The political economy of corruption: elite-formation, factions and violence

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Cover photo: Collage of South African newspaper headlines

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<th>Acronym</th>
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<tr>
<td>ANC</td>
<td>African National Congress</td>
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<tr>
<td>BEE</td>
<td>Black Economic Empowerment</td>
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<tr>
<td>BRICS</td>
<td>Brazil, Russia, India, China and South Africa (5 emerging national economies)</td>
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<tr>
<td>COPE</td>
<td>Congress of the People</td>
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<tr>
<td>COSATU</td>
<td>Congress of South African Trade Unions</td>
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<td>DA</td>
<td>Democratic Alliance</td>
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<td>EFF</td>
<td>Economic Freedom Fighters</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>JSE</td>
<td>Johannesburg Stock Exchange</td>
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<tr>
<td>MP</td>
<td>Member of Parliament</td>
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<tr>
<td>NDR</td>
<td>National Democratic Revolution</td>
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<td>NGO</td>
<td>Non Governmental Organisation</td>
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<td>SOE</td>
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One

From ‘corruption’ to ‘class formation’

In March 2017 South African President Jacob Zuma fired Finance Minister Pravin Gordhan from cabinet and unleashed a storm of protest and mobilisation. This move was widely seen as the final onslaught in a campaign to ‘capture’ the state for corrupt networks stretching across South Africa and far beyond - to Russia, China, India and Dubai. Opposition political parties and broad social movements calling themselves ‘civil society’ began to mobilise a campaign for the removal of Zuma. As important, a split emerged within the ANC as Gordhan and a network of prominent ANC leaders and veterans launched a struggle to ‘reclaim’ the ANC. The two key alliance partners of the ANC, the SA Communist Party and the Congress of South African Trade Unions also spoke out against Zuma’s move, and joined the campaign to remove him.

Protest, public meetings and massive marches took place. The biggest demonstration of the post-apartheid period was estimated to have mobilised about 100,000 in a march to the Presidency in Pretoria, led by the opposition political parties with the Economic Freedom Fighters (EFF) in the lead. Political rivals such as the EFF, the liberal opposition DA, the SACP, and some of the social movements and NGOs, joined hands in what was seen as a national crisis.

In Parliament, the opposition parties served notice of a motion of no confidence in the President - the fourth such motion over the previous two years, but this time attracting unprecedented interest because of speculation that a number of ANC MPs would support it. Ultimately this turbulence led to the election by a narrow margin of Cyril Ramaphosa as president of the ANC in December, the recall by the ANC of Jacob Zuma as President of South Africa and his replacement by Ramaphosa in January 2018, and his announcement of a ‘new dawn’ for South Africa.

The transition from Thabo Mbeki to Jacob Zuma as ANC president in Polokwane in 2007, and the subsequent recall of Mbeki as South African President in 2008 had also been accompanied by intense internal struggles and mobilisation, but the 2017 contestation was far more public, bitter and unpredictable. After Polokwane Zuma was able to move methodically to assert his dominance of the ANC, purging ANC allies from positions of power and leading to the breakaway of COPE. Ramaphosa has had to move much more cautiously to establish his authority, and has been forced to adopt a strategy of ‘unifying’ the ANC while facing powerful resistance from within.

The narratives presented in the media and the public domain more generally depict this as a struggle between a state-capturing network of politicians, officials, brokers and businessmen bent on looting and self-enrichment, and a band of righteous politicians and citizens, drawing together the ‘old’ ANC, activists, ‘good’ business and citizens in general, intent on rebuilding institutions and good governance, the rule of law, international credibility and fostering growth and development. This is unconvincing, though superficially plausible.

A much deeper set of social forces and processes underlies and shapes the struggles within the ANC and more broadly, and political struggles are inseparable from struggles over the shape of the economy, and specifically over class formation. In this paper I try to surface some of these deeper forces and processes in order to develop a more sober analysis of current challenges and future prospects.
Specifically, I make five arguments.

1. **Corruption is a mechanism of class formation, rather than primarily a moral or criminal issue.**
   The defining social process in post-apartheid South Africa is the formation of a new black elite. Other mechanisms in this process are:
   - Black Economic Empowerment (BEE)
   - Employment equity across the state and private sector
   - Land redistribution
   - Dispossession of rural villagers from communal land by an alliance of chiefs, black business partners and mining corporations.
   But the formal economic sectors are dominated by established business and corporations, opportunities are few, the demand is high and competition is fierce. In this context, the state is the location of jobs, revenue, contracts, tenders and licensing and is an obvious resource in the formation of a new elite.

2. **This has given rise to a pervasive informal political-economic system that pre-existed Zuma’s accession to the Presidency and which is much more extensive than the Zuma-Gupta project.**
   This system is shaped by the intersection of patronage and factionalism, as patronage networks form political factions in order to gain power in the state. Contrary to the prevailing public narratives, the purging of the Zuma-Gupta network from positions of influence and power, and even their jailing, will not lead to the demise of this system.

3. **The informal political-economic system is violent.**
   Violence is an important resource for factions in the struggle with rival factions over power and access to opportunities, for enforcing faction cohesion, and for crushing community resistance.

4. **Both corruption and anti-corruption are a form of politics.**
   Corruption is not simply a matter of bad morals or weak law enforcement, nor is anti-corruption a simple technical matter of restoring professionalism, enforcing procedures and implementing the law. Corruption is embedded in political processes and anti-corruption is also characterised by a politics - that is, the specific configuration of forces that supports and mobilises an anti-corruption campaign emerges at a particular time for specific reasons. This paper explores the political economy of corruption in South Africa.

5. **Ramaphosa’s trajectory, and the future shape of corruption in South Africa, will be determined by the character of the coalition he can forge - or that will be forced upon him - among party barons within the ANC.**
   But one thing is sure - his coalition will include corrupt figures, and the informal system of politics-patronage will remain pervasive. For the purpose of building institutions and attracting investment, it will be necessary to establish as stable a coalition as possible - although the odds are stacked against success. I will return to this theme at the end of this paper.

I explore these themes through a somewhat schematic account of the transition from Mbeki to Zuma to Ramaphosa in the ANC. In order to grasp the significance of the struggles over elite formation, I make use of Karl Polanyi’s concept of movement and counter-movement revolving around struggles over the dis-embedding and re-embedding of the economy in society (Polanyi 1944 [1957]). This reveals a contradictory process of dis-embedding and re-embedding, rather than a linear trajectory, which shapes the form of political struggle.

I use this framing to analyse the political dynamics of the Zuma regime, the fightback by Gordhan and his allies centred on the Treasury, and the presidential contestation for control of the ANC. I consider the question whether the Zuma project constitutes an alternative trajectory of accumulation under the rubric of radical economic transformation, and as an element of this question trace the emergence of an alternative set of global linkages centred on the Brics, primarily the former Communist regimes of China and Russia. I discuss the constraints on and possible future of the Ramaphosa project in the ANC, and the prospects for a more progressive counter-movement.
Dis-embedding and re-embedding the economy in social life

Neoliberalism has become the dominant critical frame for understanding development in South Africa, yet as Hart argues (2013:6) it remains inadequate to the task of grasping the turbulent, shifting forces taking shape in the arenas of everyday life. Hart is concerned with the important processes of hegemony and nationalism, but tends to ignore class formation and particularly its material base. In contrast, I argue that the processes through which emerging elite classes are being forged are critical for understanding politics in South Africa, in particular the sharp contestations within the ANC with which this paper begins. I turn to the work of Karl Polanyi in an attempt to grasp these dynamics.

As is well known, Polanyi argues that capitalism brought into existence a dynamic of marketisation and commodification through which a broader and broader range of social and productive activities are ensnared in market processes and abstracted from social use. Ultimately, even the three fictitious commodities which are essential for human society - land, labour and money - are commodified and destroy the basis of society and human life. These are fictional commodities precisely because they cannot in fact be turned into commodities without destroying their social and life-giving function. Polanyi argues that this process of marketisation constitutes a historical movement, which is resisted by society in the form of a counter-movement to re-embed land, labour and money, and subordinate the economy to social ends.

Colonialism itself was one such process of dispossession and dis-embedding primarily land and labour in the global expansion of capitalism and marketisation, and struggles of national liberation were struggles for repossession, for re-embedding the people in their own territory and in their own nation. The kind of analysis suggested here also points to the material dimensions of nationalism, and particularly to the fierce struggle of indigenous elites to come into existence and lay hold of the sources of wealth in Africa generally, and not least South Africa - a process which deeply exercised Fanons mind, despite his aversion to it (Fanon 1961 [1967]).

This process of national class formation is pretty much ignored by most critical left analysis, including that of Hart, despite its absolute centrality to the understanding of politics in South Africa. To understand how this has played out in the politics of the ANC it is essential to grasp the distinctiveness of the moment when the ANC was at last able to establish itself in government - it was of course the moment of globalisation and the ascendancy of neoliberalism cemented by the collapse of the Communist regimes across the Soviet Union and Eastern Europe.
It was in Polanyian terms a period of heightened marketisation and in particular the accelerated financialisation which consolidates the abstraction of that fictional commodity, money, from any social use at all. Accumulation is disembedded from production and territory, becoming a process virtually severed from national, governmental or policy intervention. The earlier wave of post-World War II anti-colonial movements came to power in a different period, when the developmental state and national strategies for industrialisation were commonly adopted by newly independent regimes (as well as by entrenched reactionary regimes such as apartheid South Africa), representing in some cases a Polanyian counter-movement seeking to re-embed development nationally against the domination of Western capitalism at the time.

In the 1990s, in contrast, the emerging global regime of globalised and financialised accumulation, as well as the prevailing geo-political order, tended to preclude such strategies for newly independent or democratising regimes, including that of South Africa. This provides the essential global context for understanding the politics of the ANC.
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The struggle to re-embed accumulation: the Thabo Mbeki regime (1994-2008)

Drawing on the theoretical argument outlined previously, we can turn briefly to characterise the strategic tensions that marked the Mbeki regime, understood to have included the Mandela period when Mbeki was effectively running the government (1994-2007). In doing this I draw on Hart’s presentation of the dynamics of de-nationalisation and renationalisation, but reframe this in terms of the Polanyian dynamic. The first phase of this regime was chiefly characterised by dramatic processes of dis-embedding accumulation, during which capital controls were lifted allowing a massive flight of South African capital as well as the listing offshore and globalisation of what had been very big and powerful South African corporations, the sharp reduction of import tariffs and the consequent de-industrialisation of many manufacturing sectors, as well as fiscal austerity, privatisation and other aspects of a typical neoliberal economic reform agenda.

At a more political level, this period saw heightened conflict between the ANC and its Alliance partners as it attempted to roll back and limit the power of the trade union movement and the SA Communist Party. Hart highlights the fact that Mbeki regime was not solely characterised by neoliberalism, but also by specific and important processes of re-nationalisation: specifically, reconceptualising the national democratic revolution (NDR) - the core strategic concept of the ANC - as a narrow, disciplined technocratic project centred on the formation of a new patriotic black bourgeoisie, which was threatened by the ultra left posturing of his critics. In 2003 the ideological perspective of the Mbeki government shifted again with the articulation of a stronger concept of the developmental state, abandoning the commitment to privatisation in favour of a strong role for the state-owned enterprises (SOEs) in fostering and shaping economic growth, as well as the adoption of broader welfare policies to tackle the problems of the marginalised masses occupying the second economy (Hart 2013:199, also chapter 2).

For Hart, these shifts remain gestures towards re-nationalisation operating at the level of ideology, and designed to contain working-class challenges, rather than real shifts reflecting material goals. This is where it becomes useful to introduce a more material analysis of struggles to re-embed accumulation in the national territory of South Africa.

Thus the focus on creating the conditions for the emergence of a black bourgeoisie is not just a sign of Mbeki’s conservative orientation; it is rather an attempt to address a very real, very material and burning aspiration. Settler colonialism and apartheid had worked explicitly to prevent the emergence of black middle classes and particularly entrepreneurs, whether on the land, in commerce or in manufacturing.

The result is that one glaring dimension of inequality in South Africa - usually considered only in terms of inequality between the bottom and top of society - is that between black business and white business, as well as between black and white middle classes more broadly.

This is a dimension of inequality that simply insists on being addressed as long as business remains a significant class in South Africa; moreover, the biggest and most competitive white owned and managed corporations have demonstrated scant commitment to the development of South Africa, globalising and shifting capital at the earliest opportunity. Hence the question of a patriotic black bourgeoisie with national commitment, which so exercised Mbeki’s mind. These are very political dynamics with a real material content, and place the political economy of a rising class at the centre of ANC politics.
Likewise, the new emphasis on a developmental state and the SOEs signalled a more assertive stance in relation to the forces of disembedded marketisation, and an emphasis on re-embedding control of key elements of the economy rather than relying on the neoliberal illusion of foreign investment. However half-heartedly these shifts may have been, they point to the very real dynamics of a counter-movement focused on re-embedding finance, production and class formation in the national territory of South Africa, as well as assert the sovereignty of the state in attempting to address the conditions of the people.

Unfortunately for Mbeki these shifts were too limited, contradictory and late. He relied on Black Economic Empowerment (BEE), a legislated and negotiated process for the transfer of assets from existing corporations to new black business partners. This does not consist of an unfettered transfer of assets; share transfers are financed through a range of mechanisms which entail substantial debt financing for new black owners. These transactions tended to establish black capitalists as junior partners and simultaneously constitute a new source of profit for (white) financial capital. Few of these renter capitalists have any involvement in business operations or production. While in some cases BEE may have created the basis for an elite coalition between black and white business, the minority stakeholding and high financial gearing of black partners has made the constraints of this model increasingly clear. This empowerment elite remains small, economically weak and politically dependent on the ANC, and compromised by the increase in inequality over the same period in which they were empowered. The result, Plaut and Holden argue, is that the power of the BEE elite remains precarious (2012:213-238).
The rise of the informal political-economic system

Numerous black entrepreneurs, and aspirant entrepreneurs, were unable to access these opportunities because of political gatekeeping or because they lacked the capital or the skills. Already, during the Mbeki period as well as the presidency of Mandela, an alternative political-economic system was emerging at national, provincial and local levels, through which networks of state officials, ambitious entrepreneurs as well as small-time operators, were rigging tenders or engaging in other kinds of fraud so as to use revenue flows from the state to sustain or establish businesses, or simply to finance self-enrichment. Given the property clause in the Constitution, as well as the conservative strategies adopted by the ANC government, and in the context of economic domination by large corporations and white owned businesses, there was little alternative for channelling the aspirations and burning sense of injustice of black elites and would be elites in post-apartheid South Africa. The state - newly re-nationalised by the liberation struggle - had become the only channel for the emergence of these aspirant classes, given the scope of its resources and activities (Von Holdt 2013).

At the same time, the narrow scope and precarious status of Mbeki’s official black empowerment elite, was one of the factors behind his political isolation and his own overthrow by the Jacob Zuma tsunami.

Given the current focus on Zuma and the Gupta family as the architects of corruption, it is important to note that an informal political-economic system, including its intersection with violence, was already emerging in South Africa prior to and outside the emergence of the Zuma network.

Research into the intersection between community protests and ANC politics revealed how, already in 2008-9, local government had become a source of intense struggles over access to tenders, budgets and jobs between different factions of the ANC in many towns and townships. Outsider factions positioned themselves as leaders in community protests against the incumbent factions, with the aim of accessing the resources at the disposal of local government and, when they were successful, constituting new patronage networks to reward their followers. Violence was frequently deployed in these struggles, involving the burning down of homes and municipal facilities, assault, and increasingly, assassination. Local factional networks were linked into regional and provincial ANC structures and networks, where similar struggles took place over the control of the ANC structures and therefore of access to provincial government and resources (Dawson 2014, 2017; Langa and von Holdt 2012; Mukwedeya and Ndlou 2017; Ndletyana 2013; Von Holdt et al 2011; Von Holdt 2013, 2014).

At the national level the first major scandal to come to public attention was that of the Arms Deal under Mbeki, which involved numerous kickbacks both big and small. Zuma himself had been caught up in the scandal, and in the lengthy court disputes over whether Zuma should be charged, it emerged that there had been attempted to interfere in the case by prosecutors linked to Mbeki. As president, Zuma moved to build a network of supporters in both the police and the National Prosecuting Authority (NPA), in order to protect himself and his allies against any further attempt at investigation or prosecution. Analysis of these dynamics made it clear that control of the coercive institutions of the state (police, intelligence, prosecution authority, prisons, and ultimately the judiciary) would be the logical outcome of the consolidation of this informal political-economic system (von Holdt 2013, 2014).

A 2012 interview with a trade union national office bearer (see box on page 9), also an ANC and SACP activist, gives a sense of both the scale of the involvement in diverting state resources, and the sense of a collective understanding that this was an acceptable, widely practised and familiar set of practices.
People really laugh when you talk about corruption

It's about the kind of lifestyle they live, the cars they drive, and including what we drink when we are socialising. When you ask, But comrades, why are we doing things like this? They say, You live in the past. And when it comes to tenders, the first thing they want to know is how much they are going to get from the tender. When you ask them, How can you do such a thing? They ask you, What's wrong with you? This is how things are done. They really laugh their lungs out when you ask them about these things.

It is the issue about our value system and what our struggle is about that is crucial to me, things such as selflessness, serving people. So our cadres look for one of us who seems to be doing better and they follow on their footsteps and those become dominant values which overshadow the old values.

The younger ones have been communicated this message that this is the way of doing things; so you don't need to be good at school; you don't need to work hard; you can find short-cuts; you have got to be connected. There are just too many people who are trapped in corruption now. You cannot deal comprehensively with it because the problem is at the top. People know this will collapse the ANC or the state if it is dealt with in a serious way. I am afraid, comrade, I am very afraid.

What is being described here is clearly a system of practices and understandings that pervades the ANC and the state, embedded in a local moral order that provides legitimacy and rationale for such practices. This is a kind of counter-movement to the dis-embedding processes of globalisation and good governance championed by the Mbeki government and its technocrats, working to re-embed economic agency and wealth formation in the emergence of a local elite - a counter-movement of local processes to appropriate wealth from the circuits of finance. And it was this pervasive informal political-economic system in which Zuma and his networks were able to locate themselves, and which also provided the basis for the emergence of the formal discourse of radical economic transformation within the ANC.

This argument is reinforced by other research (for example Beresford 2015; Lodge 1998) including the recent publication of an insider account of the functioning of such a regime in the City Council of Nelson Mandela Bay which illustrates how successive factions of the ANC in the Eastern Cape used their control of the council to build patronage networks, foster murky business operations, fund the ANC and enrich themselves (O'Leary 2017), without any interaction with the Gupta networks and surrogates that were so central to the Zuma project.

Current revelations about the VBS Mutual Bank, and Bosasa show just how long-standing and widespread these practices are.

I argue that this set of practices constitute an informal political-economic system. By a system I do not mean a structure which is centrally coordinated or planned, but a pervasive and decentralised set of interlocking networks that reinforce and compete with each other in mutually understood ways, and include the use of violence as a strategic resource.
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Re-embedding class formation: the Zuma regime (2009-2018)

The Zuma campaign to replace Mbeki took the form of a populist challenge in which Zuma as a figure came to represent - a point of condensation for multiple, pre-existing tensions, angers, and discontents that until recently were contained within the hegemonic project of the ruling bloc in the ANC (Hart 2013:97-8), which, in Harts analysis, represented a strategy for mobilising and simultaneously containing popular antagonisms. Zuma was able to embody rural authority, patriarchal respectability and family commitment, militant insurgency and deep ANC history, as well as familiarity with popular cultural repertoires, and thus emerge as the authoritative other to the remote and intellectual Mbeki (Hart 2013: 204-7). This articulation of a nationalist populism represents for Hart a moment of re-nationalisation against the predominantly de-nationalising project pursued by Mbeki and his technocrats. Thus Zuma kindled SACP and COSATU hopes of a left turn towards a much stronger developmental state capable of re-embedding the economy and society, and addressing the crisis of social reproduction experienced by the working class and the poor generally. The Zuma slate of candidates won a decisive victory at the 2007 ANC conference, a year later Mbeki was removed as President of South Africa, and Zuma became President in 2009.

A left turn would have represented a more radical kind of counter-movement with an alternative re-embedding strategy. However, in retrospect it is clear that the Zuma project was focused on strengthening and deepening the informal political-economic system, and locating him and his close allies at its centre. Quite rapidly any sign of populist mobilisation disappeared. On the face of things Zuma preceded along similar policy lines as Mbeki. The centres of global connection and neoliberal management in Treasury, the SA Revenue Services (SARS) and the Reserve Bank remained intact. In reality, though, the Zuma regime – and this included his key allies in the provinces and their allies located in the ANC branches and regions and in local government - was opening up the channels for the informal political-economic system to expand and incorporate new networks, including members of his own family. At the same time, he and his allies were moving to gain control of key positions in the National Prosecuting Authority and the police, in the first instance protecting Zuma from prosecution for his involvement in the Arms Deal procurement scandal under Mbeki, but ultimately aimed at heading off investigation or prosecution of anyone in the rising networks.

The pace and scale of this project increased exponentially after the first three or four years in which Zuma networks were consolidating their power at all levels of the ANC and government, at about the same time as a more explicit formal political discourse was emerging with an emphasis on radical economic transformation. This centred initially on the idea of more aggressively using state procurement to foster the development of black businesses, expanding to include direct funding for the formation of black industrialists. The State Capacity Research Project - a consortium of progressive researchers - has argued that the presidency and newly appointed officials in the state were increasingly prepared to play fast and loose with the law and the Constitution, not simply out of self-interest, but out of political conviction (Bhorat et al 2017:47). The conviction was increasingly articulated by Black management and business forums that the rules of the game were rigged against black business, making it virtually impossible to penetrate the private sector because of long established relationships, over and above the deliberate bias towards white-owned companies, in the words of the head of the Black Management Forum in 2016 (ibid: 48).

While the Treasury and its networks of technocrats believed that fair procedures, international standards of governance and rigorous competition could be reconciled with black economic empowerment in accordance with the Constitution, its opponents increasingly saw not only Treasury, but also governments financial laws and regulations as well as the Constitution, as an obstacle to rapid racial transformation. One proponent of this perspective has argued that white monopoly capital and a credit-based black capitalist class - formed through the official BEE policies - was fighting back against the rise of a more independent
tender-based capitalist class which, together with the leadership of political parties was engaged in a struggle to overcome the colonial class structure (Malikane 2017, quoted in Bhorat et al (2017:48). This argument demonstrates the ways in which the project of re-embedding class formation, both rhetorically and in material practice, goes significantly beyond the ideological mobilisations identified by Hart, involving a project to wrest economic power from technocratic, globalised, black and white elites committed to global marketisation, and re-embed it in processes of aggressively forging a new black elite.

It should be clear that this more formal set of policy positions drew from and reinforced the informal political-economic system, and gave it an ideological legitimacy under the Zuma government. It is very important for an understanding of the new Cyril Ramaphosa regime, though, to grasp the fact that the informal political-economic system extends way beyond the projects of Zuma and his circles.

Indeed, the murky dealings between the ANC leadership of the Northwest Provincial Government, the major mining companies, and the traditional chiefs in the former bantustan areas, demonstrate an entirely different but nonetheless rapacious collusion between state officials and politicians, multinational corporations and quasi-governmental traditional authorities, to dispossess rural villagers of their land and turn it over to the destructive operations of large-scale platinum mining while enriching the former group - a process which reveals a complex interplay between dis-embedding and re-embedding different elements in the circuits of capital and commodities (Mnwana and Capps 2015).

This rural strategy, already taking form before the transition to democracy, was enthusiastically supported during the Mbeki years, and ratcheted up under Zuma. It was through just such a deal in the Bapo BaMoqale area that Cyril Ramaphosa gained his stake as the BEE partner of Lonmin (Capps and Malindi 2017), and went on to play his notorious role in the repression of the Marikana strike which culminated in the 2012 massacre.

This particular case demonstrates, in fact, the similarity of the political dynamics of official black economic empowerment policies, and those that inhere in the informal political-economic system outlined above - namely the exchange of political influence for lucrative partnership deals.

Ramaphosa was effectively trading his access to the business stake in the mining companies for his political influence with the ANC government, as revealed in his insistence to government ministers, on behalf of Lonmin, that the strike was a criminal affair rather than a legitimate labour dispute (Forrest 2015). Such processes of resource capture had nothing to do with the Zuma-Gupta partnership.
The Zuma-Gupta nexus and state-capture

At the core of the Zuma project was an extraordinary relationship with a family of Indian businessmen, which facilitated the systematic process of capture of state institutions through establishing a network of corrupt ministers and state officials, and siphoning off vast funds through business tenders, broking and bogus consulting companies. Key targets were the biggest state-owned companies with budgets of billions for capital expenditure - specifically SA Airways (SAA), the state freight rail corporation (Transnet), and the electricity utility, Eskom. Pliant ministers and officials were appointed, and the boards of the corporations were filled with pliant directors and Gupta family associates. The Guptas themselves exercised tremendous power behind the scenes, often vetting and suggesting who should be appointed to what position, and not infrequently meeting with potential appointees beforehand in order to let them know exactly what they were expected to do.

The most brazen example that has come to light was a meeting with the deputy finance minister under Pravin Gordhan, Mcebisi Jonas, in which he alleges they offered him a sum of R 600 million if he would agree to take over as finance minister and facilitate their deals.

A slew of information regarding these deals has entered the public domain during the Ramaphosa presidency, and the aim here is not to attempt an overview or full analysis, but rather to identify the political-economic significance of their modus operandi. Three examples are sufficient to suggest something of this.

The first case is provided by Transnet, which in 2014 issued a R 50 billion contract to four train builders, including China South Rail and China North Rail. It has emerged since that the Guptas’s positioned themselves as brokers in the two Chinese contracts, and received kickbacks, reportedly more than $100 million. At the same time, Transnet insisted that the global management consultant, McKinsey, which had been appointed transaction advisors, in turn appoint a Gupta-associated company, Trillion as its black empowerment partner, and dramatically inflated the fees for both. As another element in this web of profiteering, a South African board member of Transnet and a Gupta associate took over a heavy engineering company which was being positioned as a major supplier to the four train builders. Similarly, a Gupta-linked IT company was inserted into a partnership with global software giant SAP for a contract to provide an IT solution to Transnet. SAP was allocated the R800 million contract without a competitive tender, on the basis that the Gupta-linked company would get 60% of the contract.

The second example concerns the electricity utility, Eskom. While the focus here is on the capture of Eskom on the Zuma years, Bowman (2018), presents Eskom as a microcosm of the policy incoherence produced by the contradictory mix of disembedded and embedded strategies. Here too a new Gupta-linked set of board members was appointed in 2011, and overtime delivered astonishingly large-scale benefits to the Gupta-linked businesses. Most importantly, Eskom muscle in the coal industry was used to dispossess Glencore, a multinational corporation with a global reach and a substantial South African component with a strong BEE element, from its ownership of a large-scale coal mine, and place it in the hands of Tegata, a holding company for numerous Gupta operating companies, in which the president’s son also had a large stake. The mechanism used by the utility was to drive the coal company into business rescue by refusing to negotiate coal prices, and then propose the Gupta mining company as a buyer at a massively discounted rate. Finally, it later emerged, Eskom financed the purchase through providing a R 659 million prepayment to Tegata for the coal at a price which it had previously refused to accept. Eskom continued to expand its contracts and pay exorbitant prices for coal from this and other coal mines owned by Tegata.

Trillion was also intimately involved with the various financial and consulting projects at Eskom, including again with McKinsey in an extraordinarily inflated consulting contract which later turned out to be illegal because it had not been processed through Treasury procedures, and then again as an adviser to Eskom to grant a R 4 billion power station contract to a Chinese
state company, Dongfang Electric Company, even though it had been disqualified by the procurement committee on technical and price specifications.

The third case is that of the Zuma decision to introduce a fleet of nuclear power stations into the policy mix for energy in South Africa. This decision contradicted existing policy and has been critiqued by government research institutions, independent analysts, Treasury, as well as from within the energy department, largely on the grounds of it being the most expensive form of energy and also adding unnecessary capacity to the electricity generation industry. However, it has been strongly supported by Cabinet, and by some of the several energy ministers and energy director generals over the past few years - these positions have been subject to changes as Zuma attempted to ensure the program would go forward. Circumstantial evidence suggests that an agreement has already been signed with Russia to supply the power stations. Finance Minister Nene refused to sign a letter of guarantee with the Russians when he accompanied Zuma to a Brics Summit in 2015; later in the year he presented a Treasury analysis that nuclear was unaffordable to the same cabinet meeting at which the Department of Energy presented a memorandum recommending nuclear procurement. Nene was fired hours later. In the face of Treasury intransigence, the Department of Energy in 2017 mandated Eskem to go ahead with the procurement, which it proceeded to prepare for until the courts ruled that the entire process had failed to comply with due process. Zuma’s desperation to keep this deal on track was revealed in his final negotiations with Ramaphosa after his resignation; his key demand appears to have been that his Energy Minister should be kept in place after his resignation.

Why is this deal so important to Zuma? There is a view that the Russians have already paid over a very large sum, either to the ANC for its local government election campaign in 2016, or to Zuma himself, or to both, and they in turn were putting considerable pressure on the president. The scale of the nuclear deal would also have allowed for massive and wide-ranging rent-capture across the supplier and construction pipeline. The Guptas had already positioned themselves and the president’s son for a nuclear boom by purchasing a uranium mine in 2011.

These schematic descriptions of some of the operations of the Zuma-Gupta network are drawn from the Betrayal of the promise report referred to above (Bhorat et al 2017), itself a summary of large quantities of news reports and other sources. Three features of these operations are particularly interesting. Firstly, there is the important role played by global consultancies and service providers, such as McKinsey and SAP. The second is the importance of state-owned corporations from Russia and China. We will return to these first two features below. However, here I wish to discuss the third - namely the extraordinarily narrow base of beneficiaries - at least as presented in this report - namely some key cabinet ministers and state corporation board members, who presumably stood to benefit financially, and the Gupta family and associates, overwhelmingly Indian nationals. The only South African tender-based black economic beneficiaries appear to be Zuma’s son, and one South African board member.

The Gupta networks siphoned off an extremely large quantity of cash; no doubt large sums returned to the politicians and political networks, and helped to finance the building of factional political support through patronage within the ANC, but it is clear that they themselves amassed a fortune through tenders, fraud, brokering, kickbacks, and so on.

This presents something of a puzzle: how could such a brazen project with such a narrow base of beneficiaries be successfully implemented over the roughly seven-year period of its ascendancy? And how could a project which, despite the rhetoric of radical economic transformation, made virtually no contribution to the formation of a black tender-based capitalist class survive politically?

The focus of this report, and much of the media attention paid to the Zuma-Gupta state capture project, tends to present it in this way - as a relatively narrow project of looters, with the corollary that ending the core of state corruption requires a relatively focused, even surgical repair job which excises the rot and re-establishes a constitutional state. In this analysis, Ramaphosa has a relatively strong chance of succeeding.

However, the analysis is unconvincing. There must have been a significantly wider set of tender-based beneficiaries, each able in turn to distribute opportunities and largesse more broadly, in order to account for the political longevity of and broad support for Zuma. Hence the deep split between provinces at the ANC’s December
2017 conference, with strong support from a number of provincial delegations for Zuma and his candidate, Nkosazana Dlamini-Zuma, and a very narrow win for Ramaphosa. Further research will be necessary into the circuits through which cash and opportunities were distributed, what kinds of people benefited, and how these were put to use. But even at this point it seems implausible to argue that the informal system was, as argued by Bhorat et al (2017), a system which was centralised by the Gupta-Zuma nexus; it was rather a decentralised system in which various party barons were licensed to conduct their own operations as long as they provided political support or cover for the Presidential faction. Hence looting proceeded at an accelerated pace across the system.

How does Polanyi’s concept of a counter-movement to re-embed fictional commodities such as finance and land contribute to our understanding of these operations of the Zuma-Gupta project of state capture? I would argue that they deepen and extend the earlier project of the informal political-economic system, namely, re-embedding class formation through the appropriation of wealth from the disembedded formal circuits of capital. Thus the appropriation of finance through inflated tenders and fraudulent contracts, and its recirculation through Gupta and Zuma linked companies and back into political patronage networks, contributed to the emergence of new elites located in a convergence of political power and economic muscle. Strengthening this elite in turn contributed to the strengthening of much broader networks at national, provincial and local level, each with their own mechanisms for siphoning off wealth at different levels of the state, whether in Nelson Mandela Bay, North-West Province, or Mpumalanga and Gauteng.

All of these practices of the informal political-economic system flouted the rules and legislation of the formal constitutional political system regulating the operations of the state system, which are regarded as best practice governance in the financialised global order, and which render financial circuits inaccessible to aspirant local elites, being generally designed in the broadest sense to buttress and facilitate the dis-embedding processes of marketisation. Hence the logic of the informal system was necessarily to attempt the capture of Treasury and the tax agency, SARS.

A further question arises from this account: to what extent does the informal system constitute a competing model of national accumulation to globalised accumulation?

The political economy of corruption: elite-formation, factions and violence
Seven

The Brics versus Western Capitalism: competing models of accumulation?

The project to accelerate elite-formation through resisting the dis-embedding processes of marketisation which favours existing globalised South African corporations and multinational corporations, through re-embedding control over the flow of opportunities, rents and contracts in local networks and often in non-market relations between politicians, state officials and local entrepreneurs was clearly entangled with a new set of networks with state-linked corporations such as China North Rail, China South Rail, Dongfang Electric Co, and Rostom, as noted above, as well as with murky networks of businesses and money-laundering linked to India, Hong Kong and Dubai. At the same time, the project was entangled with Western companies closely associated with neoliberal governance - McKinsey, Bain, KPMG, SAP. The way these entanglements developed over time suggests interesting tensions between the two models.

The advantage to the Zuma-Gupta network of working with the state-linked corporations from the former communist countries of China and Russia, was that the latter are accustomed to working in a zone of complex state motivations and directives, are not subject to the same kinds of official scrutiny by regulatory bodies as Western corporations, and were thus relatively comfortable with the unofficial set of transactions and considerations that defined the Zuma-Gupta operations because they created opportunities for accessing new markets and global business opportunities. Building large-scale kick back provisions into their tender bid budgets - such as fees for the Guptas, donations to the ANC, et cetera - would have been relatively easy for them. All parties would have shared an interest in restricting the access of Western multinational corporations to South African markets, and would have understood the imperatives of local elite formation.

Western multinationals were however also entangled in this project, primarily to provide cover and legitimacy to the processes of state-capture - clearly these core actors in the institutional architecture which regulates and drives the deepening of the global neoliberal economy themselves act in murky and self-interested ways, and are prepared to collude with corporate misdeeds (for example the Enron case in the US). But the intriguing twist to this story is the damage sustained by these companies as the scale of the Zuma-Gupta operation emerged in the public domain. Auditing and consulting firm KPMG provided a key report on alleged wrongdoing at the tax collection agency, SARS, which provided cover for Zuma appointee Tom Moyane to purge the top leadership, and the Zuma-appointed boss of the police anti-corruption unit, the Hawks to investigate and lay charges against the troublesome finance minister, Pravin Gordhan. This was in addition to auditing several of the state-owned corporations and ignoring indications of massive fraud. As these operations have been uncovered, KPMG has suffered massive reputational damage and loss of business in South Africa, is dramatically downscaling, and is the focus of regulatory investigations. Bain, a high profile global consulting company, provided the critical consulting report which facilitated Moyane’s deeper purge of SARS management, enabling him to take control - and is currently attempting to limit the damage. Consulting company McKinsey is in a similar predicament over its illegal and dubious contract with Eskom and its partnership with Gupta-associated companies. The UK-based public-relations company, Bell-Pottinger, which was contracted by the Guptas during 2017 to launch fake news and social media attacks on the emerging opposition to the Zuma-Gupta project, was exposed, investigated and subjected to regulatory sanction; reputational damage was so great that it has since closed down.

The implication of this twist is that when the global handmaidens of good governance abet a project which challenges the expansion of market logic and its regulatory institutions at the behest of the colonial other - Indians, Africans, the Chinese - they are subjected to massive outrage and sanction from the central regulatory structures of the global system. This
was one element in a more concerted fightback by various institutions and corporations - South African and global - against the Zuma-Gupta project.

But what of the question posed above - do the operations of the informal political-economic system in fact constitute an alternative accumulation strategy to the dis-embedding marketisation of the global system? As noted above, it found an ideological rationale in the advocacy of radical economic transformation rooted in a developmental state. In theory, both radical economic transformation and the Zuma-Gupta project were committed to rolling back neoliberal marketisation and re-embedding the economy in society, with the purpose of facilitating the emergence of an embedded black capitalist class whose relation to the nation and the state would ensure that it was more amenable to the developmental imperatives of growing the South African economy and benefiting its people. This model contrasted with that pursued under Thabo Mbeki - deepening marketisation and the penetration of global capital, the formation of a credit-based BEE capitalist class itself progressively disembedded from society through its insertion into dependency on white and global capital, the distribution of grants to the marginalised poor, and the trickle down effect of increasing foreign investment. This contrast accounts for the mobilisation of a broad range of forces behind Zuma’s ascent to power.

However the practice of radical economic transformation under Zuma bore little resemblance to this model. It facilitated the expansion of the informal political-economic system deep into the national state as well as in the provinces and municipalities, in the process redirecting state funds towards personal enrichment, political faction building, the extraordinary profit-making of a foreign family, and the enrichment of the president’s own family. As noted above, so far we have little evidence of this project aiding the formation of an indigenous capitalist class invested in long-term growth and expanded accumulation. Furthermore, the process has involved deep damage to state institutions and their ability to provide public goods and services, or to lead the kind of economic development envisaged by radical economic transformation.

Clearly also the scale of diversion of state resources was unsustainable. State-owned companies such as SAA, Eskom, Transnet and others were plunging deeper into debt, placing an unsustainable burden on state finances. At the same time, the takeover of SARS led to a decline in revenues - variously estimated as something between R 50 bn and R 142 bn since Moyane took over (Business Day, 6 July 2018) - as the new leadership moved to protect individuals and companies from scrutiny and reduce their taxes, shutting down the investigations unit and the customs and excise operations to protect the illicit tobacco industry (in which allegedly networks linked to the Zuma-Gupta nexus were involved) amongst others.

Certainly the Zuma-Gupta project had no interest in sustainability of the state, whether financial or institutional. The same can be said of other instances of the informal political-economic system - local government patronage or the VBS saga, for example.

This system, then, appears to be defined by short-termist opportunism and plunder, rather than a long-term developmental project as suggested by its rhetoric. And a substantial portion of the looted funds were in turn disembedded through money-laundering into opaque offshore assets.
Nonetheless, it is important to consider its economic significance in a broader frame. Here the innovative work by institutional economist Mushtaq Khan is helpful. He argues that in those postcolonial societies characterised by the absence or weakness of indigenous economic elites at the time of independence, a process of primitive accumulation takes place as incipient elites plunder state institutions and private corporations - particularly where the latter are held by minorities or non-indigenous owners - in a rapacious struggle to amass wealth. While this is economically destructive in the short term, it may lay the basis for the emergence of an indigenous capitalist class. (See box page 18)

South Africa obviously presents a very different political economy, not least because of its sophisticated and diverse economic sectors, and the presence of a large settler elite. But it too is characterised by the weakness and economic exclusion of its indigenous elite. While Mbeki’s BEE strategy aimed to create a new black business elite, it remains small and insufficient to absorb sufficient contenders.

Hence the growth of an informal political-economic system which partly assists in the strengthening and growth of new black companies, but increasingly under Zuma licenses wholesale primitive accumulation across all state institutions. The question is whether a significant number of the newly-enriched will find ways to deploy their wealth into productive economic activity.

In other words, the informal political-economic may well provide the foundation for an alternative accumulation path in South Africa, which facilitates the emergence of a new black business class supported by state owned corporations and in alliance, perhaps, with state-owned companies from China and Russia.
Bangladesh: from primitive accumulation to managed democracy

Khan's (2013) study of Bangladesh illustrates the possibility of converting primitive accumulation into industrial growth. In the immediate aftermath (1971-5) of the civil war within Pakistan that gave birth to Bangladesh, a fractious grouping of political organisers, many of them armed, seized and sometimes stripped abandoned assets, industries were nationalised and mills and factories were used to create rents and patronage. Public resources were appropriated through the creation of excess employment, inflated construction and import contracts, and so on. The economic effects were disastrous. However, once the political situation had been stabilised by incorporating these factions into a new governing coalition under military control, over the longer term the proceeds of primitive accumulation became the basis for the formation of a new class of capitalists with capital to invest, firstly when nationalised factories were privatised, and secondly when the international Multi Fibre Arrangement created the opportunity for development of a garment industry. By the end of the 1980s there were over 100 new garment firms, and by 2005 this had become an industry in which 3500 active firms employed well over 2 million people. (Khan 2013)

The period of rapid growth in Bangladesh was presided over by the military which retained control through the presidency while facilitating the transformation of factions into political parties competing through elections (1975-90). A popular uprising in 1990 ended the system of managed to democracy, leading to multi-party democracy with deep practices of clientilism. Electoral crisis, stalemate and violence in 2006/7 was ended by an emergency government backed by the military and international institutions for two years. This tried to impose 'good governance reforms', in particular a crackdown on corruption. Thousands of political activists were arrested and charged, including the leaders of the two main parties and hundreds of businessmen. In the end this process collapsed because of procedural flaws, lack of evidence, and sheer scale. The return to democracy saw the rapid re-emergence of the old system of patronage.
The battle over Treasury

Treasury and its associated institutions, which were initially left alone by Zuma as a way of avoiding disturbance in the international financial system, over time came to present serious obstacles to the expanding capture and plundering of state resources.

Treasury has an oversight and regulatory function in relation to the finances of the public sector and particularly state-owned companies, making it difficult to play fast and loose with tendering procedures.

SARS investigations into tax fraud as well as the illicit tobacco operations which appear to have had links into the Zuma-Gupta networks, were also proving potentially dangerous. Zuma’s response was to attempt to take control over SARS and Treasury. Moyane was appointed head of SARS in 2014. In late 2015, in the face of finance Minister Nene’s refusal to support the nuclear deal, he was fired and replaced with a Zuma supporter. Turmoil in the financial markets, warnings from business, and push back within the ANC, forced Zuma to back down four days later and re-appoint Pravin Gordhan in the position.

Gordhan seems to have decided that the best form of defence was attack. He engaged in a public war of attrition with Moyane (SARS falls under Treasury), and moved to obstruct and prevent unprocedural deals on the part of the state companies, including Denel, SAA, Eskom and Transnet. As more information about the Zuma-Gupta deals leaked into the public domain, financial institutions began the process of closing Gupta accounts on the grounds that they were ‘politically exposed’, making it increasingly difficult for the family companies to continue operating. When Cabinet put pressure on Gordhan to approach the banks an attempt to reverse the decisions, Gordhan went to court for a declaratory order that this would be unconstitutional interference with the banks, and used the legal process to put documentation into the public sphere which revealed numerous unexplained movements of funds out of the country by the family. The international ratings institutions re-rated South Africa downwards to verge on ‘junk status’.

The Gordhan strategy was one of using every opportunity to expose the clandestine dealings of the Zuma-Gupta network to public scrutiny and outrage, circumscribing Zuma’s room for manoeuvre, and beginning to generate a groundswell of resistance within the ANC, in civil society, from business, as well as from the international institutions of the disembedded economy.

This momentum was accelerated by the leak of a huge tranche of emails from the Gupta accounts, feeding a constant stream of revelations in the press about the extent of their influence over government officials.

The result was that Zuma was forced to either fire Gordhan, or accept the gradual weakening of his position across many fronts. In March 2017 he fired Gordhan, precipitating a crisis in the ANC and a broader sense of crisis in the country. Gordhan and his network of supporters and allies began to mobilise an explicit campaign within the ANC against corruption, ‘state capture’ and Zuma.

The ANC began to polarise around the two figures of Zuma and Gordhan, as sketched in the introduction. The opposition political parties, as well as a variety of NGOs and social movements had increasingly been challenging government decisions and policies driven by Zuma in court, and as these cases wended their way towards the Constitutional Court Zuma and government found their decisions reversed by the judiciary, further reducing their room for manoeuvre. The Gupta family, fearing that the tide was shifting against them, continued moving assets out of the country and eventually disappeared themselves, leaving proxies to run their affairs. The Parliamentary ANC became more independent, challenging Zuma ministers and the representatives of state corporations over their decision-making and operations.

1 He had been Finance Minister during Zuma’s first term, and prior to that was head of SARS.
Ramaphosa victory: unstable coalitions, corruption, violence

The public campaigning by the Gordhan faction, the opposition parties, and civil society organisations peaked in June-July towards the Parliamentary vote of no confidence. After that - for the first time some ANC MPs voted against their party, but not enough to win the motion - the struggle moved inside the ANC as the two factions jockeyed for positions prior to the national elective conference in December, while the rest of the nation looked on. This was essentially a contest between two presidential candidates. Cyril Ramaphosa, general secretary of the National Union of Mineworkers (NUM) in the 1980s, chair of the Constitutional Assembly in the early 1990s, businessman and BEE beneficiary in the 2000s, mining magnate implicated in the Marikana massacre, and Deputy President of the ANC since the 2012 conference, stood as the anti-Zuma candidates, backed by Gordhan’s coalition. Nkosazana Dlamini-Zuma, head of the African Union, Zuma’s former wife and veteran ANC politician in her own right, stood as the leader of the Zuma networks campaign.

The factional mobilisation and bargaining on both sides was intense, as each tried to build a majority coalition. The results were on a knife edge until the end, and ultimately were determined by the positioning of the Mpumalanga provincial delegation led by the province’s strongman, DD Mabuza, who is widely understood to control the province and its networks of patronage and corruption, which have involved several political assassinations to eliminate opponents. Mabuza, who had been an important figure in the Zuma-supporting Premier league, adopted a position as independent kingmaker, and negotiated with the Ramaphosa team for a position as deputy president on his slate. This was rejected on the grounds of his unsavoury credentials. However, as it became clear in the conference that the votes of the Mpumalanga delegates would decide who was the winner, Ramaphosa relented. The result was that Ramaphosa was elected president of the ANC, with Mabuza as deputy.

The ANC emerged from the conference deeply divided. Ramaphosa has moved carefully and strategically at national level to consolidate his position. Zuma himself was forced to resign as president of the country and is finally facing the court case for corruption that he had spent 10 years as president evading. Ramaphosa is now president of the country, has removed some of the most offensive cabinet ministers and placed his own allies in strategic positions. Gordhan is the new public enterprises minister and has replaced the boards of several of the state corporations.

Key state officials in the Zuma-Gupta network, specifically in the police, the National Prosecuting Authority, and SARS have been removed, or face court cases and disciplinary enquiries. Commissions have been appointed to investigate state capture and the institutional destruction at SARS, and Parliamentary enquiries are being conducted into specific state corporations.

However, Ramaphosa’s power is precarious in the ANC, and it is by no means clear what the result of the multiple contestations, particularly at provincial level, will be. The two previous presidents were able to rapidly impose their authority on the ANC and neutralise or purge opponents. Ramaphosa is clearly unable to move as decisively. The Zuma network of allies is still active and powerful. As the various enquiries and investigations unfold they may lead to a series of prosecutions in which many of them will be implicated. It can be expected that they will fight back as hard as possible.
Ramaphosa himself does not necessarily have a mandate to end corruption. Firstly, it is not clear that those who voted for him in the ANC presidential contest were voting against corruption. While Gordhan, the SACP and CO(SATU), and their allies, were fighting explicitly against corruption and state capture, an anti-corruption discourse was not discernible at the electoral conference, nor was that explicitly an element in provincial campaigning over the elections. Delegates were as likely concerned about the dangers of a family dynasty taking control of the ANC, about the ANC’s dramatic decline in electoral fortunes under Zuma, and about what many now take to be a principal of the ANC – that the deputy president becomes the president.

Secondly, several of his main provincial backers are themselves deeply implicated in networks of patronage and corruption. The staunchly pro-Ramaphosa leadership of the Eastern Cape are implicated in the plundering and institutional decay of Nelson Mandela Bay detailed in Oliver’s 2016 book. The deputy chair of the ANC in KwaZulu-Natal, who played a leading role in mobilising support for Ramaphosa in that Zuma-supporting province, Mike Mabuyakhulu, has just been indicted in court with seven co-accused for corruption and money-laundering. Not only was Mzimelana’s support crucial to Ramaphosa’s victory as noted above, DD Mabuza’s position as deputy president puts him in line for the presidency in ten years’ time.

As argued above, the informal political-economic system of centred on patronage is pervasive, interpenetrating the ANC and the state at multiple levels and extending far beyond the Zuma-Gupta network.

This account, sketchy as it is, demonstrates quite clearly the way in which Ramaphosa necessarily depends for political support on a coalition of party barons and factions, many of them implicated in greater and lesser ways in corruption. The barons and factions in turn align with the Ramaphosa coalition for a variety of strategic, tactical and expedient reasons – constituting a fractious mix of interests which requires constant management.

Moreover, Ramaphosa is likely to remain vulnerable to the same kind of populist challenge as Zuma posed to Mbeki. His modest policy prescriptions differ little from the program that Mbeki championed. There is little if any likelihood that these would have different outcomes. Unemployment, poverty and inequality will remain desperately high. And attempting to shut off access to state resources for primitive accumulation will stave aspirant elites of opportunities for wealth-making. A similar combination created the fault lines exploited by the Zuma-led anti-Mbeki campaign, and it can be expected that a similar campaign will be mobilised against Ramaphosa; indeed, it is already present in current factional if relatively covert contestations.

The prospect for Ramaphosa’s success in his project of rebuilding state institutions, reducing corruption and returning to the marketisation - and dis-embedding - policies of the Mbeki era will depend on his ability to build a stable majority coalition around himself in the ANC. This will in turn depend on his ability to mobilise coercion in order to enforce credible rules of the game.

With regard to the first, such a coalition would have to include a majority of factions in the ANC, and this means including key figures and networks of corruption. The more such figures are excluded, the more scope there is for disruption and counter-mobilisation against the Ramaphosa coalition.

In short, the informal political-economic system of patronage will remain a vital part of political life. The Ramaphosa-Mabuza alliance, as well as Ramaphosa’s provincial alliances, are a harbinger of what will be required. The logic of this will be to limit the scope of prosecutions for corruption.

Stabilising such a coalition would necessitate a tacit deal protecting key figures from prosecution and permitting continuing forms of primitive accumulation in order to allow ongoing elite formation, even if on a more modest scale. Such a tacit deal would have to include an understanding regarding the distribution of opportunities and rent-seeking across the coalition. From Ramaphosa’s point of view, this would be the necessary price for establishing sufficient political stability to pursue his goals. On the other hand, he would be seeking to limit institutional damage to the state and thus establish some form of managed corruption. For example, one could imagine an understanding that while kickbacks and inflation of tender contracts are permitted, these should not exceed something like 10%, and would be expected to deliver a reasonably good quality public infrastructure or service. Any failure to do this would be punished.

Which leads to the second condition - coercive capacity to enforce the modus operandi of such a coalition.
is really the key weakness for the ANC and Ramaphosa. Ramaphosa himself is inclined to negotiate and incorporate rather than use force. This may be good for building coalitions, less so for policing them. Nor is there any other figure with credible coercive capacity apparent within the leadership echelon. Comparative international research suggests that the stabilisation of coalitions that can moderate or reduce corruption requires coercive capacity, often in the form of a strongman, frequently with a base in the military (North, Wallis, Webb and Weingast 2013). For a variety of reasons this looks unlikely in South Africa, at least in the short term. Perhaps Ramaphosa’s gamble is that a strengthened and autonomous criminal justice system will provide the coercion to keep political allies honest. The problem with this, though, is that it implies an indiscriminate policing of corruption, one that does not avoid figures who are necessary to the stabilisation of the dominant coalition. Prosecution of such figures may be satisfying to all who oppose corruption - but it poses the distinct threat of destabilising a potentially stabilising coalition, and providing the pretext for anti-Ramaphosa mobilisation.

It is not at all clear that this circle can be squared. Hence the far greater likelihood that the dominant coalition remains unstable and subject to frequent challenge, paralysis and fracturing, accompanied by violence and attempts to subvert the criminal justice system.

It is not impossible that such a dynamic produces a split in the ANC. Many commentators welcome this prospect, hoping that the emergence of coalition politics between political parties would have the potential to limit corruption as each has an interest in policing the others. However, quite the reverse is possible - the DA-led coalitions in various municipalities have had to accept increased bargaining over trade-offs, contracts and positions with coalition partners - or lose their majority.

The politics of anti-corruption

Anti-corruption campaigns are as political as corruption itself. Anti-corruption campaigns are often appropriated for other ends. In Brazil, for example, the anti-corruption campaign led by the judiciary was appropriated by right-wing opponents of the Workers Party to impeach the President while protecting the far more corrupt right-wing politicians and ultimately led to the ascendancy of the far right Bolsonaro. This will certainly not in the deeply entrenched system of political corruption. In India the right-wing BJP mobilised anti-corruption rhetoric to defeat the Indian Congress Party without tackling corruption itself.

In Bangladesh, and all out good governance attempt to arrest and prosecute hundreds of corrupt politicians and businessmen collapsed quite rapidly (see box on page 17).

In South Africa at local level, those who mobilise against corrupt councillors are not infrequently implicated in corruption themselves. The EFF was highly vocal about corruption and constitutional values as a way of discrediting Zuma, but has since positioned itself as a defender of figures accused of corruption, and has itself been implicated in several episodes of corruption. The same can be said of numerous trade union leaders. The DA may be more programmatically committed to anti-corruption politics, but hardly in the interests of redistribution to the poor.

It is not clear that corruption has great popular attraction either. The widespread mobilisation by civil society against Zuma in mid-2017 seemed to suggest broad popular support for fighting corruption. However, it was the crisis and public division within the ANC that created the conditions for this: mobilisation could be understood as support for a struggle within the ANC, rather than a struggle against the ANC. No anti-corruption campaign before or since has attracted anything like this breadth of support.
The prospects for an alternative counter-movement?

The above prognosis suggests that a liberal democratic constitutional order is unable to contain the contradictions produced by 370 years of settler colonialism. Neither of the two economic trajectories on offer seem to address these contradictions - deeper marketisation which further disembeds accumulation and life, or rampant primitive accumulation. Nor are either of the two prospects outlined above attractive - volatility, violence and crisis, or rule by a strongman.

Can an alternative counter-movement to re-embed social and economic development be imagined? Such a counter-movement would have to address the two central problems - firstly, the necessity for the formation of a black capitalist class on the land and in industry, and secondly, the necessity to address the living conditions of the people so as to produce decent life. It is difficult to see how these could be addressed without a very large-scale redistribution of wealth from its current holders, whether in the form of a wealth tax, or more directly through appropriation. In this the proponents of ‘radical economic transformation’, the appropriation of land and so on, are not wrong. But how could the proceeds of such redistribution be channelled into productive investment and productive life, rather than siphoned off into patronage, faction building and extravagant consumption? The likelihood for this would depend on the organised strength of those classes that have an interest in the expansion of productive life, rather than parasitic and renter activities. Here the weakness of black entrepreneurial formations is a real liability. One reason for the absence of a strong industrial policy in South Africa is the absence of a black manufacturing class to champion it. The problem is illustrated by the failure of Eskom over a long period to make any contribution to industrial development, despite its mandate to do so (Bowman 2018), also by the systematic diversion of funds allocated for land redistribution and black farming into the hands of corrupt officials and their networks (Business Day, 24 January 2019).

Nor do the prospects for a popular movement based on the working class and the poor, and with this kind of vision for the future, seem particularly promising. It is true that there is mobilisation and confrontation across diverse social sites around the country - universities, urban and rural communities, mines and industries. However, these movements also face difficult obstacles. Firstly, many of them are also penetrated by patronage networks and shaped by elite aspirations. Secondly, and linked to the above, the ANC’s hegemony remains pervasive, making it extremely difficult to establish the autonomy of movements. Thirdly, many progressive ideas and slogans have been appropriated and discredited by groupings associated with the Zuma and right-wing populism - radical economic transformation, land redistribution, nationalisation of mines, et cetera. Finally, social movements and working class organisations are themselves fragile, fractured and in a state of flux (Von Holdt & Naidoo 2019).

Despite these weaknesses, perhaps over the longer term such a counter-movement could emerge from some kind of alignment between a revived popular movement, a black middle class yearning for a different future, a nascent black capitalist class and even elements within the ANC and the state.

In the immediate future, however, if the trajectory of elite politics as well as popular politics outlined above is accurate, the current period is likely to be characterised by multiple contestations over material opportunities, political power and symbolic representation, giving rise to an increasingly volatile, unstable and violent political space.

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3 Interesting straws in the wind are provided by the DTI’s policy of fostering black manufacturers, as well as by a little-noticed report of the first National Planning Commission (NPC, 2015).
The political economy of corruption: elite-formation, factions and violence

References


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