

Political Economy: South African mining in the contemporary political economic context

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The contemporary context

- *“We have apparently gone astray from the path of liberation. Having lost our way, we are helplessly floundering in the desert, misled by the unprincipled, the unscrupulous, the self-centred and narrow-minded. The essential attributes of honesty, uprightness, integrity and a sense of honour are missing in our public life... The country has been brought to its knees and is desperately struggling to keep its head above water.” – Mda (2019)*

The contemporary context: crises & stagnation

- **Stagnating economy** - mass unemployment above 32% of the labour force, above 46,3% for the youth – this translates to at least 7,2 million people (Statistics South Africa, 2021)
- **Collapsing social fabric** - breeding ground for extreme forms of violence and brutality against women and children, crime, gangsterism and substance abuse, xenophobic violence and pogroms
- **A collapsing state** - deteriorating services, state dysfunctionality, corruption and cronyism
- **Super-exploitation**
 - stagnant wages, worsening working conditions, job losses & declining share of income to workers
 - precarity and poverty for a large number of vulnerable workers, informal workers and a permanently unemployed mass
 - in contrast to sustained profits by the very top of capitalists
- **Intersecting ecological and climate crises**
 - Extreme weather events such as devastating droughts, destructive storms and floods
 - Eroding air quality
 - Declining soil fertility
 - Declining and degrading fresh water resources
 - Most serious impacts are for food sovereignty and quality of health
- **Collapsing energy (especially electricity) and transport systems**, which exacerbate pre-existing inequalities, deepening spatial Apartheid geographies and demographics.

The contemporary context: crises & stagnation

- These multiple and intersecting crises = **a crisis of politics**
- The erosion of popular progressive consciousness, working class grassroots organisation and solidarity
- Widespread disillusionment and lack of hope amongst the impoverished majority
- Key absences:
 - a coherent perspective, strategy and programme of the long-term
 - organisational, political and geographic depth, sophistication, sustainability, impact, solidarity and unity in action
 - a genuine political dynamic that can challenge the ANC's hold over the black working class

Why the political economy tool?

- A creative toolbox for critical analysis
- A solid foundation for a critical understanding of the systemic, structural & social aspects of the economy as well as other social phenomena (e.g. education, health, etc.)
- A versatile DIY toolkit through which to build transformative social action
 - Not analysis for its own sake
 - Analysis for action, not paralysis
 - Not to be intimidated by what appears, complex, difficult or too big
 - But to work out the impact on, to work out the best strategy & action, to work out short-term & long-term goals for action
 - it is important to realise that mining has played a decisive role in shaping South African as a social formation and that knowledge of the political economy of mining is going to be important in helping these particular activists to make strategic and tactical choices today

A critical understanding of political economy as a concept

Politics

*“The worst illiterate is the political illiterate. S/he hears nothing, sees nothing, takes no part in **political life**. S/he doesn't seem to know that the cost of **living**, the price of beans, of flour, of rent, of medicines all **depend[s] on political decisions**. S/he even prides himself on his political ignorance, sticks out his chest & says he hates politics. S/he doesn't know, the imbecile, that from his political non-participation comes the prostitute, the abandoned child, the robber and, worst of all, corrupt officials, the lackeys of exploitative multinational corporations.”* – Bertolt Brecht

Politics

- Interests arising out of basic need for life
- Competing interests over limited resources needed for life
- Power – origins, location & uses of power
- Construction, history, role & power of governance & institutions for social control & hegemony
- Politics is not just in the “political sphere”
 - political processes (contestations for power & control) exist & manifest themselves right at home, in the community, in the taxi rank, at work, in NGOs, in the funding world, in how we sit at workshops, & other avenues of life where different interests compete over limited resources
 - “The personal is political, the political is personal”

The Economy

- Oikos nomos - *“about the well-being of the household”* (Greek meaning of the word “economy”)
- Mainstream
 - Oxford dictionary – *“The wealth & resources of a country or region, especially in terms of the production & consumption of goods & services”*
 - Wikipedia – *“The economy is defined as a social domain that emphasise the practices, discourses, & material expressions associated with the production, use, & management of resources'. Economic agents can be individuals, businesses, organisations, or governments”*

The Economy: a critical perspective

- How to live? What resources needed for life?
- How to organise society in order to sustain life? What social relations are required to produce goods & services for life? Goods & services decided by who?
- Resources owned by who? How they came to own them?
- Value produced by who? Conditions under which value is produced?
- Ultimate beneficiaries from the value produced? Who accumulates? Distribution of the surplus from the value produced?
- Benefits to society from the value produced?
- How is the labour produced & reproduced? What about the uncounted goods & services in the sphere of reproduction?
- Other critical questions?

Mainstream definitions (classical political economy)

- Investopedia – *“Political economy is the study of **production** & trade & their **links with** custom, **government & law**. It is the study & use of how economic theory & methods influence & develop different social & economic systems, such as capitalism, socialism & communism; it also analyses **how public policy is created & implemented**. Since **various individuals & groups have different interests** in how a country or economy is to develop, political economy as a discipline is a complex field, covering a broad array of **potentially competing interests**.”*
- Mosco – *“The interaction of economic, political & socio-cultural processes & practices that shape the **distribution of socio-economic & cultural resources** in a society”*
- Oxford dictionary – *“a social science **dealing with political policies & economic processes, their interrelations, & their influence on social institutions**”*

Radical definitions

- Hogan - *“The study of a human population undergoing the act of **social reproduction**, over a protracted period of time, under a set of rules promulgated & **enforced by a political state**, within a bounded geographical domain”*
- Hahnel - *“Unlike mainstream economists, political economists have always tried to situate the study of economics **within the broader project of understanding how society functions**”*
- Collinson – *“Political economy analysis is concerned with **the interaction of political & economic processes within a society**: the distribution of power & wealth between different groups & individuals, & the processes that create, sustain & transform these relationships over time.’*

Radical definitions

- SOAS Course Guide (SOAS = School of Oriental and African Studies, Oxford University)
- *“Political economy is concerned with **how political forces influence the economy & economic outcomes**. However, **the interactions run both ways & political economy is interested in both**. Thus, it is economic activity that generates the resources that are required to sustain political activity, for example, election campaign expenses. Moreover, whilst policy might lead to a certain economic activity prospering, this success in itself can generate a political constituency with an interest in maintaining the economic activity, because a sizeable number of people now benefit from it.”*
- *“Political economy uses economic tools to examine political phenomena”*

Radical definitions: black political economy

- Curtis Haynes Jr:

➤ *“In its most popular form, political economy is the study of how communities grow from the past, & are lived in the present. The human population is both object & subject of study. In a modern U.S. capitalist political economy we consider the interaction of labour markets, worksites, goods & service distribution, wealth accumulation, & their combined effect on the survival of individuals, their community & the impact on human potential. Political economy is used as a foundational analysis of a 40 million person black American population, 13.5% of the broader United States population. **The framework acknowledges the uniqueness of the black experience over the last 400 years that places the majority of black Americans in income & ethnically diverse urban centres throughout the country. From our perspective, this economic history, framed in political economy provides the reader with a good grasp of the black condition, & a progressive understanding of the potential role black Americans can play in responding to current economic crisis.**”*

Radical definitions: feminist political economy

- Women's International League for Peace & Freedom (Prospectus)
 - ***“Classical political economy makes explicit linkages between political, economic & social factors. WILPF uses the feminist political economy to bring a gender perspective into the traditional analysis. Our feminist political economy analysis helps to put structures of power & inequalities under the spotlight & to understand the root causes of war. Complementing a human rights approach to society, a feminist political economy strives towards a just, productive & sustainable economy based on feminist values & principles; & in post-conflict countries, we might add, an economy of peace. A feminist political economy is not about ‘adding’ women, it is about the equal & just distribution of power & resources. WILPF works towards societies built on democratic, transparent & inclusive political & economic policies. They will lead the way to promote social cohesion, equality & solidarity within & across societies.”***

Radical definitions: feminist political economy

- Macdonald & Connelly:

- ***“Class must be understood in an historical context, one that includes gender & household dynamics. How do we go beyond a class analysis of women to a gendered class analysis? How do we move from the theoretical recognition that a gendered class analysis is necessary, to conducting research that will help us better understand our potential for political struggle?”***
- ***“Communities experience class not just as individuals but as members of household units containing unequal gender relations. Households develop strategies for labour allocation & workplace struggle based on combined household class positions & unequal gender relations inside & outside the home.”***
- ***“Using a gendered class analysis, one that applies a dynamic concept of class which includes gender relations & the household, makes better sense of the class identification & political struggles within the communities than does the traditional class analysis.”***

Radical definitions: feminist political economy

- Major contribution – linking political economy to social reproduction
- Social reproduction
 - reproduction of social structures & systems
 - starting with the family
 - then extended to the maintenance & continuation of existing social relations
 - about the daily activities undertaken by households, communities and society to reproduce society
 - not merely biological, but has an economic logic to it
- The capitalist economy is dependent on activities at home & community
- Social reproduction primarily rests on women
 - Women's social reproduction labour = providing care, child rearing, food and other domestic labour which is largely unrecognised and unpaid.
 - Under patriarchy, social reproduction has been organised to devalue the work of women, who have been assigned devalued labour as part of a mythical construction of women as “natural” (and therefore undeserving of remuneration) caregivers
 - Black rural women subsidised capitalist development in Southern Africa

Radical definitions: political ecology

- What are the relationships between political, economic & social factors, on the one hand, & environmental issues & changes on the other?
- Political ecology approach **centres ecology into political economy**:
 - Life, the economy & politics are not possible without ecological resources, the associated resource flows & sustaining their reproductive capacity
 - Ultimately: ecological limits to life & economic activity
 - Historically, collapse of political institutions & systems is typically triggered by overstressing ecological boundaries
 - The social & the ecological are inseparable
- Applies a **political economy lens to contemporary ecological crises**
- Political ecology differs from mainstream environmentalism by having a critical ecology approach & integrating it with political economy

Elements of political economy

- Politics & economics – the intersection, the relation, the articulation, not in isolation from each other
- Relations between economic & political power
- Logics & dynamics of political & economic power which drive particular processes, which proscribe some outcomes & make others possible
- Power
- Interests
- Resources: Who owns? Who controls? To what end? Who benefits?
Therefore: it is about a critical understanding of the social relations of accumulation
- Other elements?

Political economy as a tool for critical thinking

- What?
- Who?
- Where?
- When?
- Why?
- How?

Political economy as a tool for critical thinking

• What

- ... is happening in a given situation?
- ... are the foundations or root causes of this situation?
- ... are the main features or character of the given situation or context?
- ... maintains this situation or context?
- ... are the power dynamics in the?
- ... are the sources of power & influence in the situation?
- ... Institutions, systems & structures that exist & define the situation?
- ... are the possibilities, possible openings, factors, forces & dynamics for this situation or context to change or that may block or limit change?
- ... are the social/class positions & interests at play?
- ... are the gender & race aspects?

• How

- ... does this benefit us/others?
- ... does this harm us/others?
- ... does this affect different groups of people?
- ... do we know the truth about this?
- ... do we understand its root causes?
- ... do we understand its different aspects or dimensions?
- ... do different factors, aspects or dynamics affect it?
- ... do we see this in the future?
- ... can we change this?
- ... can we act?
- ... can action & change transform the situation or context?

Political economy: a tool for critical analysis

- **Who**

- ... benefits from this?
- ... is it harmful to?
- ... makes decisions about this?
- ... has power?
- ... has no power?
- ... is most acutely affected?
- ... are the key social forces, players & others relevant to the situation?
- ... controls key institutions & strategic levers of power?

- **Where**

- ... are the sources of this situation or context located?
- ... are the key social forces & role-players located socially, politically & economically?
- ... is the power that shapes the situation or context located?
- ... are those affected located?
- ... key, core & driving decisions made?
- ... minor & less powerful decisions made?
- ... are women & men located?
- ... is the situation & context developing towards/tending to?

Political economy: a tool for critical analysis

- **When**

- ... did this situation or context develop or change?
- ... has this played a part in our history? In our communities? In our workplaces?
- ... were major decisions made?
- ... can we expect change?
- ... would this benefit society?
- ... would this cause a problem?

- **Why**

- ... is the situation or context as it is?
- ... is it a problem/challenge?
- ... has it been like this for so long?
- ... have we allowed this to happen?
- ... is there a need for this today?
- ... is it relevant to me/others?
- ... is this the best/worst scenario?
- ... are people influenced by this?
- ... should people know about this?

Using Political economy: defining social formations

The Superstructure		
Institutions of governance & control	Non-state society	Tools of hegemony & social control

Social classes, strata & groups

The Base		
Nature	Social Reproduction	Production & Accumulation

Using Political economy: defining social formations

- Marx: *“The executive of the modern state is but a committee for managing the common affairs of the whole bourgeoisie”*
- Owners of capital (the means of production) are the ruling class
- Government leaders & other politicians are merely the governing elite but not the ruling class

Dynamics that shape political economies

- The location, position, power & role of social strata (interest groups) & classes
- Ruling class power: inordinate power that control distribution of resources, affects billions of people/countries/regions, affects natural resources & ecological flows/cycles
- Social & political action by different social strata & classes
- Gender relations
- The place & role of race
- Other social oppressions – social origin, ethnicity, etc.
- Institutions
- Ecological limits
- History – genocide, slavery, colonialism, apartheid, neo-liberalism and neo-apartheid

Political economy of modern South Africa

- Fundamentally, a Minerals-Energy Complex (MEC): historical foundations & character of South Africa's political economy
- The ANC = the 4th mining government (Sampie Terreblanche's characterisation)
- The path to the 1st government:
 - 1652-1899: dispossession, genocide, slavery & colonialism (British ultimately replacing the Dutch)
- The 2nd government
 - 1899-1902: the South African War (British victory)
 - 1902-1910: the path to Union (Accommodation of British & Afrikaner on the basis of cheap black labour & unpaid labour of women)
 - 1910-1948: the Union government (British domination)
- The 3rd government
 - 1948-1994: Afrikaner power till the profitability crisis of late apartheid
- The 4th government
 - 1994-to date: Black government under neo-liberal globalisation (which includes financialisation)

Mining in our history

- Historical periods
 - Late colonialism (late 19th century to 1910),
 - Segregation (1910 – 1948),
 - Grand apartheid (1948 – 1970s),
 - Reformed apartheid (1970s to 1994)
 - Neo-apartheid (1994 onwards)
- Mining capital proceeded in partnership with the state to redirect surpluses towards industrial development and the development of bulk infrastructure – energy, transport – to carve out a South Africa which was amongst the most industrialised in the South and, for its white minority, generating living standards which were the envy of middle classes in the North
- All of this was complemented by the industrial strategy pursued by the South African state which served the needs of mining capital in the form of the creation of state enterprises which served the energy and the upstream and downstream manufacturing needs of what came to be a MEC – Eskom, SA Railways and Harbours and Iskor being at the centre of this project

Political economy of mining today

- Mining as a mode of capitalist accumulation, and mining corporations themselves have also changed over the last decades – as have all capitalist firms in the era of neo-liberalism: in this era of financialisation companies now focus on shareholder-value for their profits rather than operational profits
 - Therefore strategies to realise shareholder go beyond profits from traditional production – they include unbundling, setting up investment shell-companies, buying back shares to boost share prices, paying out dividends – sometimes even at the expense of the operational side of their business
 - Notable that speculation on share prices, bonds, derivatives and other financial instruments – not just by banks, hedge funds and other financial sector companies but also with firms which produce things including mining companies
- A toxic mix of a very modern, contemporary, neo-liberalism in the form of financialisation and black economic empowerment
- Today mining is no longer the dominant sector in terms of South Africa's GDP – finance now has this role - and gold is no longer the jewel in the crown of mining – platinum is. In 1985 the top 20 companies by share capitalisation trading on the JSE was dominated by 6 companies – Anglo American Corporation, Rembrandt, Old Mutual, Liberty, AngloVaal and Sanlam together were responsible for 80% of the shares traded – almost all of whom had a mining monopoly in their portfolio – Anglo (AAC, JCI and De Beers), Rembrandt (Gold Fields); Old Mutual (Barlow Rand); AngloVaal (AVC); Sanlam (Gencor)

Political economy of mining today

- All 6 major mining houses have shifted their listings offshore, all have unbundled and have shifted out of gold and some even out of mining completely
- Today the top 20 companies list on the JSE is dominated by Naspers, British American Tobacco (BAT); Anheuser Inbev and SABMiller, MTN and Standard Bank. Only Anglo of the old mining behemoths still makes the top 20, although now it is focussing on platinum (AngloPlat) and coal
 - But scratch beneath the surface and the footprint of history can be discerned. BAT was set up by Rembrandt (now Remhold) and SABMiller was originally the Anglo-owned, SA Breweries
- Amplats looting Africa - continent-wide is responsible for \$100 billion + annual net outflows according to a 2018 World Bank analysis
- Depleted minerals: non-renewable resource shrinkage
- And the MEC that has defined South Africa was once again thrust into the public domain in 2012 and the most recent turning point was the massacre at Marikana – a platinum mine. And who were the workers who rose up and were massacred? – migrant workers from Lesotho, Mpondoland and elsewhere

Political economy of mining today

- The seeds of neo-liberalism were already sown from late 1980s, by the apartheid regime
 - The privatisation of ISCOR and commercialisation of SA Railways and ESCOM
 - The Independence of Reserve Bank
 - The first moves to make it possible for big SA businesses to start setting up offshore investments (e.g. share-swopping). The state allowed Anglo American to set up Minorco to house overseas assets, followed by Rembrandt setting up Richemont.
- In 1996 the ANC government made its own commitment to neo-liberal policy clear and explicit through the the Growth, Employment and Redistribution policy (GEAR)
 - This was after a massive decline in the Rand and calls from business for the government to nail its colours to the mast for investors
 - GEAR clearly spells out that the ANC is committed to the private sector, that the state should keep the budget deficit small and that jobs and services would depend on the ability of the capitalists to first “grow the economy”
 - Government policy has consistently kept to the GEAR script since 1996: a development agenda in which private sector investment and reining in public spending is prioritised

Political economy of mining today

- Implications – a squeeze on public services and municipalities
 - By shifting the responsibility for many payments to local governments and therefore ordinary people (user pays)
 - Through this shift, the financial burden for delivery is on local governments as national governments' budgets are kept in order thus satisfying the finance markets which look for small budget deficits at the national level
- Xolobeni example:
 - Cut inter-government transfers to local authorities who must therefore become responsible for raising their own revenues.
 - Pursue private business mega-projects to anchor development in areas through upstream and downstream offshoots of private investment (in addition to welcoming the Xolobeni mining project the state also seeks to promote tenders for the development of a toll road)
 - Manage local aspirations through the promotion of small enterprises, entrepreneurship and Black Economic Empowerment initiatives with big business

The case of Xolobeni

- MRC and financialisation
- In July 2016 MRC announced that it would be selling its 56% share in Transworld Energy and Resources (TEM) the nominal owners in the mineral sands project at Xolobeni. In the media this announcement was greeted as a victory as it appeared to indicate that MRC was pulling out of its plan to mine the coastal land against the wishes of the local communities.
- The Amadiba community has not only held back the MRC's destructive plan for some 13 years but forced it to change its strategy, this is a victory. The Amadiba community of Pondoland has a long history of resistance, including the 1960 revolt against the apartheid state's forced village-ification under the so-called Betterment Scheme.
- MRC already has an operational mine - Tormin, on the West Coast. In mid-2016 that mine, which had been launched in 2014 with a fanfare in the company of the national Minister for Mineral Affairs, Susan Shabangu, began to draw the attention of the state to the possibility that it had infringed environmental conditions and the term of its mining licence - damaging the coastal environment, according to Environment Affairs Minister, Edna Molewa, and expanding the mine without permission and illegally extracting garnet, according to the Department of Mineral Affairs. Like the Xolobeni project MRC ownership is through a system of vehicles - via the South African subsidiary Mineral Sands Resources (MSR), in partnership with a private, BEE company called Blue Bantry investments, created by MRC.

The case of Xolobeni

- in Xolobeni MRC operates through Transworld Energy and Resources (TEM), which has the mining licence and where it owns 56% of the shares in partnership with Blue Bantry and a so-called community-based BEE company, Xolco. Xolco is a vehicle serving the political purpose of co-opting Amadiba mining supporters against the community resistance – including a chief, Lunga Baleni, and a local fixer, Zamilé Qunya. The Legal Resources Centre has revealed that Xolco's purchase of a 26% share in the Xolobeni project was funded, in part, by issuing preference shares in Keysha that entitled MRC, and an entity known only as SGC, to 60% of Keysha's dividends.
- The MRC strategy thereby sets up a number of vehicles which satisfy the requirements of South African shareholding, co-opt BEE partners who can be claimed to represent the community and who have links with senior influential figures in government and which hold the mining and exploration licences so that these are at a formal distance from MRC. Yet having created these vehicles – none of them brought shares with their own money - MRC keeps the effective decision-making power.

The case of Xolobeni

- MRC gets the profits, is politically connected and is shielded from the effects of litigation – these are environmentally-sensitive areas - by the vehicles it has created. Unlike the publicly-listed MRC in Australia, all these vehicles are private companies shielded from public scrutiny, with unknown shareholders.
- Classically issuing shares in publicly-traded companies was about marshalling savings as capital to finance operations through which those companies made profit. Investors bought shares in anticipation of dividends or sharing in operational profits. Share prices tended to follow the fluctuations of operational profits. Under financialisation, however, share price is itself a vehicle for profits (through capitalisation, share-swaps and a myriad of forms of derivatives)
- The strategy seems to be: don't risk MRC money so much but form a South African subsidiary that can marshal funds through selling shares in a shell company. This creation of a vehicle which satisfies South Africa's political requirements while allowing space for further shareholder vehicles that can involve key ANC and traditional leaders.

Conclusion

- Mining today
 - Black labour/pain, white profits
 - Labour of the many, fruits enjoyed by a few
 - Women's unpaid social reproduction labour = subsidy to capitalist profitability
 - All wealth produced by labour, profits privatised
 - Extractivism & destruction of nature, profits for a few
 - Dispossession of many, profits for a few
 - Limited employment through mining
- **QUESTIONS:**
 - Do BEE & a few black capitalists change this political economy?
 - What are the most effective strategies that movements can use to challenge our financialised MEC and advance people-driven development?