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South Africa's response to the Covid-19 Pandemic: The crisis in the context of the history of South African Capitalism

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Abstract: This paper is part of a comparative project on the *Varieties of Covid-19 Reactions and Changing Modes of Globalization in the Global South*. The project employs a comparative analysis of two industries—automobiles and clothing/textiles—across four countries in order to analyze the impacts of the Covid-19 pandemic on the structure of globalization. However, one of the premises of the project is that any such assessment must be historically contextualized. In order to understand how the world economy and each country was impacted, it is necessary to understand the context into which the pandemic arrived. This paper provides this background context for the country of South Africa. The South African case illustrates the importance of our historically contextual approach, as we argue that the main effect of the pandemic was that it accelerated economic and political trends which were ongoing before 2020. To summarize these trends, the pandemic crisis has opened up ideological and political space for South Africa to depart from neoliberal orthodoxy in ways that seemed unlikely before the pandemic. However it has simultaneously induced economic and fiscal constraints which have reinforced and even exacerbated the global imbalances of power which define neoliberal globalization.

Keywords: Covid-19; South Africa; Industrial Policy; Social Policy; Neoliberalism

JEL Codes: I18; L50; O55; P16

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Introduction

A Comparative Analysis of the Effects of the Covid Pandemic

The economic and social disruption wrought by the Covid pandemic, in both its form and its global scale, was unique in the history of global capitalism. This novelty has prompted debate about whether the pandemic will precipitate a fundamental shift from the preceding era of neoliberal globalization (Cohen, 2023; Olivié and Gracia, 2020; Posen, 2022). This working paper is part of a larger comparative research project aimed at assessing this question. One of the premises of this project is that in order to understand what changes might result from the pandemic, it is necessary to understand the context into which the pandemic arrived.

This context is, to a large degree, a global context. Indeed, we can think of the pandemic as not just potentially a crisis *for* globalization, but as a crisis *produced by* globalization, as "the speed of the spatial spread of SARS-CoV-2 appears to be largely due to the reciprocal economic integration of major economic globalization centers" (Jeanne et al., 2023, p. 1187). However, global economic processes do not just act upon local experiences, but are themselves shaped by the history and geography of specific places (Hart, 2002). It is therefore imperative to situate the potential effects of the crisis on globalization in the specific places in which the crisis has played out.

The overall project of which this paper is a part has adopted a common framework for thinking about the interactions between global economic forces and national histories and contexts. This framework draws on the work of Nölke et al. (2020), who themselves made an international comparison of the local institutional and historical contexts of what they identified as a cross-national rise in "state permeated capitalism". Unlike Nölke and his co-authors, we are not particularly concerned with identifying a specific "variety of capitalism". Rather, we have used their work to develop a framework which allows us to understand the relationship between national context and global processes in each place. In turn, this will allow us to systematically analyze the effects of Covid on specific dynamics of capitalism at both the national and global levels. Our framework is divided into three themes, each with its own subcategories. In particular we analyze the *Social System of Production*, including social blocs, corporate governance, and labour market; *Key State Policies*, including the welfare state and industrial policy; and the *Economic System* including integration into global production, integration into global finance, and the macroeconomic regime.

Overview of the South African Case

This paper focuses on the South African case. We argue that rather than constituting a fundamental break, the Covid pandemic has accelerated shifts in both the institutional and ideological bases of the economy which were already ongoing before 2020. As such, it is necessary to begin with a brief account of the recent political economy of South Africa, before going on to a discussion of the specific dynamics of capitalism which are identified in our framework.

South Africa achieved democratic majority rule in 1994, at the height of the influence of Washington Consensus-era neoliberalism. As such, the history of democratic South Africa has overlapped with the history of neoliberal globalization. This has had profound effects on the policies and institutions which have been developed in the democratic state. But it is not the case that the country has exhibited a uniform adherence to any form of neoliberal "consensus" over the period from 1994 to the present. By contrast, this period has been marked by significant political and ideological contestation. The broad contours of the variation over the period can be associated with the country's changing political leadership, even if this periodization also reflects global shifts unrelated to South Africa's local political developments. The first two presidents of the democratic era, Nelson Mandela and Thabo Mbeki, oversaw the integration of South Africa into Washington Consensus-era global neoliberalism. This can be thought of as the period in which the hegemony of neoliberal ideology in the country was at its height. This is not to say that neoliberal ideology was uncontested. But there was broad agreement among political and economic elites that neoliberal policies offered South Africa the best opportunity for growth and prosperity. This is reflected most clearly in the adoption of the Growth, Employment, and Reconstruction (Gear) policy framework in 1996, which has been described as a sort of "homegrown structural adjustment programme" (Veriava, 2015, p. 428).

By the mid-2000s, the neoliberal ideology was no longer hegemonic across the social and political landscape. Of course, South Africa remained under the sway of neoliberal policy, as it has until the present. But the contestation of neoliberal ideology was no longer limited to non-elite actors such as trade unions and social movements. Indeed, a new political elite arose which directly challenged some aspects of the ideology of neoliberal globalization. This political movement is exemplified by Jacob Zuma, who replaced Thabo Mbeki as president of the ANC and of the country in 2008 after a bitter internal struggle within the ruling party (and following a brief interlude in which Kgalema Motlanthe acted as a caretaker president).

Zuma came to power amid widespread discontent with the neoliberal status quo. Over a decade of democracy had not significantly reduced poverty, while unemployment and inequality remained at among the highest levels in the world, a situation whose urgency was exacerbated by the 2008 global financial crisis. Zuma enjoyed the support from the political left, specifically from the trade unions and the South African Communist Party, who hoped for a shift from neoliberal market-focused policy to a more active and interventionist "developmental state". However, another important element of Zuma's coalition was aspirant black elites. This group also rejected neoliberal orthodoxy, but not because they longed for a leftward political shift. Rather, they saw the "market" forces prioritized by neoliberalism as reinforcing racial patterns of wealth and economic power in South Africa. For this group, the hoped for state intervention was not aimed at national development, but at racial transformation of the elite classes (Von Holdt, 2019).

In the end the developmental hopes of Zuma's left supporters were not realized. As the next section will elaborate, Zuma oversaw a severe decline in the capacity of the state, especially in areas that would be key to any developmental agenda, such as the electricity (Bowman, 2020) and rail (du Venage, 2022) systems. In 2018 Zuma was replaced by Cyril Ramaphosa. Ramaphosa's political allies are more closely ideologically aligned with the neoliberal orthodoxy of the pre-Zuma period. But it is wrong to see him as representing a simple return to a neoliberal status quo. The hegemonic consensus among elites that existed in the 1990s and early 2000s has disappeared. And the political discontent and economic challenges which propelled Zuma to power in 2008 have not been addressed, and have even been exacerbated.

The covid pandemic arrived in South Africa almost exactly two years into Ramaphosa's presidency. Its effects must be understood as unfolding in the political context we have described above. In the remainder of the paper we consider these effects using the framework of the dynamics of capitalism in South Africa. In each of the following subsections we try to explain the historical context and the effects of the pandemic. We will return to the overall picture in the conclusion, but here we can briefly say that the pandemic has opened up ideological and political space for departures from neoliberal orthodoxy, however it has induced economic and fiscal constraints which have reinforced and even exacerbated the imbalances of power which define neoliberal globalization.

Analysis of Covid's Effects in Terms of Key Dynamics of South African Capitalism

Social System of Production

Social Blocs

Crises can reorder social alliances, with implications for the "dominant social bloc", the social groups whose interests are considered in policy-making decisions (Amable and Palombarini, 2009), and whose views and preferences can therefore serve a sort of "basic coordinating function" (Nölke et al., p. 28) in a national economy. However, the very presence of functioning social blocs should be considered a variable, rather than taken as a given. As Nölke et al. correctly note in their analysis of South Africa, there is no unified social bloc which coordinates economic activity in the country (p. 172). South Africa's economic elites are fragmented along a number of lines. And this is not just a "social" fragmentation, e.g. of black versus white capitalist. It reflects differing approaches to ideas about economic development and the state's role in the economy.

Historically, the Apartheid state was an example of a highly organized social bloc constituted by a close alliance between Afrikaaner capital and the state and a more distant but still cooperative relationship between English capital and the state. The Apartheid era social bloc also included the majority of working class and middle class white citizens who benefited from positive discrimination in education, the labour market, and the political realm.

The post-Apartheid government aimed to reproduce this arrangement with a different set of actors. The government made it an explicit goal to foster a black capitalist class which could serve as a "patriotic bourgeoisie" that could assist the government in the realization of social and economic transformation of the society (Southall, 2007). This was most prominently driven by the Black Economic Empowerment (BEE) policy. BEE was eventually accepted and promoted by the dominant white owned firms, including both international and domestic firms. The law requires industries to establish BEE "charters" which set goals for black ownership, black representation at management levels, and other issues. BEE targets have been largely met through the transfer of shares to individual black people who thereby gain a stake in established firms (Tangri and Southall, 2008). While this process has enriched a small number of black individual beneficiaries, it has not transformed the structure of the overall economy or made much of an impact on the racial wealth gap. Considering the fact that the economy remains highly concentrated (as will be discussed further in the next section), this means that, beyond the privileged few who have been brought into ownership of existing firms, the majority of aspirant black capitalists have remained largely shut out of the economy. As such, organized black business has been a major voice criticizing BEE policies as insufficient (ibid).

This is the context in which the rise of Zuma and the phenomenon of "state capture" should be understood. State capture is the term used in South African public discourse to refer to the corrupt use of state resources for the private enrichment of politically connected individuals. This "state capture" process was driven by President Jacob Zuma and his allies under his presidency from 2009-2018. While state capture is most commonly understood as an expression of criminality and immorality, Karl von Holdt (2019) argues that it should instead be understood as a political process of class formation.

> 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 channeling 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. (2019, p. 8)

In this reading, "corruption" is a political project to realize the interests of a new black elite who are shut out of the formal and legalistic economic system. The fault lines of the capitalist class can therefore be more accurately described as state-dependent versus market-oriented, rather than black capital versus white capital.

When it comes to acting as a partner in a social bloc, what is important is that neither of these factions has a strong commitment to national development. While BEE aimed to create a patriotic bourgeoisie, it has not fundamentally altered the position of "market-oriented" white-dominated capital. Although there is some black ownership through share transfer of existing dominant companies, this fraction has a clear orientation towards internationalization rather than national development. Furthermore, the alignment between the state-dependent elite and the state has alienated market-oriented capital from the state. As such, it is hard to imagine a close coordination between the market-oriented capitalist elite and the state to a degree that could be described as a functional social bloc.

The state-dependent elites could, at least in theory, represent a more effective version of the patriotic bourgeoisie that BEE was originally intended to create. However, in practice there is "little evidence" that this is the case (Von Holdt, 2019, p. 16). Instead it seems that the state-aligned capitalist and their allies within the state have "no interest in sustainability of the state, whether financial or institutional.... 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" (ibid).

It is not apparent that the Covid pandemic has altered this situation. It is possible that it has led to increased engagement between the market-oriented capitalists and the state, as the emergency nature of the crisis required some level of direct coordination. However, the fundamental political contradictions between the market-oriented elite and the state-aligned aspirant black elite have not been altered.

Corporate Governance

South Africa's economy is dominated by large conglomerates who hold dominant positions in a range of sectors. This situation has its roots in the political economy of the Apartheid state, and has remained the case, albeit with important shifts, in the post-Apartheid period.

The South African economy has been famously characterized as being dominated by a Minerals-Energy Complex (MEC) (Fine and Rustomjee, 1996). This term describes the fact that the core of the economy has historically consisted of a tightly integrated and highly concentrated conglomeration of companies in mining and related activities. Importantly, it also emphasizes the fact that there was a close integration between the economic dominance and the political influence of the MEC firms. As we have discussed above, in the years since Apartheid there has been an alienation between the market-oriented white-dominated sectors of the economy and the state. There is no longer a tight integration between market and state power which sustains the dominance of MEC firms in the present.

However, that is not to say that MEC companies have necessarily been losers in the post-Apartheid dispensation. Indeed, although the MEC itself has fragmented, “the economy remains highly concentrated, and ’old order capital, rooted in the classical MEC, remains central” (Ashman, forthcoming).

One major trend among leading South African firms has been internationalization. South African firms’ ability to expand internationally had been limited in the Apartheid era by international sanctions. However, in the decades since 1994 the country's firms have made internationalization a top priority. In some cases this has even meant the formal relocation of companies from South Africa to other countries, causing large historically-South African firms to transform into foreign multinationals.

One of the earliest and most prominent examples is South African Breweries (SAB). SAB began to expand outside the country immediately when political restrictions were lifted in the early 1990s. Throughout the 90s they entered into, and became a major player in markets across Africa, China, Eastern Europe, and in Latin America. In 1999 SAB became the first major South African company to shift its primary stock exchange listing from Johannesburg to London. This allowed them to raise a global currency to finance their rapid international expansion, but was also inspired by the perceived political risks of remaining in South Africa in a period where the economic and political crisis in Zimbabwe was seen as a cautionary example by many elites in South Africa (Verhoef, 2011, p. 90). Other companies have similarly internationalized. Anglo American similarly shifted its primary listing and headquarters to the UK. Other South African companies, including Investec, Mondi (formerly part of the Anglo American conglomerate), Sasol, Sappi, and Naspers have maintained a primary location in South Africa while also listing on overseas stock exchanges.

Naspers exemplifies the international focus of South African conglomerates[1]. While Naspers itself remains listed and headquartered in South Africa, one of its most valuable subsidiaries, Prosus, has shifted its primary listing and headquarters to Amsterdam. Naspers origins are as a newspaper and book publishing company closely aligned to the Apartheid government. It launched the largest paid television service in South Africa in the 1980s and since the 1990s has become a major global media company. It has major holdings in South Africa, including the largest online retailer, largest food delivery app, and a number of specialty online retailing sites. But beyond South Africa it is the largest shareholder of Tencent, the leading Chinese internet company that includes the WeChat messaging and social media platform and which is the largest video game company in the world. It also is a major player in Russia (online classifieds, social media), India (food delivery), and throughout Africa and the Middle East (paid TV).

[1] This paragraph draws heavily on a forthcoming article by Sam Ashman which uses the example of Naspers to illustrate South African companies internationalization.

Although many of the conglomerates have focused on internationalization, that does not mean they have relinquished their dominant positions within South Africa. A 2021 report to parliament by the Competition Commission of South Africa found that among 144 sectors selected for analysis, 69.5 were highly concentrated which is defined by the market share of the leading firms[2]. 40.5% of the total, a subset of the highly concentrated firms, had one company that controlled more than 35% of the market. Only 9.7% of the selected sectors were not concentrated. The report notes that

> The list of [highly concentrated] sectors includes numerous instances where there is a persistence of dominance since the Apartheid era, including steel (ArcelorMittal, previously Iscor), chemicals (Sasol), Beer (AB InBev, previously SAB), publishing and broadcasting (Naspers) and fisheries (Sea Harvest and I&J). Similarly, certain oligopolistic industries remained highly concentrated, such as banking (the top 4 banks), insurance (the top 4 life insurers) and certain agricultural sectors (storage, bread and sugar). (Hodge et al., 2021, p. 8)

An earlier study found that concentration was especially widespread in manufacturing. Fedderke and Szalontai (2009) analyzed 24 industrial sectors and found that, 'there is no manufacturing sector in which 5% of the firms do not produce at least 50% of total output" (p. 6).

The dominance of conglomerates and the widespread concentration in the majority of sectors helps illustrate the point made in the previous section about the barriers to entry for new aspirant capital. This is the context in which the Zuma project of fostering state-dependent black capital emerged. However, it is not only aspirant elites who are affected by the concentrated structure of the economy. It is also the poor, especially the significant section of the labour force that is un- and under-employed. This is also where we can see the main impacts of South Africa's corporate structure during the Covid period. The internationalized and concentrated structure of the economy has not been altered. But this structure exacerbated the effects of the crisis on workers. We turn to this topic in the next section.

Labour Market

South Africa's labour market is highly fragmented. On the one hand it has a strong tradition of trade unionism. Unions played an important role in the anti-Apartheid struggle and the largest union federation, the Congress of South African Trade Unions (COSATU), has a historical alliance with the ANC, the ruling party of the national government. As a result of this history they retain a more significant political influence than in many peer countries. Furthermore, their historical influence in the period of the democratic transition translated into forms of institutional power which are again more significant than found in most peer countries. However, as everywhere around the world, organized labour has been weakened in recent decades by shifts towards precarious and flexible forms of employment. A majority of the labour force, especially in the private sector, is unorganized and subject to much more precarious conditions than the minority of union members.

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[2] The exact market share for "high concentration" depends on the number of dominant firms. A sector is defined as highly concentrated if 2 firms control 35% of the market, 3 firms control 50%, 4 firms control 60%, or 5 firms control 70%.

An example of the institutional power which unions retain is the system of collective bargaining. Bargaining is voluntary and bargaining councils are established when unions and employers organizations register them with the department of labour. Bargaining councils are registered with a defined scope in terms of both types of workers and geographic coverage. A progressive feature of the system is that agreements reached can be extended by the Minister of Labour to employers who are not party to the bargaining council if this is requested by both unions and employers who are party to the agreement. This provision is used to disincentivize hold-out companies in sectors and areas where a bargaining council is established.

In addition to direct sector specific bargaining, South Africa also has a national bargaining chamber, the National Economic, Development, and Labour Council (NEDLAC), which is intended to be a forum in which labour, social, and economic policy is debated among government, business, labour, and community organizations before it is introduced in the national parliament.

While the initial post-1994 labour law left the establishment of wages entirely to employers and workers, a national minimum wage was introduced in 2019, which sets a wage floor across all sectors. However, there is a provision for employers to apply for exemption, and enforcement is very weak, especially in the most vulnerable sectors such as domestic work and farm work.

Another important institutional feature that affects the labour market in South Africa is the Commission for Conciliation, Mediation, and Arbitration (CCMA). The CCMA has offices around the country which workers can approach to raise issues relating to violations of contracts or labour law. Cases are then heard by a commissioner and can be resolved through mediation or arbitration. The CCMA provides access to legal recourse for all workers, including unorganized workers and those in vulnerable sectors.

While the above institutions are outcomes of the historic power and political influence of unions, it remains the case that the labour force as a whole is highly fragmented. South Africa has among the highest levels of open unemployment in the world, standing just above 40% at the start of 2023. Among those who are employed, unionization rates have been declining for decades. South Africa's non-racial unions emerged as a powerful force in the 1970s and 1980s. At that time, under the Apartheid state, the public sector workforce was largely white and the unions were almost entirely based within the private sector, especially mining and manufacturing. However, today union density in the private sector is low and declining while the large majority of union membership is in the public sector.

South Africa's persistent levels of extremely high unemployment can be partially explained by some of the features of the corporate space described in the previous section. One reason for the high levels of unemployment is that South Africa has a relatively small informal sector. Workers who cannot find formal wage work would, in peer countries, often end up self-employed in the informal sector, but in South Africa they often remain unemployed. The small informal sector can be explained by the history of the country and the current structure of the economy. In the colonial and Apartheid eras the state actively suppressed entrepreneurial activity among the black majority. This suppression had two aims. First it removed alternative sources of income and thereby compelled Africans to sell their labour to the mining and manufacturing capitalists. This was important given the fact that South Africa was, until the late 20th century, rich in resources but in a situation of labour shortage. Secondly, the suppression of black business was intended to advantage white business by eliminating competition. This contributed to the powerful market positions that many conglomerates achieved, leading to the widespread concentration in the South African economy that we see today. In this context it is difficult for unemployed people to enter self-employment, especially because the most common sectors for informal business–such as agriculture, food production, and retail trading–are among the most highly concentrated sectors of the economy.

The Covid pandemic has deepened the already existing crisis in the South African labour market. After averaging in the high 20s throughout the 2010s, the unemployment rate reached nearly 35% in 2021 and sits at 33% at the time of writing in June 2023. This number does not even capture the full extent of unemployment. It only counts those who are actively looking for work in the 4 weeks previous to the survey. However, given the high levels of long term unemployment South Africa has large numbers of "discouraged work seekers" who want a job, but have not been actively looking for the past four weeks. The broad unemployment rate, which includes discouraged work seekers, currently sits at 42%.

Key State Policies

Welfare State

South Africa has a relatively extensive social welfare system in comparison to peer countries. The two largest pillars of the country's social policy are the old age pension and the child grant. The old age pension dates back to the Apartheid state. Originally the grant was only provided to white citizens. In the 1940s the pension was expanded to all racial groups, but with much lower levels for non-white citizens. Beginning in the 1980s, in response to the anti-Apartheid struggles, the government began increasing the rate of the pension for non-white citizens (this was funded in part by decreasing the rate for white citizens). The rate was increased multiple times in the 1980s, and in 1993 the pension rates were equalized across races (Scully, 2019, p. 178).

The child grant is given to the caregivers of low income children under the age of 18. This grant was introduced by the new democratic government 1998 as the previous system of support for low income children was largely inaccessible to the black majority. The child grant initially covered children under the age of 7, but in the years since its introduction the age limit has been raised to cover children up to 17, and there is discussion of raising the age limit further.

South Africa's system of grants has been effective in reducing both absolute poverty and inequality (Sulla and Zikhali, 2018). However, there has long been something of a puzzle with regards to the scope of coverage. While the system has comparatively good coverage for the elderly and the young, it provides very little support for the working age unemployed. This is despite the fact that South Africa has consistently had one of the highest rates of open unemployment in the world. This gap has long been recognized and trade unions and civil society groups have long campaigned for more comprehensive coverage.

Indeed, when the child grant was being implemented in 1998 its implementation was opposed by the COSATU, the country's largest trade union federation. COSATU was not against the child grant itself, but the federation saw the creation of a new grant for this category as representing a "piece-meal tinkering with the elements of the inherited [from the Apartheid state], fragmented social security network" (COSATU, 2000). Instead of simply introducing a revised child support grant, COSATU argued for "restructuring the social welfare system" (COSATU, 1997), in particular to provide new forms of protection for the unemployed, which had been poorly developed in the Apartheid era.

COSATU joined a broad civil society coalition in advocating for a universal basic income grant (known as a BIG in South Africa). This call was supported by a government commission established to review and make recommendations for the post-Apartheid welfare state. However, the BIG was ultimately rejected by the ANC government. Instead of a grant for the unemployed, the government introduced a large-scale public works programme, but despite being large by international standards, the public works program has only reduced unemployment by a few percentage points.

However, the push for a BIG has been revived in the period since the Covid pandemic. Early in the pandemic the government introduced an income support grant for employed workers (Temporary Employer-Employee Relief Scheme, or TERS) as well as a lower value general grant available to those who were unemployed and not receiving other social grants. The latter, which came to be known colloquially as the Covid grant or the R350 grant, after its monthly value, became a rallying point for advocates of a BIG. While the R350 grant was initially supposed to be temporary, civil society pressure has forced the government to repeatedly extend the grant, most recently until March of 2024. It is noteworthy that the grant was rescinded in April of 2021 but was reinstated after widespread social unrest occurred in July of 2021, commonly called the “July riots” (Wessie, 2022). While the long term status of the grant is still not confirmed, the government has made clear that some version of permanent income support to the working age unemployed is being seriously considered.

Industrial Policy

The Apartheid state has been described as a “racially exclusive developmental state”. The state was heavily involved in promoting national development, including through industrial policy, which included use of state procurement to support national industries as well as import substitution industrialization (Bhorat et al., 2017, p. 40). This led to extensive industrialization in the middle of the twentieth century. However, by the 1970s and 1980s the industrial sector was stagnating, facing the combined effects of the exhaustion of ISI policies as well as of international sanctions.

This context is important to understanding the policies of democratic government after 1994. Domestically, many sectors were inefficient and uncompetitive internationally. At the same time, the early 90s were the high point of the influence of Washington Consensus-era neoliberal ideology. The combination of these factors shaped the industrial policy of the immediate post-Apartheid years, which was less focused on direct support to industry and more on trade liberalization to promote competition for previously protected industries. This prompted major restructuring of South African manufacturing with a few notable outcomes. Some previously protected industries suffered decline as imports began to outcompete local manufacturing. However, on the whole manufacturing did not decline, but was rather re-oriented with significant growth in manufacturing exports balancing out booming imports. Overall employment in manufacturing declined, as the growing export industries tended to be capital intensive while declining domestic industries were more labour intensive (Altman and Mayer, 2003).

The most important growth in this period was in the automobile sector. The sector had been small, inefficient, and almost entirely focused on the domestic market throughout the Apartheid period.

Increasing its export potential was a main goal of the most important industrial policy of the period, the Motor Industry Development Programme (MIDP). While the industry had been highly protected, the MIDP liberalized through a mechanism of duty rebates. Manufacturers could receive credits for exporting and these could be used to offset import duties on both components and completed vehicles for sale on the domestic market. The programme led to a major reorganization of the industry. In 1995 only 4% of vehicles produced in South Africa were exported and vehicle exports accounted for 4% of total exports. As of 2021 63% of vehicles are exported and these account for 13% of total exports (Lamprecht, 2022). However the credit scheme of the MIDP meant that rising exports were balanced out by increasing imports. The South African market, especially for passenger cars, is now dominated by imported vehicles. As such, vehicles now have a significantly negative effect on South Africa's balance of trade (Barnes and Black, 2013).

Another important effect of liberalization on the auto sector was the transformation from domestic to foreign ownership in the industry. Prior to 1994 only two global automakers (Volkswagen and BMW) owned production facilities in South Africa. The other major producers were all South African owned firms who contracted with global autobrands to produce models for the local market. The protected nature of the South African market and the dearth of exports from the SA-owned firms were major reasons that the industry was inefficient and uncompetitive globally. The shift to production by wholly owned subsidiaries of global firms has led to improved technology and efficiency. However, it has come at the cost of reducing the power that the government has to steer the auto sector in ways that reflect national developmental interests (Masondo, 2018).

Overall the industrial policy of the decade after democracy was been seen as unsuccessful. It did oversee the emergence of some globally competitive sectors, but it did not contribute to the major structural transformation of the economy that is necessary to address South Africa's high unemployment and inequality. By 2008 Hausman et al. described the disjointed state of industrial policy as one in which there was "too much disconnect between the private sector and the government, information does not flow adequately, needs are not well identified, policy instruments are not appropriately targeted, and self-correction mechanisms are not in place" (Hausmann et al., 2008, p. 12).

When Jacob Zuma became president in 2008, one of the main policy outcomes won by his leftist supporters was a reinvigoration of industrial policy under the New Growth Path (NGP). The NGP promised a more interventionist approach to industry, including increased spending on public infrastructure. However, in practice the NGP suffered from a number of shortcomings. For one, the fragmentation of industrial policy within the state that Hausman et al. had identified was not overcome. Industrial policy remained the domain of one entity, the Department of Trade and Industry (DTI). Key aspects of policy that would be necessary to promote industrial development, such as exchange rates and tax policy, were completely disconnected from industrial policy. An even more significant factor undermining the NGP was the generalized decline of state capacity during Zuma's presidency. Widespread corruption, which came to be called "state capture" in South African public debates, undermined both the effectiveness of the state bureaucracy as well as the willingness of business to engage with state policy.

When Cyril Rapmaphosa replaced Jacob Zuma as president in 2018 his administration undertook an overhaul of industrial policy driven by sector specific Master Plans. The Master Plan process was not only focused on reenergizing government policy, but also on rebuilding the relationship between government and industry. It is noteworthy that the Master Plans were launched just before and during the Covid period. This has had the result of incorporating industrial policy into the country's broader economic response to Covid. In particular the Economic Reconstruction and Recovery Plan (ERRP) prioritizes industrial development and also retains the NGP's emphasis on infrastructure development, but with a major difference. There is now a major push for using private investment to drive infrastructure development (Phalatse, 2022). This reflects a global trend towards private finance being integrated into development in the global South, a trend Daniela Gabor has characterized as the "Wall Street Consensus" (Gabor, 2021).

Economic System

Integration into Global Production

South Africa's integration into global production (and global finance, as covered in the following section) is closely related to the historical role of the MEC discussed in the section on corporate governance above. South Africa was originally incorporated into the world capitalist economy as a supplier of minerals. The Apartheid state used protective measures to foster local industrialization, however this was not significantly oriented towards the export market before the democratic period. The insular nature of South Africa's non-mineral sectors was exacerbated by political sanctions against the Apartheid state in the 1970s and especially the 1980s.

As the previous section discussed, the democratic government took over when sanctions were lifted and when the ideological power of liberalization was at its height. The rapid expansion of international trade severely undermined manufacturing, leading to a progressive deindustrialization of the country's economy. While manufacturing accounted for just above 20% of GDP throughout the middle of the 20th century, it has declined since 1990 and now sits at just over 11%. While the transformation of the auto-industry – from almost entirely focused on the domestic market up until democracy to primarily oriented towards exports today – is a significant shift, overall, the post-Apartheid period has seen South Africa increasingly become an exporter of minerals and an importer of manufactured goods.

The immediate effects of the pandemic have not clearly shifted this situation, and may even have exacerbated it. The Covid pandemic led to a spike in commodity prices, especially gold. Combined with lower oil prices and a decline in imports as a result of a sluggish economy this led to record trade surpluses (for the post-Apartheid period) for South Africa in 2020 and 2021. However, the response to the crisis has led to new *plans* for transforming South Africa's role in global production networks. One key aspect of many of the industrial policy Master Plans is that they aim to expand South Africa's trade with the African continent. For example, the Master Plan for the clothing and textile industry aims to use the increasing market share of large South African retailers on the African continent as a vehicle to increase clothing exports. The automobiles Master Plan envisions the establishment of a regionally integrated auto-industry in which the development of auto manufacturing activities in African countries is paired with policies to promote the growth of the, currently very limited, market for South African produced cars on the continent.

Integration into Global Finance

Historically the finance sector was important to the development of the South African economy and its integration into the world economy. As Ashman and Fine put it, "South Africa's system of accumulation (the MEC), produced and was produced by a powerful and concentrated financial system with uniquely close ties/overlapping ownership structures with productive capital and strong state support" (2013, p. 162). Historically the sector had strong ties to international, and especially British capital. But in the 1970s and 1980s, with foreign capital disengaging from South Africa and the South African state promoting domestic control of the economy, the banking sector became almost entirely domestically owned.

However, in the period of democracy the MEC itself has financialized (Ashman et al., 2013), and in this process, the banking sector has liberalized and internationalized. The sector is highly concentrated, with the five largest banks controlling more than 90% of the market (SARB, 2022a). At the same time, these leading banks have themselves internationalized. Standard Bank's largest shareholder is the Industrial and Commercial Bank of China, ABSA's is the British-based Barclays, and all of the major banks have extensive smaller foreign investment.

The economy of South Africa has become increasingly financialized, with "Finance, Real estate, and Business Services" regularly contributing between 20% and 25% of value added to GDP, making it the largest sector in the South African economy today. As Ashman and Fine (2013) note, the liberalization and expansion of the banking sector has not led to an expansion of investment in domestic industry. On the contrary, significant profits for the banking industry come from high levels of household debt, with bank credit to households outstripping loans to business.

Household debt is even a profitable commodity among South Africa's poorest households. As in much of the developing world, social grants have been paired with credit offers in the name of "financial inclusion", drawing poor grant recipients into the formal credit system (Torkelson, 2020). There was a major scandal in 2018 when the scale at which the company contracted to pay social grants by the government was profiting off of indebtedness among grant recipients. The company, Net1, which has changed its name to Lesaka Technologies in the wake of the scandal, is publicly traded, and while its largest shareholder is a South African private equity firm, its second and third largest shareholders are Morgan Stanley and Goldman Sachs. This exemplifies the degree to which even the poorest South Africans are drawn into the circuits of global finance.

The Covid crisis seems likely to increase some forms of global financial penetration into South Africa. Importantly, the crisis marks the first time that the South African government has taken funding from the IMF, and the first time that it has relied on the World Bank for general "budget support" rather than project specific funding. A central plank of the ERRP is to expand private funding of infrastructure development, with a focus on "bankable" projects that will attract global finance with the promise of returns through fees or other means (Government of South Africa, 2020).

While gold production and export has declined dramatically, and the contribution of mining to the economy has declined in recent decades, the country remains by far the largest producer of platinum group metals in the world and is a leading producer of a range of other minerals. Although the sector is highly cyclical, minerals also continue to dominate South Africa's exports. South Africa's trade balances are therefore highly affected by commodity price cycles.

A major goal of industrial policy throughout the post-Apartheid period has been to strengthen the international competitiveness of South African manufacturing. However, manufacturing employment as well as manufacturing's share of exports have not improved in the post-Apartheid era.

Macroeconomic Regime

The new democratic government adopted a conservative macroeconomic regime. The 1996 Growth, Employment, and Redistribution (Gear) Policy Framework, committed it to among other things, fiscal austerity, inflation targeting, and a series of measures to attract increased foreign investment, including the reduction of capital controls. While Gear has been superseded by subsequent macro policy frameworks, most recently the National Development Plan (NDP), many aspects of Gear-era macroeconomic policy have remained consistent.

This consistency is especially notable given the fact that the ideological underpinnings of Gear (free market/neoliberalism) and the NDP (developmental state) are divergent. This reflects the fragmentation of social blocs in South Africa, and the resultant fragmentation of government departments. Even as some segments of the government, such as the Department of Trade, Industry, and Competition (DTIC) have become more “developmental”, the Treasury and the Reserve Bank have remained committed to austerity and inflation targeting.

While exchange rate stability has long been a stated goal of South African policy, dating back to Gear, in practice, the country has experienced high levels of exchange rate volatility (Arezki et al., 2014). One factor driving this is high levels of portfolio flows, which far exceed FDI. This drives up equity prices and drains investment away from productive activities (Ashman and Fine, 2013). Indeed, investment as a percentage of GDP has been persistently low in South Africa, only passing 20% for a few years in the post-1994 period and currently sitting at 14%.

In the early months of the Covid pandemic, South Africa faced major threats to its financial system, with major outflows of foreign bond investors driving up bond yields dramatically in late March of 2020. In response, in an unprecedented move, the South African Reserve Bank announced that it would directly purchase bonds, eventually spending R38.8 billion by October 2020 on bond purchases (SARB, 2022b).

Despite these emergency measures early in the pandemic, in the longer term, there has not been any significant deviation in the overall macroeconomic approach. However, South Africa has been affected by the high inflation globally, and by the efforts of the US Federal Reserve to reduce inflation. Like so many countries in the global South, South Africa has raised interest rates over the past two years, even in the context of a sluggish recovery from the economic shock of Covid. Given that the largest component of demand comes from household consumption, even by international standards, and since a significant portion of household consumption is driven by debt, as discussed above, interest rate increases aimed at lowering inflation have a negative effect on the living standards of households.

Conclusion

In this paper we have presented an extensive background for the South African case of the various themes of our project's common framework. The idea behind providing so much background information in an analysis of the effects of Covid is that we believe that the effects can only be understood within the context in which the pandemic struck. In the South African case, the main lesson from this analysis is that the pandemic appears to have accelerated previously ongoing trends. Some of these are simply the effect of a major economic shock arriving in the midst of an already weak economy. As a result South Africa’s already high levels of unemployment, labour market precarity, and inequality have been exacerbated.

However, other effects seem to suggest qualitative shifts from the preceding period of neoliberal globalization. Take this issue of industrial policy. In the 1990s when South Africa achieved democracy interventionist industrial policy was outside of the Washington Consensus orthodoxy. Instead the supply-side interventions that were a part of South Africa's Gear platform reflected the view that the state should use market incentives to achieve whatever outcomes in the economy were desirable and possible. Already since 2008 a more explicitly interventionist industrial policy has been a policy focus in South Africa. At that time this approach was advanced by Jacob Zuma's supporters as an explicit repudiation of the policies of the neoliberal elite who had controlled the Presidency and Treasury since 1994. However, with the return of some version of the neoliberal elite, represented by Cyril Ramaphosa, we have seen a continued and perhaps even reinvigorated focus on industrial policy. This has only been intensified by the policy response to the pandemic, which has emphasized the importance of industrial policy.

Yet there are important contradictions in the trends which have been amplified by the pandemic. At the same time as a reinvigorated commitment to industrial policy, we also see a push for an increased role for private and foreign capital in the provision of public infrastructure. While we see an expansion of the grants system, with the provision of social protection to the working-age unemployed for the first time, we also see a continued commitment to a conservative macroeconomic regime which has exacerbated the economic hardship faced by poor households through increased interest rates in the midst of a period of economic decline. All of this could suggest that we are in a moment of ideological and policy flux, and that perhaps the longer term impacts of the pandemic will only be known in years to come.

It is also important to note that the analysis presented here is part of a multi-country comparison looking at these questions across four countries. The most important insights of this study will arise not from the individual country studies but from the comparison across the cases, a process which is ongoing at the time of this writing. However, even from looking at one country we can see the importance of the changing global environment.

The contradictory responses we have identified in the South African case could reflect contradictory global forces. On the one hand, more interventionist state approaches in the global North–for example more active industrial policy and the ongoing trade war between the US and China–could provide more political space for interventionist policy in the global South. But at the same time, in the South African case, the negative economic effects of the pandemic have further limited the fiscal space of the government. This could explain more rhetorical and policy commitment to state-led development taking place alongside increased pursuit of foreign commercial funding for the infrastructure projects which would be key to any developmental strategy.

This is not to suggest that there has been some clear ideological shift away from neoliberalism. Indeed, neoliberal orthodoxy remains firmly entrenched in many segments of the South African political and economic elite. However, these ideas have, at least since Zuma came to power in 2008, become subject to inter-elite conflict and debate. While the pandemic did not instigate this debate, it seems clear that it has shifted the global context in which it is taking place.

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