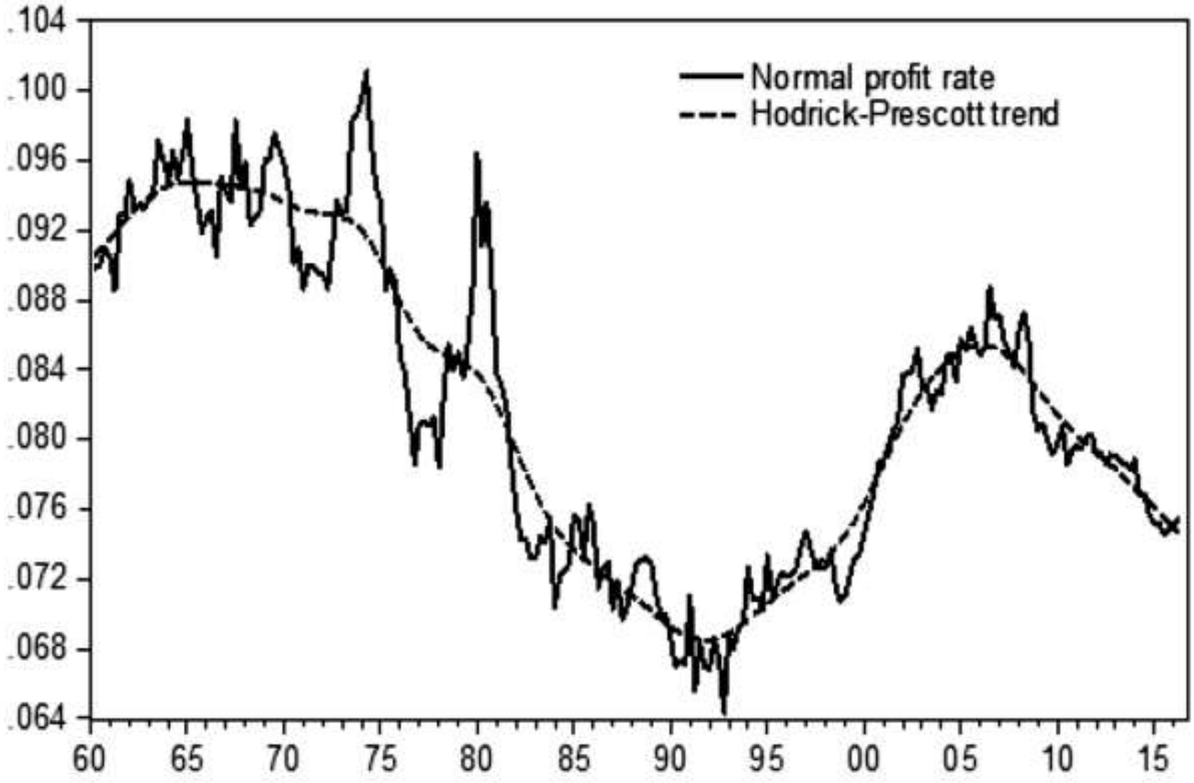
Source: Malikane 2017.

Capital intensity and the profit share, 1960-2016 (2010=1)



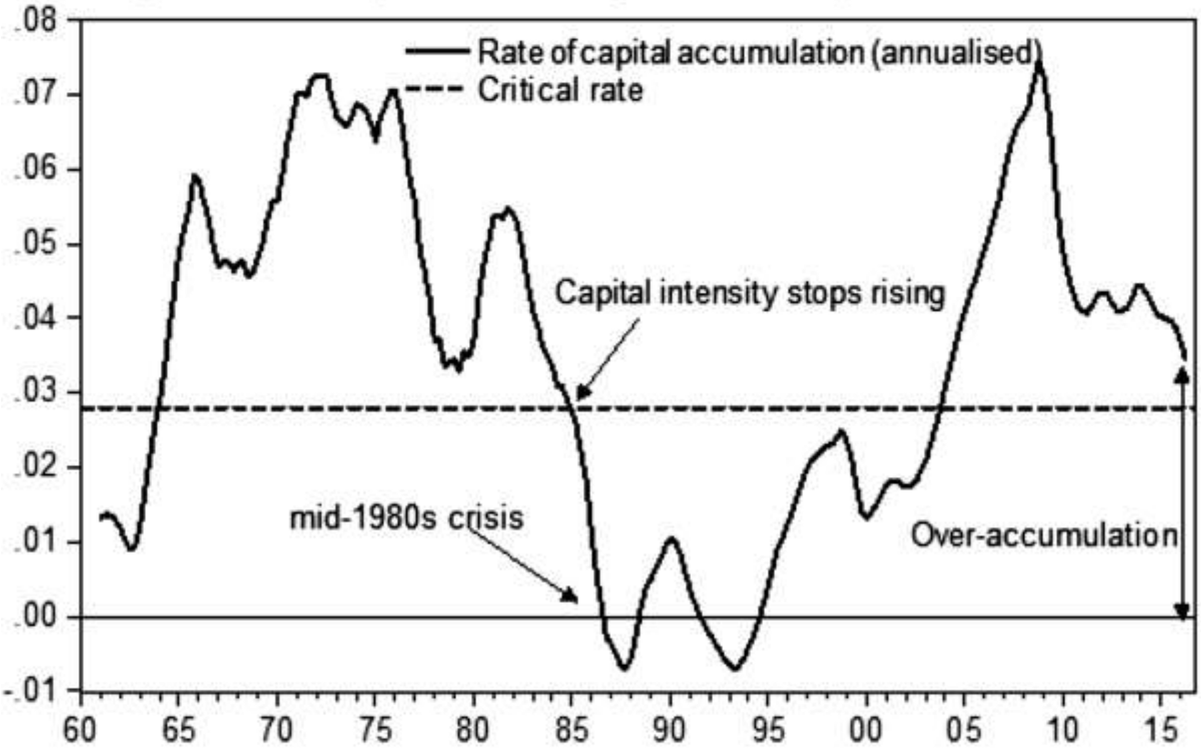
Source: Malikane 2017.

The normal quarterly rate of profit, 1960-2016



Source: Malikane 2017.

The dynamics of capital intensity, 1960-2016



Source: Malikane 2017.

It is therefore the increase in capital intensity which explains most of the decline in the rate of profit between 1960 and 1984, a process also recognised by Nattrass (1989). During the neoliberal phase, the profit share remained fairly constant on average, but the capital-output ratio fell. Once again the recovery of the rate of profit over this period is largely explained by changes in the capital-output ratio. From 2002-2006, the profit share remained constant but the capital-output ratio continued to fall. During the great recession after 2008, the economy experienced both the fall in the profit share and the increase in capital intensity. The sharp increase in capital intensity at the onset of the great recession can be explained by the fact that the recession led to a sharp drop in output, which led to a sharp increase in the capital-output ratio.

The configuration of the components of the rate of profit after 2010 is similar to the one between 1982 and 1995. During this period, the economy experienced a crisis of absolute overproduction of capital. The historical minimum rate of profit that prevailed in 1984 was 6.6%, the same rate of profit prevailing in 2014. Nevertheless there is an important di¤erence between these two periods. During the crisis in the 1980s the profit share was slightly rising, but during the current crisis the profit share has been falling.

Lastly, consider the "normal" rate of profit, the long-run that would prevail if all capacity - were fully utilised (Shaikh 2016: 826). Having controlled for fluctuations in capacity utilisation, the neoliberal recovery occurred in the early 1990s, corresponding to the beginning of the democratic era in South Africa. However, the extent of the recovery did not lead to as high a peak in the normal profit rate as in the 1960s.

Since 1960, South Africa witnessed two large shocks to the normal profit rate, both associated with a combination of conjunctural events. The first occurred between 1972 and 1976. In the beginning of 1972 there was an increase in the price of gold, which was one of the major exports for the South African economy. But the 1973 strike wave depressed profits followed in 1974 by the coup in Portugal, which posed a serious threat to the apartheid regime because it led to the independence of neighbouring Mozambique and Angola. The 1976 student uprising also depressed the investment environment.

The second shock in 1980 was due to the sharp increase in the gold price, but this was offset by workers' strikes, which also decreased profits. According to Sampie Terreblanche (2002: 342), the number of strikes and working days lost increased considerably from 1980 onwards and reached a new high point in 1982, when almost 400 strikes took place and 365 000 working days were lost. The sharp changes in the normal rate of profit therefore correspond to conjunctural political events that characterise the turbulence of the South African socio-economic formation. However, the underlying trend in the rate of profit remained downwards, and this falling trend in the rate of profit ultimately choked the growth of the mass of profits and, as Prinsloo and Smith (1997) note, capital accumulation became insufficient to cover depreciation between 1989 and 1993.

The same period witnessed a major political turning point in the struggle against apartheid. The formation of the anti-apartheid United Democratic Front in 1983 was followed by the formation of the trade union federation, the Congress of South African Trade Unions, in 1985. These major developments strengthened the political opposition to apartheid, which culminated in the release of political prisoners in the late 1980s and the ultimately the unbanning of the national liberation movements in 1990.

In a similar fashion, the current crisis, which in our framework began in the third quarter of 2012, was also accompanied by some political changes and developments, as well as the peaking of the commodity super-cycle after a final burst of prices in 2011. The first conjuncture that followed this peak was the massacre of striking mineworkers on the platinum mine at Marikana on 16 August 2012, followed by a wave of wildcat strikes in several industries. This caused divisions in the Congress of South African Trade Unions, which ultimately led to the expulsion of the largest union in the country, the National Union of Metalworkers of South Africa in 2014, and then the decision by the Food and Allied Workers Union to leave the trade union federation in 2016. In 2017 they founded the SA Federation of Trade Unions, which by 2019 claimed 800 000 members. Another conjunctural development was the establishment of the Economic Freedom Fighters (EFF) in 2013, largely composed of a youth breakaway from the ruling ANC. All these developments were coupled with sharpening divisions within the ruling ANC, and they contributed towards the poor electoral performance of the ANC in the 2016 local government elections.

To sum up the rhythm of overaccumulation, after the mid-1980s, capital intensity stopped rising. Overproduction had peaked in early 1984, and thereafter the rate of capital accumulation plummeted and fluctuated around zero. The overaccumulation crisis lasted for roughly two years, because the mid-1985 economic meltdown cleared away a vast swath of capital. More recently, although the current crisis of overproduction of capital started in late 2012, there is still a substantially positive rate of capital accumulation, with the IMF (2015,

2017) regularly reporting South African profit rates in the top five of advanced and emerging economies.

The plateau of most commodity prices until the 2014-15 crash allowed the extractive industries to drive what was still a substantially positive rate of capital accumulation. But that in turn signalled a much more prolonged overaccumulation crisis than in the 1980s. Then from early 2015, the rate of capital accumulation collapsed, as witnessed also in the share valuation crash of the world's main mining houses, most very active in South Africa. (The market capitalisation of Anglo American and Lonmin fell more than 90 percent in 2015, while Glencore and BHP Billiton dropped by more than 85 percent.) The prospects of a recovery in the light of this configuration of the rate of capital accumulation and the rate of profit are therefore non-existent. Thus the root of a country's macro-economic strength, which is the production and retention of surpluses, is in South Africa fatally diseased (Malikane 2017).

A more explicitly pro-business president, Ramaphosa, took state power from Zuma in early 2018. But in spite of Zuma's reputation for frivolous spending, corruption and other forms of economic carelessness, the Treasury and Reserve Bank were relatively insulated from 'macro-economic populism' (as was used to describe Venezuela under Chavez, for example). Indeed there have been very few if any changes in macro-economic policy between the two regimes. We can observe this, next, in considering fiscal policy, followed by monetary policy and international economic relations.

Post-apartheid fiscal, monetary and international economic policies

When white capital broke from the white state to join forces with the neoliberal factions of the ANC during the early 1990s, this was an opportunity to shape public policy in their interest, as one of the central means of restoring profitability. The demise of the Soviet Union had removed all confidence from the ANC's left factions, and the near-bankrupted Treasury was awarded an investment grade by credit ratings agencies in 1994, thus subjecting South Africa to much international financial pressure. In late 1993, an International Monetary Fund (IMF) loan of $850 million had cemented the more neoliberal elements of the apartheid government's budget. Following South Africa's longest-ever depression, from 1989-93, and with private gross fixed investment still at desultory levels through the 1990s, the new government was subject to a barrage of advice for re-entry to the world economy, in search of elusive Foreign Direct Investment. (In the years prior to the commodity super-cycle, it was only in 1997 that a momentary uptick recorded, when a third of Telkom was sold to Malaysian and Texan investors.)

Out of apparent desperation once the Rand crashed in early 1996, the RDP office in the presidency was shut down and by mid-1996, a team comprised of local neoliberal economists (all white) and two World Bank economists devised the Growth, Employment and Redistribution (GEAR) policy. A budget deficit cut-back from 9 percent of GDP ratio to 3 percent – the European Union standard – was the GEAR target. By 1998 fiscal austerity was being felt in many of the line departments, thus adversely affecting service delivery. To broaden the revenue base, the IMF had promoted the imposition of a Value Added Tax (VAT) in 1991 instead of more progressive taxes. While Imraan Valodia and David Francis (2018) argue the zero-rating of basic foodstuffs makes VAT increases relatively more favourable to poor than rich consumers, revenues could be more equitably raised under a strategy of higher direct taxation on corporations and the rich.

During the 1990s, several other macro-economic compromises exacerbated the fiscal squeeze. These including repayment of $25 billion in apartheid-era foreign debt; cuts in the primary corporate tax rate from 56 percent to 38 percent during the 1990s (and then down further, to 28 percent by the early 2010s); falling customs duties and tariff revenues once South Africa joined the General Agreement on Tariffs and Trade on adverse terms in 1994; and the decision to allow wealthy South Africans to remove their apartheid-era capital to offshore sites. The latter entailed the 1995 cessation of the Financial Rand (Finrand) dual-currency exchange control system, mainly liberating the richest South Africans to remove their wealth forever; and the 1999-2001 permission given to some of the largest firms on the Johannesburg Stock Exchange (JSE) – AngloAmerican, De Beers, Old Mutual, SAB/Miller, Mondi, Investec, Didata – to relist their primary financial homes in London and New York. (Earlier individual permissions to remove apartheid-era capital had been given to BHP Billiton – formerly Gencor – as well as Liberty Life insurance.) Prescribed assets on institutional investors (to require purchase of state securities) had earlier been phased out, and the two big mutual insurance companies – Old Mutual and Sanlam – were allowed to switch to private ownership, thus compelling the state to source its domestic borrowings in a more expensive financial market than during apartheid.

Fiscal expenditure was never strong enough to offset these biases, because due to the pressure from international credit ratings agencies plus intrinsic conservativism in Treasury, social spending as a share of GDP was in post-apartheid range of 5-8 percent, compared to a 22 percent average of the world's 40 largest economies (only four countries were lower – India, Indonesia, Mexico and China – while France and Finland maintained social spending of more than 30 percent of GDP [OECD 2016]). This reflected fiscal choices within the Treasury, for at the same time, state spending/GDP did rise from its 2003 low point of 24 percent to 33 percent by 2018 (with a deficit level of just over 4 percent). Meanwhile, aggregate public debt as a share of GDP soared from 27 percent in 2009 to 53 percent in 2018, as a result of stagnant per capita GDP growth over the period. The makeup of public spending was simply not sufficiently redistributive to take advantage of low-income consumer's much lower leakage of spending than, for example, the wealthier citizens and corporations prone to purchasing luxury imports or park their savings in unproductive, speculative sites like the JSE, where there is little if any relationship to real-economy investment. Other biases in fiscal policy include health spending, where the wealthy receive tax write-offs for private medical expenses, as well as corporate concessions on municipal services tariffs and electricity (Special Pricing Agreements are especially generous to two giant mining houses, BHP Billiton and Anglo American, whose per unit cost of power is one tenth the rest of society). The extractive-industry corporates are also lightly taxed – through royalties and income taxes – on their depletion of non-renewable resources, which also exceeds $20 billion per annum (Bond 2018). These are just some of the ways that 'corporate welfare' exceeds the state's social spending.

In addition, much fiscal activity that should be inequality-reducing, such as schooling, is not in South Africa. Sometimes that reflects the apartheid legacy in which those with closer proximity to good state services maintained them after 1994 as a result of residential re-segregation processes. As a result, there is regular rubbish collection in traditionally white neighbourhoods, but none to speak of in shack settlements where a third of a typical city's residents live. Because the catchment area for schools also reflects this geographical bias, experts argue that public education – typically taking 15 percent of the South African national budget annually – does not reduce but cements inequality (Spaull 2013). Another reflection of privileged geographical location leading distorted fiscal policy and inequality-exacerbating outcomes, is state economic infrastructure funding. So too does state spending on defence, public order and safety – because geographically there is more money spent in rich than poor areas to protect property and residents, but also in terms of defense spending, the wealthy have more to lose if national sovereignty is violated militarily. A final category of fiscal spending that amplifies class power is debt servicing, since financiers and other wealthy bondholders benefit most, as a result of South Africa's historically-high real interest rates.

All of these considerations (and many others) reflect a long-standing dispute (Bond 2015; Forslund 2016) with the World Bank (2014, Woolard et al 2015) regarding a supposed 'highly redistributive' impact (from rich to poor) claimed by the Bank and many important allies in their fiscal analyses. Woolard et al (2015) argued that the Gini Coefficient falls from 0.77 to 0.59 thanks to Pretoria's 'comprehensive' expenditures, which include state education and healthcare spending. In 2016, the Bank (2016, 151) estimated that a reduction in inequality by "over 7 points in the market income Gini" occurred through fiscal policy. By 2018, however, the IMF (2018b) admitted that such analysis "excludes important taxes (i.e., corporate income, international trade, and property taxes) and spending categories (i.e., infrastructure investments)…" With such vast gaps, not to mention the other points discussed above, the Bank analysis suggesting a redistributive state simply falls apart.

Similar concerns must be expressed about monetary policy. Indeed, by allowing the current account deficit to soar after 2001, as a result of a new stream of profit and dividend outflows associated with the relisting of major firms on the foreign stock markets, much higher levels of foreign indebtedness were then required to pay that outflow. The inherited $25 billion foreign debt (of all borrowers) soared to more than $183 billion by 2018. And this, in turn, required South Africans to pay a higher real interest rate than ever before, typically amongst the top five in the world for 10-year securities amongst several dozen countries that sell these in international markets.[1] This premium was paid long before junk ratings were imposed from April 2017.

Historically, the late 1980s witnessed a sharp turnaround from counter-cyclical to pro-cyclical monetary policy, once a neoliberal (Chris Stals) replaced a more politically-sensitive Reserve Bank Governor (at crucial moments, Gerhard de Kock had kept rates low to please the Pretoria regime). The dramatic rise in real interest rates in 1989 was exacerbated in 1995, by another ratcheting of real interest rates as a result of the Finrand liberalisation: to compensate for the outflows (benefiting the wealthiest), the Reserve Bank's high returns to inflows hurt all debtors. Those included a new (often first) generation of black borrowers,

[1] A few countries paid higher rates at times: Greece in the early 2010s, Argentina and Turkey during crises, and even Brazil and Russia. Pakistan and Indonesia were occasionally higher, but even Venezuela's interest rate was usually lower.

and the April-September 1998 crash of the Black Chip shares on the JSE was even greater than the stock market's overall 45 percent fall from peak to trough. As the crash unfolded and Mboweni was selected as Stals' understudy and eventual replacement, the currency also collapsed once Russia defaulted on its foreign debt, confirming the fragility in emerging markets. After spending the country's hard currency attempting to defend the Rand's value, Stals gave up and instead simply raised interest rates by 7 percent within two weeks. The shock rise followed a steady increase in the real interest rate the Reserve Bank charged its own borrowers (the repo, or repurchase rate) from 2.5 percent in 1993 to 12.5 percent in 1998. That increase exacerbated bankruptcies (the repossession rate) for black business borrowers who had collateralised their debts with stock market shares. Hence the 1993 and 1996 decisions by Constitution drafters to give the SA Reserve Bank formal 'independence' were, in those respects, extremely costly to the society.[2]

Interest rate management is not only aimed at keeping money inside the country. In orthodox hands, a monetarist perspective considers money supply the driver of internal prices. Thanks to the Reserve Bank's high interest regime since 1995, inflation never reached the levels of the 1980s, and indeed in recent years, Consumer Price Inflation was reduced to 5.1 percent for the wealthiest fifth of the population over the 2009-17 period. However, for the poorest two thirds of South Africa, it was nearly two full percentage points higher, according to the IMF (2018a, 76), partly as a result of higher administered prices (especially electricity) and food prices as drought periodically cut domestic supply.

Another aspect of monetary management (considered in the broadest terms), is the financial system's supervision and regulation. The 'Quantitative Easing' loose-money strategy adopted by the North's central banks from 2009-15 was based, first and foremost, upon ensuring banks would survive the Great Recession, and secondly, upon the need to artificially reflate global effective demand. In South Africa, supervision and regulation of the financial system always received praise from the World Economic Forum (2017) *Global Competitiveness Reports,* usually ranking in the world's top ten.

But in reality, there are major problems with supervision and regulation, as witnessed in the delinking of the South African financial system from the real economy. Reflecting the financialisation process that was explained in theoretical terms above, South Africa's overaccumulated capital has not been reinvested, in the form of profit streams plowed back into plant and equipment. The main way the financial markets have taken over such flows of idle capital, is through a level of stock market overvaluation, an 'irrational exuberance' (as Alan Greenspan termed this process in the U.S.) that is the world's worst, measured using the Warren Buffet Indicator. By that measure, which is a national stock market's aggregate share value to GDP, the JSE grew rapidly through January 2018, reaching a ratio (350%) higher than any other ever measured, 3.2 times higher than the world average. Although real estate markets were adversely affected by the 2009 recession and subsequent political

[2] The opposite philosophy, monetary laxity, was being practiced next door in Zimbabwe by a Reserve Bank governor, Gideon Gono, who was Robert Mugabe's personal banker. From the early 1990s until 2009, the effect was a degeneration of the currency's value to the point it was replaced by the US dollar, after a bout of intense hyperinflation. The extent of Reserve Bank 'independence' is mainly a euphemism for the extent to which the individuals in charge are committed to protecting the currency's value against inflation, which in Gono's case was secondary to lubricating the Mugabe patronage machine.

uncertainty, from 1997-2008 South Africa's landed property grew faster than any other in the world, twice as high the second largest bubble market, Ireland's (*The Economist* 2009).

Had there been political will, the Treasury and Reserve Bank could have addressed these bubbles, since many were based upon the chaotic search for financial returns. For example, a "Henry George Tax" on undeveloped land would have lowered the returns to speculative acquisitions, and a strong mode of forced class-integration within residential projects – so that affordable housing is mixed with luxury accommodation – would have prevented so much investment money in upper-income gated communities. There could readily have been "Tobin Tax" disincentives for financial transactions above a certain value (even Zimbabwe applied such a tax – of 0.02 percent on every bank transaction – although without any real attempt at progressivity, hence it was universally despised).

However, in contrast to what was possible (sometimes termed "financial repression"), some of the main regulations pertaining to financial were deregulated, sometimes even out of existence. These included the Finrand dual exchange-rate to penalise offshoring; the corporate listing requirements; the building societies' domination of home mortgage bond lending; and the very existence of the major insurance companies Old Mutual and Sanlam as mutual societies. In the case of usury rate protections against excessive interest rates (especially on small loans), major exemptions were made to existing regulations.[3]

Along with the relatively high interest rates paid to savers due to conservative monetary policy, these processes had the effect of intensifying inequality, as wealthy South Africans externalised their assets and as the mutual ownership that had preserved working-class wealth for generations suddenly reverted to private ownership of existing shareholders. Several banks that were on the verge of failure were merged thanks to a generous Reserve Bank bailout loan, creating the Amalgamated Banks of South Africa. (Smaller banks were not so fortunate, as no bailout was considered for the African Bank or VBS in recent years.) Pension funds that required longer-range investment consideration were converted to provident funds that could be drawn down by beneficiaries overnight.

Moreover, the degree to which the regulators' oversight was inadequate to the task of maintaining financial system coherence was illustrated repeatedly by banking scandals. For example, Illicit Financial Flows unveiled by data leaks – scores of rich South Africans people and firms named in the HSBC, Panama Papers and Paradise Paper scandals from 2015-17 – were never acted upon. At least 17 banks were involved in the manipulation of foreign currency transactions; but their exposure in 2016 occurred in the Competition Commission, not the Treasury or Reserve Bank. The financial accountancy profession became a laughingstock, for repeatedly giving positive ratings to companies Steinhoff, VBS bank and African Bank.

[3] Financial regulation had been lax in an earlier era, when the racial restrictions on lending to black customers for urban housing were lifted. An estimated 400 000 mortgage bonds were issued from 1984-87, but the subsequent rise in real interest rates on those loans, from -6 percent in 1987 to positive 7 percent by 1989, left 40 percent in default or deep arrears. Township housing was subsequently 'redlined' until the early 2000s, in spite of the new government's primary objective of 'normalising' the housing finance market through a variety of bank-friendly policies and subsidies (Bond 2000).

Supervision and regulation were also weak when it came to consumer indebtedness, until the 2005 National Credit Act tightened lending requirements. But inadequate protection against informal lenders remains a major problem, because with a lower share of the post-apartheid national surplus going to labour as opposed to capital (a 7 percent relative decline from 1994-2016), the working class became overindebted. The crisis year was 2008 because of rapid interest rate increases, although they were then partly reversed as the global financial meltdown unfolded. In 2004, household debt/GDP was 55 percent, but soared to nearly 90 percent in 2008, before declining to 70 percent today. In 2017, the National Credit Regulator (2017, 43) recorded nearly 25 million credit-active consumers, of whom 15 million "were in good standing, while the balance of 9.69 million (39 percent) had impaired records." Indeed, the debt of the bottom decile of the population rose to a full third of household asset value by 2015 (IMF 2018a, 76), while for the top decile it was only 9 percent. Differential pricing of financial services means that wealthier borrowers pay lower rates (and get higher rates when savings), compared to the micro-finance industry that lends to poor and working-class people. The IMF (2018b, 18) study of financial markets confirms that "bottom quintile households account for 33 percent of loans from 'mashonisas' (higher-cost informal lenders) compared to 8 percent for the top quintile."

In sum, not only was neoliberal fiscal policy unhelpful for redistribution, with a few exceptions. In addition, the monetary and financial management of South Africa's economy was characterised by supervisory laxity, deregulation, corporate corruption and excessive financial speculation. These aspects of inequality-amplifying macro-economic policies were, in turn, exacerbated by South Africa's increasingly vulnerable relationship to a volatile world economy.

The main post-apartheid policies that reflected the excessive power of international economic relations – in relation to domestic policy sovereignty and the potential to lower South Africa's inherited class, race and gender inequality – were the $25 billion apartheid debt repayment; the relationship with the Bretton Woods Institutions (both an IMF loan and World Bank policy advice); ascension to the World Trade Organisation, which compelled lower tariffs on manufactured goods; exchange control liberalisation; and the delisting of the main Johannesburg and Cape Town corporations (Saul and Bond 2014).

Defenders of the ANC's turn to globalisation point to the commodity super-cycle upturn starting in. South Africa's four main mineral exports – platinum, coal, iron ore and gold – did exceptionally well from 2002 until the crash of 2015, although prices reached peak level in 2011. Unfortunately for South Africa, however, the firms controlling these minerals required their payments to be made to international head offices in foreign currency, so the profits, dividends and interest ('balance on income') component of the current account deficit soared to a high of 7 percent of GDP in 2009, and subsequently were in the negative 2-3 percent range (IMF, 2018a:17). Yet South Africa's net foreign investment position is positive (since 2014), in part because Naspers bought a third of Tencent for a tiny fraction of its late 2010s' peak $572 billion market capitalisation (though it fell to a January 2019 valuation of $430 billion due to Chinese regulatory tightening in mid-2018). In other words, exchange control liberalisation has permitted the likes of Naspers to retain earnings in overseas shares or leave those profits abroad. Worse, further outflows are occurring at a more rapid pace, the wake of the February 2018 decision by Treasury to permit an additional $38 billion of institutional investor funds to move abroad (exchange controls on these funds were relaxed from a 75 to 70 percent local investment requirement). Yet with just $50 billion in reserve holdings of hard currency, the IMF (2018a: 35) correctly termed these “below adequacy” by at least 30 percent: “External risks include large gross external financing needs, and a current account deficit financed by flows that are prone to sudden reversals in response to abrupt changes in global financial conditions and sovereign credit ratings. Disruption in trade flows and a fall in commodity prices would worsen the twin deficits and dampen growth.”

Conclusion

The macroeconomic policies discussed above may work for a few East Asian countries able to run current account surpluses and not suffer from extreme financialisation, commodity price volatility, world-leading corporate corruption, the highest unemployment rate in the industrialised world, 65 percent poverty, durable racism, gender superexploitation, and the sustained overaccumulation of capital. The world’s worst inequality is, in many respects, a direct casualty of the combination of underlying capitalist crisis tendencies – ‘structural’ in nature – and neoliberal public policy, a matter of ‘agency.’

The policy implications of overaccumulation, as derived from the analysis above, include the inability of the state to impose fiscal austerity without harming capital accumulation. The crisis of overaccumulation cannot be effectively tackled using fiscal policy; however, the state’s ability to raise the mass of profits through austerity and tax cuts is of concern. Amplifying such a policy in coming months and years, via public spending cuts, would generate such fury amongst the working class may have to be curtailed, which may lead to a political crisis.

Indeed, even on narrow economic grounds, fiscal austerity measures are contradictory, because they also reduce the critical rate of profit below the actual rate, which soon leads to an increase in capital intensity and puts downward pressure on the rate of profit (Malikane 2017). Greece, for example, has suffered a decade of austerity and still shows no sign of recovery, whether in state redistributive support or even the resumption of capital accumulation. The Keynesian strategy of simple fiscal expansion is therefore limited. But in addition, the shifting, stalling and stealing strategies adopted by capitalists in recent decades have limits in South Africa, given how extreme the social crisis has become.

But more worrying, the forces of resistance are similarly unable to construct a coherent response, mainly because their Polanyi-style (1944) ‘double movement’ strategies of resisting neoliberalism remain so fragmented. Exceptional victories were won not only in democratisation and deracialisation, but also in socio-economic struggles for AIDS medicines, free municipal services, improvements in formal labour contracts and free tertiary education. All these struggles continue, of course, because conditions of overaccumulation crisis, fiscal constraints, monetarism and vulnerability to international economic pressures together are formidable.

In economic terms, without some good fortune such as another commodity super-cycle to prop up mining or a Tencent-type acquisition to prop up fictitious capital, the mass of profits and the rate of capital accumulation will not recover. In the light of this, the tax base will not grow and the public sector is likely to remain in a debt-trap. The foreign debt may be the biggest single worry, once the tide of 'risk on' international portfolio investment ebbs, as was the case in late 2008 and is no doubt on the immediate horizon.

The only answer to the dilemmas we pose above, is to connect-the-dots between the social struggles and community movements, to bring a more focused and militant labour movement into alignment, and to ensure the left political parties (especially the Economic Freedom Fighters, South African Communist Party and Socialist Revolutionary Workers Party) seek unity not distinction. In other words, a socialist solution is the only real resolution to the problems we have indentified in the crisis of overaccumulation and the adoption of neoliberal macro-economic policy.

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