ECONOMIC AND MANAGEMENT SCIENCES FACULTY
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Race, Class and Law in Post-Apartheid South Africa: A Marxist Critique of Black Economic Empowerment.

A thesis submitted in fulfilment of the requirements for the degree of
DOCTOR OF PHILOSOPHY

by

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DEDICATION

In memory of my late father, John Montague and my mother, Daphne Margaret, who both taught me to question everything.

ABSTRACT

With the advent of democracy, the ANC government was faced with the problem of addressing abject poverty, persistent unemployment and rank economic inequality that beset black South Africans under apartheid. To address these problems in a structured and comprehensive fashion, the Broad-Based Black Economic Empowerment Act 53 of 2003 (BBBEE Act) was promulgated. Several economists believed that growth in the economy is the bedrock upon which black economic empowerment would provide the foundation to correct these economic problems. This study sought to interrogate black economic empowerment as a means to address economic inequality and unemployment. The method of analysis and critique employed in this study is based on theories that Marx formulated in *Capital: A Critique of Political Economy*. In particular, this study draws on Marx's theories of fictitious capital, surplus value production and appropriation, and the creation of the industrial reserve army. The thesis uses the theory to examine two BEE cases namely the Sanlam and Sasol equity transactions. It also analyses the relationship between productive capital and fictitious capital through an examination of Lonmin plc and Shanduka Pty Ltd, with a focus on the use of labour power to produce surplus value. Finally, it looks briefly at Sanlam and Sankorp to understand the rise of the black middle class in South Africa. Ultimately, this study charts a Marxist path to explain why black economic empowerment is unable to address economic inequality and unemployment. At the centre of this study is the problematisation of the capitalist mode of production on which black economic empowerment rests. The central argument advanced is that the very capitalist structure upon which this growth strategy was based, in fact laid the foundation for the reproduction of these self-same phenomena.

KEYWORDS

Black economic empowerment, Marxism, preferential procurement, share transactions, economic inequality, unemployment, surplus value appropriation, reserve army of labour.

PLAGIARISM DECLARATION

I declare that ‘Race, class and law in Post-Apartheid South Africa: A Marxist analysis of black economic empowerment’ has not been submitted for any degree or examination at any university, and that all sources I have used or quoted have been indicated and acknowledged by complete references.

Full name: Jonathan Mark Hoskins

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CHAPTER ONE: INTRODUCTION

1.1 Introduction

Since its election in 1994, the ANC government has been made acutely aware of the gargantuan social and economic tasks that lay before it. The social and economic degradation of apartheid that forced the majority of black South Africans[1] to live lives of abject poverty, endemic unemployment and rank economic inequality had to be addressed. The problem for the democratic state was how to do it - how to address inequality, unemployment and poverty and lay the foundations for raising black South Africans to the standard of economic development that white South Africans had enjoyed during apartheid. Black economic empowerment (BEE), an affirmative action policy that focused on the economic advancement of the majority of black South Africans was conceived in this context. It was seen as the strategy that would remedy the social and economic inequality that black people suffered under apartheid. To address these inequalities in a structured and comprehensive fashion, the Broad-Based Black Economic Empowerment Act 53 of 2003 (BBBEE Act) was promulgated.

Commentators from different standpoints agree that BEE is necessary to address the unequal social and economic impositions of apartheid. However, they also observe that, despite its introduction and implementation, questions of economic inequality of black South Africans have not been addressed fully. Turok (2002: 6) has remarked that, since the inception of BEE, the rising black capitalist class appears to have monopolised the benefits of BEE. Black economic empowerment is elitist in orientation and has been delinked from a broader transformative and developmental agenda and the current accumulation path continues to reproduce and even exacerbate racialised poverty and inequality, says Nzimande (2007: 182). Moeletsi (2009: 61) sees the “unproductive crony capitalism” that BEE created amongst ANC politicians as an impediment to the emergence of a productive black entrepreneurial class. Furthermore, he couples the rise of this “unproductive crony capitalism” to endemic poverty and high unemployment (Mbeki 2009: 92). Marais (2011: 142), who draws on Nzimande’s

[1] The identity and term ‘ black’ has been riddled with controversy in SA. In the context of this study the term black includes Coloured, Indian and African people.

characterisation of the emerging black capitalist class as the "patriotic bourgeoisie", is of the view that the real test for this class is to show how potent it is as an economic driver of the productive forces of society for the benefit of all black South Africans. He concludes that, thus far, it has not acquitted itself of its mandate. For Mashele (2013: 17), the immediate beneficiaries of BEE, namely, the emerging black bourgeoisie is no different from the bourgeoisie generally and the capitalist logic that informs its behaviour. He states that it is a distortion to think that the members of the black bourgeoisie, as a patriotic bourgeoisie, "are a special kind of human-being who is in business on behalf of the masses of people". Terreblanche (2012: 71) also concludes that advancing the interests of the emerging black elite by way of BEE completely ignored the interests of the socially and economically impoverished majority.

What is clear from the writers surveyed above is that BEE has not addressed fully the dire socio-economic needs of all black South Africans, especially those in the working and poverty-stricken classes. Furthermore, it would appear that the only beneficiaries of BEE are the emerging black capitalist class. This is made patent when Patrice Motsepe of Africa Rainbow Minerals is cited as being worth 1.05 billion dollars and his brother-in-law, the President of South Africa, Cyril Ramaphosa, is worth 450 million dollars (which equates to 6.7 billion rands), making Motsepe the sixth richest person in South Africa and Ramaphosa the 12th richest (Business Tech 2016). Furthermore, according to the poverty,[2] unemployment[3] and inequality[4] statistics contained in the Institute of Race Relations 2016 *South Africa Survey*, one section of the black population has benefited from BEE at the expense of the majority of the black population who still live in abject poverty reminiscent of apartheid South Africa. These large disparities in wealth pose a problem for BEE as the policy that is expected to address black economic inequality, unemployment and poverty generally. Further to the comments considered above, several economists (Keaton 2013; Kantor & Holland 2014; Netshitenzhe

2 In 2012, 18.7 million people were in poverty. Of this figure 17. 4 million African people are living in poverty that is less than $2 a day or in South African terms R524 a month per person.

3 In 2016, nationally the unemployment rate was 25% and unemployed Africans as a proportion of total unemployed workers was 85. 8%.

4 The Gini co-efficient as per 2014 was at 0.64%. Income inequality in the African population group is 0.58%. The Gini coefficient is used to measure equality and inequality within countries or between groups of people. It assigns a measure to distribution of total personal income between zero, which is perfect equality (everyone has the same income) and one, which is perfect inequality (one person has all the income).

2012; Maswanganyi 2014) believe that growth in the economy is the bedrock upon which BEE will succeed; and that it is the foundation for correcting the economic inequalities suffered by black people. However, as Bhorat *et al* (2009) argues that, where the country has experienced sustained positive economic growth, the impact of this growth on poverty and inequality has been disappointing. For them, even sustained economic growth does not necessarily mean that economic inequality and unemployment will recede. If positive growth of the economy cannot mitigate the effects of inequality and unemployment, is there another explanation for the persistence of these two social phenomena? Is it possible that the economic system upon which BEE is premised and which is supposed to produce levels of growth that would mitigate these two social phenomena is, in fact, the real obstacle to greater economic equality for impoverished, unemployed black South Africans?

This dissertation seeks to chart a course and bring a perspective to understanding inequality and unemployment which differs from the approach employed by mainstream economists. These include (Keaton 2013; Kantor & Holland 2014; Netshitenzhe 2012; Maswanganyi 2014; Fedderke 2014; Mlatsheni & Leibrandt 2014) who base black economic empowerment's success on the sustained growth of the capitalist economy. The approach taken in this thesis will draw on Marx's concepts, which explain inequality, unemployment and poverty very differently from the economists referred to above. Marx departs from these economists because he pointedly and unambiguously illustrates that capital is the source for the production and persistence of these social phenomena. More pertinently, Marx shows that capital's single-minded pursuit to accumulate with the creation of surplus value at its core consistently produces and perpetuates a recurring economic inequality, unemployment and eventually poverty, the power to explain which the economists cited before are unable to do.

Furthermore, tied up in the discussion on economic inequality and unemployment the question of class formation becomes unavoidable. The advocates of BEE claimed that it would develop all black South Africans economically. An argument will be made that class is fundamental to capital accumulation society, and the interests of the capitalist class are paramount. All other classes are in service to capital and the crucially important class in this process is free wage labour. There is no all, there is only class. Class in capitalist society has its origins at the point of production, where capital appropriates the surplus value produced by labour. It is at the point of production where economic inequality quintessentially arises, with the appropriation by capital of labour's unpaid labour. Capital, too, in the process of accumulation creates unemployment when labour is expunged from the productive process because of a falling rate of profit. As will be argued in a later chapter, since BEE is premised upon the capital relation, it perpetuates economic inequality and unemployment rather than eradicating it. Precisely because of the manifestation of these phenomena, the question of the re-alignment of classes invariably stands in stark contradiction to the claim made by proponents of BEE that it benefits all black people. Marx's class analysis will be employed to illustrate how capital's need to accumulate in relation to the BEE strategy, lends itself to the re-alignment of intra-black class formation. To further illustrate this point, it will be shown that equity transfers and preferential procurement are the instruments that drive the impetus for the rise and consolidation of the black middle and capitalist class. It being the bedrock upon which the black middle and capitalist class derive their class power grounded in capital's relentless pursuit of surplus value appropriation where the real explanation of class formation and re-alignment should be sought.

1.2 Objectives of the Study

BEE will be appraised to ascertain the extent to which inequality and unemployment may be attributed to the capitalist foundations on which it rests. My central argument is that because BEE rests on race and capital, it is not designed to remedy economic inequality and unemployment for the broader mass of black South Africans since the logic of capital creates these very social phenomena. Rather than deal with these two key structural aspects that perpetuate black economic inequality and unemployment, the democratic state has laid the foundations for race and capital to perpetuate within the BBBEE Act 53 of 2003. The result is that the majority of South Africans, for whom this corrective strategy was intended, will remain locked in the desperate material conditions that were constructed within the context of the rise and consolidation of capital during its British colonial, apartheid and democratic periods. This study deploys Marx's analytical tools to explain why the BEE strategy, as propounded in the BBBEE Act, is not designed to end the perpetual production of unemployment and economic inequality that the majority of black South Africans experience daily in democratic South Africa.

A fundamental flaw in the BEE strategy is its re-embedding and re-deploying of race and capital, race a constituent element in the historical development of capitalism in South Africa, within the very institutions, which are assumed to be addressing questions of black economic inequality and unemployment in a democratic South Africa. The logical question to pose then is: can black economic empowerment operate successfully as a corrective measure when it relies upon race and capital, notwithstanding their fundamental historical role in the oppression and exploitation of the black majority in South Africa?

1.3 Research Question

Has the BBBEE Act created the impetus for successfully addressing economic inequality and unemployment in democratic South Africa?

1.4 Methodology

The study is a qualitative one in which the underlying philosophy ensconced in the BBBEE Act will be subjected to critique and analysis. This piece of legislation has been chosen because it employs and entrenches race and capital as mechanisms to deal with social and economic inequalities. This is based on the expectation that the historical nexus between these two phenomena would be broken after 1994, with the ushering in of a non-racial democracy.

The method of critique employed is based on theories that Marx formulated in his *Capital: A Critique of Political Economy*. More pertinently, Marx's theories of fictitious capital, surplus value production and appropriation, and the creation of the industrial reserve army will be harnessed, all of which also are elements of the broader theory of capital accumulation. Marx's theory is utilised because its central task is the critique of capital. South Africa's economy is founded upon the capital relation. If a critique of South Africa's economy is to be made, then Marx's critique of capital is the logical starting point. Despite the capitalist foundations of South Africa's economy, race has played a fundamental role in the procurement of labour power. The mineral discoveries during British colonial rule are of fundamental significance in this regard, and to this day race is woven into the fabric of South African capital. Race cannot fully explain South Africa's socio- economic and political challenges and it can be used to sidestep class contradictions within society. Nevertheless, race remains all-pervasive in South Africa's social life. This does not detract from the efficacy of employing Marx to analyse South Africa's modern economy and its attendant problems of inequality, unemployment and poverty. In fact, it can enrich the body of knowledge by exposing the common practice of re-racialising inequality, unemployment and poverty as a black problem that can be remedied by capital when, in fact, it is capital that needs to be problematised as the central stumbling block with regard to questions of economic inequality, unemployment and poverty.

The thesis uses the theory to examine two BEE cases namely the Sanlam and Sasol equity transactions. The rationale for choosing the Sasol transaction is that Sasol displays characteristics of both industrial capital and finance capital. Sasol started out as an enterprise based on the extraction of oil from coal. It is anchored in the production of a commodity to be exchanged for the realisation of surplus value. Sasol borrows interest-bearing capital/loanable capital on the global markets if it needs to augment production. Its borrowing, though, is tied directly to the expansion of its productive processes. As to BEE, Sasol does not ground it in productive capital, that is, in the extraction of oil from coal, productive capital, where labour power and means of production are utilised to extract oil from coal. Rather, its BEE project is grounded in finance capital, where it is based essentially on equity transactions, that is, on the buying and selling of shares with the hope of deriving a dividend in the future.

The choice of Sanlam is informed by the fact that Patrice Motsepe's Ubuntu–Botho Investments (UBI) started out with the acquisition of Sanlam shares, assisted by Sanlam. The new UBI made its debut as a fully-fledged operator in finance capital. When UBI launched a new investment company, African Rainbow Capital (ARC), which focused on financial services and private equity, BEE was taken deeper into the realm of finance capital. In addition, UBI has had a significant historical relationship with Sanlam, to the extent that UBI owns a 14.5% stake in Sanlam, at a rand value of 17 billion. The idea is to make ARC a leading South-African based, black-owned and -controlled financial services company. This aspiration is an indication of the predominance of finance capital as the base from which BEE arises. Secondly, to demonstrate practically how the Sasol share transaction was structured with respect to the funding and ownership of the shares bought. Finally, to understand the range of preferential procurement as the other pillar on which the black economic empowerment policy stands. It emanates from the state supported by taxes where it preferentialised black people when it procured for specific goods and services by way of its tender process.

I also analyse the relationship between productive capital and fictitious capital through an examination of Lonmin plc and Shanduka Pty Ltd. The relationship between Lonmin plc and Cyril Ramaphosa's Shanduka is a relationship between fictitious and productive capital in the pursuit of surplus value production. Lonmin Plc is a British company that primarily mines platinum. By 2010 Shanduka, which was founded and chaired by Cyril Ramaphosa, acquired 50.03% in Incwala resources (Pty) Ltd, a black economic empowerment vehicle that owns 18% in two South African registered Lonmin subsidiaries, Western Platinum Limited and Eastern Platinum Limited, collectively referred to as Lonplats. In particular, I focus on the use of labour power to produce surplus value.

Finally, I look (more briefly) at Sanlam and Sankorp to illuminate our understanding of the impetus for the rise of the black middle class in South Africa. Again, I outline the theoretical basis for understanding and explaining the material base for the rise of a middle class and then examine the rise of the black middle class in South Africa.

1.5 Organisation of the remaining chapters

Chapter two will constitute the literature review where competing theories will be surveyed to test their explanatory strength with regard to black economic inequality and unemployment. A review of the literature reveals that there is no Marxist critique of black economic empowerment. There are Neoclassical, Social democratic, Post-Keynesian, and theorists of the South African Communist Party, Jeremy Cronin, Blade Nzimande, but no Marxist critique of black economic empowerment. More importantly, what distinguishes the Marxist approach from the other approaches (neoclassical school, social democrats, the South African Communist Party, post-Keynesians and a host of other writers) is that capital as the source of economic inequality and unemployment is not considered. These approaches rather seek to critique black economic empowerment within the confines of capital. They choose rather to find ways to instrumentalise capital, make it more effective to address these two problems. It is in this context that this thesis seeks to argue that black economic empowerment if it is to be fully understood then capital as the source of economic inequality and unemployment needs to be made the object of the enquiry too. Hence, their critiques lack a crucial dimension in fully critiquing and isolating a fundamental flaw in the black economic empowerment policy; and why it is unable to solve the problem of black economic inequality and unemployment.

Chapter three deals with the legislative foundations of BEE that are philosophically undergirded by notions of human dignity, equality and freedom which are cornerstones of South Africa's democratic culture. More specifically, its enabling mechanisms are entrenched broadly within an array of laws, which has its roots in the Constitution, the Employment Equity Act, and the BBBEE Act.

Chapter four, which is the theory chapter of the dissertation, will draw on three broad conceptual frameworks, grounded in Marx's theory and informed by the centrality of capital's law of accumulation. The chapter will explain and evaluate the economic characteristics and efficacy of BEE's claims that it is able to distribute income equally and increase black employment. Firstly, the point is to locate BEE firmly within the capital relation, more specifically within finance capital. More pointedly, Marx's theory of fictitious capital will be harnessed to illustrate BEE's deep roots in finance capital. Secondly, in order to show how economic inequality is produced, Marx's theory of surplus-value production and appropriation, which is premised on exploitation, will be presented. Thirdly, the compulsion to accumulate, self-valorise, which drives every capitalist to compete with fellow capitalists in the pursuit of profit maximisation, will be considered. In order to stay ahead of the competition, each capitalist is seeking constantly to maximise profit. One of the ways in which it pursues profit maximisation is by reducing variable capital, that is, capital that is set aside to buy labour-power. This is done by reducing the wage bill, which invariably entails the tendency to keep labour at a minimum at the point of production. It can be done also by increasing the working day without increasing wages, a process Marx termed the production of absolute surplus value. The tendency of capital to shed labour will be discussed with reference to Marx's writings on the creation of the industrial reserve army. This process is important for challenging the claim by BEE that it can prevent the continued production of unemployment.

Chapter five employs the theory presented in chapter two to establish that BEE is rooted in finance capital. Two BEE cases will be utilised to demonstrate the argument. The aim of this chapter is to explore how the state and capital anchor the black economic empowerment policy. Using the theory presented in chapter four, the chapter interrogates the Sanlam and the Sasol transactions. Using these cases, the chapter empirically demonstrates how the share transaction is constructed and how the tender process is utilised to facilitate black economic empowerment. The chapter also shows that black economic empowerment is rooted in finance capital. The chapter seeks further to show that black economic empowerment in the first instance does not arise in productive capital with the production of commodities but rather within the confines of finance capital. The rationale for examining this is to show that black economic empowerment does not buy labour power and means of production to generate a profit which is foundational to productive capital where commodities are produced. Rather black economic empowerment buys shares facilitated by established capital with the view to derive a dividend in the future. The importance of this distinction is that the shares that black economic empowerment buys is premised on the surplus-value that labour produces and is appropriated by capital.

Chapter six will lay the foundations for interrogating the problem of inequality in democratic South Africa. It takes the BBBEE Act as its point of departure, since economic equality is central and foundational to the policy of BEE. The primary thrust of the BBBEE Act is to provide the broad parameters from which to prepare an enabling environment, economically, to benefit all black South Africans. However, according to a World Bank report, South Africa is one of the most unequal societies in the world, with the top 10% of the population (4,8 million) receiving 58% of income and the remaining 90% of the population earning 10% (Business Day 2012: 2). The Institute of Race Relations (2016: 313) records South Africa's Gini coefficient[5] at 0.61 in 1996, reaching a high of 0.67 in the years 2002 to 2005 and flattening out to 0.64 in 2012, 2013 and 2014. With regard to the intra-race Gini coefficient, that is, the measure of inequality within a particular race group, the African group has been consistently the highest since 1996. This grouped reached a steady high of 0.61 through the years 2002 to 2006; the Coloured group experienced a high of 0.58 between the 2001 and 2003 period;

[5] The Gini coefficient is used to measure equality and inequality within countries or between groups of people. It assigns a measure to distribution of total personal income between zero, which is perfect equality (everyone has the same income) and one, which is perfect inequality (one person has all the income)

Indian people had a high of 0.55 from 2000 to 2003; and the white group reached a high of 0.50 between 2001 and 2003 (Institute of Race Relations 2016: 313).

These statistics constitute the backdrop against which the BBEEE Act, together with section 217 of the Constitution and section 2(d) of the Preferential Procurement Policy Framework Act of 2000, was promulgated to achieve and promote an equitable distribution of income for black people. The question for consideration then, is why, despite the deployment of preferential procurement and share transfers as strategies to effect an equitable distribution of income, do the disparities in black income generally and intra-African income particularly persist?

In the light of the above question, the objective of Chapter Six is to explain systematically why the equitable distribution of income strategy and its accompanying projects have not been able to address substantively the equitable distribution of income for black people. It is argued that this is because BEE is rooted in capital, and more so, finance capital, which resides essentially in the realm of circulation where capital itself is bought and sold in the form of equities long after labour power had been bought for the production of surplus value. It is therefore within this logic that its pursuit of equitable income distribution should be understood. However, the logic of capital is not designed for the equitable distribution of income; rather, it is based on the inequitable distribution of income rooted in production. In the process of production, labour power produces surplus value, which is appropriated by capital. It is in the process of the production and appropriation of surplus value that the inequitable distribution of income is rooted and should be the basis from which economic inequality is explained.

The same logic applies to preferential procurement and equity transactions as the enabling mechanisms of the equitable distribution of income strategy. It is incongruous to advance the idea that preferential procurement and equity transactions, which are premised on inequality resulting from the appropriation of surplus value at the point of production, can be the instruments to correct the unequal distribution of income claimed by BEE.

The task of chapter seven will be to argue that what is envisaged in the preamble of the BBBEE Act that is, the effective participation of black people in the economy to eradicate black unemployment, is not possible because black economic empowerment is grounded in capital which buys only so much labour power as it needs to produce surplus value. The point is that BEE is premised on an economic system that is not constructed to create employment. It is designed to buy cheap labour power to produce surplus value. Whether people are unemployed or not does not feature in the logic of capital. To make this argument the relationship between BEE and unemployment will be investigated. The origins of this relationship are located in the Black Economic Empowerment Commission's (BEE Commission) deliberations to find a solution to black unemployment. The BEE Commission (2001: 2) stated that BEE had to attend specifically to the problem of job creation. The promulgation of the BBBEE Act in 2003 laid the legislative foundations and structure for the actualisation of the job creation proposals of the BEE Commission.

Firstly, the statistics for unemployment generally and for the black unemployed in particular will be considered. Secondly, the standard definitions and causes of unemployment will be identified. Thirdly, the views of economists and social scientists will be canvassed to establish their explanations of and remedies for unemployment. Fourthly, a Marxist critique of existing notions of the origins of unemployment and its persistence will be advanced. The critique will seek to illustrate that the inability of BEE to address unemployment centres on its foundations in capital.

The basic argument advanced is that a key driver of capital accumulation is the quest to produce profit from surplus value. And in the process capital needs to make production more efficient. Capital then lengthens the working day to facilitate what Marx termed the production of absolute surplus value. It also introduces technology and changes the organisational arrangements of production to advance the production of relative surplus value. These changes are made with the production of maximum profit in mind. However, capital, because it is constantly in pursuit of maximum profit by revolutionising production, develops a competitive environment amongst fellow capitalists. This perpetual cycle of competition engenders a state of constant change in the process of production by competing capitalists to stay ahead of their competitors in the pursuit of maximum profit. The consequence of this vicious cycle of perpetual competition is that there is the tendency of the rate of profit to fall when all competing capitalists introduce the same technology forcing a reconfiguration of the market to accommodate newly technologized capitalists thus inducing a fall in the rate of profit to an average. This is a never-ending cycle of the introduction of advanced technology and new machinery to stay ahead of the competition and maximise profit. However, when the competition follows suit, the rate of profit tends to fall once more to the average level. These constant changes in the process of production have another consequence, namely, a reduction in the variable aspect of the organic composition of capital. What this means is that there is less variable capital to buy labour power and what labour is already at the point of production stands to be retrenched. This is done to counter the tendency of the rate of profit to fall. It is in this process that labour is repulsed, made redundant, creating what Marx called the reserve army of labour, the unemployed. However, when the circumstances change, and they do, capital will buy new labour power to produce surplus value and eventually profit. Therefore, it is in the process of capitalist production, profit maximisation and accumulation where the seeds of unemployment germinate and it is based squarely on the vagaries of capital's compulsion to accumulate at a particular rate and to remain accumulating at that rate, all things being equal.

Succinctly put, it is the dynamics of the accumulation imperatives of capital that compel it, from time to time, to shed labour power when its accumulation potentialities are undermined; or to attract labour power, as demanded by its need to accumulate constantly. Hence, it is in this process that capital discards or attracts labour power, depending on its accumulation imperatives. Hence, it is in this process that the underlying cause or causes that hinder BEE from adequately addressing black unemployment are to be found.

Chapter eight will investigate how capital lays the material basis for the rise of the black middle class, which plays a crucial role in the state's implementation of BEE. A theoretical foundation will be laid to locate the middle class generally within the inner workings of capital, that is, within the circuits of production, circulation and distribution of surplus value. It is within these circuits, usually straddling capital and labour, where the middle class takes shape as a result of capital's continuous need to accumulate. Capital creates a demand for new forms of labour to co-ordinate and manage the expansionary changes that capital undergoes. This new kind of labour is usually highly educated and thoroughly skilled in the execution of the new occupations that the introduction of technology produces. This creation of technology-savvy labour is found in all the circuits of capital. In the production process, they are managers, supervisors and human resource specialists, ensuring the production of surplus value; and in the circulation process, they are information technology experts, salespersons and marketers who pursue the realisation of surplus value as profit. They exist to ensure the seamless accumulation and self-valorisation of capital.

The rapid rise of the black middle class in South Africa is an expression of this phenomenon. It has its roots in Afrikaner capital's need to rescue South African capital generally, the cudgels of which were taken up later by the policy of BEE driven by the ANC to cement its position. This policy finds traction in equity transfers and preferential procurement. These policies are designed with the express idea to give black people preferential treatment in the acquisition of shares indirectly on the Johannesburg Stock Exchange through vendor financing and special purpose vehicles. Through preferential procurement, they are afforded the opportunity, via the state, to become potential entrepreneurs.

The major professions, such as law, medicine and accounting, too have made significant strides in producing black professionals who eventually would be drafted into the service of capital. The circuits of capital have seen a rapid rise in the placement of black graduates as managers in the various aspects of the movement of commodities to market. The state bureaucracy, as an affirmative action vehicle, also facilitates the rapid rise of the black middle class. The state, of course, is not a detached neutral arbiter standing above society and acting on behalf of society generally; rather it is the political apparatus that conditions and protects capital's need to accumulate. It is the state of capital. The black middle class, as state bureaucrats, are necessary for the implementation of the democratic state's BEE policy. Hence, it is from these multifaceted areas of capital and the state that the black middle class derives its existence, vigorously reproducing itself to become the biggest middle class in democratic South Africa.

Chapter nine draws together the various strands to restate the argument advanced by this thesis, mainly that BEE's capitalist roots are the central and far reaching obstacle to its claim that it is capable of dealing with inequality and unemployment, in fact it helps in reproducing it. In addition, the chapter will consider the issues of poverty, which are not raised specifically in the BBBEE Act, but arise as a natural progression from inequality and unemployment. In economics, the poor are characterised as those who are unemployed and have given up looking for work. Despite the availability of social grants to alleviate the plight of those in poverty, the structural conditions that produce it are firmly ensconced within the logic of capital, namely, capital accumulation rather than solving questions of poverty. Because of the imperatives of capital accumulation, no matter how much money is set aside by the state for poverty alleviation, poverty will persist simply because the structures that produce poverty are firmly entrenched.

Despite the rhetoric around the question of poverty eradication by mainstream economists, they do not assist in resolving the question. Using an arbitrary measure, namely, a basket of commodities considered sufficient for the poor to survive on and which is quantified in money disbursed as a social grant, mainstream economists make the claim that poverty can be alleviated. Therefore, not only does BEE not have the tools to address unemployment, it also cannot deal with poverty. In fact its foundations in the capital make it the key contributor to the continued immiseration of black South Africans condemning them to a life of precariousness.

CHAPTER TWO: LOCATING THE STUDY IN THE LITERATURE

2.1 Introduction

British colonial and apartheid capital are the historical bedrock upon which black economic inequality and unemployment rest. In view of this fact, black economic empowerment as a strategic policy was specifically designed and tasked with correcting this problem. The appropriateness of black economic empowerment as a strategy to address this question has been debated and argued over by many schools of thought and thinkers. In this chapter, the literature and competing theories will be surveyed to review their explanatory strength with regard to black economic inequality and unemployment.

A review of the literature reveals that there is no Marxist critique of black economic empowerment. There are Neoclassical, Social democratic, Post-Keynesian, and theorists of the South African Communist Party, Jeremy Cronin, Blade Nzimande, but no Marxist critique of black economic empowerment. More importantly, what distinguishes the Marxist approach from the other approaches (neoclassical school, social democrats, the South African Communist Party, post-Keynesians and a host of other writers) is that capital as the source of economic inequality and unemployment is not considered. These approaches rather seek to critique black economic empowerment within the confines of capital. They choose rather to find ways to instrumentalise capital to make it more effective to address these two problems. It is in this context that this review seeks to argue that black economic empowerment if it is to be fully understood then capital as the source of economic inequality and unemployment needs to be made the object of the enquiry too. Hence, their critiques lack a crucial dimension in fully critiquing and isolating a fundamental flaw in the black economic empowerment policy; and why it is unable to solve the problem of black economic inequality and unemployment.

Moreover, it is Marx in his seminal work, *Das Kapital: Kritik der Politischen Oekonomie* which provides us with the appropriate tools to understand the inner workings of capital; and, in so doing, in a qualitative way, distinguishes his thought from other schools of thought. It is in his quest to understand the intricate moving parts of capital wherein he sought to explain how economic inequality and unemployment are produced.

It is precisely this aspect of the Marxist standpoint which sets it apart from the other schools of thought under review that is its strength. The foregrounding of capital's inner workings as the source of economic inequality and unemployment is the qualitative difference between Marx and the other schools of thought who do not see capital as pivotal to the production of economic inequality and unemployment. As will be argued, the other schools of thought rather than seek to problematise capital as the source of these two phenomena, they see fit to instrumentalise capital as the solver of these two phenomena.

In addition to these four broadly defined schools of thought there are other commentators who have in unique ways characterised capital's centrality to the question of black economic empowerment. For example, Bobby Godsell speaks about a "teamwork model of capitalism, Roger Southall spoke about "democratic capitalism" and Christine Bentley and Adam Habib developed what they refer to as a "substitutionist class-based" redress strategy. Moeletsie Mbeki bemoans the fact that entrepreneurship is not aggressively promoted which undermines black economic empowerment's ability to reach its full potential.

2.2 The Communists (South African Communist Party)

To begin the discussion, Jeremy Cronin of the South African Communist Party in his assessment of black economic empowerment makes it abundantly plain that the "ANC and the government actively set about making policies that would create a black patriotic bourgeoisie that would begin to change … reality" (Cronin 2015: 66). He further alludes that "None of us is opposed to black economic empowerment…the social and economic empowerment of the black majority is what it is all about" (Cronin 2015: 66). More pointedly he emphasises that "we want black economic empowerment for *all* black people in our country, not for a small elite" (Cronin 2015:67). Cronin cites two trends that facilitate the empowerment of an elite rather than *all* black people. In the first instance, aspirant black capitalists were given shares which produced the promise of future profits and dividends. The second instance was based on the parasitic reliance on the state wherein state resources were the subject of corruption (Cronin 2015: 67). He does qualify this observation by stating that not all aspirant black entrepreneurs were out to defraud the state (Cronin 2015: 67). Cronin's argument is an interesting one. He argues that, but for the share acquisitions from established capital and the defrauding of the state, there was nothing wrong with the active setting of policies that would create a black patriotic bourgeoisie. The only concern was to guard against excessive accumulation and corruption so that the "patriotic black bourgeoisie" could fulfil its historical mission of being truly patriotic. Questions of the role that capital plays in this deliberate policy of creating a "patriotic black bourgeoisie" are never cogently raised by Cronin.

Rob Davies (of the central committee and politburo of the South African Communist Party (SACP) too, in sketching an alternative to the failures of globalization takes those "developing countries (China, Brazil and India) that have succeeded as the beacon by which South Africa's economy could be set on a different path (Davies 2015: 62). Their major lesson is the prioritizing of what he terms "value-added activities (Davies 2015: 62). To effect this "value-adding" strategy, the manufacturing industry needed to undergo a turnaround states Davies because this sector was very fragile and had undergone major shrinkages (Davies 2015: 62). So, for Davies the harnessing of the manufacturing sector was crucial if his proposed "value-adding" strategy was to be successful. One can well imagine what Davies meant by turning around a shrinking manufacturing sector to "prioritize value-added activities". In Marxian terms manufacturing fits squarely within the realm of production where the production of value is primary. Turning around manufacturing could be construed as making manufacturing more productive to bring about more "added value" for the recovery of the South African economy. In other words, productive efficiency means the efficient deployment of labour to effect a greater production of value in the Marxist sense and in so doing create the circumstances for the regeneration of the economy. What Davies is advocating is the greater exploitation of labour to produce more value so that the economy can recover. In short, Davies is endorsing a more efficient strategy to get South African capital productive again given the ravages of globalization. For Davies the problem is not capital, all that is needed is the appropriate strategy to marshal it more efficiently. This is in keeping with how Keynes argued in 1930 and how Branko Milanovic argued in 2019 that is, "to make capitalism more sustainable" (Milanovic 2019: 4). Clearly, Davies wants to "prioritize value-added activities" of capital rather than to question the logic of capital.

Blade Nzimande, Secretary General of the South African Communist Party's, biggest harangue against black economic empowerment is that it is elitist. He believes that it has been delinked from a broader more transformative and developmental agenda (Nzimande 2007: 182). He believes that the current accumulation path continues to reproduce and even exacerbate racialized poverty and inequality. He points out that the South African economy is excessively export-oriented and import-dependent; depends on raw materials for export; it is capital intensive and growth tends to be job-shedding…*and there is very little robust entrepreneurship*. While he accepts that some progress has been made, the enskilling of workers lag behind, and the role of corporations in the Southern African region and the continent at large are predatory rather than developmental (Emphasis added)(Nzimande 2007: 183).

Nzimande is also critical of the new Broad-Based Black Economic Empowerment Act which he believes is dominated by a narrow approach to black economic empowerment, which focuses on multi-billion rand ownership deals and the advancement of a small, exclusive black minority. He says that in practice these equity deals are used to divert surpluses into debt instead of investing it productively, let alone developmentally. The white captains of industry and finance are not spared his criticism for not taking on the challenge of labour-intensive investment, skills development or ensuring that poor communities enjoy universal access to essential goods and services (Nzimande 2007: 183).

For Nzimande the test for black economic empowerment is that it must be about development and transformation. As far as Nzimande is concerned South Africa urgently needs an alternative growth path and the key drivers for this growth path are a *strong state and public sector.* (Emphasis added). (Nzimande 2007: 184).

Nzimande strongly believes in a Keynesian style state-led, overarching industrial and developmental strategy is where black economic empowerment should be located. The all-important questions Nzimande believes that should be raised with regard to black economic empowerment are, to what extent do BEE deals contribute to productive investment in the economy, infrastructural development and the expansion of jobs. Again, he reiterates that BEE is being perceived as a strategy to correct racial imbalances while at the same time loses focus on the all-important role that it is supposed to play in meeting the developmental challenges that South Africa faces (Nzimande 2007: 184).

As far as Nzimande was concerned the present narrow perception of black economic empowerment can only be considered to be acceptable if and only if it can be shown to be contributing to the development of the productive forces and to the transformation of the economy that would benefit the greater majority. For him, in the main:

"BEE must be about addressing the needs of the overwhelming majority of our people, black workers and the poor – the basic economic empowerment of millions of our people through access to jobs and through the provision of affordable and reliable electricity, housing transport, and telecommunications and so on" (Nzimande 2007: 184).

Crucially for Nzimande:

(BEE)….should be about transforming the current accumulation path in our country…BEE…should be – broad-based (Nzimande 2007: 185).

Ironically, in fulminations against narrow BEE which privilege the burgeoning elite he is at pains to articulate his Janus-faced criticism of capital:

Ours is a struggle not against individuals, *but against the entire system that generates and reproduces inequality in our country, at the heart of which is racialized capitalism and its so-called 'free' market economy*. (Emphasis added) (Nzimande 2007: 184).

Nzimande once again repeats his centrally-held contention of the economy, that it is dominated by the few at the expense of the majority and an economy with an accumulation path that is shedding jobs and therefore deepening poverty. He is also not convinced that capitalism and its markets are in a position to address the economic realities of millions of workers and poor people, even if ownership of capital is partially or wholly de-racialised at the top (Nzimande 2007: 185).

Despite his strident criticism of the capitalist nature of black economic empowerment he does not seem to comprehend that the making of a black bourgeoisie as a "patriotic bourgeoisie" is not exclusive from the "racialized capitalism and its free market economy" that he rails against. He is convinced that a case can be made for a specifically designed role that the black bourgeoisie in particular can play and should play in the area of investment with the strategic view of creating jobs. Nzimande holds forth that:

The BEE policies we are pursuing were originally argued on the grounds that it is imperative to create a 'patriotic (meaning essentially black) bourgeoisie' to drive growth and development in our country (Nzimande 2005: no page number).

He makes the case that the policy of black economic empowerment could play a central role in the drive to make the black bourgeoisie a patriotic bourgeoisie. The distinct and strategic role that he envisages the black bourgeoisie play is borne out by his particular characterisation of the black bourgeoisie; he however does this with some reservation. He says:

We consistently argued that while a black section of the bourgeoisie would possibly understand the challenge of job creation and poverty eradication and should be encouraged to do so, this is not automatic. (Nzimande 2007: 186).

He is at pains to explain the difference and distinction that the black bourgeoisie has in relation to the bourgeoisie generally. Nzimande's distinction of the black bourgeoisie from the bourgeoisie in general, turns on the claim that the black bourgeoisie have a different class of origin and following from this a different consciousness, one that probably can appreciate poverty and joblessness since they come from this reality. Because of this, the black bourgeoisie have it in them to be patriotic. The problem that faces this section of the bourgeoisie is that they will constantly be exposed to the logic of capitalism: capital accumulation through profit maximisation (Nzimande 2007: 186). Despite the problem of capitalism he is optimistic that the black bourgeoisie can be a patriotic bourgeoisie, and driven by this patriotism they could play the important role in developing the productive forces of the South African economy to stimulate job-creation and in so doing grow the economy. Ownership alone is not enough, says Nzimande, but rather ownership geared towards development assists in overcoming the twin challenges of creating work and fighting poverty. He concludes that the conscious dealing with questions around employment and the fight against poverty is what should undergird the whole notion of being broad-based. Finally, he stresses the priorities that this ownership should take on for itself, and how it uses this ownership to make good on these priorities would decide whether the black bourgeoisie is patriotic or not (Nzimande 2007: 186).

Nzimande seems to embrace conflicting ideas. He rails against capital but shows extreme faith in the objectives of the black bourgeoisie albeit in the guise of a patriotic one. He believes their patriotism will drive them to create jobs and fight poverty.

Nzimande in his push to give broad-based its' teeth so to speak, cites some examples of giving effect to this "broad-base" which is premised on the notion of development and transformation and the need for an alternative growth path. He feels that narrow black economic empowerment has been delinked from a broader transformative and developmental agenda (Nzimande 2005: 3). The examples that he cites are two SACP led financial sectoral campaigns which culminated in the drawing up of the Financial Sector Charter which produced the Umzanzi account whereby one million new bank accounts were opened for first-time account holders. The other example that he cites also within the financial sector, led to banks setting aside R42 billion to finance low-cost housing, and this he believes are truly examples of what black economic empowerment should be about (Nzimande 2005: 4). Black economic empowerment, Nzimande concludes, should be about addressing the overwhelming needs of the majority of black South Africans, the victims of apartheid. In chapter two of the Political Programme of the SACP adopted at the 11th Congress termed "Towards a Progressive Growth and Developmental Strategy'' the SACP again reiterated the broad base and strategic trajectory, (jobs, housing, transport etc.) that BEE should assume in the restructuring of the South African economy:

> BEE is an important strategy objective of the ANC-led liberation movement. Restructuring of publicly-owned assets in SA needs to be, in part, about the BEE process, most obviously in the very broadest sense of BEE – namely, the provision of basic economic empowerment to millions and millions of black South Africans through access to jobs, and through the provision of affordable and reliable electricity, housing, transport, telecommunications, etc. But restructuring also presents opportunities to advance BEE in the narrower sense of the term – namely, through the increasing promotion of black managers into senior positions within parastatals; and through the opening up of business opportunities to emerging black entrepreneurs – from the SMME level to an emerging black-controlled large corporate sector (SACP: 2002: 4-5).

In the next section Nzimande will be critiqued to illustrate the contradictoriness of his standpoint as a member of the foremost workers organisation, the South African Communist Party.

2.3 Patriotic Bourgeoisie Critiqued

Prince Mashele (Executive Director at the Centre for Policy and Research), was very clear about the nature and objectives of a bourgeoisie white, black or patriotic. In a piece titled "What's the role of black executives?" penned for the Sunday Independent, dated March 24, 2013 takes issue with the idea which has a direct bearing on Blade Nzimande's rendition of a patriotic bourgeoisie. He states that it is the believers of an ideological falsehood who have elevated black entrepreneurs to the fictional title of the "patriotic bourgeoisie". His criticism is that, just because a person is a member of the black bourgeoisie does not make him economically different from other members of the bourgeois class generally. And just because this fraction of the bourgeoisie is black does not distinguish it fundamentally from the logic of the bourgeois class generally as Blade Nzimande would claim in his construction of the black bourgeoisie as a patriotic bourgeoisie. Mashele is of the view that whether black bourgeoisie or white bourgeoisie there is no difference in how they would conduct themselves economically, because they are driven by the same logic, a capitalist logic; they want to make profits, they do exploit workers; they are not in business for the mass of people and they will fire workers when profits are compromised. He trenchantly points out:

> It is as if the laws of supply and demand do not apply to black business people. It is as if profit is a white disease against which all black entrepreneurs are immunised (Mashele 2013: 17).

He further avers:

> …black entrepreneurs are also driven by capitalist logic…they too exploit workers…They too withhold investment money when they think the climate is not favourable (Mashele 2013: 17).

and:

> Disabusing ourselves of the notion of the 'patriotic bourgeoisie" would assist us to understand that a black mine manager can fire black workers when times are tough (Mashele 2013: 17).

Finally, Mashele states without equivocation that the black bourgeoisie is no different than the bourgeoisie generally and the economic logic that informs it, when he states that it is a distortion to think that the black bourgeoisie are a special kind of human-being who is in business on behalf of the masses of people. (Mashele 2013: 17).

Summing up, Mashele drives home his point with acerbic vigour when he caricatures billionaire Cyril Ramaphosa (Prominent member of the African National Congress, and present President of South Africa) as the archetypical embodiment of the black bourgeoisie.

> When Scottish moral philosopher and pioneer of political economy Adam Smith said our dinner does not come from the benevolence of the butcher; he knew that 237 years later after he wrote "The Wealth of Nations", Cyril Ramaphosa would not distribute McDonald's burgers to the poor just because they are black (Mashele 2013: 17).

While Mashele is correct in his characterisation of the nature of the bourgeoisie whether black or white, he however does not centre capital as the source from which the bourgeoisie arises, that is, that if we are to address questions of the black or white bourgeoisie then we should be addressing questions of capital and all its attendant problems; and this criticism is more than valid for Blade Nzimande, he is after all the secretary general of the South African Communist Party.

Hein Marais supports Mashele's observations with regard to the nature and pivotal role that has been assigned to the "patriotic bourgeoisie". He states that the real test for this 'patriotic bourgeoisie' is not measured in how profitable it can be, but rather, in how potent it can be as an economic driver of the economy. The ability to drive the economy is the sole distinguishing criterion that has been attributed to this 'patriotic bourgeoisie in relation to its white counterparts. So far as having acquitted itself successfully with regard to this specific mandate, he states, has been unflattering. Marais is also of the view that this even holds true for those companies in which trade-union investment companies are prominent stakeholders (Marais 2011: 142). He concludes that:

> Whatever their pigmentation, South African business leaders incline towards similar ideological dispositions in relation to their labour market, taxes, monetary policy and the regulatory environment (Marais 2011: 143).

For Marais, a person in the bourgeois classes, whether white, black or 'patriotic' are all driven by those factors that make sense for them; and that is the drive for profit-making; this is paramount, pigmentation does not matter.

2.4 Neo-classicalism[6]

Anthony Black makes an interesting suggestion which could be read in tandem with Rob Davies' proposition with regard to turning around the manufacturing sector of the economy. Black canvasses for a strategy that he terms "employment intensive growth" (Black 2015: 84). At the heart of this strategy is Gross Domestic Production (GDP) growth. He argues that the ANC New Growth Path[7] document which was designed to boost the economy makes good sense if 500 000 jobs per year were to be achieved (Black 2015: 84). However, if this was the target for job generation then at what rate should the annual growth of the economy be to sustain that kind of job growth per year asks Black (Black 2015: 84). He has his doubts as to whether the economy can sustain a 17% annual growth rate to produce the 500 000 jobs (Black 2015: 84). However, despite his scepticism, he states that it is "very good" that it (New Growth Path) focuses on the question of employment-intensive growth (Black 2015: 84). In his words:

I think we will agree is that we don't need just growth; we need growth that is generating jobs in very large numbers – job-rich growth (Black 2015: 84).

Hence for Black then the all-important question is to "tilt the playing field in favour of employment and crucially, in favour of "employment-intensive growth" (Black 2015: 84-85).

Is Black, a mainstream economist any different in approach than Cronin, Davies and Nzimande who advocate for advancing the capitalist economy however couched in a different discourse? For Davies it is the "value-adding" stimulus of the manufacturing sector; and, for

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6 The term neoclassical economics was coined in 1900. Neoclassical economists believe that a consumer's first concern is to maximize personal satisfaction. Therefore, they make purchasing decisions based on their evaluations of the utility of a product or service. This theory coincides with rational behaviour theory, which states that people act rationally when making economic decisions. Further, neoclassical economics stipulates that a product or service often has value above and beyond its production costs. While classical economic theory assumes that a product's value derives from the cost of materials plus the cost of labor, neoclassical economists say that consumer perceptions of the value of a product affect its price and demand. Finally, this economic theory states that competition leads to an efficient allocation of resources within an economy. The forces of supply and demand create market equilibrium. https://www.investopedia.com/terms/n/neoclassical.asp accessed 12 October 2020.

7 The New Growth Path was a programme of a massive investment in infrastructure identified by the South Africa government as a critical driver of jobs across the economy. The New Growth Path identified five other priority areas as part of the programme to create jobs, through a series of partnerships between the State and the private sector. https://www.gov.za/about-government/government-programmes/new-growth-path accessed 12 October 2020.

Black it is "employment-intensive growth? In chapter two of the Political Programme of the SACP adopted at the 11th Congress termed "Towards a Progressive Growth and Developmental Strategy" the SACP reiterated and emphasised that the strategic trajectory of BEE was jobs, housing and transport in the restructuring of the South African economy. These may be different characterisations, but they have one thing in common - whether communist or mainstream economist, they want capital to work.

2.5 Post-Keynesianism

In stark contrast to mainstream economists such as Anthony Black, Vishnu Padayachee questions the effects of new neoclassical interventions which has severely limited, if not entirely excluded a role for the state in macroeconomic policy (Padayachee 2018: 5). New Consensus economics or the Treasury View with austerity at its centre is characterised by Padayachee as a conservative view which South Africa has been enamoured with since the dawn of democracy and he questions this. He asks:

"Can we today envisage and implement an alternative, more progressive fiscal stance in the face of slow or no growth, mounting unemployment, high levels of poverty and growing inequality?" (Padayachee 2018: 6).

Padayachee is critical of defenders of free market, neoliberal policy who he states are given a cloak of respectability by most mainstream university economics departments and business schools (Padayachee 2018: 6). Free marketers, according to Padayachee, believe that the only responsible choice involves small government, balancing the budget, tight money and the free international movement of goods, capital and people (Padayachee 2018: 6). Padayachee remarking on the Macro Economic Research Group (MERG) in the transitionary period was more inclined to put in place a "state-led investment programme" aimed directly at promoting growth and employment and at reversing the legacy of racial and class inequalities that lay at the heart of the apartheid-capitalist project (Padayachee 2018: 9).

The theoretical foundations of MERG's economic policy framework are what Padayachee characterised as a post-Keynesian economic policy where effective demand failures and the possibility of under-full employment equilibrium are recognised as key problems (Padayachee

2018: 10). MERG was a powerful state-led social and physical infrastructure investment programme focused on housing, education, health and physical infrastructure investment as the growth drivers in the first phase, followed by a more sustainable growth phrase supported by private-sector investment support to invigorate growth (Padayachee 2018: 10). In addition, the MERG proposals focused on industrialisation, trade, exports and all of these aspects which are geared to driving up effective demand, sustainable growth and redistribution (Padayachee 2018: 10).

Moreover, he states that mainstream theories and models did not regard inequality as a destabilising factor (Padayachee 2018: 12). In addition, Padayachee foregrounds the role that inequality played as the root of the 2008 financial and economic crisis. For Post –Keynesians the explanation for the 2008 crisis is rooted in aggregate demand problems due to changes in the functional income distribution between workers, capitalists and rentiers (Padayachee 2018: 13). Succinctly put, it is a question of inequality. Therefore, according to Padayachee problems of aggregate demand have a direct bearing on inequality. He restates and emphasises the fact that post-Keynesians have adopted a greater focus on inequality and more so, focus on the impact that inequality has on effective demand, consumption and investment, and the implications for workers and the poor.

This illustrates that for post-Keynesians such as Padayachee, inequality has a bearing on unemployment which can be considered to be an "implication for workers", and so too, poverty, an implication for the poor. However, to give due attention to these problems, for post-Keynesians close attention should be paid to proper fiscal policy coordination, to bring about more effective policy impacts on demand and distribution. A coordinated control on consumption and investment demand is what is needed in the interest of the economy and the whole of society. This does require interventions by the state as well as a greater coordination between the private and public sectors and some appropriately designed and capacitated institutional body or mechanism to ensure this (Padayachee 2018: 14). Greater co-ordination of the state and its relation to the private sector are important for Post-Keynesians like Padayachee to get the economy working which would raise effective demand to address inequality.

The question then for Padayachee was how the state can act as a driver of growth, effective demand, employment and equality through the national budget and tax policy. Central for Padayachee was growth of the economy, effective demand, employment and equality, and how the state could drive this. In keeping with his Keynesian state-centred roots Padayachee is in favour of the idea of a Basic Income Grant rather than a social grant which was originally proposed in 2003 by the Taylor Committee[8]. The idea was to use this state-initiated policy to eradicate destitution which was a consequence of mass unemployment and using it to lift a considerable number of poor people out of poverty (Padayachee 2018: 16). Padayachee too, is in favour of a Job Guarantee Programme all driven by the state which for him is tied up in contributing to effective demand. He argues for the introduction and easily administered basic income grant or universal grant, with an amount to be determined. He posits this as a way to possibly abolish the existing corruption-riddled social grant system. However, despite his view on basic income grants he strongly supports the introduction of a job guarantee scheme (Padayachee 2018: 22). Also, of concern to Padayachee relates to state infrastructure investment spending, housing and the potential for free tertiary education to promote growth and address inequality (Padayachee 2018: 16).

In contrast, a Marxist reading of a Keynesian state-driven initiative to deal with effective demand, unemployment and inequality which in turn leads to stability in the capitalist system which facilitates growth, addresses this problem completely differently. A Marxist starts from understanding the inner workings and logic of capital. However, some Marxists make a Keynesian underconsumptionist argument, that the low income of the mass of working people in capitalist society is the obstacle to the expansion of capital, put another way, the low income of the masses results in a lack of "effective demand" (Week 1977: 282). The argument being made is that the contradictory nature of capital which perennial results in crises is seen as the inability to realise surplus value in the realm of circulation, the inability to sell what is produced (Week 1977: 282). To remedy this inability the state is asked to play a central role. The state is called upon to alleviate this crisis of overproduction through increased expenditure on goods and services (Week 1977: 282). Week states that this kind of

[8] The findings of the Taylor Committee were that the basic income grant will contribute to fulfilling a key aim of comprehensive social protection to guarantee a minimum acceptable living standard all South Africans have a minimum income, sufficient to meet basic subsistence needs, and should not have to live below minimum acceptable standards. https://static.pmg.org.za/docs/2003/appendices/030610sacbc.htm 12 October 2020.

argument is not a Marxist argument but rather one that Keynes would make (Week 1977: 282).

Simon Roberts in his assessment of black economic empowerment raises questions about the state's role in driving black economic empowerment. For him as with Vishnu Padayachee the role of the state is pivotal to deal with questions of growth, unemployment and inequality where black economic empowerment is supposed to play a crucial role in challenging the economic inequalities that apartheid wrought on black people generally.

Padayachee's advancing of Keynesian solutions to the South African economy's questions of growth, unemployment and inequality must be understood within the bounds of its apartheid history and the centrality of race. The various solutions that he advances implicitly should be appreciated through the lens of race and the role it played in the economic disempowering of black people generally. And of primary interest for Padayachee in addressing these issues are his Keynesian state-centred strategies with effective demand and full employment pivotal. His effective demand thesis is a typical Keynesian standpoint where it is argued that the low income of the mass of people in capitalist society is the obstacle to capitalist expansion which could also be read as meaning that this low income stymies growth in neoclassical parlance (Week 1977: 282). Furthermore, the low income of the mass of people results in what Keynesians' term the lack of "effective demand '' for the commodities produced by capital (Week 1977: 282). Additionally, the importance of the state is crucial. To alleviate this crisis of overproduction the state is called upon to increase its expenditure on goods and services (Week 1977: 282). This lack of "effective demand" is also characterised as a case of underconsumption of the mass of people for overproduced commodities in capitalist production (Week 1977: 283). Ben Turok, Director of the Institute for African Alternatives in a letter to the Business Day, Wednesday 6 September 2019, supports this position when he pointedly makes the case that:

We need a stimulus dedicated entirely to productive enterprise, including physical infrastructure, especially in the townships. This kind of spending will boost our productive sectors, which is where we can create jobs. It will *increase demand* and in turn stimulate productive effort. It will also force us to take training much more seriously (Turok 2019: 8).

And furthermore, he implores:

We need to change the focus to the productive economy. That is where we need growth and that is what produces the finance to get us out of the financial mess we are in. It is also what the masses are yearning for (Turok 2019: 8).

A key observation that can be made is that both Turok and Padayachee make these recommendations squarely within the parameters of the capitalist economy. As Afanasyev made plain:

"John Maynard Keynes…developed economic policy programmes for state monopoly capitalism to ensure stable economic growth in the capitalist economy through various forms of state monopoly measures…" (Afanasyev 1976: 93).

Turok and Padayachee's recommendations do not veer far from the capitalist economy. These are solutions that seek "to ensure stable economic growth in the capitalist economy".

Roberts too bemoans the fact that the state, a central feature of Keynesian logic, was becoming more managerialist. He observes that there is a weakening of the state with the increasing managerialism of BEE (Roberts 2006: 50). The reduction of BEE's redistribution strategy is managerialist, one which is informed by and having been outsourced to specific professionals like accountants, auditors, certifiers and technocrats and away from a politically driven process, weakens the state's direct intervention in the successful implementation of the South African state's policy to correct the economic inequalities that prevented the natural rise of the black bourgeoisie (Roberts 2006: 50). The train of his argument has at its core the state. Just as Padayachee argues for a state-centred basic income grant and job scheme programme, so too, does Roberts see an outsourcing of the state of its central role in astutely effecting black economic empowerment. For Padayachee and Roberts the role of the state is important if it is to bring its objectives to fruition of course within the parameters and logic of capital.

2.6 Social Democratic Capitalism

Sampie Terreblanche in his 2012 book 'Lost in Transformation' makes the claim that certain events particularly in the period from 1986 set in train, the "elite compromise" or "elite conspiracy" which had a definitive influence on South Africa's future economic structure and policy. What cemented and forever set South Africa on the path to a particular economic structure was the signing of the 850 million dollar loan with the IMF by the Transitional

Executive Council by 1993 to tied South Africa over in respect of the balance of payments problems that South Africa was experiencing at the time. Sampie Terreblanche was of the view that this "future economic policy" had to be read very circumspectly given the fact that it was a loan from the IMF. He states:

If the statement on economic policies is read carefully, it becomes clear that it was the GEAR policy of 1996 in embryo form. The document committed the Transitional Executive Council to the ideologies of neoliberalism and market fundamentalism (Terreblanche 2012: 64).

Sampie Terreblanche accuses the ANC of being strongly inclined to what he terms "elite formation"…and towards pampering the interest of the capitalist elite while displaying a conspicuous inability to govern South Africa with efficiency and fairness and to alleviate the predicament of the poor (Terreblanche 2012: x-xi).

Terreblanche describes the ideological shifts in the ANC's economic views from 1990 until 1996 as breath-taking, from an explicitly socialist and redistributive approach towards embracing… neoliberal globalism and market fundamentalism (Terreblanche 2012: 63). With this move to market fundamentalism, Terreblanche is critical of it because he is of the view that an opportunity had been lost to create a 'politico-economic' system that could have addressed the deeply ingrained and deep-seated poverty problem (Terreblanche 2012: 66). Rather, with the institutionalization of a neoliberal politico-economic system the narrow interests of the old white elite and the emerging black elite were ensured (Terreblanche 2012: 66). Terreblanche was of the view that with the institutionalization of neoliberalism which sought to promote the interests of the emerging black elite by way of black economic empowerment deals, affirmative action and affirmative procurement programmes the interests of the impoverished majority were completely ignored (Terreblanche 2012: 71). He states:

The Africans who benefitted lucratively from BEE and AA since 1994 were, strictly speaking no longer PDI's (previously disadvantaged individuals) while the impoverished majority have been shockingly neglected by the ANC by restricting the measures to 'rectify the wrongdoing of apartheid' mainly to BEE, affirmative action and affirmative procurement programmes for relatively wealthy black individuals with contacts with the ANC's political elite (Terreblanche 2012: 71).

For Terreblanche BEE, AA and affirmative procurement programmes for politically connected black individuals stems from the 'elite compromise' which ensured that the capitalist system would remain in place despite the fact that political power was now in the hands of the ANC. The question then to ask of Terreblanche is what does he propose be done to break the nexus of this 'elite compromise' so that the 'impoverished majority' too, can benefit from the economic spoils of democratic South Africa? Terreblanche is critical of "global capitalism/corporatism, the question is: what does he put forth as an alternative to this system? What can be observed is that Terreblanche's criticism of global capitalism is not a criticism borne out of a need to fundamentally change the system to a qualitatively new system, one that is not based on capital, but rather it has its basis in reforming the system, that is, increasing the redistributive capacity of the state. And he is mindful of the fact that the recalcitrance and short-sightedness of the emerging elite which has a vested interest in the system will set in train a trajectory where the 'impoverished majority' could take matters into their own hands to uproot the system presently which could scupper the opportunity to improve the system. He asks:

When will the socio-economic and the political situation again become so bad that the 'systemic iron' will not be hot enough to be hammered into better shape? Nobody knows…But we should not delude ourselves into thinking that it is going to be in the remote rather than the more immediate future. The more recalcitrant and the more myopic the small, enriched elite with huge vested interests in the present dispensation becomes the greater the danger that the next 'systemic crisis' will turn out to be a massive derailment of the system, *rather than an opportunity to improve it*. (Emphasis added) (Terreblanche 2012: 129).

Terreblanche's notions about improving the system are based on a social democratic political system. Terreblanche makes clear his position when he states that the Sanlam group of companies were against his participation in the negotiation process from 1990 until 1994 precisely because, and in his own words:

…because of my preference for a system of social democratic capitalism and because of the emphasis I put on the need for a comprehensive redistribution policy to address the inequalities of apartheid (Terreblanche 2012: 137).

In the final analysis the system that he prefers is still a system based on capital albeit a social democratic system with a proposed significant redistribution capacity to address the inequalities of capital during apartheid.

2.7 Capitalism with a Human Face

In addition to the Post-Keynesians, Neo-Classicalists, Social Democrats and Communists, there are an array of other thinkers and commentators which will be assessed. To begin the discussion besides his Keynesian leanings Ben Turok also characterised black economic empowerment as an exercise in greed. He was of the view that it appeared that South African society was in the firm grip of a new drive for unbridled greed and acquisitiveness of which black economic empowerment was a contributing factor, are not encouraging for the black economic empowerment claim of a black cross-class economic empowerment strategy (Turok: 2002: 6).

Furthermore, in a Sunday Times piece dated 17 November 2004, Turok was hopeful that this acquisitiveness and greed need not be so and that it was not inevitable. He believed that South Africa's emerging black capitalist class could spearhead a drive towards a more humane capitalism. By humane capitalism it would not be far-fetched to read this statement to mean that all black South Africans should be the benefactors of black economic empowerment under the stewardship of the emerging black capitalist class. To support Turok's standpoint, Cyril Ramaphosa the former National Union of Mine Workers Secretary General quoted in Southall, spoke about "capitalism with a human face", "a capitalism which was more responsive to the needs of the people – a human face with compassion not underpinned by greed. It is possible to achieve compassionate ends from a capitalist system" (Southall: 2006: 176). This view of capitalism is in keeping with Rich DeVos's rendition which he coined as compassionate capitalism; a capitalism which offered a vision of free enterprise which was premised more on mutual aid and cooperation than on competition (Mondom 2018: 354).

Roger Southall's version on this particular kind of capitalism, since it aspires, as claimed by Turok and Ramaphosa, to compassion and a greater equality is construed as a type of democratic capitalism (Southall: 2006: 176).

Southall believes that black economic empowerment has not broadened the democratic base of the economy. Southall identifies three areas where he believes black economic empowerment has come unstuck. He posits these three problem areas within the context of a particular model of capitalist restructuring called stakeholder capitalism and which COSATU was also partial to in its September Commission document of 1997 when it characterized this form of capitalist restructuring as amounting to a "partial socialization of capital" (Southall: 2006: 181).

2.8 Teamwork Capitalism

Bobby Godsell too spoke about a "teamwork model of capitalism" where he envisaged that employees would become meaningful owners if employee interests were brought into line with long-term ownership interests (Southall: 2006: 179).

In an editorial of the Business Day, 4 October 2004, stakeholder capitalism was explained as a form of capitalism which could change the way South African capitalism functioned as a whole and to make it more efficient for the greater good. The key element to this form of capitalism was that more black people needed to secure an equitable slice of the corporate profits. And for that to happen it would be necessary for South African corporations to become more democratic, notably by including labour in ownership structures.

2.9 Capital Reform

Stephen Gelb writing an overview of the South African economy took a different tack to the Business Day editorial with regard to economic equality. He based his standpoint, 'the implicit bargain', on two important legs if economic inequality was to be addressed. Gelb located his strategy around 'capital reform' and the reallocation of public expenditure. Firstly, the deracialisation of economic power would be by way of 'capital reform' or opening the ownership and management of private corporations to the black middle classes. The negotiated nature of the transition meant that "capital reform" would necessarily be an incremental, market focussed process engaging with the current owners of capital. Secondly, and concomitantly, was the reallocation of public expenditure on goods and services to reflect the racial composition of the population, which meant that social exclusion and poverty had to be addressed. Gelb termed this new realignment, the 'implicit bargain' (Gelb: 2005: 369). Gelb explains:

The 'implicit bargain' or accommodation between white big business and the ANC, involving the ANC committing to macroeconomic stability and international openness, and business agreeing to participate in 'capital reform' to modify the racial structure of asset ownership, which would come to be called 'black economic empowerment'.(Gelb: 2005: 369).

Stephen Gelb characterises black economic empowerment as the distribution component of the 'growth model'. He also states that the failure of the first wave of black economic empowerment could be attributed to the fact that not enough was distributed in a comprehensive fashion to the intendant recipients, that is, the black majority:

…the beneficiaries were a tiny proportion of black people, which included trade union officials who had established union investment companies using member's pension funds, enriching themselves at the same as securing some benefits for workers from share ownership, essentially operating investment portfolios rather than exercising operational control of productive assets (Gelb 2004: 39).

Gelb identified rentiering that is the transfer of rents to the black middle class as the main reason for the inability of BEE to comprehensively effect equality in the economy of the greater black majority. Gelb also explains some of the factors at play that impact upon the making of rents available which is highly dependent upon the share price rising. The financial model underlying market-driven schemes make the receipt of rents dependent on share prices rising to enable repayment of the loans provided to fund the deal, and also growth in profits to provide dividend income. Gelb further explains that given low growth in the economy and especially financial instability, the model was not self-sustaining and losses occurred (Gelb 2004:40).

Given the up and down nature of the market, Gelb proposes a solution to best fund BEE transactions without the loss of value to existing shareholders. Recent innovations to BEE deals have focussed the efforts by shifting the burden away from existing owners of large white businesses. One such approach, states Gelb, is to force the costs of the BEE transaction onto the beneficiaries of the transaction. He explains that by delaying the transfer of shares until the price had risen to the point where the transaction becomes viable. If the growth performance of the company and of the economy does not warrant it, the deal falls away, or at least transfer is for a much smaller share of ownership. (Gelb 2004: 40).

Another of these proposals, the 'Brenthurst Initiative', a proposal by the Oppenheimer family, suggested that the BEE cost should fall on the shoulders of society at large through tax incentives to companies that would transfer equity. The argument being that firms would be encouraged to both transform racially and to invest in new capacity. The problem with this initiative states Gelb is that there was no mechanism proposed to ensure that firms receiving the tax benefits would invest (Gelb 2004: 40).

Gelb sums up; existing owners of capital do not want to pay a price for the envisaged capital reform. The expected cost is higher because the model (rent-seeking) is not self-sustaining. There is no synergy between growth and distribution; there is a dissonance between the rate of growth of the economy and the distribution the economy is supposed to make to address questions of inequality. He goes on to say that the rents received by BEE beneficiaries are not re-directed to support expansion of output and of profits and this is crucial if the economy is to be self-sustaining. This is an argument that SACP general secretary, Blade Nzimande also makes. Gelb points out that the transformation charters set targets for affirmative action in occupational categories, access to services, and allocation of procurement contracts, as well as equity transfers and ownership. But these are targets for the distribution of rents (leading to private returns), not targets for ensuring that rents received contribute to growth and other wider social objectives. Establishing reciprocity linked to growth in the context of capital reform has not been possible. In sum, both the growth and distribution aspects of the growth model have failed to deliver successful and sustainable outcomes on their own terms (Gelb 2004: 40). Gelb's argument is mildly different to Cronin, Davies, Nzimande, Black, Padayachee, Godsell, Terreblanche and others surveyed, it does not veer outside of its capitalist orbit.

2.10 Black Entrepreneurship

Moeletsi Mbeki is of the view that the systematic de-industrialisation of the South African economy is what has impoverished South Africa's economy. Mbeki is in agreement with Blade Nzimande when he bemoans the fact that equity acquisition rather than entrepreneurship is what is making the South African economy to underperform. Mbeki believes that black economic empowerment is the reason for the non-emergence of a black entrepreneurial class. He says that black economic empowerment by creating a small class of unproductive but wealthy crony capitalists made up of ANC politicians…who have become strong allies to the economic oligarchy…are the caretakers of South Africa's deindustrialisation (Mbeki 2009: 61).

Moeletsi Mbeki is unswerving in his belief with regard to the role that the new emerging black elite should play in the development of South Africa in the twentieth century and productivity is an imperative. If endemic poverty and high unemployment are to be dealt with, then the black elite have to be productive (Mbeki 2009: 92). The problem for Mbeki is that black elite do not see themselves as producers. (Mbeki 2009: 72). He goes on further to say that the black upper middle class although they dominate the political life of the country, they play no role in the ownership and control of the productive economy (Mbeki 2009: 73). They do not envisage themselves as entrepreneurs who can initiate and manage new enterprises. At best they see themselves as joining new enterprises, and this joining-process is expected to be facilitated by the distributive state through reparations-inspired legislation (Mbeki 2009: 72). Mbeki then draws a telling difference between the black elite in South Africa and the elite in Asia. He says that the ideology that drives the Asian elites is an ideology that is based on entrepreneurship. (Mbeki 2009: 72). He develops his argument further by observing that black economic empowerment and various forms of reparations or rent seeking have all but replaced entrepreneurship. This is an argument that does not contradict what Gelb raised around rent seeking. He once again stresses the fact that South Africa is a modern liberal capitalist state, with all the factors that make up a modern liberal capitalist state: entrenched private property, universal suffrage, freedom of speech and association, regular democratic elections, independent mass media and separation of powers, but, the one missing ingredient to complete this picture is the support for entrepreneurship. (Mbeki 2009: 95).

He goes on to say that the consequences that flow from the disappearance of entrepreneurship are fast becoming manifest. Mbeki says that South Africa's core economy is fast shrinking into a minerals producing and exporting country…the country's core manufacturing sector, outside of minerals processing and basic chemicals industries and food processing is not growing. And the rest of the manufacturing sector, which should be the key driver of entrepreneurship and innovation in the economy, is being replaced by ballooning imports, especially from Asia. (Mbeki 2009: 96). Fundamentally, what Mbeki is alluding to is that the core driving force of a thriving modern liberal capitalist economy should be based on innovation and the risk-taking traits of an entrepreneurial bourgeoisie interested in expanding the productive forces of the economy. For Mbeki entrepreneurship goes with being productive and rent-seeking falls in with consumption and this is the key problem with the South African economy presently. It is not being driven by a bourgeoisie of producers especially the black bourgeoisie. Mbeki is of the view that with the advent of parliamentary democracy in 1994, South Africa's real bourgeoisie (white capital), through the process of Black Economic Empowerment created a new class from among the African National Congress politicians. But, he says, this is a pseudo bourgeoisie whose purpose is to act primarily as an interlocutor in the inner circles of the new political elite on behalf of the real bourgeoisie. And of crucial importance for Mbeki is that this pseudo bourgeoisie are not a class of entrepreneurs. At best they are crony capitalists who are patronised by an economic oligarchy, just as Africa's pseudo-states are patronised by Western powers through foreign aid. (Mbeki 2009: 157). Mbeki backs up his claim about the unproductive nature of the pseudo bourgeoisie that he talks about by drawing on the thoughts of Marx and Engels and how they characterised the bourgeoisie. He says that Marx and Engels attribute to the bourgeoisie the banner of being the only group that can create a thriving capitalist system or a developed modern state (Mbeki 2009: 155). And it is not difficult to understand why Mbeki extols the insights of Marx and Engels' characterisation of the bourgeoisie as a driven class of people in the creation of a dynamic capitalist economic system and establishing concomitantly a developed modern state, when he talks about the unproductive non-entrepreneurial nature of the pseudo-bourgeoisie within the context of South Africa.

However, despite Mbeki's critique of the lack of entrepreneurship of the pseudo- bourgeoisie and its proclivity rather for rent-seeking, it is not a critique that falls outside of the parameters of capitalism. Rather, by advancing and making a case for entrepreneurialism he is strongly suggesting the use of a mechanism that will strengthen capitalism, make it more effective and efficient.

2.11 Substitutionist Class-based Redress

Habib and Bentley mull over the idea of a redress mechanism that must simultaneously address the historical injustices of the past while enabling the development of a cosmopolitan South African identity (Habib and Bentley 2008: 344)

Habib and Bentley identify two positions that advocate for a class-based redress mechanism. The first position advocating for a class-based redress strategy found their thinking on three pillars. They point to the fact that there is significant overlap between race and class and also that in South Africa the majority of black people are poor. And because of this feature of South African society they conclude that this class-based substitutionist strategy would therefore primarily benefit black people. Advocates of this position are also convinced that this approach has the added advantage in that it would overcome the weaknesses of race-based affirmative action since it would be defined by "material criteria". Since it would be defined by "material criteria" it would not enable the better resourced elements within the black community from taking advantage of the benefits that are facilitated by affirmative action programmes. Furthermore, it would also not enable the entrenchment or reifying of racial identities since it would be class-based which implies it would be directed at a certain class in society rather than a particular race group to the exclusion of other race groups. It would seem then that the thinking would be to target all racial groups who fall into the particular class that has been identified (Habib and Bentley 2008: 347).

Habib and Bentley pinpoint two weaknesses in this particular strategy. I will only deal with the second strategy as it specifically looks at the deracialisation of the upper echelons of the class structure and which to some extent is identified with corporate South Africa. The criticism levelled at this particular class-based strategy is that it is not automatic that corporate ownership would automatically be deracialised. Given the racial profile of poverty in South Africa it is more than likely to deracialise the lower echelons of the class structure. This means that deracialisation between white and black who fall within the poverty belt of South Africa are sooner to be deracialised than those who reside in the upper reaches of the class structure goes the argument especially those in corporate South Africa. And Habib and

Bentley believe that it is as important to deracialise the upper echelons of the class structure as it is to deracialise the lower reaches of the class hierarchy (Habib and Bentley 2008: 347).

They come to the conclusion that no redress programme can have a totally race-based trajectory; nor can it have a totally class-based vision. They are of the view that a more nuanced vision incorporating both elements: race and class, are destined to give a more superior appreciation of the complex social and economic needs that beset South Africa presently (Habib and Bentley 2008: 347).

Two programmes come to mind and which they consider as being the best strategies that have been put forward so far. They cite the Broad-Based Black Economic Empowerment programme which they characterise as a race-based redress programme that is qualified by class. This broad-based programme has compelled the government after pressure was brought to bear upon it by the tripartite alliance partners to broaden the benefits of its race-based economic empowerment agenda. What this meant was that the benefits of black economic empowerment would be skewed in favour of less well-resourced sections of the disadvantaged community. The net effect of this reconfigured empowerment initiative was that the raced-based redress programme was now an initiative that was qualified by class criteria. By class criteria it is meant that people in the lower echelons of the class structure will be assisted in accessing the benefits of the empowerment deals that were formerly the preserve of the politically well-connected. A case in point of the effects of this broad-based economic empowerment is the MTN deal which placed a limit on the number of shares that anyone individual could buy. This strategy prevented a small group of already wealthy black individuals who benefitted from the earlier BEE deals from buying large blocks of stock which would in all likelihood disadvantage the potential for ordinary black South Africans from participating in these deals. (Habib and Bentley 2008: 348).

Habib and Bentley put forward what they term a substitutionist class-based redress agenda which should be supplemented by more specific race-based initiatives. They believed that this class-based strategy would primarily be to the advantage of people who are black and poor. The twin effects of deracialisation and the erosion of poverty would be the objective of this particular redress programme. Where the objectives like the deracialisation of the ownership of corporate South Africa is not likely to be impacted upon by the substitutionist redress programme addressed in the previous section which was race-based but qualified by class, more race-based criteria could be implemented. The added race-based criteria that could be utilized, Habib and Bentley put forward the sectoral charters that form the basis for the advancement of black ownership in the particular sector of the economy for example the mining sector of the economy has the Mining Charter etc. In these sectors the leading corporates are expected to facilitate the advancement of black ownership using their own resources and the motivation for doing this is the lure of more government contracts, procurement and licences for mining the country's national resources. (Habib and Bentley 2008: 348).

The benefit of this comprehensive redress programme is twofold. The state can now concentrate on using its resources to focus on the poor and marginalised communities and at the same time it can use the sectoral charters as regulatory powers to create the conditions for the deracialisation of the market under the aegis of the private sector by making their resources available to give effect to this process of market deracialisation. (Habib and Bentley 2008: 348). The logic of this strategy is no different to the one put forward by Padayachee with regard to the Basic Income Grant. It in effect is a state-centred initiative which is keeping with a Post –Keynesian solution with the state driving the process.

In 2010 as Deputy Vice-Chancellor: Research, Innovation and Advancement at the University of Johannesburg commenting on the New Growth Path in the Business Day 6 December, Adam Habib again reiterated that the economic empowerment of black people had to be reformed in a more comprehensive manner; a more broader class-based initiative, on which he first expounded about in his 2008 book "Racial Redress and Citizenship". His class-based approach which had to be supplemented by specific race-defined initiatives was designed to reach the more marginalised and poor sections of South African society. He believed that the state should be using its resources to target black small business and entrepreneurs to bring them into the economic sphere and that the sectoral charters had to be utilised to transform the private sector. In his own words:

. . . The state's BEE resources must be directed to small business enterprises and new entrepreneurs, which would empower individuals, enable more inclusive transformation and enhance the competiveness of the local economy. The financially well-endowed black businessmen and women can still be beneficiaries but their interests should not be prioritised at the expense of the new entrepreneurs. Rather, they can be beneficiaries of the private sector's own initiative to deracialise itself, largely prompted by sectoral charters (Habib 2010 No Page).

Despite these two scenarios proposed by Habib and Bentley the fact of the matter is that they are in the main nuancedly different from those proposed by Gelb, Nzimande, Mbeki, et al and others except for Mashele and Tabata. However, these proposals like the others put forward do not call into question the capitalist base on which it is founded. Habib and Bentley do not address the more systemic and structural architecture of capital. They assume that capital is the base from which to structure and implement a programme that can successfully deal with inequality albeit from a class lens. The argument is that fundamentally the problem is about putting in place the best distribution mechanism premised on a capitalist base to eradicate inequality. However, well-intentioned this may be these strategies rather than properly diagnose the structural problems that give rise to the inability to distribute equally; these strategies are exercises in circumvention, since they avoid and do not attempt to make capital the central point of their enquiry as a source of inequality.

2.12 Capital the Source

Isaac Bongani Tabata of the Non-European Unity Movement[9], writing as far back as 1980, foregrounds the historical relationship between race and capital as the pivot upon which black economic deprivation turned. Tabata makes the point that the problem of black economic deprivation in South Africa has its roots unambiguously in the exploitation of black labour by British colonial capital with the advent of the mineral discoveries of 1867 and 1886. Capitalism is at the centre of the problem for Tabata and this is in stark contrast to writers like Rob Davies, Jeremy Cronin, Blade Nzimande, Stephen Gelb, Adam Habib,

[9] The Non-European Unity Movement (NEUM) is a Trotskyist organisation formed in South Africa in 1943. It had links to the Workers Party of South Africa (WPSA), the first countrywide Trotskyist organisation, and was initially conceived as a broad protest front. It proposed a 10 Point Programme of radical reforms. It stressed non-racialism, meaning that it rejected race-based organising (and the concept of race itself), unlike the main nationalist groups of the time, was highly critical of the South African Communist Party and the African National Congress, and made a principle of non-collaboration with the apartheid regime and its allies. https://en.wikipedia.org/wiki/Non-European_Unity_Movement accessed 12 October 2020.

Roger Southall, Moeletsi Mbeki, Vishnu Padayachee and Simon Roberts; and others, all who sought to reform capital rather than to see capital as the source of the problem. Tabata puts capital at the centre of the problem. The logic of his position on black economic deprivation coalesces as far back as 1980 and gives weight to the argument that capital should be at the centre in explaining black economic inequality.

> Racism, which is a function of super exploitation, *cannot be resolved within the framework of capitalism.* The problem of national oppression in South Africa cannot be resolved without the demolition of the whole economic, social and political structure of South Africa that has been built on Black … labour (Tabata 1980:5) (Emphasis added).

He correctly highlighted the dialectical relationship between culture, philosophy and ideas to the economic base of society and more importantly the importance of the economic base. He also correctly brought to the fore the notion that the problem of race had everything to do with how production was historically constructed in South Africa, that is the inextricable relationship between race and capital in the historical construction of the South African economy. And, he pointedly came to the conclusion that race could not be deployed to resolve within the framework of capitalism the problems of economic inequality. Democratic South Africa is no different to British colonialism and Afrikaner apartheid because race and capital are again deployed to correct the very outcome it historically produced and continues to produce, namely, black economic inequality.

Capital and race are the overbearing constant during these particular periods of its development. Race again, in democratic South Africa is spirited within the confines of capitalist restructuring and is cast as the instrument to correct economic equality, unemployment and eradicate poverty. The very instruments, race and capital that was used in the extraction of surplus value during British colonial capital, Verwoerdian apartheid capital are once again used to extract surplus value in democratic South Africa, albeit dressed up in new black economic empowerment clothes. Because black economic empowerment as a reconstructed capitalism too, is also informed by the logic and compulsion of capital; it too, is compelled and driven to extract the surplus-value created by labour. Furthermore, the notion that black economic empowerment specifically so designed can address questions of economic inequality, poverty and unemployment of black people is clearly misdirected.

Again, in a critique of Black Consciousness and its over-reliance on the use of culture, morality and values to address issues of class exploitation and the centrality of the economic base in correctly understanding how ideology and other superstructural constructs arise, Tabata explained what the nature of ideology was, when he correctly placed such ideological constructs such as race, morality and social values squarely within their superstructural confines, which are dialectically related to the facilitating powers of the economic base of society.

> Implicit in what is called the "ideology" of the BCM is the mistaken idea that social values, morality and culture came into being as a result of the command by some being who resides somewhere in the rarefied stratosphere and that these can be altered at will by another command …a lot of time and energy is spent discussing how to alter White values or the immorality of Capitalism…but social values (which are neither white nor black) and morality are the product of given social relationships which are themselves determined by the mode of production of human necessities. That is to say, they are determined by the relation of social classes to the means of production in any given social system. There is a direct correspondence between the economic base of any given society and the cultural and philosophical manifestation that simply cannot be wished away (Tabata 1980: 4).

The point of Tabata's critique is that the problem of race and economic inequality (black economic empowerment presently) cannot be resolved within the confines of capital, this, undergirds the argument advanced by this review. This is where he completely differs from the other writers reviewed. Race is a social phenomenon that arises within the particular historical social relations that develop given the specific history of the development of capitalism within South Africa. Furthermore, racial economic inequality will continue to persist if the fundamental contradictions of capital are not resolved is Tabata's consistent contention. Tabata unlike Nzimande, Davies and Cronin (communists) is not sold on the idea of capitalist reformist ideas espoused by these members of the South African Communist Party. Race, (black) by being the constituting element in the drive to reform capital does not address the fundamental nature, thrust and logic of capital is Tabata's consistent argument. Rather, it reconstitutes capital by widening the capitalist base to include black capitalists. By including these nouveau capitalists into the established capitalist class it perpetuates capital accumulation and all that flows from it, namely, questions of economic inequality, unemployment and poverty, rather than to view capital and the reconfigured capitalist class as the reproducers of these social phenomena. Black economic empowerment's claim that it is the solution to these kinds of questions, when in fact, it is a particular perpetuation of capital, is contradictory and hence cannot hold.

Therefore, if following the argument for a Marxist critique of black economic empowerment to its logical conclusion, then the eradication of capital becomes evident if issues of inequality, poverty and unemployment are to be solved because these are the direct manifestations of the inner workings of capital.

2.12 Conclusion

In reviewing a cross section of the literature on black economic empowerment and its ability to address unemployment and economic inequality the tentative conclusion that can be drawn is that the literature under review does not address the central question which has a direct bearing on the social phenomena being foregrounded, namely, unemployment and economic inequality. The emphasis on job creation, electricity, housing, telecommunications, are just some of the problems that black economic empowerment is saddled with which are for Nzimande key markers to show whether or not a BEE driven economic transformation is working or not. The more jobs created at a sustained level are what Nzimande demands of black economic empowerment to register its success as an equalising policy of economic transformation. Despite these lamentations about "narrow BEE" and that BEE had not broadened the democratic base of the economy; are Southall and Nzimande (except for IB Tabata) and all the other writers (Anthony Black, Vishnu Padayachee, Simon Roberts, Ben Turok; Cyril Ramaphosa; Roger Southall; Stephen Gelb; Blade Nzimande; Moeletsie Mbeki; Habib and Bentley; Terreblanche; Prince Mashele; Hein Marais) surveyed asking the correct questions around deracialisation and economic transformation, when their questions are asked within the capitalist reformist confines of BEE? Nzimande as a communist especially does not raise the question of problematizing capital as a barrier; he rather laments the narrowness of BEE. He does not raise the all-important questions about the essential nature and logic of capital and this too is a charge that can be levelled at the other writers; nobody attempts to identify the inner-workings of capital for diagnosis. On the other hand a Marxist understanding of inequality goes to the heart of understanding the true nature of inequality and unemployment. When applying it to black economic empowerment it brings new insights to understanding the nature and character of black economic inequality and unemployment. The nub of the argument is that since black economic empowerment is premised on the capital relation it too will be imbued with the logic of capital. Additionally, black economic empowerment is but one form of many, which capital deploys, in its bid constantly to accumulate, given the specific historical circumstances in which capital finds itself. And black economic empowerment is a particular form that capital assumes in democratic South Africa. Hence, black economic empowerment as a particular form of capital cannot logically reverse that which capital generally produces, namely, unemployment, economic inequality and poverty. Black economic empowerment imbued with a capitalist logic can only perpetuate unemployment, economic inequality and poverty. Therefore, based on this reasoning, herein lies the strength of Marx's critique of capital which clearly illustrates how capital in its desire to accumulate is simultaneously the source of unemployment, economic inequality and poverty. Post-Keynesians, Neoclassical, Communists and Social Democrats and other theorists are not theoretically predisposed to fully explain the source of unemployment, economic inequality and poverty. Simply, because these schools of thought are not designed to "lay bare" the inner workings of capital they invariably lead to an inadequate diagnosis of the problems of capital. Therefore, it is this goal of Marxism that helps to bring a qualitatively different perspective from which to comprehend capital in all its attendant consequences (unemployment, inequality and poverty) which stands diametrically opposed to; and as a counterpoint to Post-Keynesian, Neoclassical, Communist and Social Democratic political economy and other thinkers in their treatment of capital which essentially boils down to providing various descriptions of capital. Therefore, for this study it will be argued that a Marxist critique brings a fresh dimension from which to understand black economic empowerment; and, more specifically, a much clearer appreciation of the claims black economic empowerment makes with regard to black economic inequality, unemployment and poverty. The strength of going back to Marx's *Capital* strengthens and brings new insights to understanding how capital works in the various environments that it operates in historically; and, especially how it finds different ways to accumulate when the old ways stymie its accumulation proclivities; and in democratic/post-apartheid South Africa it finds new expression in the form of black economic empowerment. Moreover, the power of Marx's *Capital* lies in the fact that it can much more powerfully explain what the underlying factors are that give rise to recurring social phenomena like inequality and unemployment.

My general contention then is that the Marxist theoretical framework in contradistinction to Post-Keynesian, Neo-classical and other theoretical frameworks discussed in this review is better equipped to explain why inequality and unemployment are perennial features of capitalist society.

To restate, the views expressed by the thinkers under review do not view capital as central to the problem of economic inequality and unemployment. As will be argued in later chapters, black economic empowerment and its finance capital foundations, rather than problematise capital as the central problem to economic inequality and unemployment, it redeploys capital. By doing this, rather than address economic inequality and unemployment, it inadvertently perpetuates it. In the next chapter it becomes essential to understand the philosophical and legislative structure that gives it its force and power.

CHAPTER THREE: BLACK ECONOMIC EMPOWERMENT: THE LEGISLATIVE FOUNDATIONS

3.1 Introduction

This chapter, as alluded to at the close of the previous chapter, will deal with the thinking and architectural foundations of BEE, which are philosophically undergirded by notions of human dignity, equality and freedom, which are cornerstones of South Africa's democratic culture. The objective of this chapter is to situate black economic empowerment within a wider post-apartheid political, social and economic restructuring, which strongly signalled a break with the apartheid state. This restructuring process was not only designed to deal with the social and political asymmetrical power relations, it crucially and particularly, was designed to address the economic inequality that black people were subjected to during the period of apartheid capital. The key areas of this economic inequality were especially situated within the context of work and more importantly the economy. To remedy these structural problems the following acts were promulgated to put in place the structure that would address the asymmetrical social power relations; and, importantly to address black economic inequality.

Black economic empowerment was first entrenched broadly within the Constitution under the rubric of equality, human dignity, freedom and justice, which set the tone for democratic South Africa. The Bill of Rights invoked the equality clause, and more specifically, the Employment Equity Act set out to correct the problem of work for black people. The BEE-Commission was constituted to lay the groundwork for the eventual Broad-based Black Economic Act of 2003, which essentially dealt with correcting the economic equalities within the context of the commanding heights of the economy. The promulgation of the Preferential Procurement Policy Framework Act of 2000 additionally, provided a state initiated platform for the general black economic empowerment project.

3.2 The Constitution Act 108 of 1996

Since the inception of the Constitution[10] in 1996 notions of equality, human dignity, freedom and justice form the bedrock of South Africa's democracy, it is the foundation on which our constitutional democracy is built. In its preamble the Constitution alludes to the idea of a "society based on democratic values, social justice and fundamental human rights" (Constitution Act 108 of 1996, 1996: preamble) It envisages a society which is democratic, open and where every citizen within its borders is "equally protected by the law" (Constitution Act 108 of 1996, 1996: preamble). It also commits itself to "improve the quality of life of all citizens and to free the potential of each person" (Constitution Act 108 of 1996, 1996: preamble).

Thus, the Constitution seeks to address the inequities that majority of South Africans suffered given the history of rampant race discrimination during the apartheid years with the idea of setting in motion a common South African identity and an inclusive citizenry where all citizens are entitled to the same rights privileges and benefits. This is what chapter one of the founding provisions, brings to our attention especially section 3 where the idea of a common South African citizenship is espoused (Constitution Act 108 of 1996, 1996: s3). It is a citizenship that is informed by the equal entitlement of rights, privileges and benefits for all South Africans (Constitution Act 108 of 1996, 1996: s3 (2). These entitlements are, however, tempered with reciprocal duties and responsibilities that as a matter of course flow from citizenship.

3.3 The Bill of Rights

The Bill of Rights drives home notions of human dignity, equality and freedom, which form the cornerstones of a democratic culture. To undergird and reinforce the important values section 7(2) compels the state to protect, promote and fulfil the rights encapsulated in the Bill of Rights (Constitution Act 108 of 1996, 1996: s7 (2). The Bill of Rights makes it peremptory that the state is seen to be upholding and enforcing the provisions contained in the Bill of

[10] Act 108 of 1996

Rights. The state should be the body that ensures that the provisions enshrined in the Bill of Rights are given complete expression to.

For the sake of this study section 9(1) of the Bill of Rights, which contains the equality clause, is of particular significance, because not only does it underscore the paramountcy that "everyone is equal before the law and has the right to equal protection and benefit of the law" (Constitution Act 108 of 1996, 1996: s9 (2), but also that in section 9(2) it fleshes out what is meant by equality taking into consideration the discriminatory history of South Africa. In section 9(2) "equality includes the full and equal enjoyment of all rights and freedoms. To promote the achievement of equality, legislative and other measures designed to protect or advance persons or categories of persons, disadvantaged by unfair discrimination may be taken".

This means that the state may use its legislative powers and any other measures it deems necessary to protect or advance any person or categories of persons who have been disadvantaged by unfair discrimination, the qualifying word being; unfair. On the other hand while the state may be used as an instrument in the advancement of a person or categories of person to protect them from unfair discrimination, according to section 9(3) it may not unfairly discriminate directly or indirectly against anyone on any one or more grounds which included race, gender, sex, …ethnic or social origin, colour, sexual orientation, age, disability, sexual orientation, religion, conscience, belief, culture, language and birth" (Constitution Act 108 of 1996, 1996: s9(3).

This section, however, is not absolute, it is tempered by section 9(5)(3) which states that discrimination on all the grounds as adumbrated by section 9(3) will be considered to be unfair, unless it is established that the discrimination is fair"(Constitution Act 108 of 1996, 1996: s9(5). The importance of Section 9(3) is that it rules out all discrimination based whether directly or indirectly, on race, gender, sex, ethnicity, social origin, colour, sexual orientation, age and disability that is unfair. But, by deeming the discrimination against the above categories to be unfair, by implication it is saying that there is discrimination that can be fair, that is, that the law can sanction an act of discrimination if it is considered to be fair; that is, that so long as the outcome or result is fair it will sanction an act of discrimination.

However, what should be guarded against is that the use of discrimination as a corrective tool should not be interpreted without taking into consideration the historical context of apartheid. It arises as a corrective measure because of the racial discrimination that was experienced during apartheid. This particular corrective measure is born out of and is a product of the particular history of South Africa; the particular history being, one, which was based on the outcomes of the negotiated settlement between the dominant negotiators, namely, the African National Congress and the architects of apartheid, the National Party.

The compromise struck during the negotiated settlement forced, upon the parties to the negotiation, innovative ways to deal with the unique problems of establishing a non-racial democracy and economic parity in South Africa. The idea of affirmative action was brought to the fore as a tool for the correcting of social and economic wrongs of the past. The basis of affirmative action was that race would be used to correct the inequalities of the past. The net effects of using race as an instrument for correcting the wrongs of the past was that those who were socially and economically disadvantaged under apartheid would be advantaged based purely on their race. The interests of African, Coloured and Indian people would be promoted in the workplace and the economy so that they could reach the levels of advantage experienced by white people in the important spheres of the workplace and the economy. This kind of action would be considered to be a form of discrimination that would be sanctioned purely because it is a discrimination that is based on the promotion of equality; it is a discrimination that is premised on the need to distribute the societal good fairly.

Again, what must be borne in mind is that, what can be construed to be a contradiction in terms, that is, notions of discrimination and the fairness that it is supposed to bring about, needs to be understood within the historical confines of apartheid South Africa and the need for democratic South Africa to correct the debilitating racist practices of apartheid South Africa. The thinking is that, if we were to give effect to the equality clause in the Bill of Rights then the mechanism to be used under the present circumstances would be to discriminate based on race but when this discrimination is effected that it should be based on fairness. To properly construe an understanding of fairness, it should be understood within the historical context of black people's discriminatory experiences during apartheid and the need for democratic South Africa to correct the unfairness and inequality suffered. Hence, discrimination per se in its unfair form was strictly not allowed but where there was a need to correct the wrongs of apartheid then discrimination as a corrective tool was permissible, and since it would be used to remedy a historical wrong it would be considered to be fair and equitable.

Taking into consideration the historical context and the need to democratize and to give effect to economic parity it is not lost on Albie Sachs (prominent member of the ANC and former judge of the Constitutional Court) the enormity and the urgency of mediating between these two processes. In fact, he is of the view that:

> In this context, redress is not simply an option, it is an imperative. Without major transformation, we cannot heal the divisions of the past and establish a society based on democratic values, social justice and fundamental human rights. (As envisaged by the Preamble to the Constitution). At the same time, it is important to ensure that the baby of non-racialism is not thrown out with the bathwater of remedial action (Sachs 2007: 12)

In keeping with section 9(2), two important pieces of legislation have been enacted to ensure the fairness and equality of all South African citizens who were disadvantaged during the era of apartheid. The two pieces of legislation that were enacted are the Employment Equity Act No 55 of 1998 and the Broad- Based Black Economic Empowerment Act No 53 of 2003, which sought to address the disadvantages that were wrought on black people during apartheid.

3.4 Employment Equity Act No 63 of 1998: Fair Discrimination

The opening clauses to the Employment Equity Act recognizes that because of apartheid and other discriminatory laws and practices that disparities in employment, occupation and income now existed within the national labour market, and that these disparities created pronounced disadvantages for certain categories of people that could not simply be redressed by repealing discriminatory laws.

It therefore resolved that it was imperative that the Employment Equity Act be enacted in order to promote the constitutional right of equality and the exercise of true democracy; eliminate unfair discrimination in employment; ensure the implementation of employment equity to redress the effects of discrimination; achieve a diverse work force broadly representative of our people; promote economic development and efficiency in the workforce; and give effect to the obligations of the Republic as a member of the International Labour Organisation.

With the enactment of the Employment Equity Act 55 of 1998, a legislative basis was laid to give effect to equality within the workplace. What was stated generally and expansively and which laid the foundations to actualize the idea of equality, human dignity and freedom in the Constitution is given an enabling power in the Employment Equity Act. Given the history of racial discrimination in South Africa, the main thrust of the Employment Equity Act was to correct the legacy of race discrimination in the workplace.

Hence the purpose of the Act is to achieve racial equality in the workplace, by promoting equal opportunity and fair treatment in employment through the elimination of unfair discrimination; and the implementation of affirmative action measures to redress the disadvantages in employment experienced by designated groups (black people, women and the disabled) to ensure their equitable representation in all occupational categories and levels in the workforce. Section 4 identifies a designated group to mean black people, women, or people with disabilities.

In chapter 2 section 5 of the Employment Equity Act it categorically states that no person may unfairly discriminate, directly or indirectly, against an employee in any employment policy or practice, on one or more grounds including race, gender, pregnancy, marital status, family responsibility, ethnic or social origin, colour, sexual orientation, age, disability, religion, HIV status, conscience, belief, political opinion, culture, language, and birth (Employment Equity Act 55 of 1998. 1998: s5). In section 6 of the chapter however, discrimination is qualified, it states that it is not unfair discrimination to promote affirmative action consistent with the Act (Employment Equity Act 55 of 1998, 1998: s6). If one was to read section 6 closely then it would seem that all the categories contained in section 5 could be the advantaged recipients of an act of discrimination if the so-called discriminatory act is deemed to be fair. It would seem then, that the only time any discrimination concerning the categories contained in section 5 that will be countenanced, will be an act of discrimination that advantages the categories outlined in section 5. It would also seem that the trigger that sets in motion the qualification of discrimination as being fair, would be affirmative action. The rationale being that once a discriminatory act is one that fairly affirms the designated group then the act would be sanctioned; it would be considered to be fair. What then is affirmative action?

Section 15 of the Act states that affirmative action measures are intended to ensure that suitably qualified African, Coloured and Indian employees have equal employment opportunities and are equitably represented in all occupational categories and levels of the workforce. Affirmative action is designed to promote the employment interests of suitably qualified African, Coloured and Indian people ahead of those of their white counterparts given the historical disadvantage that was suffered during apartheid (Employment Equity Act 55 of 1998, 1998: s15). Affirmative action is a sanctioned and an acceptable form of discrimination. It is a corrective to achieve racial fairness in the workplace. It is a race-based instrument which has been fashioned to achieve employment fairness given the racial discrimination of apartheid, it is a race-based corrective.

Also, in the course of putting in place these affirmative action measures employers are legally bound and are monitored to promote diversity, make reasonable accommodations for people from the designated groups and also, retain, develop and train people from the designated groups (including skills development).

To ensure that the Act is successfully put in place and works, section 13 of the Act prescribes some of the duties that a designated employer must fulfil in order to achieve employment equity in the workplace. It must include consultation with employees; the conducting of analysis, the preparing of an employment equity plan and of paramount importance, there is a monitoring mechanism in place where employers have to report to the Director–General on the progress that has been made in the implementation of the employer’s equity plan (Employment Equity Act 55 of 1998, 1998: s13).

Therefore, in the final analysis, the Act has to be seen to be working in the quest to correct the wrongs of the past. The other more important version of affirmative action is black economic empowerment which is a strategy devised for transforming the economy from its apartheid form to a form which represents the demographics of the country, namely that the economically disadvantaged black majority of apartheid would be the new economic majority of democratic South Africa. The policy of black economic empowerment is broad in its sweep and deep in its reach. It is a policy, which sets out to fundamentally transform the economy for all intents and purposes, and it is to this question that the following section will be speaking to.

3.5 The BEE-Commission: Precursor to the Broad-Based Black Economic Empowerment Act No 53 of 2003

The Broad-Based Black Economic Empowerment Act is the culmination of an initiative that started with the Black Economic Empowerment Commission. The idea originated and was mooted at a Black Management Forum (BMF) Conference where concerns were raised about the weaknesses and inadequacies in the then BEE process. The BMF tasked the Black Business Council (a federation of 11 black business organizations) to form and spearhead the BEE-Commission with the goal of developing a powerful case for an accelerated National Black Economic Empowerment Strategy and to design concrete recommendations that could be accepted and implemented by the government. The Broad-Based Black Economic Empowerment Act No 53 of 2003 is the eventual culmination of this initiative which set about to transform the economic face of South Africa.

The final report under the chairmanship of Cyril Ramaphosa was completed in 2000 and published in 2001. The report considered ten clearly defined areas of the economy that it wanted addressed. The areas that were identified for investigation were investment for growth which was ring-fenced as a new path to development; an integrated HRD strategy; access to financial services and capital; affirmative procurement; an enabling framework; and empowerment framework for public sector restructuring; rural development and access to land and finally the role of business organizations.

Historically, the first blueprint for South Africa’s transformation was founded in the Reconstruction and Development Programme and undergirded the preliminary findings of the BEE-Commission. In the RDP document the ANC chrysalises the philosophical foundations on which this particular vehicle for transformation was to be rested. It was of the view that the domination of business activities primarily by white business to the exclusion of black people and women from the mainstream of economic activity was a cause for great concern. A central object of the RDP was to deracialise business ownership and control through the focused policies of Black Economic Empowerment. The intention of these policies was to make it easier for black people to gain access to capital for business development. The democratic government was to ensure that no discrimination occurred in financial institutions. State and parastatal institutions were also to provide capital for the attainment of BEE objectives. The democratic government was also to introduce tendering procedures to facilitate BEE. Special emphasis was to be placed on training, upgrading and real participation in ownership (BEE-Com 2001: 1)

However, after seven years the BMF bemoaned the fact that democracy and the vision articulated in the RDP had not been realized. It cited studies that were done that showed that there had virtually been no change in the overall inequality and wealth of black people the result being that they remained in poverty and marginalized from ownership, control and the management of economic activities (BEE-Com 2001: 1). This lack of implementation spurred the BMF to take the initiative to remedy the situation by proposing that a BEE Commission be established which would be tasked with setting in place a comprehensive structure that would drive the process of black economic empowerment on a consistent and bold basis.

With the establishment of the BEE-Com in May 1998 under the auspices of the Black Business Council, it identified four objectives that it set for itself:

1) To gain insight into BEE through the process of empirical research and to make observations on the pace and results of BEE initiatives during the 1990s;
2) To draw conclusions on the obstacles to meaningful participation of black people in the economy;
3) To develop a powerful case for the accelerated National BEE Strategy and to make recommendations on policies and instruments required to guide a sustainable strategy;
4) To develop benchmarks and guidelines to monitor implementation of the National BEE Strategy. (BEE-Com 2001: 1).

Having identified these four areas of interest the BEE-Com set out to define what it meant by black economic empowerment. In its definition, it was at pains to point out that the often-accepted tendency was to equate BEE with the narrow notion of the development of a black capitalist class. This narrow definition they argued focused on the transactional activities of black people in business namely, BEE investment companies such as NAIL, RAIL and Johnnic (BEE-Com: 2001: 1). They concluded that the economic needs of the black middle class and the black business strata has been far from adequate. There had been a marginal increase in the number of black managers and barely any evidence of black people in controlling positions in capital, with the exceptions of the parastatals in the public sector (BEE-Com 2001: 2).

The BEE-Commission preferred a broader definition. It argued that the fundamental crisis of the economy was that black people remained excluded from financial and economic resources. BEE, to ensure its wider inclusivity must incorporate comprehensive strategies, which were aimed at increasing productive assets while at the same time ensuring the productivity of the assets. BEE it was felt should as a matter of course seek to promote new opportunities for, and increase the levels of participation of black people in the ownership management and control of economic activities including strategies to support individual entrepreneurs as well as social and collective capital (BEE-Com 2001: 2).

According to this approach, BEE should be viewed within the broad scope of empowerment processes including such activities as job creation; rural development; urban renewal; poverty alleviation; land ownership; specific measures to empower black women; skill and management development; education; meaningful ownership and access to finance for households and for the purpose of conducting business (BEE-Com 2001: 2).

Of importance, BEE must be a people-centred strategy, in word and deed. BEE must impact upon the lives of those who were purposefully and systematically excluded from the economy. It must influence the life of a woman running a spaza shop in an outlying area, a factory worker in Germiston and the black manager in the corporate head office in Sandton (BEE-Com 2001: 2).

The Commission was also of the view that for BEE to be a success it needed to be implemented in a coordinated and integrated manner. Furthermore, they felt that accumulation strategies to expand the identified growth sectors would have to go way beyond increasing the size of the current narrow economic base. They had to be accompanied by measures to increase access to productive assets for the majority of the population and the appropriate support to ensure sustainable use. The competitiveness of the nation, the Commission believed, could not only rest on the extent to which industry was promoted , but also on the degree to which inequalities could be counted which was exacerbated through globalization, and at the same time embark on strategies which enhanced the competitiveness of black South Africans generally (BEE-Com 2001: 2).

Based on these arguments the Commission advocated for a broader definition of BEE against which a workable and sustainable BEE programme could be designed and implemented as part of a new Growth Plan for the economy. Concisely, the BEE definition laid down the following fundamental principles:

> It is an integrated and coherent socio-economic process. It is located within the context of the country's national transformation programme, namely the RDP. It is aimed at redressing the imbalances of the past by seeking to substantially and equitably transfer and confer the ownership, management and control of South Africa's financial and economic resources to the majority of citizens. It seeks to ensure broader and meaningful participation in the economy by black people to achieve sustainable development and prosperity (BEE-Com 2001: 2).

With the vision and fundamentals of BEE clearly defined in 2003 the Broad-Based Black Economic Empowerment Act was promulgated into law and all the points around economic transformation for black people that were raised by the BEE-Commission were encapsulated in the Act.

3.6 Broad – Based Black Economic Empowerment Act No 53 of 2003

In the preamble to the Broad-Based Black Economic Empowerment Act No 53 of 2003 it takes cognizance of the fact that under apartheid race was used to control access to the productive resources and skills. Also, that the economy presently still excludes the vast majority of people from ownership of productive assets and the possession of advanced skills. It additionally recognised that the economy performs below its potential because of the low level of income earned and generated by the majority of people. Furthermore, it raises the point that unless steps are taken to increase the effective participation of the majority of South Africans in the economy, its stability and prosperity into the future may be undermined to the detriment of all South Africans irrespective of race (Broad-based Black Economic Empowerment Act, No 53 of 2003, 2003: preamble).

The preamble of the Act then resolved to promote the achievement of the constitutional right to equality, increase broad-based and effective participation of black people in the economy and promote a higher growth of rate, increase employment and more equitable income distribution; and to establish a national policy on broad-based black economic empowerment so as to promote the economic unity of the nation, protect the common market, and promote equal opportunity and equal access to government services (Broad-based Black Economic Empowerment Act, No 53 of 2003, 2003: preamble).

Section one of the Broad-based Black Economic Empowerment Act defined “black people” as being African, Coloured and Indian. “Broad-Based Black Economic Empowerment” meant the economic empowerment of all black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include but are not limited to; increasing the number of black people that manage, own and control enterprises and productive assets; facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises; human resources and skills development; achieving equitable representation in all occupational categories and levels in the workforce; preferential procurement; investment in enterprises that are owned or managed by black people (Broad-based Black Economic Empowerment Act, No 53 of 2003, 2003: s1).

Section two of the Act contains the objectives of the Act which are to facilitate broad-based black economic empowerment by promoting economic transformation in order to enable meaningful participation of black people in the economy; achieving a substantial change in the racial composition of ownership and management structures and in the skilled occupations of existing and new enterprises; increasing the extent to which communities, workers cooperatives and other collective enterprises own and manage existing and new enterprises and increasing their access to economic activities, infrastructure and skills training; increasing the extent to which black women own or manage existing and new enterprises, increasing their access to economic activities, infrastructure and skills training; promoting investment programs that lead to broad-based and meaningful participation in the economy by black people in order to achieve sustainable development and general prosperity; empowering rural local communities by enabling access to economic activities, land, infrastructure, ownership and skills; and promoting access to finance for economic empowerment (Broad-based Black Economic Empowerment Act, No 53 of 2003, 2003: s2).

3.7 Preferential Procurement Policy Framework Act of 2000

Preferential procurement played a key role as a direct initiative of the state in the black economic empowerment general strategy. It has its origins in section 217 of the Constitution, section 2(d) of the Preferential Procurement Policy Framework Act of 2000 and section 1(e) of the Black Economic Empowerment Act, which deemed it important that black economic empowerment include preferential procurement as a strategy to address black economic inequality. The rationale for this strategy was that the state would use certain criteria in its tender process to give preference to black people when goods and services were required by the state.

3.8 Conclusion

The various provisions from the Constitution, the equality clause in the Bill of Rights, the Employment Equity Act, the recommendations of the BEE-Commission and the provisions of the Broad-Based Black Economic Empowerment Act highlight the commitment to democracy, freedom, non-discrimination and economic equality. The Constitution lays the foundation and sets out to ensure that the human dignity of its citizens are guaranteed, that discrimination in any form will be addressed and eradicated, that freedom and equality are the cornerstones of every person’s existence. The equality clause in the Bill of Rights sets out to correct the inequalities of apartheid by constructing a correcting tool, which is based on the notion of discrimination which is fair.

In this regard, the BEE-Commission investigated how the economy could successfully be transformed in such a way that the previously disadvantaged would be in a position to enjoy the economic fruits of democratic South Africa. Their efforts culminated in the promulgation of the Broad-Based Black Economic Empowerment Act, which is a comprehensive piece of legislation, designed to implement and oversee the fundamental transformation of the economy. An important weapon in the BEE arsenal was the preferential procurement mechanism, where the state by way of its tender process largely used black entrepreneurs' services to procure certain goods and services that the state needed. Importantly, black economic empowerment uses established capital and the state as vehicles to advance economically.

Having dealt with the philosophy and legislative architecture which undergirded and gave BEE its power to act, this all-encompassing black economic empowerment strategy concluded with the enactment of the Broad-based Black Economic Empowerment Act. The next chapter would flesh out the theory that will be used to explain the flaws contained in the BEE strategy, which do not assist it in its quest to solve black economic inequality, unemployment and poverty. Three aspects from Marx's Capital will be used to explain these shortcomings. Firstly, Marx's theory of fictitious capital will be utilised to situate black economic empowerment within the realm of finance capital. Secondly, his thoughts on surplus value production will be deployed to illustrate that economic inequality in capitalist society essentially is found in the process of production. Thirdly, Marx's exposition on how unemployment originates using his reserve army of labour theory will be deployed to show the persistence of unemployment despite BEE's claims to the contrary.

CHAPTER FOUR: MARXIST THEORY

4.1 Introduction

This chapter will outline a conceptual framework grounded in Marx's Capital informed by the central and overarching aegis of capital's law of accumulation. This framework will help to explain and evaluate the economic characteristics and efficacy of black economic empowerment's claims that it is able to distribute income equally and increase black employment. Firstly, it is necessary to firmly locate black economic empowerment within capital. More pointedly, Marx's theory of fictitious capital will be deployed to illustrate the finance capital roots from which black economic empowerment arises. Secondly, it will show how economic inequality is produced using Marx's theory of surplus-value production and appropriation which is premised on exploitation. Thirdly, the compulsion of capital to accumulate drives capital to compete with fellow capitalists in the pursuit of profit maximisation. To stay ahead of the competition capital is constantly seeking to maximise its profit with the result one of the ways in which it stays ahead of the profit maximisation competition is that it reduces variable capital, namely, the wage that invariably leads to the tendency to shed labour power. It can also do so through increasing the working day at the same wage, which is also a reduction in variable capital. To explain the effects of this process, namely, the labour power-shedding tendency of capital, Marx's writings on the creation of an industrial reserve army will be employed. This process is important for this dissertation because it will assist in challenging black economic empowerment's claim that it can reverse unemployment. Finally, the distribution of surplus value amongst the various capitalists and the state is important to later illustrate how black economic empowerment shares in the surplus value in its various forms which arises from profit and taxes and which ultimately has its genesis in the appropriation of the unpaid labour of labour.

4.2 Finance Capital

The importance of this section is to outline the theoretical foundations that will be used in a later chapter to illustrate the finance capital architecture of black economic empowerment. More particularly, this section will draw on Marx's thinking on fictitious capital to more accurately specify black economic empowerment's roots in this particular form of capital, finance capital which manifests itself in share transfers. The point of accurately specifying black economic empowerment is to illustrate that it, too, is just one of a number of capitalists, (commercial, banking, industrial etc) who share in the surplus value that labour power produces in the productive process. Since black economic empowerment shares in the surplus value produced by labour power this very process attenuates its claim that it can address inequality as a version of finance capital, when itself perpetuates this inequality by sharing in the expropriation of the unpaid labour or surplus value that is produced by labour.

In characterising black economic empowerment as an example of finance capital, more so fictitious capital, a comprehensive treatment of finance capital will be made to properly ground black economic empowerment theoretically. In doing so four concepts (idle and hoard capital, interest-bearing capital, loanable capital and fictitious capital) will be discussed to illustrate the distinctiveness of finance capital.

Furthermore, what needs to be clarified up front and will be dealt with later in the chapter is the difference between finance capital and productive capital. Finance capital and productive capital may appear to operate in different spheres of capital accumulation. However, finance capital is inextricably linked to productive capital. Capital by design and logic is inexorably driven to accumulate, it is inherently a self-valorising process. Because of this what it finds in productive capital is the inability to expand at the rate and pace that its tendency to expand demands. This drive to self-valorise, to accumulate, therefore gives rise to the development and proliferation of finance capital. This rising tendency eventually makes finance capital the predominant manner in which capital accumulates. David Harvey speaks about 'flexible accumulation' where the financial system has achieved a degree of autonomy from… production unprecedented in capital's history (Harvey 1992: 194). Richard Westra makes the point that the financialisation of capital is a process of the 'freeing of capital' (Westra 2016: 207).

Therefore, to understand the logic of both finance capital and productive capital it is pivotal that it is understood within the realm of the inherent need for capital to continue to consistently accumulate. If productive capital cannot accumulate for capital at the rate that it wants then some other form of capital will be found to satisfy this need, and in finance capital this need was found. In short, capital will accumulate whether it uses productive capital only, or creates and allows finance capital to proliferate, or, uses both, but it will find some mechanism to satisfy its desire to continue to accumulate.

Hence, it is within this context, that of the two processes of capital accumulation that black economic empowerment needs to be situated and understood. The predominance of finance capital is a phenomenon that arises within the context of financial deregulation. Black economic empowerment is a phenomenon of this era, it is therefore crucial that in analysing black economic empowerment that it also be understood within the context of the rise and domination of finance capital. My main contention is that black economic empowerment has strong roots in finance capital rather than industrial or productive capital. What will follow is a general defining of the core features of finance capital.

4.2.1 Idle Capital/ Hoard Capital

When dealing with the question of idle capital or hoard capital two important questions come to the fore. Firstly, how does idle capital arise? Secondly, what role does idle capital play in the development of finance capital and its accumulation?

Kozo Uno states that idle capital is unproductive capital. It is also passive capital (Uno 1980:109). More specifically idle capital is not employed in capitalist production to generate surplus- value (Sekine 1997: 135). He further develops this point by stating that idle capital is disengaged from industrial or productive capital and that it is in a state of rest (Sekine 1997: 135). Costas Lapavitsas also terms idle capital or hoard capital as being latent or potential money capital (Lapavitsas 2000: 272).

How does idle capital arise?

Richard Westra states that idle capital comes into existence when for all intents and purposes money that would usually go into production is withdrawn. This withdrawal of money intended for production and exchange constitutes idle capital. It is capital that is not employed in the circuits of production to exchange in the pursuit of generating surplus-value, rather, it is passive, and it is not value augmenting (Westra 2016: 103).

The forming of idle capital by capitalists is intrinsically driven by capital's need to accumulate. Therefore, to keep the circuits of accumulation active, capital has to adopt contingency plans to anticipate the possibilities that in the future due to unforeseen circumstances these circuits could be frustrated due to lack of labour power or means of production availability. Westra and Uno make the point that capitalists hold back money as depreciation funds for eventual new investment in fixed capital, that is, new plant and machinery etc (Westra 2016: 103) (Uno 1980: 109).

In addition, states Westra, capital accumulation hinges on mobilising idle capital from varying hoards which are held in society at large (Westra 2016: 157). Social savings via institutional investors as a mechanism to mobilise hoard money societally wide is one such basis for mobilising idle capital (Westra 2016: 170).

Lapavitsas too, illustrates the length and breadth that the need for mobilising idle capital will take. It involves funds that are generated within the circuits of industrial and commercial capital. It also involves mobilising funds generated outside of capitalist circuits, that is, the private hoards formed out of personal income across social classes. That would include amongst other things pension funds and insurance policies which are the normal sources for finding idle money to be mobilised for capital accumulation. (Lapavitsas 2013: 118-119). With regard to sourcing idle money from social classes across the population divide Lapavitsas emphasises too, that idle money is also mobilised from the working class (Lapavitsas 2000: 333)

4.2.2 The Role of Idle Money in the Process of Capital Accumulation

As previously stated, idle capital is considered to be passive capital, according to Uno. He also characterised it as being 'unproductive' (Uno 1980: 109). Sekine states that idle money was in a 'state of rest' (Sekine 1997: 135). Lapavitsas viewed idle money as 'potential money' or 'latent capital' (Lapavitsas 2000: 222). These descriptions of idle money contradict the very nature and logic of capital, that is, the need to be self-expanding, value augmenting, the need to produce surplus value. Hence, to be self-expanding idle money must be mobile to be converted into capital (Harvey 1992: 194). The question then; how is this move from passivity to mobility achieved? It is in this process from passive to active capital where the banks play a crucial role in transforming idle money into mobile active capital. Banks, according to Lapavitsas, turn idle money or potential capital into 'no longer passive, but active usurious proliferating capital' (Lapavitsas, 2000: 233).

4.2.3 Banks: Financial Intermediation

Financial intermediation entails commercial banks taking in idle money, that is, money generated at multiple points across the economy (depreciation funds, contingency funds, personal savings etc) as a whole and then channelling these funds to where they are required (Westra 2016: 104). Furthermore, this means that banks generally do not use their own money when making loans. In the final analysis banks socialise idle money. They make money that was originally unproductive and possibly the property of other capitalists and society at large available to other capitalists as a loan for the production of some or other commodity for sale on the market. In this way the banking system hastens the conversion of idle money into money capital (Westra 2016: 104).

For Westra the bank as a facilitator in making money capital available for surplus-value production and to ensure that this facilitation process is consistent and uninterrupted embarks on a strategy termed relation-ship banking (Westra 2016: 104). Since banks do not loan their own money the need to form a relationship with their borrowers becomes a strategy to ensure that the loan made will deliver on its surplus-value production objectives. It is within this context that the notion of creditworthiness plays a major role in relationship banking. Because these banks provide loans to productive capital to facilitate their chrematistic compulsions, commercial banks are keen to ensure that the loan that is provided plus the interest will be secure. Banks generally make their money from the interest that they charge on the loan. Because of this, the borrowing productive capitalist is solicited to establish the creditworthiness of the borrower (Westra 2016: 104).

Relational banking and the practice of checking a borrower's ability to repay the loan plus interest means that banks are no longer indifferent to what loaned monies will be used for, nor is it indifferent to how the loan plus interest will be repaid. With relational banking they are very interested in all these aspects of the borrowing productive capitalist's ability to service the loan (Westra 2016: 104).

To consolidate relation-ship banking society-wide, all commercial banks are networked under the umbrella of the central bank which constitutes the money market (Westra 2016: 104). With idle money socialised in the money market via the reserve bank, it gives capital the consistent mobility and usurious proliferation that it needs. In this state of ensured consistency and proliferation capital takes on a new form, it reconceptualises itself under these particular conditions. Capital, itself takes on the form of a commodity.

4.2.4 Capital as a Commodity

Westra stresses the point that funds traded in the money market do not start out as capital. It is money that begins the circuit for surplus-value production. These funds originate as idle money and once placed in the hands of banks as financial intermediaries the funds assume the commodity form (Westra 2016: 105). In the hands of the banks this commodity takes on a particular form. It becomes the object of a particular relationship, namely one of borrowing and lending. With this bank facilitated borrowing and lending relationship, idle money is transformed into a commodity. Moreover, when productive capital borrows this commodity it is again transformed into capital; capital being the instrument for the production of surplus-value. Idle money without the intermediation of the banks does not become capital ready to be loaned out to productive capitalists for surplus-value production. It is only potentially capital. Simply put, in the hands of banks idle money becomes a commodity and furthermore it is transformed into capital (Marx 1984: 353).

More specifically capital as a commodity is termed interest-bearing capital. Interest-bearing capital captures not only the fundamental content of the borrower/lender relationship, but also importantly represents the abstract kernel of money-lending. Lapavitsas emphasises the point when he states that it is distinct from industrial capital, because it is itself traded as a commodity from its inception (Lapavitsas 2013: 113).

Marx further develops the distinguishing features of capital as a commodity when he states that it is bought and sold (loaned and borrowed). Because it is a unique type of commodity the return on this capital cannot be direct surplus-value. This contrasts markedly in the case with commodities that are produced by labour power and sold on the market. Marx makes the point that with regard to capital as a commodity, that is, a commodity in money form its form of profit is interest. Interest then is also the price of money-capital which differs conceptually with the price of a tangible commodity that is sold on a market (Marx 1984: 353). So direct surplus value is extracted from commodity production and indirect surplus value is extracted from loan capital.

Marx concludes that if price expresses the value of the commodity, then interest expresses the self-expansion of money-capital (interest-bearing capital) and thus appears as the price paid for it to the lender (banks) (Marx 1984: 354).

4.2.5 Interest-Bearing Capital

Having established the financial intermediation capabilities of the banks in socialising idle money into mobile capital; turning idle money, unproductive capital into a mobile capital as a commodity that itself can be bought and sold, within the context of a borrower/lender relationship, it is now necessary to analyse and distinguish the specific features of interest-bearing capital with the view later to use it as a basis for discussing loanable capital which Lapavitsas considers to be a much more sophisticated version of interest-bearing capital. Ultimately, this shows that finance capital is premised on interest–bearing capital and loanable capital which is a more comprehensive and all-encompassing understanding of capital as a new phenomenon in its drive to accumulate.

The interest –bearing capital is essentially a money-lending transaction that at its heart is an act of exchange, a trade occurring in the sphere of circulation and the commodity being traded is interest-bearing capital. The lender advances a sum of money that is considered from the start to be capital; the borrower gives, in the process of exchange a promise to return the money after a fixed period of time plus an increment (Lapavitsas 2013: 112).

Interest-bearing capital captures the fundamental content of the borrower/ lender relationship the essence of money lending. It is a form of capital that differs greatly from industrial capital because it is itself traded as a commodity from its inception. Interest-bearing capital is a unique form of commodity since it is neither produced, nor does it have an obvious use-value, for instance in the form of a tangible item like a chair or a table. Rather, it is a sum of money that is advanced for a definite period on condition that it is repaid. It follows then that its price is equally unique. The price that is paid for acquiring this unique form of commodity is interest for the lender, or a share of the profits that are generated by deploying the borrowed capital in the process of production (Lapavitsas 2013: 113). The next section will further ground the notion of capital as a commodity by analysing loanable capital.

4.2.6 Loanable Capital

Interest-bearing capital is a straight money-to-money circuit, which circumvents the productive circuit where the production of surplus value is primary. It is also grounded in the process of exchange and the reason for making interest-bearing capital available is to open up new circuits of surplus-value production and profit generation for the industrial capitalist; and, interest for the interest-bearing capitalist. In addition, significant to interest –bearing capital is that the ownership of capital is not relinquished. It is temporarily released to facilitate the productive process and once this time has elapsed it is returned to the interest-bearing capitalist with interest. Interest-bearing capital employs the legal contract to alienate and compel the return of the loan with interest; this means that there is an extra economic obligation, namely, the legal contract to ensure that the loan will be returned plus the interest. In addition, interest-bearing capital employs time and monitoring mechanisms to ensure that the loan will achieve its desired goals; namely, surplus-value production and interest generation. This section will look at loanable capital as a more refined interest-bearing capital in the form of loanable capital.

Lapavitsas frames Marx's ideas on loanable capital, within the circuit of the broader notion of finance capital with monetary credit as its basis. Finance broadly encompasses the various methods through which capitalist enterprises obtain and deploy funds to support profit-making activities. Credit, on the other hand, is restricted to the advance of value against a promise to repay later plus interest. Finance is broader than credit because it includes relations of equity, bonds, shares (which will be dealt with under fictitious capital in the next section) rather than being restricted to borrowing and lending only. Hence, monetary or banking credit lies at the foundation of the financial system (Lapavitsas 2013: 109). Additionally, what should not be lost on us is the fact that the move from credit as a method of expanding capital's capability to accumulate to loanable capital is essentially based on capital's innate drive to expand and accumulate; self-valorise.

Loanable capital, the difference between trade credit and monetary credit; the borrower/lender relationship; information gathering and monitoring; the wide-ranging role that banks play are key concepts that define loanable capital. With the rise of finance capital through interest-bearing capital initially and loanable capital subsequently, there is a tendency to relegate productive capital or industrial capital to an inconsequential role in the process of capital accumulation.

4.2.7 Structuring the Borrower and Lender Relationship to Control the Process of Surplus-value

Capital's inherent tendency to self –valorise especially within the context of monetary credit, and since monetary credit by itself does not guarantee the expansion of capital; it needs to structure the relationship between borrower and lender in such a fashion that the lender has a certain control over the process of surplus-value production. This is to ensure that he receives the interest, which is derived from the surplus value produced. Loanable capital's drive to generate interest compels it to control the nature of the relationship; stated differently loanable capital seeks to structure this relationship to its advantage.

4.2.7.1 Information Gathering

In the borrower/lender relationship the characteristic interaction between these two entities is that they approach the transaction from two different standpoints. The borrower, which in most cases is an industrial or commercial capitalist, holds a project and holds specific knowledge of its details. The lender has money but has no knowledge of the project (Lapavitsas 2013: 111). Driven by the need to control the process of surplus-value production from which ultimately, interest will be generated, the lender is compelled to assess the creditworthiness of the borrower and in this regard, information gathering is of primary importance to the lender. The lender, to minimise the chances of the borrower undertaking fraudulent or careless action (moral hazard) and to avoid attracting a disproportionate number of poor quality borrowers (adverse selection), is forced to gather information about potential borrowers (Lapavitsas 2013: 111).

4.2.7.2 Monitoring

The banks play a pivotal role in monitoring. The bank as a modern 'moneyed capitalist' is more knowledgeable about the 'active capitalist's' (industrial/commercial capitalist) projects. The lender, in most cases the bank, must ensure the return of the loan plus interest. Although the contractual aspect of the lending relationship offers some legal guarantees, better assurance than the borrower's ability to generate surplus value can be guaranteed is needed. Legal guarantees notwithstanding there must be a certain sense of certainty in the borrower's ability to generate surplus value. Therefore, contrary to the lender's reluctance to get involved in the business of production, the lender is obliged to examine and monitor the business of the borrower precisely to remain remote from production. The reason for this monitoring is precisely to prevent the borrower from failing in his endeavours to generate surplus value. For if the borrower failed, the lender would be obliged to foreclose on the borrower resulting in the lender taking over the borrower's business with the aim of recouping some of the capital advanced, thus becoming involved in the business that the lender aimed to avoid in the first place. The necessity to monitor the borrower is even more pressing when the lender uses other people's money, as is the case of financial institutions and in this regard banks have entire departments devoted to the monitoring of borrowers (Lapavitsas 2013: 115).

4.2.8 Wide-Ranging Nature of Loanable Capital

Lapavitsas makes plain an assumption that interest-bearing capital is the sole preserve of a separate social group termed, monied capitalists, namely rentiers. The presupposition being that the capital derived for the provision of the loans arises exclusively from the reserves of these monied-capitalists. In contrast, Lapavitsas makes the point that capital for these loans is in a large measure the reallocated spare funds of the entire capitalist class and does not emanate from a section of this class termed 'monied capitalists' or rentiers (Lapavitsas 2013: 118).

Lapavitsas extends this point when he states that loanable capital that is ensconced in the hoards approach to the generation of spare funds supersedes the interest-bearing capital notion of the generation of spare funds which it restricts to the entirety of the capitalist class. With loanable capital, which is based on the hoards approach, idle funds are collected across society. For this reason, the typical form of loanable capital is that of financial assets which includes cash, deposits with financial institutions, and securities -which are promises to pay (liabilities) of financial institutions. Creating loanable capital involves the mobilising of idle funds generated within the circuits of industrial and commercial capital. It also entails mobilising funds generated outside capitalist circuits, for example, the private hoards formed out of personal income across social classes. The latter is a characteristic mode of creation of loanable capital in financialised capitalism, led by a host of institutional investors, such as pension funds, insurance companies etc. (Lapavitsas 2013: 118-119).

The point of Lapavitsas's exposition is that loan capital has a far-reaching ambit in how it attracts and mobilises capital. Loanable capital does not restrict itself to the capitalist class alone or a section of the capitalist, for instance, the 'monied capitalists' or rentiers. Rather it scours for potential capital or idle capital throughout society, across classes including the different types of capitalists, whether industrial or commercial. Its modus operandi is to find, attract and mobilise any and every type of available fund to ensure capital accumulation in its surplus value production form and its interest generating circulation form.

It is within the context of loanable capital and later fictitious capital where the origins of capital that gives rise to BEE funded transactions are grounded; and, not in productive or industrial capital where commodities are produced and sold on the market. A discussion, later in the dissertation, of the Sasol BEE transaction will attest to the loanable/ fictitious capital origins of BEE.

4.2.9 Emerging Dominance of Loanable Capital over Industrial Capital

With capital in general driven and compelled to accumulate it constantly seeks new avenues and spaces to dominate, to give vent to its proliferating proclivities. It is because of this compulsion that capital finds in loanable capital as finance capital the space to broaden its horizons for further accumulation. Lapavitsas makes the point that because of this move to open up new areas for accumulation that with the development of the financial system there emerges a tendency that gives the impression that diminishes the idea that borrowing is essentially for 'productive' purposes (Lapavitsas 2013: 119). He furthermore makes the point that borrowing in the age of finance capital can also be utilised purely for consumption, which has nothing to do with the production of surplus value in the process of production. What the lender is mainly concerned with is that the loan that was made available will generate interest. Hence, the source of interest accruing to the owner of loanable capital does not necessarily have to be surplus value resulting from a capitalist project (Lapavitsas 2013: 119).

Loanable capital, like interest-bearing capital, is made to appear distant from productive capital and thus its functioning is only partially dependent on the production of use-values, which is the preserve of productive capital. In contrast, the functioning of loanable capital is strongly conditioned by the design of financial institutions, customary practice, a legal framework and even cultural and moral elements. These factors also shape the impact of material factors on the functioning of loanable capital. Thus, both the volume and the rate at which loanable capital is advanced depends on technology and labour skills (Lapavitsas 2013: 120).

It follows that the enterprises specialising in handling and managing loanable capital could exhibit considerable variety in actual practice, even if they adopted similar organisational form. The institutional, legal, customary and cultural framework within which financial institutions operate stamps their practices across countries and areas. That there is great variation among financial institutions is important for analysing financialisation (Lapavitsas 2013: 126).

In sum, the borrower/ lender relation is of more worth when considered in terms of two functioning capitalists interacting to trade loanable capital. The lender approaches the transaction as the owner of money-capital that is of no immediate use to the operations of the circuit of capital for a specific period; the borrower seeks money to inject into an existing, or to start a new circuit of capital. There is no need for prior (economic or social) links between the two parties, and their relationship unfolds based on the borrower returning the money to the lender plus interest. Thus, the financial system emerges out of the unplanned interactions of 'functioning capitalists' and provides order in advance and return of loanable capital (Lapavitsas 2013: 120-121).

4.2.10 Fictitious Capital: The Anticipation of Future Value

Marx's theory of fictitious capital will shed further light on the sweep of finance capital in its drive to expand capital generally and it will speak more pertinently to the character and structure of black economic empowerment. Fictitious capital is quite different from the other two capitals that were previously dealt with namely, interest-bearing capital and loanable capital. Norbert Trenkle makes the point that fictitious capital is based on the anticipation of future value. This anticipation of future value arises whenever someone gives money to someone else in exchange for a title in ownership, namely a bond or a share in a company that represents a claim to that money and its augmentation (interest or a dividend) (Trenkle 2015: 5)

This monetary capital consists of nothing more than a documented claim representing the anticipation of future value. Whether or not the anticipation of future value is guaranteed can only be established after the future event has come and gone. This could go either way, either the anticipated income has been realised or the anticipated income has not been realised. This is so because we cannot foresee what the anticipated date will yield. It is only with hindsight that we will know for sure whether the value sought in the future will indeed be realised (Trenkle 2015: 5).

Trenkle makes the point that capital accumulation is no longer essentially based on the exploitation of labour power in the process of production of tangible commodities like cars, planes or any other commodities, but rather on the massive release of property titles like shares, bonds and financial derivatives (Trenkle 2015: 6). David Harvey termed these property titles pieces of paper that represent fictitious value for a claim to future value (Harvey 2006: 267).

The new development in capital accumulation, that is, the preponderant position that fictitious capital has taken in the process of capital accumulation has in itself become the engine room of capital accumulation while the production of commodities has been relegated to a necessary process in capital accumulation, it however, has not been a discarded process of capital accumulation (Trenkle 2015: 6).

There is a critical distinction between this form of capital accumulation and the form of capital accumulation that is based on the production of commodities. Trenkle puts forward the idea that because this new development is based on the anticipation of value to be created in the future, it is a process of capital accumulation that is not based essentially on the production of surplus value. More precisely for Trenkle, it is not based on the present exploitation of labour-power in the process of producing surplus value, but on the expectation of future surplus value production in the form of profits, which must ultimately be derived from additional exploitation of labour-power. This is a crucial distinction between these two processes. The point that Trenkle makes is that the anticipation and coming to fruition of future profits can only be realised in the light of the continued development of the productive forces. The 'anticipation of future value' is highly dependent on this process. Future anticipated value is highly reliant on the continuous development of production. Should the productive forces fail to produce value on a sustained and continuous basis future anticipated profits will have to be postponed until such time that the productive process produces the surplus-value from which eventually the 'pieces of paper' will be realised (Trenkle 2015: 6).

For Trenkle the shift to fictitious capital was a natural progression. The inherent nature of capital is that it is self-expanding and the lag between production and circulation forces the introduction of fictitious capital into the equation. This lag comes about because sometimes there is not sufficient money capital to purchase means of production and labour power for the production of surplus value, which forces capitalists to borrow from finance capital to breach the gap between production of surplus value and its realisation in circulation. The point is if enough surplus value cannot be produced to be realised in circulation then, capital cannot accumulate, as it would want given its structure and logic. Hence productive capitalists are forced to approach finance capital to obtain 'pieces of paper' as representative of rights to claim future surplus value, if it will help to keep capital to incessantly accumulate by breaching the lag between production and circulation.

When this happens, then the creation of shares and bonds as rights to future value is a natural outcome in capital's inherent nature to self-expand and also these rights to future value as represented by 'pieces of paper' (shares and bonds) themselves become the object of buying and selling; they too are traded as commodities. Capital accumulation then becomes less dependent upon the exploitation of labour power in the process of commodity production and more attuned to the anticipation of future value. He terms this shift capital's end-in-itself motion and this motion has become self- referential meaning that capital itself becomes a commodity that is bought and sold on the capital markets (Trenkle 2015: 7). Trenkle further expounds on the nature of 'anticipation of future value' by stating that the anticipation of future value that is capitalised and accumulated in the present, remains inherently tied to the logic and form of commodity production. However, in addition, the 'anticipation of future value' is also tied to a title to property (a tangible share certificate) that acknowledges the claim to a specific sum of money and its valorisation or augmentation (dividend) (Trenkle 2015: 7).

As Trenkle indicates, the sellers of these property titles are not workers selling the promise of labour to be rendered over a period of say ten or twenty years. Instead, the operatives of capital itself (primarily banks and other financial institutions) sell one another these certified claims to future value and thereby generate and accumulate fictitious capital. Based on this type of process capital has become completely self-referential; capital has now acquired the nature of a particular type of commodity that is one that is not produced in production using labour power. Now a commodity is self-generating within the confines of itself, hence Trenkle's reference to the self-referentialisation of capital. He further explains that capital is now a commodity that has the magic quality of augmenting capital within the sphere and parameters of itself. It appears that capital does not need production to reproduce itself.

Capital becomes a commodity that generates itself. Capital under the conditions of finance capital it appears does not arise within the process of production where surplus value is produced through the exploitation of labour-power. This is a new kind of commodity; it is a commodity of a special type that is self-generated and this self-referentialisation and generation of itself lays the basis for the rise and dominance of finance capital (Trenkle 2015: 7).

An important development that emerges, because of the commodification of capital, is that the sellers of labour-power find themselves in a position where critically their commodity, that is, labour-power is no longer the pre-eminent commodity for capital accumulation (Trenkle 2015: 7). Despite this shift, it however in no way means that capital has totally abandoned the world of commodity production. However, to the extent that capital accumulates through the anticipation of future value production, it frees itself from the overall dependency on the exploitation of present-day labour and the sellers of labour – power. This means that capital is only as free from commodity production as it is able to accumulate in the sphere of anticipated future value production (Trenkle 2015: 8) The point of the matter is that despite capital's freedom in the sphere of anticipated future value, that is, fictitious capital, it is still tied to the production of surplus–value.

However, this does not mean that capital does not need the process of producing commodities. It is important to recognise that the relationship between commodity production and the process of capital accumulation has changed. Where the production of commodities was the decisive medium for augmenting capital in the past, commodity production has now been relegated to being a mere factor in the now dominant process of augmentation under the auspices of fictitious capital; however, it is still an important factor to value augmentation generally (Trenkle 2015: 8).

This is a process of capital accumulation that does not consist of adding value to capital in the process of production or what Trenkle terms 'induced value production' but rather provides the imaginary material that underpins financial markets' future expectations. This is because even if the anticipation of future value is not overly dependent on the exploitation of labour in the present, it is nevertheless based on the constant generation of expectations of profitable material production at a later date. In order to support these expectations, activity in the present-day economy is indispensable. If that should stop, promises of future profit become implausible and the sale of property titles grinds to a halt (Trenkle 2015: 8).

David Harvey supports Trenkle's point that fictitious capital has its basis in credit money where a producer receives credit against the collateral of an unsold commodity. The money equal to the commodity is acquired. This money is used to purchase new means of production and labour-power. The lender in this case holds a piece of paper that states that the borrower will pay him back in the future, the value of which is supported by the unsold commodity (Harvey 2006: 267). When these 'pieces of paper' circulate they are now termed fictitious value. There now exists a gap between credit money as fictitious capital; and real money, which is tied directly to a commodity. If this credit money is loaned out as capital, it then assumes the role of fictitious capital (Harvey 2006: 267).

Importantly what must be noted is that this credit money as fictitious capital is advanced against future labour rather than against the collateral of already existing tangible commodities or present labour congealed in these commodities. In short money capital is invested in future appropriation. From the outset, therefore, money capital that is advanced has to be regarded as fictitious capital because it is not supported by any tangible commodity as collateral (Harvey 2006: 267).

To the extent that the accumulation of this paper expresses an accumulation of tangible commodities, it is only to that extent that it expresses the actual reproduction process. But as 'paper duplicates' the titles are purely illusory, fictitious forms of capital. The prices of these titles may then fluctuate according to their own laws quite independently of the movement of the value of real capital. Also, this capital itself cannot be withdrawn because the title is only a claim to future revenues. The title is a 'paper duplicate' of the real capital – and importantly, the paper duplicate can circulate while the real capital cannot (Harvey 2006: 268).

For Harvey government bonds and mortgages are all merely claims to future revenue. These are not real capital; they do not form the constituent parts of productive capital where value is produced. Therefore, in these cases money capital is invested in future appropriation. The money capitalist is indifferent to the ultimate source of revenue and invests in government bonds, stocks and shares, commodity futures according to a rate of return, the security of the investment and its liquidity (Harvey 2006: 268-269). All connection with the expansion process of capital through production is thus completely lost and the understanding of capital as something with automatic self-expansion properties is thereby strengthened (Harvey 2006: 269).

To conclude, in the preceding sections I have explained the foundations on which finance capital rests with the view to situate and explain the finance capital nature, character and logic of black economic empowerment. The foundations of finance capital were also framed within the broader logic of capital accumulation; that is, the internal structure of capital that is hard-wired to accumulate. The first piece of the finance capital puzzle is idle/hoard money which was drawn from society largely and deposited in banks from which interest-bearing loans were made. These interest-bearing loans were initially made to industrial or productive capitalists to further expand their surplus-value producing activities. However, because of capital's insatiable expansion proclivities interest–bearing capital became loanable capital which had a more far-reaching sweep than interest-bearing capital. It had the same modus operandi as interest-bearing capital but it was not as restricted. It was brought into existence purely because of the great need to accumulate by capital. Capital needed to expand its accumulation and the restricting bounds of interest-bearing capital created barriers to capital's need to accumulate. Hence with loanable capital the ambit of capital to scour for idle funds was increased. With the increase in idle funds more capital was available for expansionary purposes. With financial institutions playing a pivotal role in the expansion of capital, capital begins its process of becoming financialised. In its process of financialisation loanable capital puts in place the building blocks to dominate productive capital; all driven by capital's need to expand its predilections to accumulate. With loanable capital becoming the dominant form of capital its domination is coupled with the reconceptualization of capital where capital becomes a commodity itself.

The commodification of capital is further developed under the rubric of fictitious capital. Fictitious capital now becomes the epitome of capital as a commodity where capital itself is traded in the market with the idea of spectrally expanding itself even further. Now shares and government bonds and other such 'paper' become the tangible, so to speak, manifestation of fictitious capital, being in essence titles to future revenue. And, importantly, the theoretical exposition on the financialisation of capital is to show in later chapters that black economic empowerment is rooted in finance capital and because of this its claims to having the ability to distribute income more equitably and to stem the tide of unemployment are on tenuous ground.

4. 3. Equality and Inequality

The importance of this section is to understand economic equality and inequality within the confines of the exchange and production circuits of capital, respectively. And the first port of call in this discussion would be in the realm of exchange. This discussion is crucial for critiquing BEE's notion of what is inequality and equality.

4.3.1 Exchange

To lay the basis for understanding capital's need to construct a notion of equality, the importance of the commodity as fundamental to capitalist society needs to be discussed, particularly the fact that for a commodity to be a commodity it needs to be exchanged. For a commodity to be exchanged it needs the intervention of human beings to bring it to market for the exchange process to take place. It is in this process of exchange that the construction of juridical equality becomes a necessity for the exchange process to take place. The commodity then as the kernel of capitalist society is of vital importance.

4.3.2 The Commodity

The commodity is unique in that its internal movement is constituted by two inextricably linked aspects namely, use-value and exchange-value. The one presupposes the other and together they make up the commodity (Marx 1930: 4). However, it is the exchange-value aspect of the commodity that is vital for this discussion on juridical equality. In developing the relationship between use-value and exchange value, Marx indicates that a use-value can be a useful product of human labour without being a commodity. A person who satisfies his personal needs with the product of his own labour produces a use-value, but does not make a commodity (Marx 1930: 9). Therefore, to produce a commodity a person must not produce use-values for his personal consumption, but use-values so that others can use them. Commodities are produced for others (Marx 1930: 9).

Marx expands further and makes a crucial distinction between use-value and exchange value when he states that it is not enough to say that a commodity is produced for others. Production for others and not for one's own consumption does not a commodity make. Therefore, to become a commodity, "a product must pass by way of *exchange* into the hands of the other person for whom it is a use-value" (emphasis added) (Marx 1930: 10). Exchange therefore is vital to defining a commodity. A further vital cog to the movement of commodities from person to person or the exchange of commodities is the market. A commodity by its own cannot exchange itself in a market for another commodity. Commodities must have owners for the exchange to take place. Commodities are passive things and therefore to get to market they have to be taken there by their owners (Marx 1930: 59). Hence the importance of commodity owners for the exchange process to take place. Furthermore, a relationship of mutuality and reciprocity forms between commodity owners in the process of exchange.

4.3.3 Mutuality and Reciprocity

When owners want to exchange commodities with each other they do so mutually and reciprocally. To establish this mutual and reciprocal relationship there must be a willingness on the part of these owners to enter into a relationship of exchange. A willingness to exchange means that no force is applied to induce one or the other owner to exchange their particular commodity against their will. The owners exercise free will in the exchange process. As Marx states there must be mutual consent when commodities are exchanged. Furthermore, these commodity owners to this relationship of mutual exchange must reciprocally recognise one another as owners of private property (Marx 1930: 59). They must reciprocally recognise that the commodity that they have in their possession is their private property. This relationship of reciprocity, free will, mutuality and the recognition that each commodity owner to the exchange has in his possession his own private property lays the basis for an impending legal relationship, which is based on the contract.

4.3.4 Legal Relationship

One other aspect to this social relation which ensures its mutuality, reciprocity and free will is that it is also a legal relation which "secures outward expression in a contract". This voluntary legal relation, in the form of a contract, importantly, reflects the economic relationship between two commodity owners who intend to exchange their commodities in a market. In short, the content of the legal relation is primarily determined by the economic relation and manifests this relationship in the form of a contract (Marx 1930:59). The formalising of this social relation between commodity owners who intend to exchange their commodities with each other by way of a legal relation is primarily to institutionalise this social relation. To give it structure and permanence so that commodities can be exchanged without interference or interruption on an ongoing basis if surplus value in the form of profit is to be produced and circulated.

4.3.5 Effective Possession: The Law of Equivalence: Absolute Right to Private Property

Having established the relationship between commodity owners as being one based on mutual consent, reciprocity and grounded as a legal relation in contract, the next question for discussion is the nature of the legal relationship. The rationale for a legal relationship is effective possession of the commodity in the exchange process.

The fundamental principle of legal regulation is to secure the effective ownership of a commodity, that is, a commodity owner's private interest in his private property. Therefore, when they meet each other in the market to exchange private property they stand in opposition to each other in respect of their private property. Crucially, commodity owners in the exchange process desire to bring their commodities to market without interruption (Beirne and Sharlet 1990: 22).

Beirne and Sharlet are of the view that if commodities are to circulate freely it needs to occur uninterruptedly. This implies that owners must have effective control. It is by way of an absolute and constant right, which attaches to a commodity owner during the circulatory process that secures this effective possession and control. Furthermore, because of the conferring of absolute rights upon commodity owners in respect of their commodities they become legal subjects. How these legal subjects relate to each other in respect of their specific commodities is that they now relate to each other as equals (Beirne and Sharlet 1990: 22)

Miéville makes the point that as equals, when a dispute arises in respect of this contractual relationship of two equal legal subjects, it is resolved by law, in the form of the lawsuit. The lawsuit is there to protect the legal subject, the owner of private property; in respect of his private property should disputes arise with regard to the legal subject's right to possess his private property, the commodity, which is at the heart of commodity exchange (Miéville 2006: 86).

Miéville further develops this point when he states that it is precisely because of the existence of the commodity economy, the capitalist mode of production, that the commodity owner comes into existence and in turn gives rise to the legal subject. The capitalist mode of production or the commodity economy is the basic precondition from which arises the legal form, without it the legal form would not come into existence and hence have no meaning, therefore without this foundation, the commodity, and the corresponding legal relation is inconceivable (Miéville 2006: 87).

These legal relations arise because of the commodity relation, that is, the relationship that a person has in respect of a particular commodity. Because of this particular relationship he is intrinsically a legal subject with legal rights in respect of his commodity, to do with it as he chooses. The legal subject comes into existence simultaneously with the owning of a commodity. It is an interrelated process. It is a dialectical process; the one presupposes the other. Law then, is the regulatory instrument that is generally used in an economy based on commodity production. The legal form is the form which regulates the legal relationship. The regulation of which is essential to deal with disputes that might arise between commodity owners in respect of their commodities. The legal subject is central to this legal relationship (Miéville 2006: 87).

The commodity is thus brought to market to be exchanged, through the medium of money, for another usually very different thing. For these two things to enter into a relation with each other, they must be brought to market by their owners, who must recognise each other as such. Each agent must recognise the relation of all others in the market to their commodities, a relation of exclusive ownership. The juridical relation then arises within the nexus between a person's relation with his commodities and his concomitant relation with another commodity owner (Miéville 2006: 87).

4.3.6 Equal Rights

Having established the legal relationship that exists between the commodity owner and the legal subject, the aim of this section is to show how the legal subject undergirds the importance of equality by way of equal rights between commodity owners in the process of exchange within a commodity producing economy.

Miéville states that in capitalist exchange to sustain the idea of equality, the notion of a right and to be entitled to be a bearer of such right or rights is characterised by the generalisation of the notion of equal rights. Plainly put, commodity owners who come to market to dispose of their commodities are equals. They have the same rights when it comes to disposing or not disposing of their particular commodities. Furthermore, Miéville states that 'equal rights' is the generalisation of the abstract legal subject in capitalist society. Also, equal legal subjects, the key elements to the legal relationship regularises this relationship of equality by means of the contract, which is the formalisation of mutual recognition of equal subjects (Miéville 2006: 88).

It is in the realm of exchange, where legal subjects exchange their commodities as they choose; and, in so doing helps to establish the notion of legal equality between commodity owners. In addition, this legal relationship is formalised in the form of the contract and enforced by the state, which gives the parties to the contract effective control and possession in respect of their private property.

4.3.7 Capitalist and Worker

This formalisation of equality by legal subjects in relation to their private property (the commodity) does not exclude the relationship that the direct producer (worker) has in relation to the other legal subject (capitalist). The capitalist is always willing to exchange commodities with the direct producer because the capitalist cannot do without the direct producer's commodity, namely labour power. Simply, because the labour-power of the direct producer is the only commodity that produces the surplus-value from which is generated the profit that capital needs to reproduce itself, which is self-valorise. But to acquire this commodity the capitalist has to acknowledge that the direct producer is a legal subject with rights to private property; and, free will; and not force will see them entering into a mutually reciprocal contractual agreement where the direct producer will, in exchange for his labour-power receive a wage from the capitalist. In terms of the logic of juridical equality, these two bearers of commodities in the process of exchange are seen as two equals constructed as legal subjects and imbued with equal rights. Only in form as in substance, there is an unequal relationship between them.

To sum up, this section has illustrated how capital in the realm of circulation constructs equality where the legal subject, the bearer of rights plays a central role to facilitate the exchange of commodities which is crucial to the ability of capital to accumulate at the rate and pace that it is allowed to. Moreover, capital utilises law to undergird the fiction that legal subjects are equals in the realm of exchange. This is to ensure the continued and smooth exchange of commodities. What the law does is that it establishes a settled and an enabling environment that uses legal subjects, owners of commodities, who are each other's equal to facilitate the smooth uninterrupted exchange of their commodities. Law then becomes the necessary enabling factor that will create the circumstances for legal subjects, to be understood as equals, so that they are in a position to exchange their commodities without interruption. Moreover, it is law that grounds and gives structure to this notion of equality in the form of the contract and backed up by the state. And because legal subjects exchange their commodities as equals this notion of equality; a juridical notion, is reified and given permanence in the supremacy of the constitution within the context of a constitutional democracy. Hence, the often-used dictum that everybody is equal before the law.

However, the story on this particular construction of equality is not fully told. When commodity owners are supposed to be exchanging commodities as equals, willingly and freely; unbeknownst to the direct producers and within the deeper reaches of the productive process an elusive subterfuge is playing itself out. Within the context of the labour time necessary to reproduce labour power/ unpaid labour time nexus, the surplus value produced by the direct producer is being expropriated. This activity bears the markings of an exploitative relationship and manifests itself as the paragon of inequality.

The next section will ground the argument in the process of production to illustrate that exploitation is the cornerstone of the unequal relationship between capital and labour. And the exploitative relationship is quintessentially characterised by surplus-value expropriation, the cornerstone of inequality in capitalist society. Therefore, the semblance of juridical equality in the realm of exchange does not present the true state of affairs, namely, the exploitation of the direct producer by way of expropriation of the surplus-value. And it is to this question that I now direct myself to.

4.4. Material Inequality

4.4.1 Production: Exploitation and Surplus Value Expropriation the Source of Inequality

The important question for this section is to explain how inequality is produced and enforced in the process of production. This question will be examined within the context of exploitation and the crucial role that labour power plays in the production of surplus value.

The labour process is a process which unfolds between things that the capitalist has bought, notably means of production and labour power (Marx 1930: 178). The buying of labour-power is central to the labour process. The buyer of labour power, the capitalist, buys it to put the seller of labour power to work in the production of use-values (Marx 1930: 169).

Marx states that the daily costs to maintain a worker so that he has the ability to work, that is, produce labour power, and the daily output of labour power, that is, produce use-values for exchange are two very different things which are; however, inextricably linked. The daily cost of labour power determines the exchange value of labour power in the market. And the daily output of labour power determines its use-value. The value of labour power and the value that labour power creates in the labour process are, therefore, two completely different magnitudes (Marx 1930: 187).

Crucial for Marx is that of the difference in magnitude of these two values that is, the value to sustain the worker and the value that labour-power creates over and above that which is created to sustain himself (surplus-value), it is the latter (surplus-value) that capital had in mind when it bought labour-power. The decisive point for Marx is that this commodity, labour power, is a peculiarly unique use-value in that it alone can create value. Of importance is that it is able to create more value than is necessary to sustain the worker/direct producer (Marx 1930: 188).

Marx's point is that labour-power purchased as a particular kind of commodity has the specific usefulness of being the sole creator of value; it is the only source of value. More importantly it must be able to create value over and above the value that is needed to sustain this labour-power. And this is the kind of service that capital expects from labour power; that is, the ability to produce over and above its own value; that is, produce surplus-value. Marx further adds that capital has two main objectives in the production of use-values. Firstly, to produce a use-value for exchange and secondly, and more importantly to produce a commodity whose value will exceed the total of the values of the commodities used up in producing it; that is, the total value of the means of production and the labour power for which, in the commodity market, he has advanced money for (Marx 1930: 179). The sole objective of capital is not merely to produce a use-value; essentially, capital produces a commodity not only for its usefulness as a use-value, but also importantly, a commodity for exchange to realise surplus value (Marx 1930: 179).

Marx makes the point and it confirms the importance of the surplus-value production in the labour process when he states that the daily maintenance of the labourer costs only half a day's labour, and despite this, labour power is expended in the form of work for the entire working day. The implications of this process are that the value which a worker creates during a working day is twice the value that the worker needs to be sustained. The seller of labour power creates twice its value in a working day, of which half of it is appropriated by capital which constitutes surplus-value. As Marx concludes this is: "So much the better for the purchaser…" (Marx 1930: 188).

Marx’s words are instructive; the appropriation of surplus-value from the unpaid labour of the seller of labour-power is indeed “So much the better for the purchaser…”. In production where the direct producer (worker) is put to work for the day, the surplus value that he produces over and above the wage represents a relationship which belies the formal equality that is bestowed upon them when they are negotiating as equal legal subjects in the process of procuring each other’s specific commodities. The appropriating of surplus value, which he has produced at the point of production, and for which he is not paid would suggest that this relationship is not based on equity or equality and fairness, but rather based on inequality.

Unlike what happens in the process of exchange where commodity owners are considered to be legal subjects and also, equals with the right to dispose of their commodities as they wish, the direct producer (worker) is also considered to be a commodity owner with legal subjectivity which is formalised by the contract, and the worker too can dispose of his particular kind of commodity, namely, labour-power `freely’ as he saw fit. This very unique form of commodity is highly desired by the capitalist since labour power is the only commodity that can produce the surplus value that capital craves. Therefore, in the circuit of exchange these two equal legal subjects meet in the market to exchange their commodities as sovereign owners of commodities. On the one hand, the capitalist has money, which he will exchange for the workers labour-power at a price, called the wage. On the other hand, the worker is contracted to work for him for a period of time to produce whatever commodities that the capitalist needs to exchange on the market. To repeat, in this exchange they are considered to be equal legal subjects.

To illustrate the necessity and desire to extract surplus-value, the other component to this process needs to be considered and that is the working day and its control. The control of the working day illustrates the gravity and the extent to which capital will go to fully exact and use what it paid for. Moreover, it also illustrates the ruthless imposition that capital will inflict upon the direct producer in its pursuit of surplus value which simultaneously creates the corrosive nature of the inequality that the direct producer endures.

4.4.2 Control of the Working Day

The capitalist dominates and controls the labour process. Since all that the capitalist has bought including labour power belongs to him; he therefore seeks to ensure that he exacts maximum use out of that which he purchased. The capitalist takes good care that the work shall be done in a proper way, and that the means of production shall be suitably used. The capitalist takes care that none of the raw material shall be wasted, and that none of the instruments of labour shall be broken. The instruments of labour shall only be used up in so far as this is essential to the labour process (Marx 1930: 178). The point conveyed is that the worker engages in the labour process essentially at the whim of the capitalist. The capitalist is totally in control of the entire labour process.

Importantly, that which is produced by the worker is the property of the capitalist hence the importance of the total control of the working day. It is based on the fact that the use of labour power must be optimally utilised since it only belongs to the capitalist for the period that it was contracted for. This means that the capitalist owns the right to use that commodity (labour power) for the specified period. The direct producer from whom that labour power comes from is powerless to withhold it during the course of that day. It is a commodity that was sold to the capitalist for that specified period. It is only when the legal limit to use that labour power has come to an end is the direct producer entitled to reclaim his commodity, and that only happens after the worker has fully expended his labour power for that specified period (Marx 1930: 178) As Marx restates:

> From the moment when he enters the capitalist's workshop, the use-value of his labour power …belongs to the capitalist (Marx 1930: 178).

The capitalist's hold over the labour process is absolute. He owns the labour power purchased for whatever the duration of time it was purchased for and, the capitalist owns the means of production, which the labour power will use to create use-values, which eventually will be sold as commodities on the market. Therefore, the capitalist controls the labour process and the product of that process with unambiguous and ruthless resolve, which at the same time, entrenches the unequal relationship between capitalist and worker. In the next section the notion of fairness will be discussed as the use of this concept seeks to absolve the capitalist from the accusation of exploitation since he believes that he paying a fair priced for his commodity, labour power, fairly negotiated by sovereign legal subjects in market. However, Frederick Engels illustrates the fundamental flaw in this claim.

4.4.3 A Fair Day's Wage for a Fair Day's Work

Engels writing for The Labour Standard addressed the question of a "Fair Day's Wages for a Fair Day's Work". Engels makes the distinction between considering this standard as a question of moral and legal fairness, a 'sentimental feeling of humanity, justice or even charity"; to a question of social fairness. For Engels what is morally fair is not necessarily socially fair. Social fairness or unfairness can only be decided by political economy in the process of production and exchange (Engels 1881: 1).

Of crucial importance to the understanding of the nature of this relationship is that the extraction of unpaid labour, surplus labour, by the capitalist is built into the entire relationship; it is at the very heart of the whole process. The inequality of this relationship lies embedded within the very architecture of the relationship and this process takes place before the surplus-value is realised in the circuit of exchange. It is only in the process of exchange in the market that the surplus-value is actually concretely realised. And until this happens the surplus-value extracted in the course of the working day lies dormant and invisible. Furthermore, the notion of "A fair days wage for a fair days work" helps to keep the ghost of surplus-value hidden under the cloak of fairness. The spiriting away of this surplus value is the foundation upon which this relationship is built. It is one which does not render apparent the intrinsic inequality to this relationship. Engels illustrated that there is nothing fair about the wage in relation to a day's work. The wage in capitalist society is generally understood as being an amount of money that the worker receives for the entire time and the amount of value that is produced in that time. Put another way capitalist society makes believe that the worker is being paid for the full value of his labour, that is, for the entire day that he is employed, when in fact the worker is only paid for the value generated which sustains the worker and reproduces the required labour power.

Now if the direct producer was paid for the full value of labour power expended then it means that the direct producer who is the only one that can produce value will then, if paid for the full value of his labour, be entitled to the entire value that was produced in any particular day. The direct producer would then be paid for the full extent of his value-producing labour. The implication is that the capitalist would then not be entitled to the surplus value since the direct producer's wage would be the full extent of the value produced in that day, a full day's value.

However, in capitalist society the direct producer is never paid "for the full value of his labour"; but paid that part of value which reproduces himself which invariably is a fraction of the day. The other fraction of the day is the surplus labour expended by the worker which capital appropriates as surplus value. So, to speak of a "fair wage for a fair day's work" is to perpetuate the mistaken belief that a worker is paid "for the full value of his labour". He is not. He is paid only that portion of the value of his labour, which reproduces himself and his family; and in money terms, it is the wage.

The exposition above illustrates the importance of the working day to understanding the unequal relationship that exists between capitalist and worker in the labour process. How long, how intense and how controlled the work-place is, is vital to the capitalist as far as the amount of surplus labour that is exacted from the direct producer is concerned. The working day to a large extent ensures surplus value extraction for the capitalist, since he pays the direct producer a wage for the added value that he extracts per day. Therefore, the length of the working day in hours is vital to the surplus value extraction that drives the capitalist to accumulate. This means that driven by its need to accumulate the logic of capital demands that it controls the length of the working day.

The working day then, according to Marx, is not a constant but a variable magnitude dictated by the demand to accumulate (Marx 1930: 231). It is true that one portion of the working day is determined by the amount of labour time necessary for the perpetual reproduction of the worker, but the total length of the working day is dependent upon the duration of the surplus labour it can extract during a particular working day. The amount of surplus labour that can be extracted in a particular working day is the important part of the working day for the capitalist. If there is no surplus labour to be extracted it follows that no surplus value can be appropriated which eventually means that capital cannot reproduce itself and finally the end of capital will be inevitable.

Despite capital's compulsion to control the working day, there are specific restrictions that restrict their unbridled control of the working day. Marx highlights the fact that the maximum length of the working day is decreed by two considerations. One, the physical restrictions imposed by nature on labour power, that is, the capacity to work. In the course of a 24-hour day a human being can only expend a certain quantity of vital energy. Part of the day must be reserved for rest and sleep; and during another part of the day a human being has to eat, wash and be clothed. Marx in addition, states that besides the physical limitations, there are also mental and moral limitations that have to be taken into consideration with regard to the length of the working day (Marx 1930: 231-232).

The physical, mental and moral limitations to the working day are determined by the general level of the particular spatio/temporal context in which they take place. As a consequence of this, the variations in the working day will occur within the dictates of physical and social limitations. However, Marx warns that both these restrictions are elastic, and therefore capable of considerable variation. Therefore, in practice and given the particular context, a working day may be eight hours, 10 hours, 12, 14, or 16 hours long; thus illustrating the variability and elasticity of the working day (Marx 1930: 232). This of course has a direct bearing on the amount of surplus labour exacted and the surplus value appropriated.

To restate, the point of this exposition is to show the degree and extent capital feels the need to fully exploit the commodity that it has purchased. The right to fully exploit the use value of the commodity that it bought, namely, labour power. The capitalist wants to control the labour process to such an extent that it will to the last degree control the labour process even if it meant pushing the worker above the workers' physical limitation to get full value for the labour power that it bought. In a lengthy quote, Marx likens capital to a vampire:

Capital is dead labour, and, like a vampire, can only keep itself alive by sucking the blood of living labour. The more blood it sucks, the more vigorously does capital live. The time during which the worker works, is the time during which the capitalist is consuming the labour power he has bought. If the worker consumes his (capital's) disposable time for his own purposes, he is robbing the capitalist. Thus, the capitalist appeals to the law of exchange of commodities and like any other buyer; his desire is to turn the use-value of his commodity to the greatest possible advantage (Marx 1930: 233).

4.4.4 Capitalist, Worker and Class Struggle: "The Greatest Antinomy": A Sharpening of the Class Contradictions

Despite capital's right to use its commodity as it chooses, the direct producers/ workers do not stand idly by in this process. This particular commodity, labour power, being uniquely different to any other commodity, it being a particular quality of a human being, has definite physical and mental limitations. Surplus labour cannot indiscriminately be exacted from it without the possibility of working it to death and thus killing off the source of value creation, which is vital to capital accumulation and consequently capital's survival. With the working day and the length of the working day being vital to the exacting of surplus labour there invariably is a fight over what would constitute a working day between capitalist and worker.

Since there is what Marx termed extreme elastic limits on the working day, the nature of the exchange of commodities imposes no limit upon the working day and no limit on surplus labour exaction (Marx 1930: 234). The capitalist maintains his right as purchaser when he attempts to make the working day as long as possible. On the other hand, the worker maintains his right as seller of labour power to restrict the working day to a normal length. Because of the unique nature of the commodity sold to the capitalist, that being, that labour power the source of value cannot be worked to such an extent that it cannot produce the value that is intrinsic to capital's development (Marx 1930: 234).

It is within this nexus where Marx observes that we "encounter antinomy in which right conflicts with right", both of these rights being sanctified by the law of exchange of commodities; and when rights conflict, states Marx, then force decides the issue. The force that Marx is alluding to arises because of the struggle around defining the limits of the working day; a struggle that translates into a fight between the aggregate of capitalists, the capitalist class, and the aggregate of workers, the working class (Marx 1930: 235)

The right to control the working day can also be explained as the fight by the collective working class not to have their unpaid labour power expropriated by the capitalist. Put another way, the 'antinomy' that Marx speaks of is a class struggle waged by the collective working class to increase the wage. The commodity that they sell, labour power, in exchange for a wage is the site of class struggle. This "antinomy" has its origins in the dialectic of the commodity and finds antagonistic expression in the class struggle around the control of the working day.

When one reconsiders this relationship between capitalist and worker and the struggle over the working day which in the final analysis boils down to the fight over the extraction of surplus labour from the worker which the capitalist believes that he has a right to, one cannot but come to the conclusion that this relationship is of the greatest "antinomy" and inequality. Its inequality comes into play at the point of production. The capitalist feels entitled to the worker's surplus labour, he also feels entitled to control the work place in such a fashion that none of the labour power that he bought from the worker nor the means of production be wasted in the process of value creation. It is in the interests of capital that when labour-power is purchased it will be used efficiently, effectively, and where necessary as cheaply as possible.

Capitalists want to keep the wage, as low as possible because it automatically means that surplus labour would increase and consequently surplus value, which is vitally important for the capitalist. "Moments are the elements of profit" Marx stated, when he described what factory inspectors established what factory owners were doing to ensure that every moment that the factory owner purchased in necessary labour time was used up (Marx 1930: 244). To further undergird this observation by Marx, Harvey relies on the old cliché of "time is money" to once again illustrate the importance of labour power as a source of all value, the essence of capital (Harvey 2010: 139). In the final analysis, this process is so designed to understand the worker as a mere provider of surplus labour from which surplus-value is generated, the life blood of capital and in the process the very essence of inequality.

To conclude, in the expositions on exchange and production what was illustrated is that in the realm of exchange capitalists, workers are seen as equals, and their equality is guaranteed in law and enforced by the state. However, in the realm of production the nature of this relationship, between capitalist and worker is not one of equality at all it is one of antagonism and 'antimony". This process of appropriation of the workers surplus-labour is the fundamental locus of inequality in capitalist society.

When taking these two processes into account, exchange and production, there clearly exists a dissonance in terms of perceived equality and real material inequality, or formal legal equality and substantive material inequality. It is in capitalist society that the notion of equality that plays out in the process of exchange is given pre-eminence. However, what lurks beneath this notion of formal or juridical equality is the fundamental root of inequality in capitalist society; namely, production, where the capitalist exacts, as his own the surplus labour and appropriates the surplus value of the worker. In the process of commodity exchange capitalist and worker are considered as equal legal subjects.

This process conjures up an aura of equality. It gives the direct producer the idea that by selling his labour-power to the capitalist for the duration of a working day for a wage, he is engaging in an act of fair exchange between two equals. However, on closer scrutiny one realises that the wage which bought the labour-power is just one aspect of the working day. The other aspect of the working day is made up of the surplus labour or the unpaid labour that the worker produces which the capitalist appropriates as surplus value. He appropriates this unpaid surplus labour as surplus value because he is legally entitled to it because he bought this labour-power for the entire day. This is the quintessential act of inequality, but in capitalist society the formal or juridical notion of equality which is rooted in exchange takes pre-eminence. It dominates notions of equality and the fact that it has the force of law, gives it a sense of structure, permanence and formality.

In the next section, Marx's theory on how the surplus value is distributed will be explained to lay the foundations to illustrate that when surplus value is distributed it already is premised upon the inequality that occurs in the process of surplus value expropriation that takes place in production. This theory will lay the basis to interrogate black economic empowerment's claim that it can and has the ability to distribute income equally; that it can distribute the total product of society equally despite the fact that in the form of fictitious capital it is premised upon the "greatest antinomy", that is the exploitation of the seller of labour power by expropriating the unpaid labour or surplus value produced by the seller of labour power.

4.5 Trinity Formula: Surplus Value Distribution Predicated Upon Material Inequality

The point of using Marx's critique of the "Trinity Formula" is to show that however surplus value is distributed from the total product of society it is solely produced by labour power. This surplus value is then distributed to the different factions of the capitalist class. Of importance to note, is that this surplus value distribution is distributed from an unequal base that is located at the point of production as argued above. Surplus value distribution is not independent of the production of the total value of society; it is inextricably linked to the total value of society. The primary purpose of this critique and which is significant for this chapter is to illustrate that black economic empowerment since it is located in finance capital which is linked to productive capital and arises from the surplus value component of the total value produced in society, it makes it difficult for black economic empowerment to address economic inequality by claiming to distribute income equally, when the intrinsic architecture of capital is not designed to distribute income equally, no matter how strongly the claim is made nor the strength of the conviction to satisfy this claim, and, more importantly, in the final analysis black economic empowerment is premised upon this very inequality that it claims to want to eradicate in the realm of finance capital. Objectively it is not possible and subjectively it cannot be demonstrated.

In his analysis of the "Trinity Formula" Marx highlights the fact that as far as the "Trinity Formula" logic was concerned, capital yields a profit to the capitalist, land a ground-rent to the landlord, and labour-power a wage to the labourer. Marx also makes the point that these three factors of production are in fact tied to the total value annually produced, and that the corresponding portions of the annually created total product may be annually consumed by their respective owners, namely, capitalist, land-owner and labourer, as profit, rent and wages. Marx says that they are like the annually consumable fruits of a perennial tree, or rather three perennial trees; they form the annual incomes of these three classes, capitalist, landowner and labourer (Marx 1984: 821-822). This according to Marx is how neo-classical economists (Smith and Ricardo) understood how the total value and the total product of capitalist society were shared. What Marx also brings to our attention is the fact that capital, land and labour appear to these agents of production, capitalist, landowner and labourer, as three different, independent sources, from which there arises three different components of the annually produced total value (Marx 1984: 822).

What the logic of the "Trinity Formula" does not engage with, is exactly who produces the annual total value of capitalist society. What the logic that informs the "Trinity Formula" is oblivious to is that the total value of the annual product is nothing but materialised social labour, in other words, labour power produces the total product of society. Marx makes the point that neo-classical economists do not see the total value of the annual product as being nothing else but materialised social labour. In Marx's words:

…it is not in this form that the matter appears to the agents of production, the bearers of the various functions in the production process, but rather in a *distorted form* (Marx 1984: 822) (emphasis added).

The distorted form Marx is speaking about finds form in capital, landed property and labour, which appear to those agents of production as three different, independent sources, from which arise three different components of the annually produced (total) value (Marx 1984: 822). What needs to be clarified is that it is materialised social labour that gives rise to the total value of the annual product. It is materialised labour that brings into existence the total value of the annual product which includes the revenues, (profit, rent and wages) which have their roots respectively in the factors of production, namely, capital, landed property and labour. Marx makes it plain that materialised labour forms the basic substance of these forms of revenue (Marx 1984: 822).

Marx drives home the point that materialised labour is the creator of the total value of the annual product, when he states that labour-power as the producer of value is constituted within the commodity which generally forms the basis of the total value of the annual product. Importantly, labour-power as the producer of the total value of the annual product also generates the wage which is the price of labour power. If the total value of the annual product is to be produced then labour-power has to be bought in the market to produce this total value of the annual product, since labour-power is the sole creator of value. And in the process of procuring labour power by the capitalist from the worker the price that is paid for the labour–power is constituted by the wage. The point of this exposition is that in the process of procuring labour-power for the production of surplus value, the wage is also generated as that form of value, which is paid to the labourer; materialised labour also generates the wage. Furthermore, it not only generates the wage it also generates profit and rent thus emphasising the point that labour-power generates the total value of the annual product, that is, all value in capitalist society, which includes profit, rent and the wage. As Marx states:

> Labour is also materialised in that value component of a commodity which as wages forms the price of labour-power; *it creates this portion just as much as the other portions of the product; but it is materialised in this portion no more and no differently than in the portions forming rent or profit* (Marx 1984: 823) (emphasis added).

Materialised labour, according to Marx, not only generates the wage it generates rent and profit too. By showing the importance that materialised social labour plays in the production of profit, rent and wages, Marx dismantles the idea that profit, rent and wages are *independent revenue streams* flowing from their respective sources, namely, capital, land and labour. Marx lifts the veil that shrouds the true nature of these three forms to demonstrate that they are inextricably linked within the realm of Marx's law of value. Marx confirms this point in the following statement:

> If we at first considered the disparity of the above three sources, we now note that their products, their offshoots, or revenues… all belong to the same sphere, that of value (Emphasis added) (Marx 1984: 823).

In this analysis Marx puts paid to the idea that capital, land and labour are three independent sources of revenue by demonstrating that all three these sources of revenue have roots in the law of value. He dispels the notion that all of labour's social productive force is attributed to capital rather than labour; and, that labour's productive force issues exclusively from the womb of capital itself (Marx 1984: 827).

The effect of the belief that the production of value is attributed to capital as the sole producer of value as opposed to labour has implications for the production of surplus value. The implication being that surplus value arises exclusively within the process of circulation and exchange, that surplus value is produced and realised in circulation by capital's power exclusively. Moreover, Marx makes the point that this veiling appearance is especially reinforced by the perception that the making of profit depends on cheating, deceit, inside knowledge, skill and a thousand favourable market opportunities; and, has nothing to do with the production of surplus-value from whence it arises.

This perception it would seem has nothing to do with the production process where labour-power and means of production are the two key constituent elements to the production of surplus value and everything to do with extraneous processes unrelated to the processes of production and circulation. The point is that for surplus value to be produced both the productive process and the process of circulation is needed, surplus value is produced in production, realised in circulation, and has nothing to do with cheating, deceit, inside knowledge and any other unrelated activity to production. However, for neo-classical economists this does not hold, for them surplus value is produced and realised in the realm of circulation or exchange. While it is realised in the circulation or exchange it is certainly not produced there.

Marx emphasises the point that the logic of the "Trinity Formula" gives way to the thinking that the "actual process of production, as a unity of the direct production process and the circulation process", gives rise to new formations, where the "vein of internal connections is increasingly lost". The relationship between production and circulation "are rendered independent of one another" and become ossified into forms independent of one another (Marx 1984: 828). However, notwithstanding this, the conversion of surplus value into profit is determined as much by the process of circulation as by the process of production. Surplus-value realisation can only come into existence based on the interconnectedness of both production and circulation, it cannot be realised solely in the realm of circulation. This is the flaw that prevails within the logic of the "Trinity Formula" exponents. They see surplus value in the form of profit as no longer related to the pivotal role that labour plays in the production of surplus value in the form of profit. For them the rate of profit is regulated by laws of its own rather than by the law of value of which labour power plays a pivotal role. All this, states Marx more and more obscures the true nature of surplus value, which is premised on the exploitation of labour-power, and therefore the true nature of capital. He further clarifies this point when he states that profit seems to be determined only secondarily by direct exploitation of labour. Profit seems to be determined essentially by the movement of market-prices which apparently prevail independently of the exploitation of labour. The exploitation of labour power does not form the basis for the production of profit; rather, the regulating effects of market-prices are the primary determinants of profit (Marx 1984: 829).

More succinctly, in this exposition Marx is resolute that neo-classical economists (Smith and Ricardo) do not consider the matter of exploitation in the production of surplus value. The production of surplus value by the exploitation of labour-power is not understood as the source of profit; also, value does not feature in the production of commodities. Commodities are seen to have no value; they only have a price which is determined by the demand and supply of the market, that is, the "value" of commodities are in their price which is determined only in the process of circulation. And all profits arise within the confines of capital itself and are independent of the exploitation of labour which prompts Marx to state that profit, it would appear, arises directly "out of the wage-labour of the capitalist himself" (Marx 1984: 829).

The point of this section was to show that the value on which profit, rent and labour are premised upon do not arise independently and hence are not self-generating processes; but, rather, that they arise essentially within production where surplus-value is produced. The logic of the "Trinity Formula" as argued above because it does not comprehend the important role that labour power plays in the production of all value; and, importantly the production of surplus-value in an integrated productive process and, which in the final analysis is the source from which profit, rent and wages emit, cannot hold.

4.6 Surplus Value Expropriation, Income, Fairness and "Just Deserts"

The Trinity formula advocated that the incomes from capital, land and labour were independently produced and that these sources of income had no relation to the surplus value producing capacities of labour power. In this section the notion that income from capital, land and labour are fairly distributed will be appraised to question the veracity of this claim.

Greg Mankiw (2010) makes the proposition that people should get what they deserve. An individual who contributes more to society deserves an income that reflects that greater contribution. In addition, society allows him the higher income because it is rightfully his. This perspective is the theory of Just Deserts (Mankiw 2010: 295).

For Mankiw the implications of the Just Deserts theory are that the standard set of assumptions are that a competitive market economy leads to an efficient allocation of resources. Also, that the factors of production are paid the value of their marginal product. That is each person's income reflects the value of what he contributed to society's production of goods and services. Under these conditions every person then merits his just deserts (Mankiw 2010: 295).

Peter Bauer too believes that just deserts are incomes that are earned and not extracted from others. It is also by no means unjust that those who produce:

> Just deserts normally are incomes earned, not extracted from others, and it is by no means obvious why it should be unjust that those who produce more should enjoy higher incomes (Bauer 1982: 1).

David Ruccio identifies three pillars on which Bauer's argument rests. Firstly, that just deserts are deserved because they stem from a person's capacities and motivations. Secondly, it is procedurally justified because they are the outcomes of a voluntary arrangement. Thirdly, that just deserts leads to higher living standard for all (Ruccio 2012: 2).

In the first instance if labour is taken into account, Bauer as quoted in Ruccio, argues, that the income that labour generates in respect of the labour time expended is an income that the worker deserves; it is not dependent on any other factor of production. It is by the worker's own need and necessity that drives a worker to earn a bigger income. Bauer's claim that labour is deserving of a particular income is directly related to labour's capacity and motivation to work. The implication being that if labour has diminished capacity and is demotivated it would have a direct bearing on the type of income that labour will earn. Under these circumstances the income earned is deserved. In the second instance, nobody forces labour to work, labour commits itself voluntarily, and it does so out of its own volition. Finally, because labour is driven by the need to survive and also to improve its standard of living (Ruccio 2012: 2).

Based on these three aspects Bauer came to the conclusion that the income a worker receives is what he justly deserves. Hence, a person receives an income based purely on how he has motivated himself and utilised his capacities and competencies to that end. Because of this, he is therefore deserving of the returns as a result of the extent to which he has deployed his capacities and competencies. Extending Bauer's logic to rich people, rich people are rich primarily because they are optimally motivated and that they have used their capacities and competencies to the full extent. Correspondingly, poor people are poor precisely because they are not sufficiently motivated and neither have they utilised their capacities and competencies to their full extent (Ruccio 2012:2).

The responsibility lies with the individual if he/she wants to be suitably rewarded. Therefore, for neoclassical and modern economists the inequalities that are manifest in capitalist society have nothing to do with the law and motion of capital; and, that has everything to do with how motivated the individual is; and, how well they use their capacities, abilities and competencies. Therefore, the individual in capitalist society earns a particular income commensurate with the extent to which the individual is motivated (Ruccio 2012: 1). Greg Mankiw confirms this:

…people …get what they deserve," that is, "a person who contributes more to society deserves an income that reflects those greater contributions (Ruccio 2012: 2).

To augment the idea of just deserts Mark Thoma incorporates a particular construction of fairness. As far as he was concerned not only is the worker deserving of his income, but that the income was just and fair. He argues that, when neoclassical economists conclude that when the factors of production (capital, labour and land) received in the form of income (profit, wages and rent), their marginal contribution to production, and when individuals receive incomes equal to the selling of their labour, it is an argument that the distribution of income within capitalist society is such that everyone gets what they deserve and what you receive is directly related to the effort expended in the production of that income. And not only is this income deserving of the particular factor, but is also fair. Hence, incomes in capitalist society are deserving and fair (Ruccio 2012: 2). The opposite would then obtain if the logic of this argument is extended, unfairness would be when a worker expends the necessary effort and motivation in procuring a particular income and this income is not forthcoming.

According to George De Martino the laws, institutions and norms of capitalist society encourage workers to seek only “a fair day’s pay for a fair day’s work” (Marx, 1890)[11] that is, a level of compensation that is commensurate with their assumed contribution (De Martino 2000: 105). The assumption is that their claim to a share of social production is treated as equivalent to the claims of capitalists, financiers and landlords who also commit their particular resources to production. This mode of thinking reflects the neoclassical convention that capitalists, financiers and landlords are also productive (De Martino 2000: 105). Hence, profit, interest and rent are incomes that are derived from the contributions that capitalists, financiers and landlords make to production. In this respect whatever the magnitude contributed, and the income derived thereof, in neoclassical terms is considered to be fair; that is, a fair remuneration for the contribution made to production. Hence, the biblical invocation: ‘a fair day’s pay for a fair day’s work’ was incorporated into the capitalist

[11] Marx, K (1890) Critique of the Gotha Programme. *Journal of Die Nueu Zeit, Vol 1*(18). Retrieved on 1 September 2018 from: https://www.marxists.org/archive/marx/works/download/Marx_Critque_of_the_Gotha_Programme.pdf

ideological armoury to induce workers to seek only what in capitalist society was considered to be ‘a fair day’s pay for a fair day’s work’ and nothing else.

Marxists would argue that the capitalist distribution of income as a system is not fair (Ruccio 2015: 2). For Marxists when workers receive the value of their labour power, the wage, capitalists are able to receive their “value” which is the appropriated unpaid labour of the worker in the form of surplus-value and later profit (that is, there is exploitation). As long as capitalists are able to expropriate the surplus-value produced by the worker, that is, the unpaid labour of the worker, the question of a fair distribution of income in capitalist society cannot hold (Ruccio 2015: 2).

Hence, according to Marx’s theory of value, the distribution of income is determined by two processes, namely, circulation and production. In the circulation process workers enter the market to sell their labour power for a wage. In the production process capitalists appropriate surplus-value which is another form of the unpaid labour of workers, and in the circulation process where the commodities produced by the workers are sold on the market the surplus-value is realised in the form of money. In fact, it is the conventional Marxist circuit of M-C-Mˈ (Ruccio 2015: 2).

Furthermore, once this surplus value has been expropriated by capital these essentially industrial capitalists did not keep all the surplus value they appropriated. These capitalists shared the surplus-value with other capitalists who in various ways helped to secure the conditions of continued exploitation: other industrial capitalists (through competition within industries), financial capitalists (via an unequal exchange of money in the form of loans), the state (in the form of taxes), supervisors and managers (whose income represents distributions of the surplus-value), landlords (who are able to secure a portion of the surplus-value in the form of rent), and so on. The rest is kept as enterprise profits (Ruccio 2015: 2).

The major point that Ruccio makes about a Marxist critique of the equal distribution of income is that it identifies an unequal distribution of income that is endemic and intrinsic to capital that in a fundamental way calls into question the “just deserts” sense of fairness put forward by economists. And that an intrinsically unequal distribution of income within capitalism becomes even more unequal given the fact that the surplus-value or unpaid labour of the worker is now subject to further distribution amongst the various capitalists who aid and abet the continued exploitation of workers in the form of expropriating their unpaid labour as surplus-value. Whereas the entire bevy of capitalists are recipients of the surplus-value produced by labour which they did not create, the worker is only paid a fraction of the value that he created, namely, that fraction which reproduces labour in the form of the wage (Ruccio 2015: 2).

What can be concluded is that it is not in the realm of circulation and exchange (the market), where the inequality of income distribution should be sought, but rather within the productive process of capital. However, by employing the logic of the "Trinity Formula" and its notion of independent factors of production and the "just deserts" fiction put forward by mainstream economists such as Bauer and Thoma, real inequality is perpetuated by masking and obscuring the fact that it is produced in production.

Hence, it is necessary to leave the sphere of exchange and enter the realm of production in order to identify the existence of material inequality that is a manifestation of capitalist exploitation (Ruccio 2015 2). The next section will argue that not only is surplus value shared amongst the various capitalists but that the state too, in the form of taxes, not only taxes capital's profits, but taxes workers' wages too.

4.7 The Distribution of Surplus Value: Capitalists and the State

To lay the foundations for this process, Marx makes the point that the capitalist who extracts unpaid labour directly from the workers is the first appropriator of this surplus-value, but he is not the ultimate appropriator, he has to share it with other capitalists, his hostile brothers. This sharing of the surplus value usually takes the form of profit, interest, gains made through trade, ground rent, etc. (Moseley 2002: 65-66).

Fundamentally, Marx's theory of surplus-value distribution holds that the surplus-value is predetermined and its magnitude does not change (Moseley 2002: 66). Also, Marx's theory of the distribution of surplus-value explains that the individual parts of surplus-value, namely, industrial profit, merchant profit, interest and rent are the necessary forms of appearance that surplus-value takes. Moreover, that surplus-value is produced by the unpaid labour of workers (Moseley 2002: 68). Read another way, industrial profit, merchant profit, interest and rent are the products of workers unpaid labour or surplus labour. Importantly, states Moseley, and contradicting Marx's understanding of surplus-value and its different forms, these different forms of surplus-value appear to capitalists and economists generally, to originate from separate and independent sources, namely, interest from capital, rent from land). However, Marx's theory illustrates that these forms of surplus-value are all derived from the same source: the surplus labour of workers (Moseley 2002: 68).

Profit as a form of surplus-value states Moseley, is derived from the total capital advanced which includes constant and variable capital. It is a predetermined quantity of surplus-value which arises from the total capital advanced and it is surplus-value in the transformed form of profit (Moseley 2002: 72). Profit then for Marx, is "surplus-value save in another form, though one that still arises from the production of capital" (Moseley 2002: 73). Furthermore, this predetermined profit with a definite magnitude is the substance, which the capitalist class divides amongst its various brothers. Included in this division of surplus value is the state, through taxes (Passant 2016: 198).

It is the capitalist state that levies tax. Importantly, the state appears to be autonomous in relation to the various factions of capital but in the final analysis the capitalist state owes its existence to the continued ability of capital to extract surplus value from workers in the process of production. Therefore, the levying of taxes cannot be of such a nature that it will disturb the process of surplus value extraction. The regime of taxation cannot unduly interfere with or challenge the process of exploitation. The state too becomes a member of the band of hostile brothers of capital, united in surplus value expropriation, the exploitation of labour but nevertheless still prepared to fight amongst each other for a greater share of surplus value (Passant 2016: 205).

Furthermore, the state is dependent on the capital accumulation process for its existence and survival. This, however, does not make the state a mere instrument of capital, nor is the modern state “the executive committee for managing the common affairs of the “bourgeoisie.” The structural dependence of the state on capital does limit its choices. This does not mean that they don’t have choices, but that their choices are rather circumscribed by the particular demands and impositions of capital accumulation. It just means that they are neither autonomous nor hamstrung but rather make decisions based on the rate and pace that capital can accumulate in the main. States therefore have some leeway in how they exercise their authority which to a large extent operates within the general bounds imposed by the demands of capital accumulation. For example, as Passant indicates, the state can impose solutions on capital for the benefit or survival of the system as a whole and at the expense of particular sections of capital if needed (Passant 2016: 206).

However, despite the realm of capital within which the state must operate it does have the power to tax the wages of workers and the profits of capital. These taxes are the source from which the state derives its relative authority to effect as and when the situation arises to facilitate or frustrate the business of capital accumulation. This usually gives rise to capital resisting the state’s power to impose taxes upon it which results in the reduction of their profits. In relation to workers too, taxes can cut real wages to below their necessary value. This situation can result in workers resisting the state’s power to tax their earnings to avoid their after tax real wage from falling below the level of their necessary value, which is that value which reproduces workers’ capacity to work (Passant 2016: 208-209).

The state has the right to impose taxes whether from capital’s profits or labour’s wages but what is important is that the state draws its taxes from the total value that is produced in capitalist society; from both unpaid labour and from necessary labour which in both cases are produced by labour. One final point is to be noted - these two forms of value may appear to be from independent sources namely, profit to the capitalists (commercial, industrial, finance), and wages to labour, what must not be lost on us is that these forms of value are predicated upon a structure of which central to it is the exploitation of labour which Marx characterised as the “the great antinomy” and Desai termed “ the original contradiction” that is, where the locus of quintessential inequality resides, the point of production.

To reiterate tax as a form of value that is, it is derived from capital's profits and labour's wages. Moreover, it is levied after the circulation process where capital realizes profit, or interest or dividends or rent. But what is crucial is that the levying of tax is rooted in economic inequality with the act of surplus value appropriation which is that part of the value produced by labour. Moreover, not only does the state tax the surplus value produced by labour it also taxes the value that labour produces from necessary labour which reproduces labour itself. So, not only does capital exploit labour but the state exacerbates that exploitation by taxing the value that labour produces in the form of the wage. The next section will lay the foundations to challenge the claims by BEE that it can deal with unemployment. However, the argument again is that because of its capitalist base which pivots on exploitation in production it cannot solve the question of unemployment or "increase employment" as it claims.

4.8 Unemployment: Absolute Surplus-Value, Relative Surplus Value and the Creation of the Reserve Army of Labour: Not a Job Creation Question.

The rationale for drawing on Marx's theory with regard to the production of the reserve of army of labour is to illustrate the point that the main reason for capital's existence is not job creation. This is not the logic of capital. Hence, the question should be reframed - it is in fact, a question of "what are capital's needs to expand its accumulation logic?". The central element to capitalist expansion is the insatiable need for labour power, the only commodity that creates value, which is a sine qua non to the accumulation demands of capital. This is not a job-creation question; rather, it is a question of surplus value creation; the extraction of surplus value; a capital accumulation question. To make sense of all of this Marx states:

> …[W]hen analysing the production of relative surplus value, we see that within the capitalist system all the methods for increasing the social productivity of labour are carried out at the cost of the individual worker: that all the means for developing production are transformed into means of domination over and exploitation of the producer; that they mutilate the worker into a fragment of a human being, degrade him to become a mere appurtenance of the machine, make his work such a torment that its essential meaning is destroyed; estranged from him the intellectual potentialities of the labour process in the same proportion to the extent to which science is incorporated into it as an independent power; that they distort the conditions under which he works, subjecting him, during the labour process, to a despotism which is all the more hateful because of its pettiness; that they transform his whole life into working time, and drag his wife and children beneath the Juggernaut

wheels of capital's car. But all the methods for the production of surplus value are at the same time methods of accumulation becomes a means for the development of the methods of production. The result is that, in proportion as capital accumulates, the condition of the worker, be his wages high or low, necessarily *grows worse* (Marx 1930: 713-714) (Emphasis added).

Why, does the situation of the worker *grow worse,* is the obvious question to ask. Marx states that this has everything to do with the organic composition of capital in the process of accumulation. There is a progressive accumulation in its composition which takes place by the ever increase in its constant constituent and a continuous decrease in its variable constituent (Marx 1930: 694).

With labour becoming more productive, there is also a concomitant increase in the rapidity of labour's productivity, which culminates in a change in the organic composition of capital. For an absolute expansion in the total capital, is accompanied by the centralisation of its individual elements; and the change in the technical composition of the supplementary capital is accompanied by a change in the technical composition of the original capital (Marx 1930: 694). With this technical change in the individual elements (constant and variable capital) in the composition of capital, there is therefore progress in accumulation, which brings about a change in the ratio between constant and variable capital (Marx 1930: 694).

Marx states that if originally the ratio was 1:1 it now becomes 2:1, 3:1, 4:1, 5:1, 7:1 so that as capital grows, where before there would be a 50/50 split between constant and variable capital (50 labour power and 50 means of production), we find, states Marx that one third, one quarter, one fifth, one sixth, one eighth etc is transformed into labour power, and on the other hand two thirds, three quarters, six fifths and seven eights are now transformed into means of production (Marx 1930: 694-695).

What can be observed is that with the increasing technical advancement of the accumulation process there is a tendency to alter the ratio between labour power and means of production that is, there is a change in ratio between the variable and constant aspects of the composition of capital. This change in ratio is one which becomes decidedly in favour of the means of production, constant capital and decidedly not in favour of labour power, variable capital.

Since the demand for labour is determined by the amount of variable capital this demand falls progressively as the total capital increases, instead of rising proportionally as previously assumed. It declines in relation to the size of total capital, and at an accelerated rate, as the size of total capital increases (Marx 1930: 695). Furthermore, Marx states that with the growth of the total capital, its variable constituent, or the labour incorporated in it does also increase, but in a constantly decreasing proportion. Marx also finds that not only does an accelerated accumulation of total capital need to absorb additional number of workers, or even, because of the continuous changes of the old capital, to keep in employment those already at work (Marx 1930: 695). What Marx is saying is that with the acceleration of capital accumulation, this increase in capital not only needs to be able to absorb new workers but is also needs to keep in employ those workers who are already employed.

He further makes the point that increasing accumulation and centralisation leads to new changes in the organic composition of capital, where there is an increasing reduction in variable as compared with constant capital. This increasing relative decline in the variable constituent is a decline that accompanies the accelerated increase in the total capital. However, despite this accelerated increase in the total capital there is a rapid decline in the variable constituent. The other effects of this inverse relation are that with an increasing relative decline in the variable constituent it engenders an absolute increase in the pool of the working population. This is an increase that always proceeds more rapidly than the increase in the variable capital or in the means of employment. Therefore, there are more workers available than there are wages (variable capital) to employ these workers (Marx 1930: 695).

However, in fact, it is capitalist accumulation itself that constantly produces in direct proportion to its drive and scale, a relatively redundant population of workers. A population that is larger than what capital on average needs for its self-expansion of capital; in short, a surplus population (Marx 1930: 695).

Sometimes, in the accumulation of capital, changes occur from time to time that affect the accumulation of capital as a whole. Sometimes a change in the composition of capital occurs without any increase in its size but happens as a result of simple concentration. In other spheres, the growth in capital is associated with a decline in its variable constituent, that is, in the amount of labour power absorbed by it. In others, the capital continues growing for a time upon its existing technical basis and attracts additional labour power in proportion to its increase. Yet in others, it undergoes an organic change in that its variable content diminishes. In all spheres, the increase in the variable constituent of capital, and therefore in the workers employed, is invariably associated with extreme fluctuations with the temporary production of a surplus population. This phenomenon which may take the obvious form of the dismissal of workers employed, or the less evident but equally real form of the increasing difficulty of the absorption of the additional working population through the usual channels (Marx 1930: 696)

The increasing extent of capital's ability to function which is related to an increase in the scale of production, is a result of the number of workers and their increased productivity that are brought into production which augments all sources of wealth. This process brings about a concomitant greater attraction by workers and greater repulsion of these workers by capital (Marx 1930: 696-697).

Because of the dynamism of the productive process, the organic composition of capital and its technical form undergo rapid changes. This dynamism affects more and more spheres of production. Moreover, it is ironic that the working population who are the sole drivers for capital to continuously to accumulate; also produces the very means whereby it is itself rendered relatively superfluous and which turns them into a relatively surplus –population; and it does so on an ever increasing basis (Marx 1930: 697).

This is a law of population unique to the capitalist mode of production and, in fact, every method of production that arises in the course of history has its own peculiar, historically valid, law of population (Marx 1930: 698). In this passage Marx clearly illustrates the historically boundedness of concepts; that concepts have specific meanings and connotations given the historical period in which they arise. However, Marx states that, if a working-class population is a necessary product of capital accumulation, its overpopulation simultaneously becomes a lever for promoting the accumulation of capital, and it follows that it is indeed a necessary condition for the existence of the capitalist mode of production. It forms an available industrial reserve army, which belongs to capital no less absolutely than if capital had bred the members of this army at their own cost (Marx 1930: 698). However, capitalists do not go out especially to create these reserve armies of labour. Rather, these creations are a direct consequence of the relationship between constant capital and variable capital in the accumulation process and the consequent rise or fall in magnitude of the organic composition of capital.

Marx makes the important point that amongst other inputs in the productive process, accumulation proceeds too because of the technical conditions of the process of production itself (machinery, the means of transport, etc.) now favour an extremely rapid transformation of surplus product into additional means of production (Marx 1930: 698).

Directly related to this the mass of social wealth becomes superabundant as a result of increased accumulation which is transformed into additional capital which then urgently seeks investment, either in old branches of production where the market has expanded, or else in newly formed branches the need for which has grown out of the development of the old ones (Marx 1930: 698).

In all such cases, says Marx, what becomes essential is that there should be the possibility of providing large numbers of workers whose labour can be used at the crucial points without any interruption in production in other spheres of the economy (Marx 1930: 698).

It is overpopulation that supplies these masses. In the main what this means is that with the expansion of capital accumulation, so increases the need to make available more workers; and these workers are readily available and deployable from the overpopulation or the reserve army of labour (Marx 1930: 698).

The characteristic course of modern industry (replete with interruptions, oscillations, crises and stagnation) is that it depends on the continuous formation, the greater or lesser absorption of, and the reconstitution of the industrial reserve army. However, in their turn, that is, the reserve army of labour, the ups and downs of the industrial cycle lead to the swelling numbers of the surplus population and they become one of the most energetic agents of the reproduction of this surplus population (Marx 1930: 699).

Marx's point is that in the earlier stages of capital's production the change in the composition of capital was very slow; and, commensurately, the demand for labour was also slow. Accumulation, then, is generally checked by the natural limits of the exploitable labouring population (Marx 1930: 699).

Sudden and sporadic expansion in the scale of production is a precursor to equally sudden and sporadic contractions. However, these expansions and contractions of production are impossible unless there is labour available, unless there has been an increase in the number of available workers despite the absolute growth in population. This supply of human material is dependent upon the simple fact that some of the workers are continually being "set at liberty" by methods which reduce the number of employed workers relatively to the increase in the amount of production (Marx 1930: 699). Consequently, the entire motion of a modern economy is characterised by the continuous transformation of part of the working population into unemployed workers. Marx makes a further point in this regard to the effect that the production of a relatively superfluous population (a population that is in excess as regards the average needs of capital for self-expansion) has become one of the conditions indispensable to modern industry (Marx 1930: 699-700).

In relation to the relationship between variable capital and the number of workers, Marx states that there is an assumption that an increase or decrease in variable capital corresponds directly to the increase or decrease in the number of workers employed (Marx 1930: 701). Marx explains that even if the number of workers remains constant, the variable capital increases if the individual worker supplies more labour (works more hours); which means that his wages therefore grow although the price of labour remains the same. Hence an increase in variable capital is, then, an indication of an increase in labour (works more hours), but not an indication of an increase in the number of employed workers. It is in capital's direct interest to extract a definite amount of labour (more hours) out of a smaller, rather than a greater number of workers, provided that the cost of labour is much about the same (Marx 1930: 701).

In this discussion Marx highlights two instances of how labour can be to put to use. In the one instance, the outlay of constant capital increases in proportion to the quantity of labour set in motion. In the other instance, the quantity of labour to constant capital is much smaller. With the more extended scale of production, it is important for capital to apply a much smaller quantity of workers from which a greater amount of labour (more hours) can be extracted. This becomes the driving motive for capital because it has a direct bearing on the rate of accumulation of capital (Marx 1930: 701).

The development of capital with the productivity of labour enables the capitalist, with the same outlay of variable capital, to set in action more labour by the more effective exploitation (extensive and intensive) of each individual labour power. Also, with the same capital value he can buy more labour power that says he progressively replaces skilled workers by unskilled workers, mature labour by immature, men by women, and grown-ups by young persons or children (Marx 1930: 702).

Therefore, with the progress of accumulation, a larger variable capital sets more labour in action without having to recruit more workers. Also, a variable capital of the same magnitude sets more labour in action with the same quantity of labour-power; and, finally, sets in action a greater number of individual labour power of low grade by getting rid of individual labour powers of high grade (Marx 1930: 702). Effectively what capital wants to achieve is to make available as little variable capital as possible. However, at the same time, the labour power that it does procure with its fixed variable capital it wants to exploit as efficiently as possible to the extent that it would rid itself of skilled labour and replace it with unskilled labour as long as the variable capital initially set aside does not change.

The production of a relative surplus population, or the setting of workers at liberty therefore proceeds more rapidly than the progress of accumulation, which is usually accelerated by the technical revolution in the process of production. It also proceeds more rapidly than the corresponding relative decline in the variable portion of capital as compared with the constant (Marx 1930: 702). This rapid production of a surplus population leads to the overwork of the employed part of the working-class. This relative surplus population (workers set at liberty) which swells the ranks of the reserve army of labour puts increasing pressure on the employed part of the working-class. This pressure by the reserve army of labour on the employed part of the working-class creates a climate of competition where the members of the reserve army of labour are constantly in a position to take the jobs of the employed part of the working-class should they be retrenched. This pressure that is brought to bear upon these workers spurs them on to overwork which invariably subjects them more completely to the dictatorship of capital (Marx 1930: 702).

This vicious competitive cycle between the employed part of the working class and the reserve army of labour means enrichment for capital and simultaneously means accelerated growth of the industrial reserve army (Marx 1930: 702-703).

Marx takes issue with the economists of his time who did not see any correlation between the supply and demand for labour as tied up with the contraction and expansion of capital and the varying needs of capital's need for self-expansion. They rather saw the movement of capital as being dependent on the variations of the population. For Marx, it is the expansion and contraction of capital that has a direct bearing on the availability or non-availability of labour power (Marx 1930: 704).

When accumulation is especially active in a particular branch of production with an increase in profits, the expected result is that there is an increased demand for labour and a rise in wages. The rise in wages attracts a larger proportion of the working population into the particular sphere of production, until it is glutted with labour–power wages then falls to the former average; or even lower, should the influx of workers be excessive. There upon not only does the influx of workers into this particular branch of production stop, but a discharge of workers occurs (Marx 1930: 705).

Furthermore, the industrial reserve army puts pressure upon the army of active workers during the periods of stagnation and average prosperity thus forcing them to overwork. During periods of overproduction and boom active workers now keep the industrial reserve army out of the workplace until once again there is a downturn in the economy and capital sheds labour and in so doing increases the ranks of the industrial reserve army of labour. With respect to this phenomenon the supply and demand for labour is directly related to the productive process and capital's ability to accumulate at a particular rate. When the economy booms or is in a state of overproduction there is a demand for labour. However, when the downturn arrives capital sheds labour in relation to the rate of profit. Thus, relative overproduction is the background in front of which the law of supply and demand works states Marx. In addition, that relative surplus population (reserve army of labour) restricts the activities of the law of supply and demand of labour to within the limits which are convenient to capitalist exploitation and capitalist dominion (Marx 1930: 706). Put another way it is within the ability of capital to accumulate given the particular conditions that determine how big the active working population and the reserve army of labour will be. The supply and demand for labour is determined by the rate of capital accumulation.

In addition, in capital's continuous quest to adapt the number of workers to its needs for self-expansion, it creates a relative surplus population, or an industrial reserve army; and a further consequence flowing from this adaptation is the continuing pauperisation of a layer of the active labour army (Marx 1930: 713). What Marx brings to our attention is that capital in its drive to accumulate a relative surplus population or the reserve army of labour is a feature of capital. Not only is the reserve army of labour a permanent feature of capital accumulation, but also that layer of the reserve army of labour who have become pauperised, that is, they form part of the working class who are unemployable, namely, the poor.

In a lengthy passage, Marx vividly captures the dynamism of the capital accumulation process and the objective consequences that it forces upon labour. That capital, in its pursuit of maximum profit treats labour as just another input to the productive process and is not concerned with labour's welfare unless it affects the accumulation propensities of capital. Marx states:

…the production of relative surplus value…all the methods for increasing the… productivity of labour are carried out at the cost of the individual worker: that all the means for developing production are transformed into means of domination over and exploitation of the producer; that they mutilate the worker into a fragment of a human being, degrade him to become a mere appurtenance of the machine, make his work such a torment that its essential meaning is destroyed; estrange from him the intellectual potentialities of the labour process in every proportion…that they distort the conditions under which he works, subjecting him, during the labour process, to a despotism which is all the more hateful because of its pettiness; that they transform his whole life into working time, and drag his wife and children beneath the Juggernaut wheels of capital's car …but all the methods of production of surplus-value are at the same time methods of accumulation; and, conversely, every extension of accumulation becomes a means for the development of the methods of production. The result is that, in proportion as capital accumulates, the condition of the worker be his wages high or low necessarily grows worse. Finally, the law in accordance with which the relative surplus population, or the industrial reserve army, always balances the scope and energy of accumulation, chains the worker to capital even more effectually than Prometheus was fastened to the rock by the fetters forged by Hephaestus. Thanks to the working of this law, poverty grows as the accumulation of capital grows. The accumulation of wealth at one pole of society involves simultaneously accumulation of poverty, labour torment, slavery, ignorance, brutalisation, and moral degradation, at the opposite pole – where dwells the class that produces its own product in the form of capital (Marx 1930: 714).

Having discussed Marx's exposition on the creation and subsequent pauperisation of the reserve army of labour, David Harvey's rendition will help to distil Marx's ideas into a much fuller appreciation.

Capital is driven by a perpetual relentless logic to revolutionise the productive forces (Harvey 2006: 115). The lever that propels capital forward is competition. Competition demands that capital revolutionises production using whatever means possible. This competition amongst capitalists is generally spurred on by the constant tendency to equalise the rate of profit (Harvey 2006: 116). What this means is that rate of profit is inextricably dependent upon the production process where surplus value must be produced that exceeds the average rate of surplus value production generally produced. All capitalists think and function this way. They too want to exceed the general average production of surplus value and stay ahead of fellow capitalists. It is this process of competition that forces capitalists to constantly speed up their productive processes, which produce surplus value and profit to stay ahead of the competition, hence Harvey's reference to the constant need on the part of capitalists to equalise the profit rate. The following quote by Harvey sums up the dynamism of the process:

"Once the competitors have caught up, the original innovators have every incentive to leap ahead in order to sustain the relative surplus value they were previously capturing" (Harvey 2006: 121).

In addition, to continue in the same vein:

"The … consequence of competition is … to force continuous leap-frogging in the adoption of new technologies and new organisational forms independent …" (Harvey 2006: 121).

The point that needs understanding is that the drive to maximise profit is central to capital accumulation. Because other capitalists too want to maximise their ability to maximise profit they find themselves competing with each other to make the most profit. So to stay ahead of the game they constantly need to squeeze the last ounce of surplus value from the productive process. To do this the productive process is revolutionised on two different planes. In the first instance since labour power is the sole producer of value and surplus value the logic then is to increase the number of workers which will increase the rate of capital accumulation which also means the outlay of variable capital and commensurately an increase in the proletariat generally (Harvey 2006: 158).

In the second instance of capital accumulation technological and organisational changes are introduced to the productive process as a means to generate capital accumulation. However, with the introduction of technology the need to reduce variable capital (wage bill) in relation to the capital advanced, constant capital in the form of technology; with the lowering of the wage rate and the increase of technology there is a corresponding increase in the rate of exploitation. This increase in the rate of exploitation which is an increase in the productivity of social labour therefore becomes the most powerful lever of accumulation (Harvey 2006: 159).

With this rising rate of exploitation with the introduction of technology and organisational changes, which in the relationship between variable and constant capital, means that with an increase in constant capital (technology) concomitantly brings about a reduction in variable capital. The introduction of technological and organisational changes reduces the demand for labour in relation to the available supply that it results in the production of a 'relative surplus population' or 'industrial reserve army'. A portion of the workforce is, in short, thrown out of work and replaced by machines (Harvey 2006: 159).

As far as Marx was concerned states Harvey the 'relative surplus population' or the 'industrial reserve army of labour' is a condition of existence of capital. It forms a disposable industrial reserve army that is inexorably tied to capital as if capital produced it intentionally. But this is not so. The reserve army of labour is a consequence of the drive and logic of capital to accumulate. Capital does not intentionally set out to create a reserve army of labour. Its primary intention is to produce as much surplus value and profit as its competition will allow it to. Whether it uses technology or not or how much variable capital it has availed for labour power is essentially determined upon the rate of profit it will generate in the capital accumulation process. Independently of the actual increase of the population, it creates, for the changing needs of self-expansion of capital, a mass of human material always ready for exploitation (Harvey 2006: 169).

To conclude this section, this exposition on the production of unemployment needs to be understood within the confines of capital's propensity to accumulate. Not only to accumulate; but, to accumulate at a rate and pace that constantly ensures the production of surplus value. However, in the process of accumulation because of a highly competitive environment amongst capitalists there is a tendency to continuously hurtle towards the equalisation of profit. This profit equalisation process which constantly sees fellow capitalists attempting to stay ahead of the pack in their desire to generate more profit results in capitalists changing the labour process by introducing new technology and new organisational arrangements in an attempt to increase the rate of labour power exploitation. With the speed up of the rate of exploitation the tendency to shed labour becomes a reality. It is in this process of constantly revolutionising the labour process to increase the rate of labour power exploitation which should result in higher profits where labour is shed which gives rise to what Marx termed a reserve army of labour. This pool of labour is what constitutes the unemployed in capitalist society - a creation of capital.

4.9 Conclusion

This chapter grounded the dissertation within conceptual frameworks from Marx's Capital which are driven by capital's law of accumulation. These frameworks were set out to explain and evaluate three aspects of black economic empowerment. The first aspect was to locate and characterise black economic empowerment as a particular kind of capital, namely fictitious capital. Secondly, to test the efficacy of black economic empowerment's claims that it is able to distribute income equally. This notion of equitable distribution of income needed to be located within Marx's theory of surplus-value production and appropriation which is premised on exploitation to illustrate how economic inequality is produced. Finally, the compulsion of capital to accumulate drives capital to compete with fellow capitalists in the pursuit of profit maximisation. To stay ahead of the competition capital is constantly seeking to maximise its profit with the result that one of the ways in which it stays ahead of the profit maximisation competition is that it incessantly revolutionises the productive process with new technological innovations. These new innovations have a direct bearing on the mount of labour power that will be bought. Because of this, there is a tendency to reduce variable capital, namely, the wage that invariably leads to the tendency to shed labour in some cases. To explain the effects of this process, Marx's writings on the creation of industrial reserve army were discussed. This outline is important because it will assist in challenging black economic empowerment's claim that it can reverse the negative impact that unemployment has on South African society. Finally, the distribution of surplus value amongst the various capitalists and the state is important to later illustrate how black economic empowerment shares in the surplus value in its various forms which arises from profit and taxes and which ultimately has its genesis in the appropriation of the unpaid labour of labour in the realm of production. In the final analysis it means that black economic empowerment, in fact shares directly in the unpaid labour of labour, which, rather than deal with this inequality it scavenges from it. This puts paid to its claims about its ability to remedy black inequality.

CHAPTER FIVE: FINANCE CAPITAL, SHARE TRANSACTIONS AND PREFERENTIAL PROCUREMENT THE FOUNDATION OF BLACK ECONOMIC EMPOWERMENT

5.1 Introduction

The aim of this chapter is to explore how the state and capital anchor the black economic empowerment policy. Using the theory presented in chapter four, the approach of the chapter is threefold: firstly, to show that black economic empowerment is rooted in finance capital, secondly to demonstrate how the share transaction is constructed empirically using Sasol and Sanlam as reference points and thirdly, to show how the tender process is utilised to facilitate black economic empowerment.

The chapter seeks further to show that black economic empowerment in the first instance does not arise in productive capital with the production of commodities but rather within the confines of finance capital. The rationale to show this distinction is that black economic empowerment does not buy labour power and means of production to generate a profit which is foundational to productive capital where commodities are produced. Rather black economic empowerment buys shares facilitated by established capital with the view to derive a dividend in the future. The importance of this distinction is that the shares that black economic empowerment buys is premised on the surplus-value that labour produces and is appropriated by capital. Rather than address this expropriation, black economic empowerment perpetuates it as a consumer of this surplus-value produced by labour.

Two specific black economic empowerment cases will be utilised to empirically illustrate the finance capital nature of black economic empowerment. The two cases used are the Sanlam and the Sasol transaction. The rationale for choosing the Sasol transaction is that Sasol displays both industrial capital and finance capital characteristics. Sasol starts out essentially as an enterprise based on the extraction of oil from coal. It is grounded in the production of a commodity to be exchanged for surplus value realisation. However, this is not to say that Sasol does not borrow interest-bearing capital/loanable capital on the global markets if it needs to augment production. Its borrowing though is directly tied to the expansion of its productive processes. With the advent of black economic empowerment Sasol does not ground it in productive capital, that is, the extraction of oil from coal. Sasol rather grounds its black economic empowerment project strictly in finance capital where black economic empowerment is essentially based on share acquisitions.

The choice of Sanlam, on the other hand, is that Ubuntu –Botho Investments (UBI) starts out with the acquisition of Sanlam shares assisted by Sanlam, with the new initiative Ubuntu-Botho Investments makes its debut as a fully-fledged player in finance which takes black economic empowerment deeper into the realm of finance capital when Patrice Motsepe's Ubuntu-Botho Investments embarks upon launching a new investment company, African Rainbow Capital (ARC), which will essentially focus on financial services and private equity. In addition, UBI has had a significantly long historical relationship/partnership with Sanlam to the extent that UBI owns a 14.5% stake in Sanlam at a rand value of 17 billion. The idea for ARC is to make it a leading South African based; black owned and controlled financial services company; this indicates the maturation and confidence that BEE acquired that it too could by its own initiative venture into the realm of finance capital on its own account.

With regard to preferential procurement the state via the tender process gives effect to the black economic empowerment policy by identifying only black people or those companies who were BEE compliant to supply the state with the goods and services that it required.

5.2 Sasol the Early Years: Productive Capital

SASOL's historical development has its origins in production. The need for oil led to the development of SASOL into a multinational corporation. The innovative use of coal that South Africa had an abundance of was used to extract oil from it using the Fisher/Tropsch method. In addition, before this innovation could be put in place, the coal mining was essential. This again speaks to the production-oriented nature of SASOL. Since coal was the key commodity for the success of the Fischer/Tropsch innovation, SASOL became directly involved in coal mining. So important was coal to SASOL's oil, petrol and diesel fuel endeavours it even became a leading innovator in the mining of coal wherein they, on a continuous basis changed the nature, efficiency and effectiveness of coal mining.

This was crucial for SASOL if it wanted to be economically competitive with regard to crude oil, all stages of its operations, from coal mining onwards, must be run with great efficiency. (Collings no year: 26). In the light of this fact it is evident that the process of oil from coal was a highly complex and integrated process, which demanded a highly skilled work-force, increased technological innovation especially the operation of the Lurgi gasifiers, which formed the bedrock of the process, to arrive at consistently high levels of efficiency. (Collings no year: 26). SASOL's sophisticated technological innovations achieved international acclaim to the extent that companies in North Dakota in the United States, Pakistan, India and China use SASOL's technology in their oil from coal programmes (Colling no year: 28).

SASOL's success has its roots in the raw material, coal. Coal is the main ingredient in SASOL's success. To realise its end result, that of generating oil which will be sold on the domestic and world market coal, as means of production is crucial. Hence large amounts of coal were needed to sustain the production of oil. This SASOL mined from its own underground mine, Sigma, in the Sasolburg area. Furthermore, since they needed coal in large quantities and since they had become involved in coal mining too, they greatly improved existing mining techniques (Colling no year: 28). With improved mining techniques SASOL extracted close to 50 million tons of coal annually in contrast to the 2 million extracted before the advent of its innovation in coal mining (Colling no year: 29).

In addition to coal as means of production labour power was crucially needed too. Collings makes the point that by the late 1980s and the early 1990s productivity of labour power had increased by 30%. Together with this increase in productivity of labour power was a 40% increase in the amount of machinery that was used in the productive process. In addition, massive training programmes were established to deal with the increased productivity of SASOL. Some 7000 men were needed at lower levels, including the operation of sophisticated and hugely powerful continuous miners[12]. These continuous miners were the latest technological innovation employed in the mining of coal with its computer-controlled laser technology. It greatly enhanced the efficiency of coal mining for SASOL (Colling no year: 33).

In the final analysis, not only had SASOL broken ground in oil from coal innovations, it was breaking technological ground in coal mining. In short, coal mining at SASOL has from the earliest days, been characterized by innovation. It had to be if production was to receive the amount of coal it needed at a price that would enable it to compete with crude oil refiners. Imagination was directed at acquiring sufficient geological information to produce optimal mine layouts; and develop machines that would be able to cope with what could be the toughest coal-mining conditions in the world; and at creating and training incentive schemes that would enable and encourage miners to give of their best (Colling no year: 43).
Through its genesis, growth and sustainability SASOL, emerged as a cutting-edge global player with revenues in the billions started out with coal with the view to derive oil from it. Both of these processes are largely and essentially grounded in the process of production, where means of production and labour power form the core of the process of oil production.

5.3 Sasol, Black Economic Empowerment and Finance Capital

With the arrival of black economic empowerment especially with the promulgation of the Broad-based Black Economic Empowerment Act in 2003, SASOL did not deviate from its core beginnings. It still produced oil from coal. In fact, SASOL extended its productive capacities by producing a myriad of new commodities which arose as by-products from the oil from coal process these include commodities like wax, synthetics and many more. The point of the matter is that SASOL at heart was still a company that produced commodities.

With the advent of black economic empowerment and the historical imperative to economically empower the large majority of black people, SASOL embarked upon a process of empowering black people by way of equity transactions. In one of the biggest if not the

[12] A machine with a large rotating steel drum equipped with tungsten carbide teeth that scrape coal from the seam. Continuous miners account for about 45% of underground coal production, and also utilize conveyors to transport the removed coal from the seam. http://www.coaleducation.org/technology/Underground/continuous_miners.htm accessed 12 October 2020

biggest black economic transaction SASOL made available a significant amount of its equity in the form of shares to suitably identified black groups. What SASOL now embarked upon was to economically empower these black groups by way of equity, shares which were to be held and dispensed in various forms of, special purpose vehicles (SPV's). SASOL having itself started out with the express aim to extract oil from coal and through technological innovation, state funding, enskilling of the work force and eventually being able to export some of its technology abroad, was now dabbling in the realm of fictitious capital in its endeavours to economically empower black people rather than grounding black economic empowerment in productive capital.

SASOL'S black economic empowerment endeavours found root and grounded black economic empowerment in non-productive capital. SASOL sets black economic empowerment up based on interest-bearing capital and fictitious capital. On closer scrutiny of the very basic black economic empowerment transaction that was available to the black public, the funded transaction, one finds that these two forms of capital are at the heart of black economic empowerment. The next question to ask; is how do interest-bearing capital and fictitious capital manifest themselves with regard to the SASOL Inzalo black economic empowerment transaction.

5.4 Interest-bearing Capital and Fictitious Capital

This analysis will only examine the funded invitation below; and in assessing it will concern itself with those sections which speak pertinently to the basic architecture of the SASOL Inzalo transaction.

The introduction and purpose of the funded invitation makes it known that SASOL as a major participant in the South African economy welcomed the role that it can play in assisting the country to meet its socio-economic and growth objectives. SASOL, particularly, indicated its commitment to the advancement of black economic empowerment initiatives in ways that are sustainable, credible and of benefit to all its stakeholders and to the country generally (Sasol Prospectus 2008: 15). By focusing on broad-based empowerment, the funded invitation aimed to go to the heart of these objectives.

5.5 The Funded Invitation: Financing the Black Economic Empowerment Transaction: FundCo

Sasol in financing the black economic empowerment transaction structured a particular kind of special purpose vehicle by which to fund the transaction. The idea in mind was to keep the potential for risk low for those financial institutions that were identified to finance the transaction. The transaction that Sasol constructed was not one where financial institutions were approached for loans over a certain period of time and interest paid at a particular rate. Rather, what Sasol did was to have a mixture of funding coordinated under the auspices of FundCo a particular type of special purpose vehicle.

FundCo would be the vehicle by which the black public would subscribe for Sasol Preferred Ordinary Shares by way of subscribing for Sasol Inzalo shares. Put another way, FundCo would subscribe for Sasol Preferred Ordinary shares on behalf of the black public. The shares so subscribed in turn would be subscribed by the black public from FundCo as Sasol Inzalo shares. In essence the underlying value of Sasol Inzalo shares would be the Sasol Preferred shares that FundCo subscribed from Sasol. The value of the Sasol Inzalo Ordinary shares was of equal value to the Sasol Preferred Ordinary Shares. FundCo would acquire the Sasol Preferred Ordinary Shares and the black public would subscribe for these shares as Sasol Inzalo shares thus becoming indirectly invested in Sasol. The price that the black public paid for their Sasol Inzalo Ordinary Shares would be R18.30 for the first 100 shares. At the time of the black economic empowerment transaction Sasol's share price was R442.00 (Sasol Prospectus 2008: 15).

If the share price of Sasol shares were R442.00 at the time of the empowerment transaction; and, the empowerment transaction, that is, the Sasol Inzalo shares were priced at R18.30, and if Sasol Inzalo shares were of equal value to Sasol shares, surely there existed a discrepancy in the share price of the two types of shares. To correct the discrepancy or the short fall Sasol came up with a novel process for sourcing the funding needed to correct the discrepancy in share price.

Funding for the empowerment transaction was funded by a combination of equity received from Sasol Inzalo, preference shares subscribed for by the identified financial institutions and by preference shares subscribed by Sasol. This funding structure is spelt out in section 11 of the Prospectus. (Sasol Prospectus 2008: 18). The financial institutions that Sasol identified to take up the preference share options were ABSA Bank Ltd, FirstRand Bank Ltd, Investec Bank Ltd, Nedbank Ltd and Standard Bank Ltd. These banks were given the option to subscribe for preference shares in FundCo with each preference share category having a different dividend accruing to it. Also, the amount of and category of preference share differed from bank to bank. For example, FirstRand Bank subscribed for R 475 million A Preference Shares, R276 million B Preference Shares, R601 million C Preference shares with a grand total of R 1,352 billion in shares. (Sasol Prospectus 2008: 20)

The return on investment for these financial institutions was different returns depending on the preference share subscribed for. For example, for A Preference shares the initial fixed dividend rate would be 10.4 % and for B Preference shares the dividend rate would be 12.3%. (Sasol Prospectus 2008: 19). Also, dividends were paid in preferential order A Preference Shares, B Preference Shares, C Preference shares and D Preference Shares respectively (Sasol Prospectus 2008: 20).

Therefore, when looking at the Sasol empowerment transaction a novel way of funding was created. The banks, rather than foot the funding bill via the traditional way which is by making available idle funds to foot productive capital projects, it used its idle funds to subscribe for preference shares in the hope that Sasol does well in the future.

The Sasol Inzalo transaction is a case of idle capital, interest-bearing capital, and fictitious capital in action. How does it work? Sasol in its bid to secure funding for the Inzalo transaction did not secure funding in the traditional manner, whereby this kind of funding would have been secured by approaching the banks for an interest bearing loan over a particular length of time. In a break with tradition the banks concerned were offered the opportunity to buy shares, more specifically preference shares in Sasol Ltd and by so doing were able to finance the empowerment transaction with the money they paid for the Sasol preference shares.

The returns on these shares were not dividends in the strict sense, in that; dividends were paid depending upon the profit performance of the company concerned. The returns were fixed dividend rates and in the case of A preference shares the fixed dividend rate was 10.4% and in the case of B preference shares the fixed dividend rate was 12.3%.

The underlying thinking appears to have the same effect as if the money had been loaned for a period of time at a defined rate of interest. So, instead of loaning capital to fund the transaction as interest-bearing capital, the banks concerned bought shares, preference shares in FundCo a special purpose vehicle. By buying shares in FundCo, the banks, provided the necessary capital that was needed to fund the empowerment transaction. This way of making capital available to fund the empowerment transaction may be novel, but it does not detract from the fundamental way in which banks operate. Banks have their basis in idle capital. Richard Westra underscores this point about banks that unlike usurers of old, capitalist banks do not lend their own money. He says that funds held idle according to the varying investment time zones of private businesses including depreciation and contingency funds were deposited in commercial banks. In addition, these idle funds are also supplemented personal savings whereby people place these deposits on a “demand” or “time” basis with banks. Hence all these deposits become the basis of bank lending. How banks made their profit were based on the difference between interest paid to depositors and lender’s interest which the banks’ borrowers paid to the bank concerned (Westra 2016: 103).

Additionally, in the case of preferred dividends they rank ahead of Sasol Ordinary share dividends, meaning that preferred dividends were paid first, before any other dividends. However, despite the preferred ranking of these dividends, the Sasol Preferred Ordinary shares and Sasol Ordinary shares rank the same. This means that the underlying value of both these share types were the same (Sasol Prospectus 2008: 18).

At the end of the empowerment period the preferred dividend would cease and the Sasol preferred ordinary share would automatically revert to Sasol Ordinary Shares listed on the Johannesburg Stock exchange (JSE) (Sasol Prospectus 2008: 18). What this meant is that the preferred shareholders (the banks) would, after the empowerment period has run its course receive in the form of share dividends what could be construed as being its interest if it had been an interest-bearing loan. However, with an interest-bearing loan the banks do not own shares in the particular corporation concerned. Also, in a straight loan of capital, the bank does not get involved in whatever project that the lending company will engage in. As Lapavitsas stated above, the banks do not get involved in the grubby business of production. All the banks do is make the loan; set the interest and the time in which the capital plus the interest should be paid back. In this case the banks are not making a loan which constitutes the principle sum plus the interest which should be paid back. The banks actually owned shares in Sasol Ltd indirectly through FundCo which was established to fund the Sasol Inzalo empowerment transaction.

Furthermore, by buying shares in FundCo the designated banks to some extent had some security on their investment and a reduction of the risk because Sasol Ltd in section 14 of the Prospectus spells out the conditions under which the banks (Preferred shareholders) would be secured from risk. Section 14.1 of the Prospectus states that Sasol Inzalo would provide limited guarantees to each of the A and B Preferred shareholders in which FundCo must undertake to make punctual payment and performance during the duration of the transaction. Section 14.2 spells out the nature of the security that FundCo is obliged to provide to the Preferred shareholders which includes an obligation to cede all rights, title and interest in and to the Sasol Preferred Shareholders and any or all claims which it may have against Sasol Ltd to the Preferred Shareholders (the banks) (Sasol Prospectus 2008: 21).

Thus, it can be said that the empowerment transaction displays the features and characteristics that make up a process that is rooted in capital; more specifically, fictitious capital. This is capital, according to David Harvey, where fictitious values are created ahead of actual commodity production and realisation. (Harvey 2006: 266). Norbert Trenkle too supports Harvey's standpoint when he talks about "anticipation of future value". Put another way, the investment in shares is an exercise in the hope of in the future realising surplus value extraction or future labour power exploitation. In other words, could Sasol extract surplus value and exploit labour to such an extent that fictitious capital will be turned into real tangible value through the production process? Can Sasol Ltd's oil from coal productive process yield the necessary surplus value that will lead to the eventual transformation of fictitious capital into real tangible capital, that is, turning fictitious capital from a promise into a tangible reality?

Section 17 of the Sasol Inzalo Prospectus speaks to the fictitious nature of the empowerment share transaction. It also restricts the empowerment transaction to the realm of fictitious capital by specifying that the only investment and asset that the empowerment transaction (Sasol Inzalo shares) would be characterised by FundCo Ordinary Shares. FundCo's only investment and asset would consist of Sasol Preferred Ordinary shares which were the shares purchased by the designated banks. The point is that the empowerment transaction was based on future earnings; the hope that surplus value extraction would be of such a nature that the dividends that flow from the shares bought would be substantial. It is not based on the production of a commodity for exchange in the market to release the surplus value ensconced in the commodity. Rather it was based on acquiring some of the surplus value generated in production indirectly by way of dividends, a dividend being a percentage of surplus value. The difference is that commodity production generates surplus value, whilst share buying hopes to generate dividends which are a percentage of surplus-value. Also, the one process was rooted in production and the other process was based in exchange. Furthermore, as stated above the empowerment share transaction is restricted to the realm of fictitious capital.

What is also of pertinence is that the success of share buying as a financial instrument is founded at a superficial level on the amount of shares purchased and at a more substantive level on the uncertainty of the market. In the case at hand since Sasol Preferred Shares are linked to Sasol Ordinary shares, it means that Sasol Preferred shares will be influenced by how Sasol Ordinary shares perform in the market. The up and down topsy turvy uncertain nature of the market has a direct bearing on the value that will be generated by Sasol Ordinary shares. An important factor which has a direct influence on Sasol's Ordinary share price will be the fluctuations in the international price of crude oil, chemical by-products and the price of coal, the price of oil and coal being of paramountcy, since these are at the core of Sasol's business, being a corporation that derives oil from coal (Sasol Prospectus 2008: 22).

To reiterate section 17 of the Prospectus speaks to the fictitious nature of the empowerment transaction, as it makes it clear that Sasol Inzalo's only investment will be FundCo shares. It is clear that these investments and assets are not tangible commodities that are produced in production that will eventually be sold on a market to realise the surplus value embedded within the particular commodity. As Harvey once again makes clear, the lender, and in our case, the banks hold only paper the value of which is backed up by a commodity that will be sold in the future. This piece of paper which represents the value of a share can be characterised as fictitious value (Harvey 2006: 267). This is value that has not been realised yet, it has the potential for value realisation. However, despite this fact, the promise exists that in the future that the underlying value of this paper will be realised should the productive performance of Sasol not be hindered by the quirks and oddities of the market as cited in section 17 of the Prospectus. Also, section 23.3 of the Prospectus which is headlined "Prospects" indicates that Sasol Inzalo's and FundCo's financial performance are dependent on the performance of the underlying Sasol Preferred Ordinary shares. To substantiate this claim, in 2008 Sasol issued a trading statement in which it indicated that its attributable earnings per share for the year ended 30 June 2008 were estimated to increase by between 40% and 50% on the comparable previous reporting period with headline earnings between 50% and 60%. (Sasol Prospectus 2008: 23). The reasons cited for this variation in share price earnings is attributed to the weakness of the rand, the increase in crude oil and product prices and overall increase in the production rate (Sasol Prospectus 2008: 23).

To conclude, what was illustrated in this section are the typical finance capital characteristics that black economic empowerment displays, more so loanable capital and fictitious capital, when the Sasol empowerment transaction is analysed. It stands in stark contrast to productive capital that was outlined in chapter three where productive capital is driven essentially by surplus value production and expropriation. In the next section, I demonstrate that with the Sanlam/Ubuntu-Botho partnership black economic empowerment is not a passive partner to the process of empowerment especially within the realm of finance capital. It now is an active initiative-taking leader in setting up a pure black financial services entity.

5.6 Sanlam/Ubuntu-Botho Investments (UBI) Partnership

The choice of Sanlam and its partnership with Ubuntu-Botho Investments is to illustrate the depth of financialisation that has occurred with regard to black economic empowerment. This project the brainchild of Patrice Motsepe, Johann van Zyl and Johan van der Merwe culminated in the launch of African Rainbow Capital (ARC) which was styled as a "new dynamic investment company which will focus on financial services and private equity in South Africa" (Rabothata 2016: 1). Van der Merwe states that the vision for ARC was to launch a world-class black owned and controlled diversified financial services and investment company (Rabothata 2016: 2).

UBI has a long historical partnership with Sanlam to the extent that UBI has a 14.5% holding valued at 17 billion rands in Sanlam. This longstanding relationship manifests itself in the fact that Johan van der Merwe and Johan van Zyl of Sanlam are joint chief executives of ARC with Patrice Motsepe the chairperson. Van Zyl made it clear that ARC was envisioned to become a leading provider of financial services, covering the full spectrum of services such as life insurance, healthcare, asset management, general financial services, short term insurance, property and banking. (Rabothata 2016: 2).

Ubuntu-Botho Investment has taken black economic empowerment with the launch of ARC way ahead into the depths of becoming a fully financialised fully owned and controlled black economic empowerment company. Its significance is that it dabbles essentially in fictitious capital, "paper", as David Harvey would say, or "the promise of future value" as Norbert Trenkle would say. It does not have its genesis as does Sasol in the production of a commodity and later with the advent of black economic empowerment, in finance capital in the form of share transfers. UBI starts out in finance capital and consolidates itself in financialisation with the creation of ARC.

The next section will look at the procurement process which is funded from the total value produced in society in the form of taxes levied by the state as another process furthering the rise and consolidation of black economic empowerment.

5.7 Essential Characteristics of Preferential Procurement

In 1994 the ANC's raison d'être for implementing black economic empowerment (BEE referred to hereinafter) was driven by the necessity to remove the obstacles to the development of black entrepreneurial capacity and to unleash the full potential of all black South Africans to contribute to wealth creation; and, preferential procurement was earmarked as the strategy to effect black economic empowerment (Jeffery 2014: 141).

This project identified the state in conjunction with finance capital as the source from which preferential procurement and share transactions respectively would be implemented. Black economic empowerment envisaged the state and capital as the principal initiators of empowering all black people (Jeffery 2014: 140). This section will deal with the various components that make up the preferential procurement plan which includes the legislative foundations, tender process, the monetary size and, importantly, the source from where the money for the procurement project is located, namely taxes.

5.7.1 Preferential State Procurement: Legislative Foundations

Section 217 of the Constitution makes it plain that when an organ of state …or any other institution identified in national legislation contracts for goods and services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective. Furthermore, subsection one also states that these organs of state or institutions are not prevented from allocating contracts to preferential categories of people when implementing a procurement policy. Also, these organs of state have the power to implement procurement policy that gives preference to those categories of people that have been unfairly disadvantaged because of discrimination (Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996). The provisions of the Constitution are further reinforced by section 2(d) of the Preferential Procurement Policy Framework Act of 2000 which aims at giving detailed effect to the prescriptions of section 217 of the Constitution, its objectives being to give preference in government procurement to people 'historically disadvantaged by unfair discrimination based on race, gender and disability" (Jeffery 2014: 128). Furthermore, section

1(e) of the Broad-Based Black Economic Empowerment Act 2003 stipulates that economic empowerment also meant the economic empowerment of *all* black South Africans through preferential procurement. To effect the preferential procurement strategy, a tender process was instituted to ensure that the South African state obtains the goods and services that it needs.

5.7.2 Tender process

According to Moeti because of the substantial amount of money at the state's disposal to procure for goods and services it was necessary that stringent measures were put in place to ensure that the best possible suppliers of goods and services at the most economical price were made available to the South African state (Moeti 2007:122). With the tender process the state department invites potential suppliers to provide specific goods and services; and, awards the contract to the best offer according to predetermined criteria without negotiation (Woods 2008:235).

There are two tender processes - an open process and a restricted process. Open tendering procedures places no limitations and restrictions with regard to participating in the bidding process and the tender to provide goods and services are advertised nationwide. In the restricted tendering process bidders are restricted to a qualified few who are invited to participate in the process (Kovacs 2008:254).

In respect of the kinds of goods and services that the state can procure these include the building of roads, hospitals or any other large infrastructural developments that the state decides upon (Woods 2008:234). Tangible capital assets can be defined as non-monetary assets having physical substance that are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets; have useful economic lives extending beyond an accounting period; are used on a continuing basis; and are not for resale in the ordinary course of operations. Tangible capitals include *inter-alia*: buildings, equipment, machinery, roads, bridges and dams (Pauw *et al.* 2002: 237). Pauw also makes the point that capital expenditure usually; also, involves *replacing of obsolete capital* *equipment* or an investment that is intended to extend infrastructure or fixed assets in order to expand the productive capacity of an institution. As such, capital expenditure items are usually of a higher expenditure amount. Therefore, laid-down procedures, as administered by the relevant tender authority, serve to direct decisions on capital expenditure items (Pauw *et al* 2002:240). Having looked at the range of goods and services that the state can procure the next section will look at the financial size of state procurement.

5.7.3 The Monetary Size of Preferential Procurement

A perusal of the SCM 2016 review provides a sense of the magnitude of the budget for procurement. It makes a projection that over the next three years the procurement budget for goods and services for all government departments will be 1.5 trillion rands (SCM Review Update 2016: 1). If we take the year on year allocation for the projected three years then roughly on average 500 billion will be allocated for 2017, 2018 and 2019. And the actual spending of goods and services for the tax year 2016/2017 was in the region of 208 billion rands approximately (IRR 2017: 208). Also, according to the Institute of Race Relations Annual Survey the South African state has earmarked at least 14% of the budget for preferential procurement of goods and services (IRR 2017: 208). The money so allocated will be spent on infrastructure like roads, ports and schools; and, to ensure that health services are readily and widely available. Also, according to the SCM Review it spreads income to hardworking entrepreneurs who successfully tender for government contracts and in so doing are able to create jobs (SCM Review Update 2016: 1).

Other interesting statistics that give an understanding of the nature and extent of procurement spending by the government is that the government spends approximately R10 billion annually on travelling and subsistence. Of this 4.5 billion is spent on domestic land and air travel and on accommodation. Also, there are 40 travel agents doing business with the government and 1 billion is spent by the government on commissions. And of the billion rand spent three travel agents collectively receive R 550 million in commission annually (SCM Review Update 2016: 2). As far as mobile, fixed line, data and communications were concerned the government spent R 3.2 billion annually with the mobile communication totalling R 800 million and fixed line R 2.2 billion. ICT infrastructure and services, desktops and laptops cost the government 10 billion a year (SCM Review Update 2016: 3). The number of suppliers registered with the government's Central Supplier Database system is in the region of 95 000 suppliers. The eTender portal which to date, has more than 2800 tenders representing approximately R40 billion in government business is advertised on the portal illustrating the amount of money in tenders and the volume of potential suppliers that the government processes. Also, the portal is approximately visited 2600 times per day and over 30 000 users have accessed the eTender portal in February 2016 alone (SCM Review Update 2016: 7). For purchases under R500 000 for national and provincial government, and R200 000 for local government a three-quotation system is in place. Approximately R78 billion worth of purchases are done through quotations (SCM Review Update 2016: 7).

5.7.4 Taxes: The Source of Preferential Procurement

As stated above the amount of money that the state envisages for the procurement of goods and services is estimated over the next three years to be in the vicinity of R 1.5 trillion. The question is where will this money be raised from? Invariably this money is raised from tax revenues. Therefore, the question for this section will be to identify who pays tax, what type of tax and what percentage of tax revenues these categories of taxpayers contribute. The point of this enquiry is to establish the extent to which various social classes contribute to the state fiscus in support of its procurement programme. What I will illustrate is that all taxpayers including the working class, which, depending on the tax bracket they occupy will pay both direct and indirect taxes, which also makes them contributors to the financing of the procurement programme. However, despite the policy claims of the Act, procurement opportunities are largely skewed to the economic empowerment of those black people who are of the means and resources, both, economically and politically, to take advantage of the opportunity provided by the procurement process to advance economically. The class of black persons who are most likely to take advantage of this opportunity are the emerging black middle classes and capitalist class.

To establish who pays what type of tax, statistics from the South African Revenue Services (SARS) will be consulted. Important revenue sources for the state fiscus are individual, companies, VAT, PAYE, secondary tax on companies and the fuel levy. The objective of this inquiry is to show that all South Africans pay some form of tax whether direct (individual, companies, secondary tax) or indirect tax (VAT) or both. More importantly, the indirect tax that is paid by most South Africans, namely, VAT forms a percentage of the source from which the state draws its monetary resources to fund procurement. VAT is also the primary source from which the state extracts monetary resources from the working class and the poor across racial and ethnic divides to support its procurement programme. The R 281 million that is raised by the state in VAT is also contributed to by those who are not direct taxpayers, those who do not meet the R70 000 annual income threshold that would compel them to pay income tax. They however pay what is called a withholding tax which is pay as you earn (PAYE). This is a tax which the employer withholds from the employee’s wages or salary and paid over to SARS.

5.7.5 Revenue for Preferential Procurement

Everybody who is eligible to pay tax in South Africa is legally bound to pay tax. It is an offence should anyone who is legally bound to pay tax and refrains from doing so. As at the 31 March 2018, more than 20 million taxpayers, 3,1million companies, 361 587 trusts, 504 226 PAYE and 773 783 Value Added Tax (VAT) vendors were registered to pay tax (SARS 2018: 3). Information provided by the South African Revenue Services indicated that tax revenue constituted 25.8 % of GDP which in real terms was over R 1,2 trillion in relation to GDP which was about R 4.7 trillion (SARS 2018: 7).

SARS also provides the various categories of taxpayer that contribute to the national fiscus. For the tax year 2017/18 which is divided up into direct tax and indirect tax the following taxes were collected. Personal income tax 462.93 billion, company tax was 220.39 billion; dividends tax 27.9 billion and other tax 19.7 billion constitutes direct tax. VAT 297.1 billion, fuel levy 70.95.6 billion, customs duty 49.15 billion, specific excise duties 37.36 billion and other tax 30.27 billion make up indirect taxes collected. Added together, direct and indirect tax amounts to R 1.2 trillion approximately in tax revenues (SARS 2018: 19).

SARS identifies nine categories of taxpayers. The first category of 6.58 million people, those earning between R 0 and R 70 000, are exempt from paying income tax, this is a group that comes essentially from the lower income groups. The other eight categories pay tax on a progressive scale, meaning that tax is paid depending on the amount of income earned. Those earning a higher income will pay a higher tax rate and similarly those who are low income earners will pay a lower rate. The 6.58 million registered taxpayers who are under the R 70 000 threshold are exempt from submitting a tax return.

They are however, subjected to other taxes like VAT, PAYE and excise taxes (cigarette and alcohol). VAT or value added tax is that tax which a consumer pays every time they purchase goods or services from a vendor in South Africa. VAT is an indirect tax and a direct cost to the final consumer, since this amount cannot be claimed back from the South African Revenue Services (Stiglingh et al 2008: 5). VAT also is the supply of goods and services by a vendor in the course of the furtherance of an enterprise carried on by a vendor (Brettenny 2004: 14). An enterprise includes the following activities commercial, financial, industrial, farming, fishing or mining and it also included local authorities, public authorities and welfare organisations (Brettenny 2004: 14-15).

Table 1: Estimates of individual taxpayers and taxable income, 2017/18

Taxable bracket	**Registered Individuals** **Number**	**Taxable Income** **Billions and %**
R0 - R70 0001	**6 582 884 (0%)**	**159.8 (0%)**
R70 001 - R150 000	2 602 653 3 (35.1%)	274.4 (11.9%)
R150 001 - R250 000	1 813 517 (24.5%)	355.6 (15.4%)
R250 001 - R350 000	1 077 915 (14.5%)	315.1 (13.7%)
R350 001 - R500 000	906 151 (12.2%)	365.1 (15.8%)
R500 001 - R750 000	527 288 (7.1%)	310.4 (13.5%)
R750 001 - R1 000 000	227 561 (3.1%)	189.6 (8.2%)
R1 000 001 - R1 500 000	152 604 (2.1%)	178.4 (7.7%)
R1 500 001+	103 353 (1.4%)	319.0 (13.8%)
Total	7 411 042 (100%)	2308 (100%)
Grand total	13 993 926	2467

Source: http://www.taxconsulting.co.za/tax-guide-20172018/

Despite the fact that 6.58 million people do not pay income tax, all South Africans this group included, pays some form of direct or indirect tax or both. This group in particular which is the biggest single group in relation to the other eight groups, and which is mostly populated by the working class and the poor, is particularly subjected to paying indirect taxes such as VAT and excise tax.

The only goods and services from which the 6.58 million people are exempted from are items such as brown bread, hen's eggs, dried beans, maize meal, dried beans, samp, fresh vegetables and fruit, rice, lentils and edible legumes. All other goods and services are subjected to VAT and most of these goods and services affect this group of people.

The point of the discussion is that working people and the poor contribute to the state fiscus in the form of indirect tax via VAT. Besides the exemptions in respect of basic foodstuffs, the 6.58 million people who constitute most of the working class and the poor are indirect taxpayers on a wide-ranging list of goods and services. The crucial point of this discussion is that the amount of money that the state sets aside for the procurement of goods and services, some R 208 billion in the 2016-2017 tax year, are also contributed to by those citizens which do not pay direct taxes such as income tax; but, that they do pay taxes in the form of indirect taxes in the form of VAT.

5.8 Conclusion

To conclude, this chapter has set out to understand the character and nature of black economic empowerment as an historical aspect of the capital relation in modern South Africa. Also, what was illustrated is that black economic empowerment had its origins in finance capital. The point of the illustration is to show that black economic empowerment does not begin its existence in the production of commodities but rather in fictitious capital or more commonly termed finance capital.

Having set out in chapter four the theoretical architecture of the basis and growth of finance capital in relation to productive capital, also illustrating the nature and character of finance capital as a manifestation of Marx's fictitious capital, it was argued that black economic empowerment is informed by finance capital. The Sasol case was used to illustrate that Sasol at inception was a case of productive capital and later in its attempts to promote black economic empowerment creates it within the logic of finance capital. The rationale for using Sasol as a case was to illustrate empirically that Sasol's black economic empowerment initiative arose at inception within finance capital. This is not to say that Sasol prior to the era of black economic empowerment did not access finance capital to expand its productive capacities at all. Rather, the point being illustrated is that the preferred manner for black economic empowerment to come into existence was by way of a unique kind of financing - the special purpose vehicle. Aspirant black economic empowerment players did not become owners of Sasol, they were mere shareholders in Sasol via their special purpose vehicle, FundCo. In terms of the Companies Act 71 of 2008, Sasol as a juristic person with its own legal personality had acquired rights and incurred obligations that are distinct from the directors and shareholders (Cassim 2012: 62).

Other aspects that distinguish a company from its shareholders is that the liability of shareholders for the company's debts are limited, changes in the shareholders do not affect the continuation of the company, that the company's property and assets belong to the company and not to the shareholders, profits of the company belong to the company and so too, the debts and liabilities (Cassim 2012: 64-65). In relation to the company the shareholder does have a proprietary interest in the company in the form of a share. This proprietary right makes the shareholder the owner of an intangible property right in the company which is made of income, capital and voting rights (Jooste and Yeats 2012: 163). In this case FundCo as representatives of the BEE shareholders did not own SASOL but, only had a propriety right in the form of a dividend from SASOL which was a right to future surplus value appropriation.

In the case of Sanlam black economic empowerment does not have to be wholly dependent upon a former established corporation, like Sasol and its black economic empowerment transaction for instance, to survive and reproduce itself as a viable and independent business entity. With Ubuntu-Botho Investments/Sanlam relationship, UBI illustrates that it can forge ahead in the world of finance capital as an independent player and in equal partnership with

Sanlam. This is an indication of the maturity and the extent of viability in the realm of finance capital that black economic empowerment has achieved.

Preferential procurement, the second pillar of the black economic empowerment strategy, is firmly in place with all the necessary logistical and structural frameworks. Furthermore, the monetary magnitude of the procurement process is quite substantial, with a projected R 1.5 trillion to be spent over a three-year period and already for the tax year 2015-2016 some R208 billion had been spent. In its quest to distribute income equitably the state has ensured that the necessary funding from the state fiscus in the form of taxes paid by all South African was made available. The paying of tax is distinguished along direct and indirect categories which are manifested in different tax brackets (individual, companies, VAT, PAYE, secondary tax on companies and the fuel levy). These different categorisations have specific class implications with direct tax (individual, companies and secondary tax) having a bias towards high income earners who would invariably come from the middle classes and upper middle classes; and, indirect tax like VAT which will not allow lower income earners in the working class and the poor from escape paying taxes. The point being made is that all South African's which includes the different race groups, ethnic groups and classes pay some kind of direct or indirect tax or both.

Having demonstrated how capital and the state in the form of share transfers and preferential procurement anchor the black economic empowerment project the following chapter will deal with one of its substantive claims, namely, that it can address the question of black economic inequality. However, despite the setting up of these structures in the quest to eradicate black economic inequality, the next chapter will illustrate that these very foundations upon which black economic empowerment are erected are in fact the very structures which perpetuate black economic inequality. It is to this question that I now turn.

CHAPTER SIX: ANALYSIS OF BLACK ECONOMIC INEQUALITY

6.1 Introduction

This chapter lays the foundations for interrogating the problem of inequality in democratic South Africa. It takes the BBBEE Act as its point of departure since economic equality is central and foundational to the policy of BEE. The task of this chapter is to explain why the claim made by black economic empowerment that it can address black economic inequality cannot hold. Despite the strategies utilised, which originate in capital and the state, by way of share acquisitions and preferential procurement respectively, economic inequality continues. Whether it reduces inequality, given the crisis-ridden vagaries of the capitalist mode of production or not, economic inequality generally and black economic inequality in particular, still persists and will continue to persist.

The explanation for this persistence is directly tied up in the structure of capital. More specifically, it is rooted in the production and appropriation of surplus value. Share acquisitions and preferential procurement are premised on capital and that which they purport to address, black economic inequality, they actually perpetuate since share acquisitions and preferential procurement are two different forms of surplus value appropriation. Share acquisitions and preferential procurement, it could be safely concluded, are premised on black economic inequality the very phenomenon they claim to address. These two processes furthermore lay the foundations for the rise and consolidation of an aspirant black middle class and capitalist class, a subject I will address in chapter eight, which originate out of surplus value appropriation; and, importantly, are squarely premised upon the exploitation of labour.

Hence a claim that these two processes can deal with the economic inequality of “all black people” cannot hold. It can only address the economic aspirations of a particular class of people and in this case it founds, enables and promotes an emerging black capitalist and middle class at the expense of "all black people" which invariably reproduces and perpetuates black income in-equality generally.

6.2 The Context and Extent of Black Economic Inequality

According to a World Bank report cited, South Africa was highlighted as one of the most unequal societies in the world with the top 10% of the population (4,8 million) receiving 58% of income with the remaining 90% of the population earning 10% (Business Day 2012: 2). The Institute for Race Relations highlighted South Africa's Gini coefficient at 0.61 in 1996 reaching a high of 0.67 in the years 2002 to 2005 and flattening out to 0.64 in 2012, 2013 and 2014 (Institute of Race Relations 2016: 313).

With regard to the intra-race Gini, that is, the measure of inequality within a particular race group, the African group since 1996 is consistently the highest in relation to the other race groups. With the African group reaching a high of 0.61 consistently through the years 2002 to 2006, the Coloured group experiencing a high between the 2001 and 2003 of 0.58, Indian people's high of 0.55 from 2000 to 2003; and, the white group reaching a high of 0.50 between 2001 and 2003 (Institute of Race Relations 2016: 313).

When the 2014 statistics are taken into consideration intra-race inequality amongst African people is still the highest at 0.58 in relation to coloured people at 0.54, Indian people at 0.48 and white people at a low 0.44 (Institute of Race Relations 2016: 313).

In the light of these statistics, significant levels of income inequality in South Africa across race groups are prevalent; but, more importantly, income within the African population group remains consistently higher at 0.58 in relation to the other race groups. Significantly, between 2003 when the Act was promulgated and 2014, the inequality average within the African population group was consistently pegged at 0.59 (Institute of Race Relations 2016: 313). This is significant because it falls in the time period when the BBBEE Act was promulgated into law and eleven years later. With the promulgation of the Act one would have expected a decrease on the 0.59 black inequality average.

Given the dire state of the situation revealed by these statistics, and the fact that the Black Economic Empowerment Act 53 of 2003 together with section 217 of the Constitution and section 2(d) of the Preferential Procurement Policy Framework Act of 2000 were intentionally promulgated to achieve and promote an equitable distribution of income for black people, why, do the disparities in black income generally; and, intra-African income particularly, still persist? In the next section an explanation will be advanced for this continuing phenomenon which has its roots in how capital operates which is that it is not designed for the equitable distribution of income.

6.3 Preferential Procurement, Share Acquisitions and the Equitable Distribution of Income

Preferential procurement and share acquisitions are the enabling mechanisms of the black economic empowerment logic that have been put in place to effect this equitable distribution of income. Because of the limitations imposed by colonial and apartheid capital on black South Africans to freely participate in the process of capital accumulation, the objective of black economic empowerment through the equitable distribution of income strategy is to achieve an equitable distribution or a fair distribution of income in democratic South Africa.

What the equitable distribution of income does not consider is that the logic of capital is not designed for the equitable distribution of income; rather, it is primarily based on the inequitable distribution of income rooted in production. In the process of production labour power produces value *over* and *above* that value which reproduces and regenerates labour, namely surplus value which eventually is appropriated by capital. The appropriation of this surplus value is the *inequitable* distribution of income that is rooted in production.

It is this process, the production and appropriation of surplus value where the inequitable distribution of income is rooted. The production and distribution of value is how this process is characterised rather than the distribution of income. It is in this process where value is produced that is within the confines of the necessary labour/surplus labour relationship where in the form of the wage, the price of labour power, workers are paid an income to produce the surplus value which is appropriated by capital. It is this expropriated surplus value which capital considers as its wage or income.

Black economic empowerment is rooted in capital and hence it is within the logic of capital that its strategy, the equitable distribution of income, should be understood. More specifically it should be understood within a particular notion of what is fair, that is that the surplus value produced by labour and appropriated by capital is considered to be fair. Capital has received its just deserts, that which is fairly due to it. The appropriation of surplus value by capital is not seen as an action, which is premised on a relationship between capital and labour which is antagonistic and exploitative. Rather, it sees the relationship as one between equals in the buying and selling of commodities. Labour is paid a price, the wage, for its labour power to produce the surplus value, which becomes the sole property of capital.

This transaction is considered to be a fair exchange, namely, labour power for a wage. The wage that capital pays for labour power is what is considered to be labour's just desert and the surplus value that capital appropriates is capital's just deserts. There has been a fair exchange. There is mutual acceptance that the exchange that took place was between two equals satisfied with what each received in return. Since there has been a fair exchange the question of exploitation of one party (labour) by the other party (capital) is not a question for consideration. There has been merely a mutual exchange of commodities, the wage for labour power and labour-power for the wage. This is the logic that informs the equitable distribution of income strategy, that is, that the wage that labour receives as income is a fair and equitable allocation of income in relation to the labour-power that the worker provides to capital. And, simultaneously, the profit that capital receives as income based on the labour-power that it procured from labour is an equitable allocation of income in relation to the labour-power provided by the worker.

However, this maybe, as argued elsewhere it is not a relationship of fairness or equity because the value that is distributed as income between capital and labour is solely produced by labour and appropriated by capital. It is in this act of appropriation where the inequitable distribution of income is grounded. Therefore, if the distribution of income is to be understood properly it needs to be understood within the logic of surplus value production and expropriation; rather than in the realm of exchange where capital and labour are perceived as equals and their exchange of commodities as being fair and equitable, each receiving his fair return on the bargain that was struck. What is very pertinent and profound is that ironically, and on closer scrutiny, there can be no equitable distribution of income while capital prevails. Because it's very logic and design prevents it from distributing any income fairly and equitably. It is essentially designed to expropriate the surplus/unpaid labour of workers which transforms into surplus value and in the realm of circulation, profit. Its continued expropriation of surplus value cannot logically produce any form of equitable distribution of income.

The same logic applies to preferential procurement and share acquisitions. It is incongruous to advance the idea that preferential procurement and share acquisitions, the enabling mechanisms of the equitable distribution of income strategy, which are premised on inequality the result of the exploitation and appropriation of surplus value at the point of production, can be the instruments to correct the unequal distribution of income. What is being advanced is that preferential procurement and share acquisitions which are the very products of inequality are now expected to correct the very inequality that it gives rise to and herein lays the incongruity. Preferential procurement is indirectly rooted in the taxes that the state levies against capital's profits which are premised on surplus value appropriation. Because preferential procurement arises indirectly from surplus value in the form of state taxes, its deployment in the realm of exchange as tenders for state goods and services, cannot logically address the surplus value appropriation by capital in the realm of production when itself (preferential procurement) is a product of surplus value expropriation in the indirect form of state taxes. In short preferential procurement itself rests on the surplus value appropriation in production.

Taxes and share acquisitions which have their source within surplus value, indirectly and directly respectively, are distributed and levied long after inequality in the form of exploitation and surplus value appropriation has been produced in the realm of production. In the final analysis because preferential procurement rests on inequality it is not logically possible for it to address the very inequality from which it issues.

The surplus value produced in production, which is appropriated by capital, is the fundamental locus of economic inequality. The taxes levied against the wages of workers and against the profits of capital are two sides of a single integrated process that produces the economic inequality. To reiterate, in the general course of production capital buys labour power for a specified period, say 8 hours, but only pays the worker a wage, which constitutes 4 hours of the working day. These 4 hours are sufficient to reproduce and sustain the worker. The rest of the working day, 4 hours, is appropriated by capital as unpaid labour/ surplus labour which is transformed into surplus value. *And it is this appropriation that forms the fundamental basis of economic inequality because the worker is not paid the full value of his labour, he is only paid a fraction (4hours), that fraction which reproduces and sustains the worker.* It is from this appropriation from whence the state derives its taxes from.

Hence, to understand preferential procurement is to understand it as being sourced from workers' wages the fraction that workers are paid to reproduce themselves as taxes levied by the state. It is also sourced from the unpaid labour/ surplus labour/surplus value which capital appropriates and later becomes its profits. The point is that preferential procurement as state taxes at its source is sourced from both labour and capital, that is, wages and profits respectively. These taxes in reality are sourced from the fundamental inequality already produced when capital appropriates that fraction of the working day which is not paid to the worker. To make the claim then that preferential procurement can be used as a strategy to address economic inequality when it is premised on this inequality is not to understand the origins of what Desai termed the "original contradiction of capital" (1974: 16) which is the fundamental inequality that lies at the heart of the relation between capital and labour, namely the appropriation of surplus value.

Therefore, black economic empowerment employing its two strategies, namely preferential procurement and share acquisitions, can distribute as much surplus-value/profit and necessary labour/wage as state taxes; and, provide the conditions for black people to become indirect shareholders in corporations like Sasol, to purportedly ameliorate income inequality as far as possible; the fundamental point is, inequality at the point of production will still persist, the fundamental inequality will endure. The point of the matter is that the distribution of surplus value in exchange gives a semblance or the appearance of addressing inequality. Preferential procurement distributes surplus value in the form of taxes that has already been expropriated in the process of production where the inequality has already been produced and the same applies to share acquisitions. In the South African context capital and the state have been identified as the primary distributors of this surplus value; share acquisitions in the case of capital; and preferential procurement in the case of the state and these two processes are squarely positioned on the value producing abilities of labour. It is because of this, the manner in which capital is structured that makes it impossible for preferential procurement and share acquisitions, to address economic inequality and therefore give weight to the claim that it can address the economic inequality of all black people.

Preferential procurement and share acquisitions in the main and fundamentally undermine the claim of economic equality of all black people. These processes are class producing processes. They are skewed to producing particularly a black middle class and a black capitalist class which will be discussed in a later chapter. It is not designed for all black people. Capital is not designed for all people it is purely designed for capital and the production of a capitalist class.

These two strategies, preferential procurement and share acquisitions are testimony to the scale and magnitude of surplus value appropriation directly from capital and indirectly as taxes by the state are what facilitates and consolidates the economic inequality that is originally produced in production. The two specific acts, the BEE Act and the Preferential Procurement Act in law and backed by the state lay the foundations for the creation and perpetuation of surplus value appropriation directly from capital in the vicinity of R 317 billion by the creation of companies like Sasol Inzalo and Ubuntu Botho Investments which enable black people to become shareholders; and, indirectly from taxes where nearly 500 billion is set aside for black entrepreneurs to provide the state with goods and services. Collectively these are two edifices of systematic surplus value appropriation the creaming of labour's unpaid labour, the quintessential inequality. One located directly in capital and the other in the state.

Furthermore, and importantly the dynamics of these two processes also highlights the changing class forces especially within the black demographic and more especially with in the African ethnic demographic. Hence, rather than advantage all black South Africans as it is intended to it has, in reality, advantaged and been the enabling instrument for the production of an emerging black capitalist and middle class.

6.4 Conclusion

Significantly, for preferential procurement, taxes arise from both wages and profits but to a large extent only the emerging black middle and capitalist class benefit. For, share acquisitions, these are located exclusively within the context of profits that stem from surplus value appropriated by capital in the form of unpaid labour provided by workers. The effects of these two processes are that in the case of preferential procurement workers' pay taxes on their wages and their unpaid labour is appropriated by capital as surplus value. On both counts the value that workers create both to sustain themselves and what is appropriated by capital as unpaid labour are deployed to promote the development of an emerging black capitalist class. With regard to share transfers established capital sets aside a percentage of its assets which is housed in a special purpose vehicle from which only black people are allowed to acquire these shares at discounted prices and that will be fully paid out of dividends. This strategy largely also lays the foundation for the enabling and promotion of an emerging black capitalist and middle class rather than all black people.

Taking into consideration the magnitude of intra black inequality the efficacy of preferential procurement and share transfers in reducing black economic inequality was evaluated. Moreover, this evaluation paid particular attention to the capitalist structure on which these two strategies are based with the view to show that capital is not designed to reduce economic inequality. This inability stems from the fact that it is intentionally constructed and driven by the production and appropriation of surplus value; the primary appropriators being the capitalist class. Since preferential procurement and share acquisitions are primarily premised upon capital the same logic applies, the surplus value produced will still be appropriated by the capitalist class generally. Also, in the case of preferential procurement and share transfers a material base is created which gives rise to the circumstances for a specific section of the capitalist class to come into existence, namely the black capitalist class. Taking the logic of this process into consideration it becomes difficult to appreciate that strategies based on the logic of capital in whatever form can effectively address black inequality generally. Resultantly preferential procurement and share transfers as strategies that are based on a capitalist logic to address black economic inequality are a contradiction in terms. That which it is supposed to address, black inequality, it in actual fact reproduces by creating the material base from which a black capitalist and middle class is given the impetus to reproduce and dominate at the expense of all black people in South African society.

Hence, the question of the equal distribution of income to correct black economic inequality is fated to continuously reproduce the conditions for a rising and consolidating black capitalist and middle class to succeed rather than to address the economic inequality of all black people as the BBBEE Act intended. Importantly the continuation of this economic inequality at the point of production will ensue as long as it is based on the logic of capital. The next chapter will investigate the conditions, which give rise to unemployment a further consequence that flows from capital's accumulation logic.

CHAPTER SEVEN: THE IMPOSSIBILITY OF UNDOING UNEMPLOYMENT THROUGH BLACK ECONOMIC EMPOWERMENT

7.1 Introduction and Context

The task of this chapter is to examine black economic empowerment's claim that it can address the question of black unemployment. The argument that will be made is that capital produces unemployment generally. Black economic empowerment is premised on the logic of capital - it cannot plausibly address unemployment. It cannot remedy that which it persistently produces, unemployment, given its capitalistic logic. Its roots in capital emasculates the possibility for it to remedy the problem of unemployment.

Firstly, an argument will be made that unemployment generally is a perennial feature of South Africa's capitalist economy and that black unemployment was particularly high. Secondly, since black economic empowerment was supposed to deal with black unemployment, black unemployment statistics will be assessed to ascertain whether there have been any changes in the extent of black unemployment since the promulgation of the Broad-base Black Economic Empowerment Act of 2003. This will show whether black economic empowerment succeeded in remedying black unemployment. Thirdly, the standard definitions of unemployment will be identified to later illustrate the inadequacies of these definitions to explain the source of unemployment generally. Fourthly, the views of economists and social scientists will be canvassed to establish what they think drives the continuing occurrence of unemployment and how it can be remedied. Fifthly, a Marxist critique of existing notions of unemployment with regard to its origins, remedies and its continued persistence will be advanced. Finally, the Shanduka/ Lonmin relationship will be explored as an instance of black economic empowerment that does not support the claims made in the Broad-based Black Economic Empowerment Act to address unemployment.

7.2 General Unemployment Statistics

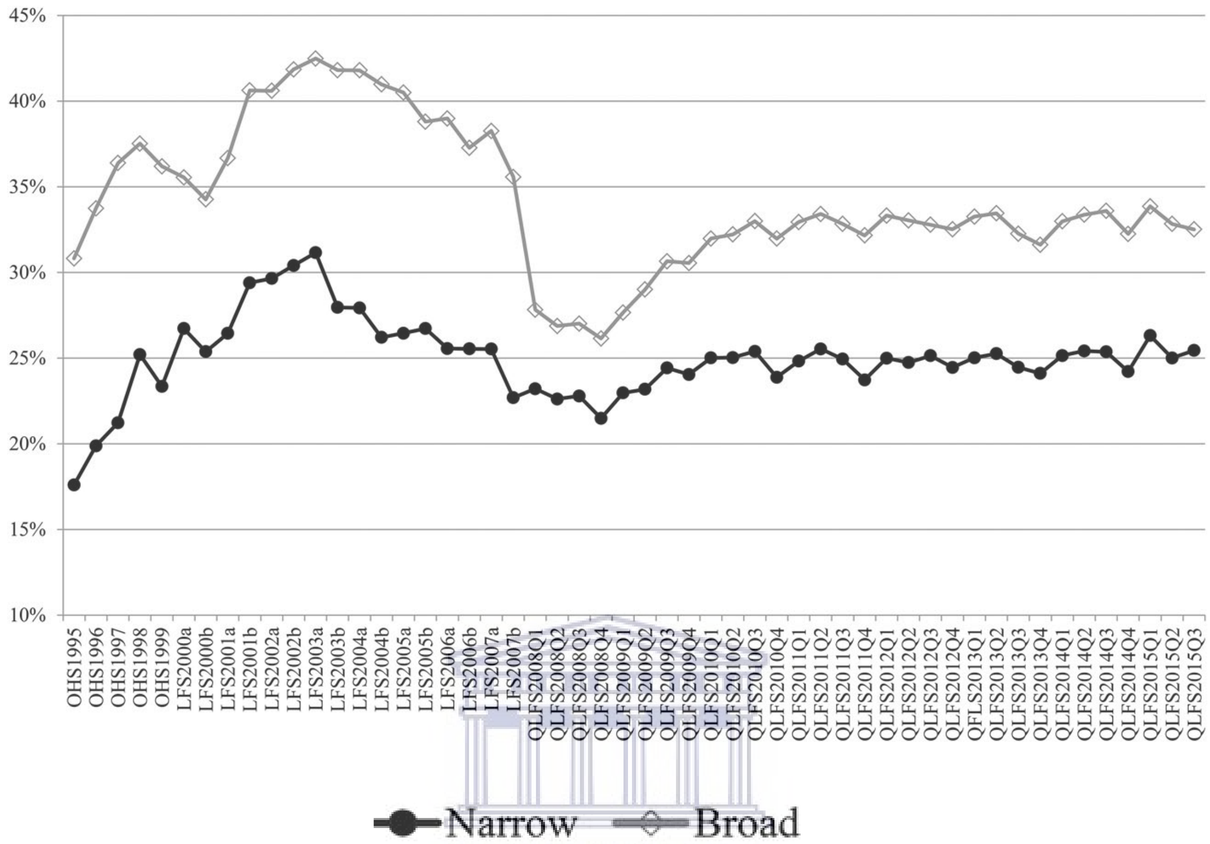

Figure 2. Unemployment rates, 1995–2015.

Source: Festus, L, et al. 2016. The South African labour market 1995-2015. Development Southern Africa 2016 Vol. 33, No. 5, 579–599 p.584

What the narrow[13] and broad[14] rates of unemployment statistics above reveal is that unemployment is still a stark reality 23 years into the democratic era. The narrow definition displays an unemployment rate over a 12-year period from 2003 to 2015 in the democratic era that oscillates from about 30% in 2003 to about 25% in 2015. The average unemployment rate over this period is at a steady average of about 25%. When the broad definition of the unemployment rate is considered, then the figures above paint an exacerbated picture. The 2003 rate then escalates to over 40% and likewise, when the 2015

[13] The narrow or strict definition of unemployment is where an unemployed person is someone who is actively searching for a job but unable to find one within a specified period of time (Black, Hartzenburg and Standish 2004: 289).

[14] The broad or expanded definition of unemployment occurs when workers who have taken active steps to look for work are now discouraged and have stopped looking for work (Barker 2007: 174).

rate is viewed the rate rises to just over 30%. This is an indication that at any given time between 2003 and 2015 there is a sizable part of the working population out of work and looking for work and those who are discouraged from looking work. The point is that unemployment in its two variations is a persistent feature of democratic South Africa.

7.3 Unemployment Statistics by Race 2003 – 2015

In addition, when the unemployment statistics are illustrated by race the population group hard hit by unemployment is the African demographic. In terms of 2016 statistics of the four population groups that make up the South African population the African population group out of 5 634 000 people unemployed they account for 4 946 000 people which in percentages is 87.8. The population group that is least affected by unemployment would be the white population which accounts for 136 000 people and a percentage of 2.4%. Moreover, these are statistics that are extrapolated from the strict definition of unemployment (Institute for Race Relations 2017:284).

On completing their research on employment trends between 1995 and 2015 for the four populations groups it was concluded that whites remain the group with the greatest likelihood of being employed, followed by Indians and coloureds. They do also highlight an important inference that must be drawn from this point, and that is that despite the Affirmative Action and Black Economic Empowerment initiatives, labour force trends still show persistent disparities between Africans and other races (Festus et al 2016: 590). Their research with regard to the unemployed between 1995 and 2015 also ascertained that in all three these surveys, the October Household Survey, Labour Force Survey and the Quarterly Labour Force Survey the African demographic not only accounted for the highest share of unemployed around 85% in relation to the other population groups. With the 1995 October Household Survey the African percentage was 83.5, Coloured 10.7, Indian 2.1 and White 3.7. The 2005 Labour Force Survey showed approximating statistics African 87.5, Coloured 8.6, Indian 1.8 and White 2.4. The 2015 taken from the Quarterly Labour Force Survey were not far off the mark in relation to the other 10-year periods surveyed African 87.4, Coloured 8.9, Indian 1.3 and White 2.3 (Festus et al 2016: 592).

The assessment by Festus et al does not markedly deviate from the figures deduced by the Institute of Race Relations which also showed that the African demographic's percentage of the unemployed was in the high 80s as a percentage and that the white demographic was consistently in the high 20 averaging at 2.8

For the purposes of this study, if we take the year 2003 when the BBBEE Act was promulgated, the statistics show that the unemployment figures for African people were in the region of 4 136 000. The statistics for white people were 173 000. The rates of unemployment for the two population groups again display a large disparity between the two groups. In percentages, the African group represented 85.4% of the total unemployed of 4.8 million people and the white group was pegged at 3.6%. Furthermore, when the 2015 statistics are taken into consideration, to establish between the period when the Act was promulgated and 2015 the statistics show a constant disparity between African and White population groups. The rationale for drawing on these two groups to the exclusion of the others is that apartheid capital made employment for African people particularly difficult with the myriad of laws that were put in place to restrict the employment of African people.

In the pre-democratic regime, the South African labour market was segmented along racial lines, to the disadvantage of non-whites: the implementation of the Bantu Education Act of 1953 led to non-whites receiving relatively inferior quality of education. The Group Areas Act of 1950 and the Black Labour Act of 1964 established segregated areas of residence in urban areas and strict limitations on the type and conditions of employment available to Africans, respectively. The Industrial Conciliation Act of 1924 allowed the establishment of Industrial Councils but did not recognise African trade unions or allow African employees to take part in collective bargaining. Also, the Mines and Works Act Number 12 of 1911 was the first in a series of laws which reserved certain highly- paid and highly-skilled jobs for whites (Festus et al 2016: 579).

When these statistics are taken into consideration the question that begs an answer is, why has black economic empowerment since its legislative inception from 2003, not been able to "increase black employment" as it claims in the preamble to the Broad-based Black Economic Act 53 of 2003? However, before the possible causes for unemployment by mainstream economists are addressed it is important to understand how they define unemployment. The reason for this investigation is to tease out the particular logic that economists employ to make sense of unemployment; and, with this in mind a Marxist critique of this thinking will be employed in the following section to highlight the strategic pitfalls of mainstream economic thinking with regard to unemployment.

7.4 Defining Unemployment

7.4.1Universal, Strict and Expanded Unemployment

The universal definition of unemployment is the number of jobless people as a percentage of the total economically active labour force. This includes all workers in the formal sector, informal sector self-employed and all unemployed persons (Roux 2005: 52-53). Black, Hartzenburg and Standish extend the definition where an unemployed person is someone who is actively searching for a job but unable to find one within a specified period of time (Black, Hartzenburg and Standish 2004: 289). This definition is the "strict definition" of unemployment (Barker 2007: 174). There is also the expanded definition of unemployment. This occurs when workers who have taken active steps to look for work are now discouraged and have stopped looking for work. These discouraged work –seekers are not regarded as part of the labour force. The labour force consists of people who are working and people who are unemployed. Discouraged work-seekers are not economically active and therefore are not considered to be unemployed even though they may very much want to work (Barker 2007: 174).

The additional people that could be counted as unemployed if the expanded definition is used, i.e. by including the so-called "discouraged job seekers", could be quite substantial. Hypothetically if there are a certain amount of discouraged work-seekers in any given year according to the expanded definition of unemployment, to obtain an indication of the broader unemployment problem, the discouraged work-seekers would be added to those officially unemployed. If there were 3 million discouraged workers and 5 million unemployed this gives a total of 8 million unemployed people according to this broad definition. However, this also changes the labour force, because the additional 3 million people, who were not regarded as economically active before, are now added to the labour force – the total "expanded" labour force is thus 8 million plus the employed 12 million. The resultant unemployment rate according to the expanded definition is then 40% (8 million as a percentage of 20 million) instead of 25% (5 million as a percentage of 20 million) according to the strict definition (Barker 2007:175). The strict definition of unemployment excludes many rural people in particular because they find it more difficult to "actively take steps to find a job" and therefore are not officially counted as unemployed (Barker 2007:176).

There is one other rate of unemployment termed the natural rate of unemployment. Firstly there is no such thing as full employment, even under the most favourable conditions. At any one stage, some workers will be employed, either moving between jobs, or moving from outside the labour market to inside (e.g. moving from being a full-time student to trying to find a job), or younger workers trying out different job opportunities. This constant rate of unemployment is called the natural rate of unemployment, and exists when there is neither excess demand nor excess supply in the overall labour market (Barker 2007: 176).

In this section, a general description of the different types of unemployment was discussed. The next section will investigate the underlying causes that economists attach to unemployment. Neo-classical economists like Black, Hartzenburg and Standish identify four main causes for unemployment; they are cyclical, structural, frictional and seasonal. Which is discussed below.

7.5 Causes of Unemployment: Cyclical, Structural, Frictional and Seasonal

7.5.1 Cyclical Unemployment

Cyclical unemployment arises from periodic downswings in the business cycle. Such downswings may be initiated, for example, by autonomous decreases in consumption, investment, or exports and reinforced by attendant degree of wage rigidity. Wage rigidity refers to the inability of wages to adjust in a downward direction. When this occurs, any decrease in the demand for labour must perforce give rise to an excess supply of labour, or cyclical unemployment (Black, Hartzenburg and Standish 2004; Roux 2005).

Cyclical unemployment arises during recessionary periods when the demand for labour is low. During recessionary periods few or no jobs are created for new entrants to the labour market, and even existing workers might lose their jobs through retrenchments. Once the economy improves, however, the cyclical unemployment has a dimension that makes it difficult to address successfully: it is super imposed on large-scale structural unemployment. As a result, the unemployment problem is severe, complex and difficult to alleviate (Barker 2007: 177).

7.5.2 Structural Unemployment

Structural unemployment has its basis in the fact that the skills profile of the unemployed does not match the skills demanded by the employer. Also, structural or "mismatched" unemployment may result from changes in the composition of demand and supply, technological progress and various forms of discriminatory practices in the labour market. Locational mismatch is where the unemployed person lives in one geographical space and the job is in another (Black, Hartzenburg and Standish 2004: 291).

Roux underscores what Black, Hartzenburg and Standish assert that structural unemployment occurs when there is a significant gap between, on the one hand, the education, skills, expertise required for a job and, on the other hand, the availability of appropriately qualified workers to fill those posts. He comes to the conclusion that in South Africa many people can be considered to be unemployable. Another case of structural unemployment is in the case where jobs change or simply no longer exist because the structure or composition of the economy has changed (Roux 2005: 57).

Structural unemployment generally refers to the overall inability of the economy, owing to structural imbalances, to provide employment for the total labour force even at the peak of the business cycle. Even in periods of high economic growth, job opportunities do not increase fast enough to absorb those already unemployed and those newly entering the labour market. There are various reasons for this, for example the rapid growth of the labour force, the use of capital–or skills-intensive technology, or an inflexible labour market. Structural unemployment could also refer to a skills mismatch, i.e. between the skills that employers require and those that employees offer, or a geographic mismatch, i.e. between the locations of job vacancies and those of job seekers. The major proportion of unemployment in South Africa is structural rather than cyclical (Barker 2007: 177).

7.5.3 Frictional Unemployment

The third cause of unemployment is frictional unemployment, which refers to an economically rational process of job search where people voluntarily remain unemployed while they seek out and weigh up suitable job vacancies. Frictional unemployment thus includes people in the process of searching for jobs which do exist but where complete information concerning these jobs is lacking (Black, Hartzenburg and Standish 2004: 291).

Frictional unemployment arises as a result of normal labour turnover that occurs in any dynamic economy and the time lags involved in the re-employment of labour. Because there are people moving between jobs and new entrants to the labour market at any given time, there are both unemployed persons and vacancies that can be filled by them, and it usually takes time for those seeking work to find and fill these vacancies. Frictional is usually of relatively short duration and can be reduced even further by improving labour market information and placement services so that the employer and job seeker can find each other sooner and more effectively. Frictional unemployment is one of the factors that determine the natural rate of unemployment (Barker 2007: 176-177)

7.5.4 Seasonal Unemployment

Seasonal unemployment is due to normal and expected changes in economic activity during the course of a single year. It is found in many sectors - agriculture and retail_trade are probably the best examples. Persons working during peak periods and unemployed in off-peak periods are described as seasonal workers or seasonally employed. This type of unemployment occurs on a regular and predictable basis (Barker 2007: 177). Having surveyed how mainstream economists Barker, Standish, Hartzenburg and Roux understand what causes unemployment the next section will look at the remedies put forward by mainstream economists to remedy unemployment.

7.6 Solutions to Combat Unemployment: Corporate and State Intervention

7.6.1 Education and Skills

South Africa could attain an economic growth close to 8% by 2025 if a number of policy options are followed, according to a working paper of the South African Reserve Bank. The core requirements for more rapid and sustained growth are greater savings, investment, more productive use of capital by better skilled workers and moderation in labour unit costs. In addition, higher labour productivity growth will in its own right increase the labour intensity of the economy as a whole (Khuzwayo 2014: 3).

The authors of the SARB report, Loewald, Faulkner and Marelov, reiterate that savings and investment are the building blocks for economic growth over the long term. They can be increased under three not mutually exclusive ways: by greater saving and less consumption by South African households, firms and the public sector; by attracting non-resident saving to domestic portfolio investments (equities and bonds); and finally by direct foreign investment, either through the sale of existing assets or the investment of foreign currency into new domestic venture (Khuzwayo 2014:3). This savings and investment simulation strategy has the potential to generate growth of between 4% and 7.45% by 2025 and this they attribute to a savings rise of 35% of GDP by 2025.

However, they attribute the poor employment growth with fewer than 500 000 additional jobs created to skills constraints, which exacerbate the shortage of skilled labour (Khuzwayo 2014: 3). Loewald, Faulkner and Marelov view a countries development by the level of education, skilling and re-skilling of successive generations of workers in relation to the changing use of capital and production technologies over time. Full employment is achieved, again in part; by enabling an economic environment where businesses can use various types of capital requiring equally varied skills (Khuzwayo 2014: 3).

The authors of the South African Reserve Bank report, Loewald, Faulkner and Marelov, state that high levels of unemployment in part reflect a skills mismatch in the economy. A structurally evolving economy in response to changing technological, production and development demands, hence the need for higher skill levels. They highlight the fact that South Africa has an abundant supply of low-skilled and medium-skilled workers but relatively few high-skilled workers; the situation is exacerbated by the large scale emigration of skilled labour (Khuzwayo 2014: 3).

The authors are of the view that wages presently are high and well above productivity growth when compared with wages across other countries of comparable development. In addition, labour market developments since the economic crisis of 2008 have added significantly to the contraction in employment and sluggish job creation during the recovery. Augmenting, they say:

> Wage adjustments in formal labour markets that limit job growth, high labour costs and extensive skills mismatches are a critically important set of constraints to a more equitable and growth-supporting labour market. Intrinsically related to the skills mismatch is the failure of the education system to generate enough human capital to support economic growth (Khuzwayo 2014: 3).

To ease up South Africa's skills constraints long-term reform across the education and training system is needed. They identify a shortage of high-quality teachers, governance issues within schools and inappropriate incentives within the skills development system. The authors say a number of reforms to the basic education system have been identified as necessary to improve the education outcomes (Khuzwayo 2014: 3).

These outcomes include rewarding effective school management, ensuring proficiency of students in core skills such as reading and writing in English, mathematics and computer literacy, and improving the assessment of students standardised on a national scale (Khuzwayo 2914: 3).

A matter of concern for Roux is that the South African labour force is inappropriately and very often inadequately educated, and this has a bearing on employment opportunities. The census of 2001 found that 18% people aged 20 years and older had no education whatever; 22% had some primary school education. This means that 40% of adults in South Africa have, at the most, a Standard 5(Grade 7) educational background. At the other end of the scale, only some 20.4% of people 20 years and older had a matriculation certificate, while merely another 8.4% had a higher education qualification (Roux 2005: 59).

What these statistics suggest is that a very large proportion of South Africa's working-age population is simply not employable in an economic environment in which manual labour is becoming less and less important and appropriate skills more and more sought after. The problem is aggravated by the fact that it is extremely difficult in a technologically driven environment to teach people skills if they lack a solid educational background. At the very least they need to be able to read and write with fluency (Roux 2005: 59).

7.6.2 Economists, social scientists and other commentators: Structural Reforms, Labour Reforms and Corporatism

Gumede believes that any job is better than no job at all. Gumede focuses on job creation and since he sees unemployment as being structural, he advances the idea that there be a package of integrated structural reforms (Gumede 2014: 21).

The challenge, says Gumede, is how to pursue pragmatic structural reforms that will create and sustain new jobs for the unemployed in order to lessen the welfare burden on the state. With a decreasing tax base, it is not sustainable to extend welfare benefits without linking their recipients to productive work and upskilling those without work (Gumede 2014: 21). For him, state-led public works job creation strategies are useless unless those employed are provided with appropriate technical skills – of the kind crucial to the economy (Gumede 2014: 21).

He cites as a further structural hindrance to job creation the fact that by focusing on securing employment equity in terms of numbers, replacing white faces with blacks no matter the merit, and the focus on wealth redistribution to a few individuals who are connected to the ANC leadership through black economic empowerment – rather than focusing on skills entrepreneurs in the informal sector (Gumede 2014: 21).

Gumede also raises the issue that South Africa has reached a deadlock government, business and organized labour over labour market policy-and unless it is resolved, this deadlock will stymie any job creation initiatives. Imagination is what is needed to get passed this dead end Gumede feels (Gumede 2014: 21).

Inflexibility with regard to labour laws, rules and regulations undermines the possibilities for creating a climate for job creation. Organized business wants a wholesale relaxation of labour laws, which it says is the reason why companies are hiring. Trade unions on the other hand are rigidly opposed to loosening labour laws, rules and practices. They believe that if labour laws are eased, organized business will deliberately introduce practices that will undermine basic employment and human rights conditions (Gumede 2014: 21). However, this maybe, Gumede believes that some labour laws may have to be slackened if the governments job creation targets are to be met. Laws may have to be relaxed to allow the army of unemployed young people to enter the workplace and gain skills and experience. Lower wages may have to be introduced – but not at the expense of people who already have jobs (Gumede 2014: 21).

To circumvent these two rigid stances, he thinks that South Africa may have to adopt the idea of a dual labour market, in which certain sections are exempt from certain labour laws. Clearly, small and medium-sized business should be exempted from collective bargaining agreements (Gumede 2014: 21). Gumede is also of the view that whether a job is "decent" or not is the wrong debate. He asks: *"Is it sensible to close a textile factory in a poverty-stricken area that provides jobs because it does not pay minimum wages?"* (Gumede 2014: 210). For Gumede: *"…the sobering reality is that any job may be better than not having one (Emphasis added)* (Gumede 2014: 21).

For Gumede the challenge is whether those in "any job may be better than not having one" is whether they will be treated fairly, with dignity, according to health and safety regulations and without racism. The inference that can be drawn from this speculation is that since these workers will not be fully protected by law they may be subjected to all kinds of employer abuse on the factory floor. Gumede raises two key issues that he sees as problematic with the South African labour market, namely, skills and race. He says that most of the unemployed have few skills or no skills yet the jobs being created are for those with technical and professional skills or in management. Many black state school leavers do not have the hard skills, social skills or connections to enter the labour market. Also, the labour market is racialised. Those without jobs and skills are likely to be black and often young and will probably live in the rural areas or apartheid planned townships far from the centres of employment (Gumede 2014: 21).

Gumede sees as a possible solution in what he calls pragmatic coalitions between business, labour and government. Each side must compromise for the greater good, (a la Jeremy Bentham), of creating jobs, lifting growth and boosting economic development. He acknowledges that these pacts have not been successful since 1994; he believes that the better option would be for stake-holders to focus their energy on securing such job creation strategies in specific sectors, industries, or even at individual factories and work places. He believes that these kinds of compromises, social pacts, between government (city or municipal level) business and labour could strike mutual compromises to grow industries and create jobs (Gumede 2014: 21).

7.6.3 Economic Growth, Education and Training

Roux on the other hand sees unemployment as the result of a complex set of structural deficiencies that have evolved over a number of years (Roux 2005: 61). What is certain, states Roux, is the fact that economic growth, education and training are crucial elements of a long-term solution. This is the same view held by Black, Hartzenburg and Standish. High and sustained economic growth rates are needed to bring about substantial increase in the demand by employers for labour. In fact, the country needs an economic growth rate of more than 5% for a number of years merely to create jobs for new annual entrants into the labour force. (Roux 2005: 61). His solution concurs with Gumede, Black, Hartzenburg and Standish, namely that economic growth, education and training are crucial elements to a long-term solution to unemployment.

Education and training are important because even high economic growth will not guarantee job creation if the labour force is not suitably equipped in terms of skills and expertise. To compete in today's world economy, production costs need to be minimized and efficiencies need to be maximized. This is simply not possible if the potential of the labour force is not able to read and write and is consequently unable to master basic technological skills (Roux 2005: 62).

Other factors such as labour legislation and minimum wages need to be taken into account when considering the unemployment situation in South Africa. And the perception exists that as long as capital and technology are more productive than labour, there will be a preference to use capital and technology as a production factor. Roux is also if the view that self-employment is going to become an increasingly important source of employment for many new work-seekers (Roux 2005: 62). A stance which Gumede agrees with where more and more jobs will be created in the small and informal business sectors of the economy and no longer by large corporations.

Roux recognizes that there is no quick fix to the unemployment problem. He is however hopeful that if economic growth, education and training and small entrepreneurship as crucial components are put in place then the solving of unemployment is a real possibility (Roux 2005: 62).

7.6.4 Economic Growth

Professor Haroon Bhorat agrees with Joel Netshitenzhe that a narrow focus on statistical analysis means nothing to the unemployed. Critically for unemployment to recede is to find a way to move the South Africa economy to a higher growth path and absorb the mass of people who do not have jobs (Netshitenzhe 2012: 13). Furthermore, he places the growth of unemployment at the door of a consumption-driven, weak and uncompetitive manufacturing sector and a mining sector, which cannot create jobs. For Netshitenzhe, the economy was not growing at a sustainable rate which would enable it to create the necessary jobs for the mass of jobless people (Netshitenzhe 2012: 13).

7.6.5 New Growth Path: Economic Growth and Job Creation

Jeremy Cronin of the SACP, in extolling the virtues of the *New* Growth Path hammered home the "paradigm-shifting" nature of the *new* growth path, in its focus on jobs. In his enthusiasm for this new growth strategy he stated:

> …the NGP…is calling on us to absolutely prioritise jobs, jobs, jobs. We need to aspire to having a full employment economy over the medium-to long-term, with five million new jobs in 10 years as our immediate objective (Cronin 2011: 13).

So, for Cronin the major priority for the New Growth Path strategy was the creation of jobs and the more important trajectory of "having a full employment economy" in the near future (Cronin 2011: 13). And the way to create jobs is by "placing our economy on radically different growth path" (Cronin 2011:13).

7.6.6 Skills Development

In 2015 Deputy President, Cyril Ramaphosa, spoke confidently that the government would exceed its target of creating six million job opportunities by 2019 with the new Expanded Public Works Programme. Speaking at an employment project in Orange Farm, Ramaphosa said the government was hard at work addressing South Africa's, chronically high unemployment rate (Aboobaker 2015: 3).

The thinking behind the Expanded Public Works Programme was to enskill people so that they could be eligible for employment sometime in the future after having left the Expanded Public Works Programme. To quote Ramaphosa:

> The level of enthusiasm is huge. They would all like to work more days than they are working now. We hope to be able to extend the number of people working here. Working here is an opportunity to gain experience, not just as an income…it is an experience that stands them in good stead when they get gainful employment elsewhere (Aboobaker 2015: 4).

7.7 State Intervention

7.7.1 Presidential Job Summit

The state in various ways has intervened with the view to creating jobs. In 1998 the Presidential Jobs Summit was convened to look at the problem of job creation. And a host of initiatives were agreed upon chief amongst these and pertinent to job creation with the encouragement of sectoral summits to facilitate the development of industrial strategies, and to avoid retrenchments while improving productivity.

Growth, Employment and Redistribution policy (GEAR) in 1996 as its central plank spawned the idea that the degree to which employment is created also depends on the pattern of growth and the labour intensity of the economic growth. Higher economic growth and significant job creation was seen as the key goals of this economic policy.

Gear also identified three sources for employment growth:

One-third of the increase in jobs is to be accounted for by 1) economic growth, the main component of an employment creation strategy2) special government programmes are to add another quarter of the new jobs; and, 3) Some 30% of increased employment is envisaged from institutional reforms in the labour market, employment-enhancing policy shifts and private sector wage moderation. Regarding the latter, the policy emphasises that wage and salary increases should not rise faster than productivity growth. According to the strategy, flexibility in the labour market entails the market's regulation in a manner that allows for flexible collective bargaining structures, variable application of employment standards and voice regulation, i.e. allowing collective bargaining partners to set their own labour standards (Barker 2007: 186).

The policy emphasises the importance of various measures to increase productivity, including improved training and education, better management training, modernization of work practices, appropriate job grading and better utilization of working time (Barker 2007: 186).

The financing of training has been specifically highlighted as a central part of the training strategy, and this finds application in the Skills Development Strategy. *GEAR also refers to achieving a social agreement to facilitate wage and price moderation, particularly to ensure that wage increases do not exceed average productivity growth.* There are a number of different references to the importance of wage moderation, and the point is made that the country should guard against an upsurge in nominal wage demands which would erode the benefits of exchange rate depreciation. The policy calls for public resources to be concentrated on enhancing the educational opportunities of historically disadvantaged communities. Its approach is that employment creation, supported by government programmes for housing, education and the like, provides a powerful vehicle for the redistribution and equitable distribution of income (Barker 2007: 186).

7.7.2 Accelerated and Shared Growth Initiative of South Africa (ASGISA) 2005

In 2005, the State initiated a new strategy, the Accelerated and Shared Growth Initiative of South Africa (ASGISA) with the goal of halving unemployment and poverty by 2014. The trajectory of ASGISA was to increase labour absorption and the labour intensity of growth, give attention to enhancing employment with regard to labour policy, including the cost of labour. The employment of the appropriate technology took into account the relative shortage of capital and the comparative abundance of semi-skilled and unskilled labour in South Africa (Barker 2007: 189).

Barker believes that inward industrialization can help to turn around the trend of low labour absorption. Inward industrialization refers to a process whereby the effective demand for locally produced basic goods and products increases because of various factors operating together. These factors include rising real income among lower-income categories, falling birth rates (Malthus) in such communities, a higher urbanization rate and more government spending on less privileged communities (Barker 2007: 189).

The combination of these factors can unleash a meaningful demand for basic consumer goods (clothing, shoes, furniture, food) and other facilities (e.g. low-cost housing). Most of these goods and services can be produced in a labour-intensive manner; they have low import content and also require a less skilled labour component to produce. The Congress of South African Trade Unions (1998) and the National Labour and Economic Development Institute (Naledi) (1998) have also identified a number of measures that will improve the ability of the South African economy to create employment. These include supporting job-creating sectors, expanding the demand for domestically produced goods and services, encouraging import substitution (particularly of intermediate and capital goods), awarding government contracts on a basis that will encourage job creation, and reforming the credit and financial system to support job creation (Barker 2007: 189).

7.7.3 Reducing the Cost of Labour/Wage Moderation

According to Barker the increase in the cost of labour without concomitant increases in productivity have a negative impact on employment. The cost of labour not only includes money wages, but also indirect costs, such as fringe benefits and employer-provided entitlements to cover contingency risks. Drawing on ILO authors, Barker makes the point that "reducing labour costs will help boost employment", but also points out that there are many ways to reduce labour costs besides focusing on the wage rate. The government's macroeconomic strategy GEAR refers to the importance of "wage moderation" and this is echoed in a working paper by (Chadha 1994: 24). GEAR calls for a national social agreement that ensures, among other things, that wage and salary increases do not rise more than productivity growth (Barker 2007: 190).

Barker notes that the structure of bargaining in the country and the approach and philosophy of unions has a significant effect on wage levels and other labour costs. As far as the impact of unions is concerned, it seems as if they have caused a higher differential between unionized sectors and non-unionised sectors in South Africa than in any other country, a differential that seems to be in the region of 35%. This is the result both of strong unions in this country, the system of centralized bargaining, i.e. bargaining councils, and high unemployment. There has been much criticism against bargaining councils in South Africa, among others from the ILO, the Presidential Labour Market Commission and various researchers (Barker 2007: 190).

It is therefore not unexpected that the government's employment strategy calls for amendments to the provisions regarding the extension of bargaining council agreements to non-parties in order also to take into account the sensitivity of such agreements to job creation. However, other aspects of the government's labour policies and legislation have also resulted in an increase in the direct and indirect costs of labour (Barker 2007: 191).

7.7.4 The Social Wage

The authors of the ILO Review (1996: 214) have pointed out that money wages and employer-provided entitlements to cover contingency risks are relatively high in South Africa and that this is so because neither the state not rural kinship support systems have played a major role in providing some elements of the so-called "social wage"[15]. According to Barker, the cost of labour to the employer in South Africa appears to be relatively high, and thus has a negative impact on employment (Barker 2007: 191). However, when viewed from a Marxist perspective, social wage can be seen as a strategy to augment the socially necessary labour time in the form of the wage which capital aims to reduce with the express purpose of increasing the unpaid labour time that the worker produces in the form of surplus value which capital expropriates.

7.7.5 Labour Market Flexibility and Productivity

According to Barker labour market flexibility enhances labour adsorption directly. This is because employers will be more willing to take on additional labour in good times if they know they can adjust their labour force relatively easily in bad times. In addition, flexibility with regard to the utilization of labour, among others, encourages labour-intensive production techniques, whereas flexibility encourages higher capital intensity (Barker 2007: 191).

Barker observes that the ANC government's employment strategy states that laws should be reviewed from time to time to ensure that they are sufficiently flexible. However, there have been very limited changes to legislation since these policy proposals were made. Labour flexibility is also important for increased productivity, which in turn could neutralize the negative impact of high increases in labour costs on employment. The achievement of a wage-high-employment economy is thus possible in an environment where the total productivity performance in South Africa is unsatisfactory. Unit labour cost is increasing at a relatively high

[15] The "social wage, a subsidy to off-set the "so-called labour costs" to capital.

rate. This is damaging the country's international competitiveness, and thus the job-creating capacity of the economy (Barker 2007: 191).

Barker believes that productivity can be improved in many ways. Among the most important of these is labour market flexibility but attention should also be given to issues such as efficient education and training, making a significant part of remuneration dependent on individual and team performance, and increasing managerial efficiency and enterprise innovation, through among other things, low trade barriers and enhanced product competition (Barker 2007: 191).

7.7.6 Active and Passive Labour Market Policy

Active labour market policies are those policies that aim to improve the operation and results of labour markets so as to maximize quality employment an minimize unemployment and under employment. While unemployment insurance benefits (passive labour market policy) can help to alleviate the hardship of job losses, active labour market policies aim at preventing unemployment or remedying it by returning displaced workers to productive jobs (Barker 2007: 192).

According to Barker, active labour market policies usually fall under three main headings. Firstly there are programmes intended to enhance the quantity or quality of labour supply or to alter its distribution across occupations or locations (e.g. training and retraining, geographic labour mobility assistance so that job seekers can move to areas where there are job vacancies, early retirement schemes, and schemes providing work experience). Secondly there are policies that act primarily to influence the structure, composition or level of the demand for labour, for instance wage subsidies, promoting self-employment and supporting small enterprises and public works programmes. Finally there are programmes that can improve labour market processes and institutions, such as placement services, skills and aptitude testing, vocational guidance and counselling, provision of job search skills, labour market information on vacancies and hiring requirements, restructuring unemployment benefit programmes; placing the long-term unemployed in short-term jobs to avoid deskilling and the loss of work habits, and promoting labour market flexibility (Barker 2007: 192).

However, Barker warns against how an active labour market programme is designed so that the following problems do not occur which in the end would defeat the intention of having an active labour market policy which is "maximise quality employment and minimize unemployment by returning displaced workers to productive jobs". He identifies four areas of concern, namely, dead weight loss, is when some action is subsidized which would have occurred in any event. Employers would receive subsidies to hire workers they would have hired anyway. Displacement occurs when the programme participant displaces someone who was in a particular job or would have obtained that job. Active labour market policies could thus redistribute unemployment from targeted groups to non-targeted groups. Creaming arises when employers employ the best of the target population, or when the providers of training or job search assistance provide such services to only selected individuals in the target group. If, for instance, placement or training services are subsidized on the basis of the number of people placed in employment, there will be bias against applicants who are more difficult to place. A final danger is that active labour market policies can stigmatise participants. If a particular programme is targeted at the unskilled or long-term unemployed, graduates of such programmes may face even greater difficulties in finding regular employment than their peers who have not participated in the programme (Barker 2007: 191-193).

7.7.7 Public Works and Special Employment Programmes

The ANC government has announced special employment programmes that are labour intensive, like public works that can assist unemployed persons who do not receive unemployment insurance benefits. These are usually poverty relief and special employment programmes which are focused on labour – intensive public works, water and welfare projects. The projects include clearing invading alien trees, labour intensive construction of infrastructure, funding to kick-start micro-enterprises in rural areas, and income and nutritional provision through agricultural production (Barker 2007: 194-195).

Included in these special employment programmes are Clean Cities Campaign (the delivery of waste services to poorly serviced areas); Working for Water; Land care campaign; Municipal Infrastructure Programme; Welfare programmes which offer training, education and other opportunities for the destitute. Community-based public works programmes (primarily in the rural areas). Barker suggests that public works programmes should target communities most in need. These programmes should be targeted especially at the long-term unemployed and single-parent households. Single women with children and the rural unemployed; urban youths and residents of informal settlements should be key areas to be targeted. Barker says that because of the budgetary constraints and the widespread nature of unemployment, a public works programme can only employ a fraction of the unemployed at any one time. He states that the ideal would be for the PWP simply to facilitate the entry of the unemployed into the formal economy, but this would depend on the performance of the broader economy (Barker 2007: 197).

Barker states that one of the most critical issues for the successful implementation of a PWP is labour standards, especially wages. These will significantly affect the overall cost of the programme, as well as the beneficiaries. He suggests that two useful types of PWPs would be labour-intensive public works and community self-help initiatives. With regard to labour intensive public works, he states that the labour standard is set at a lower level than those for conventional public works. In the case of community self-help initiatives, these are small-scale projects that create infrastructure for specific communities and where members of that community contribute labour to the project. Very few labour standards, if any, should apply, as such projects do not normally entail employment relationships (Barker 2007: 197).

The wage rate to be paid to persons accommodated by PWPs presents special problems says Barker. A high wage rate will mean that fewer persons can be accommodated. Too low a wage rate on the other hand can result in unemployed persons opting to make a living by unacceptable means (crime) rather than through the PWP and will also lead to very low productivity levels on the programmes. If wage rates are too low, the poverty problem is not really alleviated and the programme may simply be seen as exploitative use of labour to provide infrastructure that the state should provide in any event (Barker 2007: 197).

7.7.8 Wage Subsidies

Wage subsidies have been used in other countries as a means of encouraging employers to create jobs, despite the fact that these may simply be temporary jobs that will last for as long as the subsidies are available. In this sense, the jobs are also dependent on the continued availability of public funding (Barker 2007: 198).

A wage subsidy reduces the price of labour relative to the price of capital or that of non-targeted workers, and in this way encourages enterprises to substitute targeted workers for unsubsidized capital or non-targeted workers. It also reduces the enterprise's costs, encouraging it to expand its output and demand for labour. The wage subsidy thus leads to a shift down the firm's labour demand curve. Specifically, it reduces the costs of labour for the employer, thus increasing the demand for labour (Barker 2007: 198).

In conclusion three broad aspects of unemployment were investigated to understand the extent, range and depth of unemployment and the remedies proposed by mainstream economists that could be applied to stem the persistence of unemployment. In the next section a Marxist exposition and critique of mainstream economics' obsession with economic growth, labour market flexibility and labour reform, labour cost reduction and skills development as solutions to address unemployment will be made. To show what Marx termed, mainstream economics inability to see "way below the surface of things".

7.8 Marx, Economic Growth, Job Creation and Unemployment: A Critique

7.8.1 Natural, Universal, Strict and Expanded Definition of Unemployment

To begin this critique, Barker a mainstream economist makes the point that there is no such thing as full employment even under the most favourable conditions (Barker 2007: 176). Yet this is the hope that mainstream economists engender and this hope, is tied to making the capitalist machine more effective and efficient. The thinking being that the capitalist machine is equipped to deliver on its job creation claim if only it is working at its optimum deploying the various strategies to remedy the causes of unemployment identified and discussed in the previous section.

To restate, economists identify three definitions of unemployment which are constituted by a universal, strict and expanded definition. The universal definition of unemployment is the number of jobless people as a percentage of the total economically active labour force (Roux

2005: 52-53). An unemployed person who is actively searching for a job but unable to find one within a specified period of time is considered to fall in the strict definition of unemployment (Black, Hartzenburg and Standish 2004: 289). The expanded definition of unemployment is prevalent when workers who have taken active steps to look for work are now discouraged and have stopped looking for work. These discouraged work –seekers are not regarded as part of the labour force (Barker 2007: 174).

In addition to these four descriptions of unemployment they put forward what they consider to be the underlying causes of unemployment. Cyclical unemployment emerges because of the ups and downs of the business cycle with the attendant degree of wage rigidity. Wage rigidity refers to the inability of wages to adjust in a downward direction when the business cycle takes a downward turn. When this occurs, any decrease in the demand for labour will lead to an excess supply of labour which gives rise to cyclical unemployment (Black, Hartzenburg and Standish 2004; Roux 2005). Recessionary periods also give rise to cyclical unemployment when the demand for labour is low. During a recession few or no jobs are created for new entrants to the labour market, and even existing workers might lose their jobs through retrenchments (Barker 2007: 177).

Black, Hartzenburg and Standish make the point that structural unemployment has its basis in the fact that the skills profile of the unemployed does not match the skills demanded by the employer. Also, structural or "mismatched" unemployment may result from changes in the composition of demand and supply, technological progress and various forms of discriminatory practices in the labour market. Locational mismatch is where the unemployed person lives in one geographical space and the job is in another (Black, Hartzenburg and Standish 2004: 291). Structural unemployment generally refers to the overall inability of the economy, owing to structural imbalances, to provide employment for the total labour force even at the peak of the business cycle. Even in periods of high economic growth, job opportunities do not increase fast enough to absorb those already unemployed and those newly entering the labour market.

There are various reasons cited, for example the rapid growth of the labour force, the use of capital –or skills-intensive technology, or an inflexible labour market. The major proportion of unemployment in South Africa is structural rather than cyclical (Chadha 1994: 23; Barker 2007: 177). A third cause of unemployment identified by mainstream economists is frictional unemployment which refers to an economically rational process of job search where people voluntarily remain unemployed while they seek out and weigh up suitable job vacancies. Frictional unemployment thus includes people in the process of searching for jobs which do exist but where complete information concerning these jobs is lacking (Black, Hartzenburg and Standish 2004: 291). Seasonal unemployment are persons working during peak periods and unemployed in off-peak periods are described as seasonal workers or seasonally employed agriculture and retail_trade are the best examples of this type of unemployment (Barker 2007: 177).

In addition to the different definitions and causes of unemployment cited, economists propose a raft of solutions to deal with the causes of unemployment. The reasoning employed is that if unemployment is to be addressed then jobs needed to be created. At the top of the list is economic growth of the economy, labour reform and labour market flexibility, education and skills training, state initiated programmes such as ASGISA, the New Growth Path, the Expanded Public Works Programme and wage subsidies all in the pursuit of creating more jobs.

These various suggestions can be divided up into state-initiated and capital-initiated programmes to increase black employment. Having mentioned all these factors the primary focus however will be on the growth of the economy as a primary mechanism for job creation or increasing black employment. Also, concomitant strategies such as labour reform and labour market flexibility will form the main focus of the critique. The critique will be founded on Marx's theory of capital accumulation. It will show that when economists speak about economic growth, Marx speaks about capital accumulation. Additionally, when mainstream economists talk about labour reform and labour flexibility, for Marx this means the more efficient and effective exploitation of labour power in the process of surplus value appropriation. What the discussion will illustrate is that economists believe that economic growth is the main lever for solving the problem of unemployment. They believe that growth of the economy will create a greater demand for jobs and in so doing begin to solve the problem of unemployment.

However, Marx see the growth of the economy or the inexorable drive to accumulate capital as having intrinsic to it the problem of restricting the growth of variable capital which is capital set aside for wages in relation to constant capital which is set aside for means of production so that the average rate of profit can be maintained. It is in this relationship between variable and constant capital where the seeds of unemployment lay. The pursuit of average profit engenders competition amongst capitalists which sets in train the process of revolutionising production through the introduction of new technology and the reorganisation of the workplace. With the introduction of new technology and the reorganisation of production there is a tendency for capital to shed labour in the pursuit of the average rate of profit. And it is the pursuit and maintenance of the average rate of profit that drives and determines how capital will make decisions especially with regard to labour power. How much labour power is needed to achieve the average rate of profit is the only concern of capital? If labour power has a reducing effect on the average rate of profit it will be decreased and vice versa. And it is to this question that the next section is devoted to.

7.8.2 Economic Growth

As raised elsewhere, mainstream economists such as Bhorat, Black Hartzenburg and Standish, Roux, Gumede and Barker all believe that economic growth is the key driver if job creation is to increase and concomitantly drive down the rate of unemployment. They also believe that labour reform which would allow for labour flexibility, together with wage reduction, are the other important factors that are crucial to addressing the dire unemployment rate afflicting South Africa for the past decade, and, crucially so, during the period of black economic empowerment. But are these solutions viable? Can continued economic growth as claimed by mainstream economists sustain the claim that it can address unemployment?

Economic growth is usually defined as the annual rate in total production or income (land, labour and capital) of an economy (Mohr 2015 410). Mohr states that the sources or fundamental causes of economic growth can be grouped into two broad categories, namely, supply factors and demand factors. He also states that economic growth is tied to the expansion of the production capacity of the economy and included in the expansion are the demand for goods and services produced in the economy. Both the production (supply factors) of goods and services and its consumption (demand factors) are necessary for sustained economic growth (Mohr 2015 414).

Moreover, supply factors are those which cause the expansion in production capacity, also called the potential output of the economy. The production capacity of an economy is directly related to the factors of production: natural resources, labour, capital and entrepreneurship. Hence the expansion of a country’s production capacity requires an increase in the quantity and quality of these factors of production (Mohr 2015: 414). The factors of production that are pertinent to production are arable land, minerals and favourable weather. Labour’s size and quality are a key factor of production in the growth of an economy. In addition to the size and quality of labour it also needs to be educated, trained, skilled, healthy and have the proper attitude to work (Mohr 2015: 414).

Economists also include a third factor of production which is capital. Capital is constituted by the manufactured means of production which include buildings, machinery, equipment and roads. Moreover, economic growth needs more and better capital equipment. And this takes two forms; capital widening and capital deepening (Mohr 2015: 414). Capital widening occurs when capital stock is increased to accommodate an increasing labour force. For example, if the stock of capital is expanded by 10% in response to a 10% increase in the number of workers, there is capital widening. In this case the average amount of capital per worker remains unchanged (Mohr 2015: 414). Capital deepening happens when the amount of capital per worker is increased, that is, when the growth in the stock of capital is greater than the growth in the number of workers. Such a situation is referred to as an increase in the capital intensity of production (Mohr 2015: 414).

The quality of capital is also crucial and by applying new technology the quality of capital is increased. And Mohr states that technology is also considered to be an important factor in the process of growth. It also has to be embodied in capital equipment to be effective. Mohr gives great store to technology as an important driver of economic growth. He cites as examples the steam engine, the internal combustion engine and the computer all which have made an enormous impact upon economic growth (Mohr 2015: 415). Furthermore, if this technology is to be effective then it requires a sophisticated, well trained labour force to install, operate and maintain the specialised equipment. Hence, *capital, technology and skilled labour have become highly interdependent in the process of economic growth* (Mohr 2015: 415). Lastly, entrepreneurship is vital for economic growth states Mohr. He is of the view that the entrepreneur is the driving force behind economic growth; and, when any impediments arise to stymie the entrepreneurial enterprise then the state should provide the entrepreneurial impetus (Mohr 2015: 415).

In conjunction with these supply side factors which are not considered to be enough for economic growth, there has to be an adequate and growing demand for goods and services produced in a particular country. And the key demand side factors that are necessary for economic growth are domestic demand which consists of consumption, investment and government spending; export demand and import substitution which involves attempts to reduce imports (Mohr 2015: 414-415). Importantly, too, is the fact that investment as part of domestic demand is tied to the profitability of investment projects (Mohr 2015: 415).

Having discussed the key underlying factors that inform economic growth according to mainstream economists I will show that these constituting factors do not differ fundamentally from the underlying factors that inform Marx's law of capital accumulation especially the role that capital, labour and technology play in this process. In fact both mainstream and Marxist economics identify capital, labour and technology as central to economic growth and capital accumulation respectively, However, where they do differ are, on the one hand, mainstream economists believe that economic growth is the solution to unemployment; and, on the other hand, Marx believes that the dynamism of capital accumulation in its pursuit for average profit constantly leads to unemployment in various degrees. And, since economic growth is spurred on by capital, labour and technology; and, capital accumulation is generated by capital, labour and technology, then, the rational conclusion that can be deduced, is that economic growth and capital accumulation are driven by the same factors in the quest to "deepen and widen capital" as the mainstream economists would have it; and, the accumulation of capital as Marxists would have it. This "widening and deepening" of capital is also considered to be growth in the economy for mainstream economists and the accumulation of capital for Marx.

However, the question is: why do they differ in their understanding of unemployment if they are informed by the same constituent elements, namely capital, labour and technology? In the next section I will show that given the peculiarities of capital accumulation, the organic composition of capital as a dynamic process is forever changing, the dynamism of variable capital and constant capital in the process of capital accumulation changes all the time which in effect has consequences for the ability of capital to accumulate or not to accumulate at a rate and pace of its envisaged expectations, and also, importantly for this discussion, the direct influence that it has on employment and unemployment.

In Marx's theory of capital accumulation, he particularly sets out to discuss the influence with which the growth of capital exercises upon the fate of labour. Central to this discussion is the organic composition of capital, especially the variable component of capital; that which employs labour and the changes that it undergoes during the process of capital accumulation. Hence, to understand these changes, the basic components of the organic composition of capital needs to be understood.

7.8.3 The Organic Composition of Capital: Variable and Constant Capital

The composition of capital is made up of constant capital or the value of the means of production, and variable capital, or the value of labour power, the total amount of wages. Capital then is made up of constant capital and variable capital and they constitute the basic mechanics of the production process. This composition of capital into constant and variable capital is determined by the ratio between the quantity of the means of production to be used and the quantity of labour power to be used on the means of production (Marx 1930: 675). Marx also terms these elements the value composition (means of production) and the technical composition of capital (variable capital). These two elements have an intimate mutual relationship; they are inextricably related to each other. Mainstream economics, however, do not see these aspects of the composition of capital as intimately related, rather, they see these aspects as two independent variables. They do not see this relationship as arising from one source, namely, labour power (Marx 1930: 684). For in the production process labour power acts upon means of production to produce value. This value has its origins in unpaid labour which gives rise to surplus value and eventually profit; and paid labour which is also termed necessary labour which is that labour which gives rise to wages from which labour can reproduce itself.

Marx also expresses this relationship in the following way; when the value composition of capital is acted upon by the technical composition of capital it brings into existence the organic composition of capital or a change in the value composition of capital (Marx 1930: 675). Hence the changed composition of capital where upon the technical composition of capital acts upon the value composition of capital means the organic composition of capital.

The growth of capital includes the growth of its variable constituent, the variable constituent being that part of capital which is set aside to buy labour power. The composition of capital remains unaltered when a definite quantity of means of production (constant capital) always requires the same quantity of labour power to set it in motion. However, when there is a demand for labour power it follows that variable capital will increase in proportion to capital. This means that a greater demand for labour will arise the more rapidly capital grows (Marx 1930: 676).

Since each year more workers are employed than were employed in the previous year sooner or later the needs of accumulation begin to exceed the ordinary supply of labour, and this is the point at which wages must rise. This continuing phenomenon bodes well for capital and labour for the time being. Where the capital relation is continually being reproduced capitalists on one side and wage workers on the other. And with reproduction on an extended scale, incessantly reproduces the capital relation on an extended scale more capitalists at one pole and more wage workers at the other end (Marx 1930: 676-677).

The importance of labour power to the accumulation of capital prompts Marx to state that labour power is the essential means and spur for capital's expansion and because of this labour power cannot free itself from capital if capital is to continue to accumulate. Also, labour's enthrallment to capital is only given the appearance of "freedom" where labour chooses to sell itself "now to one capitalist and now to another" states Marx. *The reproduction of labour power forms, in fact, an essential factor in the reproduction of capital itself. Accumulation of capital is, therefore, increase in the proletariat* (Marx 1930: 677) (Emphasis added).

Under these conditions of capital accumulation, that is, rising wages, the conditions are comparatively favourable to the workers; *their dependency upon capital assumes a tolerable form* (Marx 1930: 680-681). In these conditions, as capital grows, more extensively rather than intensively. Capital's exploitation increases with its growth in size and concomitantly there is an increase in the number of workers. A larger part of their own surplus product, continually increasing and continually transformed into additional capital, comes back to them as wages, so that they can increase their ability to consume whether clothing or furniture and, also, allow them to some extent to save some money. However, this may be, states Marx, this situation does not end the dependency and the exploitation of the wage worker (Marx 1930: 682). His golden chain metaphor crisply further conveys the inescapable link between labour and capital accumulation. He says:

A rise in the price of labour as an outcome of the accumulation of capital really means nothing more than the golden chain which the worker has forged for himself has become so long and so heavy that it need not be fastened so tightly (Marx 1930: 682).

Capital and labour are tied to each other. And this is crucial for Marx in his understanding of the logic of capital. This however is lost on mainstream economists such as Bhorat, Black Hartzenburg and Standish, Roux, Gumede and Barker; and communists such as Jeremy Cronin. Marx makes this very plain that under capitalism the production of surplus value is an absolute necessary law and nothing else.

Under capitalism, labour power is not sold in order that, by its services, it may satisfy the personal wants of the buyer. What he aims at is the increase of his capital, the production of commodities which contains more labour (surplus labour) than he pays for, which contains a portion of value that costs him nothing and can nevertheless be realised by the sale of these commodities. *The production of surplus value is an absolute necessary law of this method of production* (Marx 1930: 682) (Emphasis added).

Labour power is only saleable as far as it preserves the means of production in their capacity as capital; reproduces its own value as capital; and further, as unpaid labour, functions as a source of supplementary capital (Marx 1930: 682).

The conditions of its (labour power) sale, however, must include the necessity for its perpetual resale; and importantly for the continually expanding reproduction of capital no matter whether these conditions are favourable or less favourable to the worker (Marx 1930: 682-683). It is not about the worker; it is all about the provision of labour power and the production of surplus value for capital to accumulate is the point that needs to be taken from Marx's understanding of the imperatives that drive capital.

Marx also highlights the point that the wage that labour receives always implies that a definite amount of unpaid labour has been generated by labour. What he illustrates is the relationship between wages, which constitutes necessary labour time; and unpaid labour, which is constituted by surplus labour time from which is derived surplus value. Hence, in this relationship, Marx makes the point that a rise in wages can only mean a quantitative decline in the amount of unpaid labour (surplus labour) which the worker has to perform. The implication is that when wages rise surplus value declines and when surplus value declines profit declines thus stunting capital's propensity to accumulate. Marx however warns that this decline can never go so far as to threaten the whole system (Marx 1930: 683). And even where there is a fierce dispute as to the rate of wages, in the final analysis "the master always remains the master" (Marx 1930: 683).

As far as Marx was concerned the law of capitalist production is nothing other than the ratio between unpaid labour and paid labour. Marx stresses that it is ratio between unpaid and paid labour that the working class produces. Put more clearly, the working class provides the labour power which produces both paid and unpaid labour, both unpaid and paid labour are derived from the working class. This relationship between unpaid and paid labour is not a ratio between two independent magnitudes. Both these magnitudes have their source in the labour power of the working class (Marx 1930: 684). The relationship between unpaid and paid labour is a dialectical one where the one presupposes the other. Where there is unpaid labour, surplus labour, profits then there must be paid labour, necessary labour and wages.

If the amount of unpaid labour supplied by the working class and accumulated by the capitalist class grows so quickly that it can only transform itself into capital by calling to its aid an exceptionally large supplement of paid labour, then wages will rise which will result in a comparative decline in the proportion of unpaid labour (surplus value) (Marx 1930: 685).

However, as soon as this decline reaches the point at which there is no longer a normal supply of the surplus labour by which capital is nourished …accumulation flags and the upward movement of wages is hampered. Thus, the rise in the price of labour is restricted (Marx 1930: 685).

The law of capitalist accumulation demands that if capital is to continue to accumulate then there should not be any decline in the degree of exploitation of labour or any increase in the price of labour which might endanger the constant reproduction of the capital relation and its continual reproduction on an ever enlarging scale. Importantly, states Marx, capital accumulation is not about the production of material wealth to promote the development of the worker (Marx 1930: 685). Labour is there to produce surplus value and nothing else.

The next important aspect to consider is what Marx identified as a process whereby with the increase in capital accumulation and its accompanying concentration its variable part diminishes in relative terms. Previously it was shown that an increase in constant capital and variable capital results in the overall increase in the accumulation of capital generally. However this may be, there comes a time when the productivity of labour, that is, the concentrated intensity with which labour produces, its efficient working of the means of production, becomes the most powerful factor of accumulation (Marx 1930: 686). Marx citing Adam Smith makes the point that the accumulation process reaches a point where a smaller amount of labour produces a greater quantity of work (Marx 1930: 686).

Marx makes the point that with the application of machinery more raw materials are produced in a given time, that is, a greater quantity of raw materials and auxiliary substances enter into the labour process this is as a consequence of the increasing productivity of labour (Marx 1930:686). Also, the quantity of machinery causes the increase in labour's productivity. But, whether as cause or as consequence, the increasing extension of the means of production as compared with the labour embodied in them, is an expression of the increasing productivity of labour (or intensification to efficient production, meaning the production of more means of production with less labour power).

The increase of this efficiency of labour results inversely to a decline in the quantity of labour in relation to the quantity of the means of production that is set in motion by that labour, or, put another way, there is a decline in the subjective factor (labour power) of the productive process as compared with its objective factors (means of production) (Marx 1930:686-687). The position now is that with the introduction of machinery less labour power is needed to produce the same amount of surplus value. This further means that the variable capital originally provided for the purchase of labour power is now reduced in relation to the quantity of machinery introduced to the productive process. With the reduction of variable capital the ratio between variable capital and constant capital change in favour of constant capital there is less labour power to be bought which means there is less variable capital to be spent which means that the same amount of surplus value is produced with less variable capital which raises the potential to produce more surplus value.

This change in the technical composition of capital, this growth in the quantity of the means of production as compared with the quantity of the labour power which sets them in motion, is likewise reflected in its value composition, by the increase in the constant constituent of capital at the expense of its variable constituent (Marx 1930: 687).

David Harvey agrees with Marx's analysis that capital is driven by a perpetual and relentless drive to revolutionise the productive forces with competition being the propelling force (Harvey 2006: 115). Competition amongst capitalists demands that capital revolutionises production, which is generally spurred on by the constant tendency to equalise the rate of profit (Harvey 2006: 116). What this means is that the rate of profit is dependent upon the production process where surplus value must be produced that exceeds the average rate of surplus value production generally produced by capitalists. All capitalists think and function this way. They too want to exceed the general average production of surplus value and stay ahead of fellow capitalists. And, it is this process of competition that forces capitalists to constantly speed up their productive processes which produce surplus value and profit to stay ahead of the competition, hence Harvey's reference to the constant need on the part of capitalists to equalise the rate of profit. The following quote by Harvey sums up the dynamic of the process:

> Once the competitors have caught up, the original innovators have every incentive to leap ahead in order to sustain the relative surplus value they were previously capturing. The … consequence of competition is … to force continuous leap-frogging in the adoption of new technologies and new organisational forms independent … (Harvey 2006: 121).

The point that needs understanding is that the drive to maximise profit is central to capital accumulation. Because other capitalists too want to expand their ability to maximise profit, they find themselves competing with each other to make the most profit. So, to stay ahead of the game they constantly need to squeeze the last ounce of surplus value from the productive process. And to do this the productive process is revolutionised on two planes. In the first instance since labour power is the sole producer of value and surplus value, the logic then, is to increase the number of workers which will increase the rate of capital accumulation which also means the outlay of variable capital and simultaneously an increase in the proletariat generally (Harvey 2006: 158).

In the second instance technological and organisational changes are introduced to the productive process as a means to generate the accumulation of capital. However, with the introduction of technology the need to reduce variable capital (the wage bill) in relation to the capital advanced, constant capital, in the form of technology; with the lowering of the wage rate and the increase of technology there is a corresponding increase in the rate of exploitation. This increase in the rate of exploitation which is an increase in the productivity of labour therefore becomes the most powerful lever of accumulation (Harvey 2006: 159).

With this rising rate of exploitation with the introduction of technology and organisational changes, which in the relationship between variable and constant capital, means that with an increase in constant capital (by technology) concomitantly brings about a reduction in variable capital. The introduction of technological and organisational changes reduces the demand for labour in relation to the available supply that results in the production of a 'relative surplus population' or 'industrial reserve army'. A portion of the workforce, in short, is thrown out of work and replaced by machines (Harvey 2006: 159).

As far as Marx was concerned, states Harvey, the 'relative surplus population' or the 'industrial reserve army of labour' is a condition of existence of capital. It forms a disposable industrial reserve army that is inexorably tied to capital as if capital produced it intentionally, but this is not so. Capital does not intentionally set out to create a reserve army of labour. The reserve army of labour is a consequence of the drive and logic of capital to accumulate. Its primary intention is to produce as much surplus value and profit as its competition will allow it to. Whether it uses technology or not or how much variable capital it has availed for labour power is essentially determined upon the rate of profit it will generate in the capital accumulation process. And, independently of the actual increase of the population, it creates, because of the changing needs of capitalist self-expansion, a mass of human material always ready for exploitation (Harvey 2006: 159).

To conclude this section, the production of unemployment needs to be understood within the confines of capital's drive to accumulate - not only to accumulate, but to accumulate at a rate and pace that constantly ensures the production of surplus value. However, in the process of accumulation because of a highly competitive environment amongst capitalists there is a tendency to continuously hurtle towards the equalisation of profit. This profit equalisation process which constantly sees fellow capitalists attempting to stay ahead of the pack in their desire to generate more profit, results in capitalists changing the labour process by introducing new technology and new organisational arrangements in an attempt to increase the rate of labour power exploitation and therefore surplus-value production.

With the speed up of the rate of exploitation the tendency to shed labour becomes a reality. It is in this process of constantly revolutionising the labour process to increase the rate of labour power exploitation which results in higher profits that labour power is shed which gives rise to what Marx termed a reserve army of labour. This pool of labour is what constitutes the unemployed in capitalist society, a creation and necessity for capital accumulation.

In the next section Marx and Harvey insights will be deployed to analyse the relationship between productive capital and fictitious capital in the form of Lonmin plc and Shanduka Pty Ltd respectively to illustrate how these two entities collectively feed off black labour power to produce surplus value to satisfy the profit needs of Lonmin and the share dividends of Shanduka. More importantly, to show that Lonmin and Shanduka have no material interest in "job creation" or "increasing employment". But, have every material interest in exploiting black labour power even if it meant deploying the state's repressive apparatus to force labour to back down in their demand for a wage increase, Marikana is a case in point.

7.9 Productive Capital, Finance Capital, Black Economic Empowerment and Unemployment: Lonmin and Shanduka

Taking into account the stubbornness and persistence of unemployment generally and for Black people particularly; and, the fact that these trends continue unabated during the period of black economic empowerment's introduction as a strategy to combat unemployment, the objective of this section is to investigate using Marx to show what is it about back economic empowerment as a strategy, to remedy unemployment, that has patently inhibited it to make any real headway in combating black unemployment.

More precisely, what is the underlying cause or causes that hinder black economic empowerment from adequately addressing black unemployment or as it states "increasing black employment"? The section will address this argument in a twofold manner. Firstly, the logic of capital will be explained to illustrate that its basic design does not equip it for "increasing employment" or, in common parlance "create jobs". Secondly the ideological construction of "job creation" which is perpetuated by economists, politicians and society at large, will be unmasked as nothing else than the buying of a commodity, namely, labour power. In this way, I illustrate that capital buys labour power to do with it as it chooses in respect of how much surplus value it can produce. Hence, its buying of labour power is essentially determined by its surplus value producing potentialities and not borne out of altruism for labour and its reproduction.

7.9.1 Logic of Capital

In dealing with this question, it will be argued that black economic empowerment's capital accumulation logic is ill-equipped to address this question. The capitalist logic on which black economic empowerment is founded is not designed to create employment or to create jobs. It is not designed for "job creation" as this process is understood in common parlance. Capital in its quest to produce value from labour power and more so surplus value, has only one objective in mind and that is to secure only so much labour power that it requires for the production of surplus-value. Therefore, at the outset, despite its desire to "increase black employment", its capitalist framing does not, in fact, cannot assist it in fulfilling this objective. Simply because capital does not set out to create jobs or "increase black employment". Considerations of providing for the reproduction of labour do not enter the equation when capital makes decisions with regard to how much surplus value it can produce. It makes a profit related decision in terms of how much labour does it need to produce a certain amount of profit. How labour reproduces itself is not the concern of capital irrespective of the price for labour power that was negotiated. How or whether the price for labour power will affect what labour eats, where it sleeps which schools it sends its children to and a host of other factors pertaining to labour's reproductive needs are not the concern of capital. Marx correctly puts the objectives of capital into perspective and reinforces the primacy of surplus value production for capital:

> Under capitalism, labour power is not sold in order that, by its services or by its product, it may satisfy the personal wants of the buyer… The production of surplus value is an absolutely necessary law of this method of production (emphasis added) (Marx 1930: 682).

Marx's primary concern was to investigate the nature of surplus-value, the number of workers employed by capital was irrelevant to the understanding of this process, since in every case surplus-value was gained either by prolonging the total labour-time of the worker or by reducing necessary labour-time, whether this applied to one hundred, ten or only one working day; in each case the degree of valorisation of capital or the rate of surplus-value simply depended on the division of the working day into necessary and surplus labour. It was possible; therefore, to disregard the number of workers exploited by capital, or, as this is called, 'simultaneous working days' (Rosdolsky 1977: 245).

The sellers of labour power have no option but to sell their labour power, they are compelled to sell since they have no means of production from which to reproduce themselves. Labour’s need to reproduce itself forces labour to sell its labour power to capital since it is the only commodity that it has and which capital greatly desires. Labour is caught between a rock and the proverbial hard place.

As argued in chapter four labour and capital meet each other in the realm of exchange as equals to exchange their particular commodities one for the other - labour power for a wage and vice versa. A contract is signed and the exchange takes place, capital gets its labour power to do as it pleases and labour gets its wage to do likewise. It is objectively clinical and devoid of any niceties. They negotiate, reach agreement and take possession of the particular commodities they exchanged. And that is all.

All that capital is interested in is the negotiating for itself the best possible price for labour power. How labour uses its wage is entirely the preserve of labour, capital’s only objective is to buy so much labour power as it needs for production and nothing else. Capital is in the market to buy labour power. Those jobs that are created are only of pertinence to capital’s surplus value proclivities. Hence, labour in mainstream economics is considered to be an input to production to derive the necessary output, namely, economic growth and profit. Inputs acquired as a cost to production are treated as such; a cost to production, labour is no different. When labour’s cost becomes a barrier to economic growth it will be reduced to maintain profit margins.

Marx also argues that in the ebb and flow of capital accumulation labour power that was bought in anticipation of expanded production and which had become superfluous to requirements because of the inability to realise surplus value as profit in circulation with the sale of commodities on the market, will be discarded. Because capital is constantly in pursuit of realising average profit, and as a result of competition with other capitals, there is a tendency to ratchet up the productive process by introducing new technology, which invariably leads to an excess of commodities. Since the increased demand for labour power is intrinsic in the production of commodities, when demand falls for these commodities during the period of rapid accumulation in pursuit of the average rate of profit the natural inclination of capital is to desist from buying labour power in the quest to maintain the average rate of profit and, it also makes redundant labour that is presently tied to the productive process.

Therefore, capital's strategy is two-fold, it stops buying labour power and labour (workers) that are part of existing production are retrenched. If capital could produce surplus-value without labour power, it would do so gladly, but it cannot, because labour power is the only commodity that can produce the much-desired surplus-value that capital craves. Capital fundamentally enters the market to buy labour power and labour is forced to enter the market to sell its only commodity, labour power. Its primary task is to buy labour power it does not enter the market to create jobs as mainstream economists have everybody believing. In fact, job creation is incidental to capital accumulation - its only concern is the buying of labour power. Labour power, in the final analysis, is a necessary but dispensable commodity to capital. When labour power is no longer needed by capital it dispenses with it by rendering labour unemployed and swells, what Marx termed, the reserve army of labour which also leads to the total immiseration of labour, where unemployable workers descend into abject poverty as the lumpen proletariat.

The rendering of labour unemployable flows from the logic that is endemic within capital and that is that capital is constantly finding ways to reduce the variable capital that it lays out for the paying of wages. That is, reduce the price of necessary labour (which forms the basis of the wage) with the idea to increase the amount of surplus labour which translates into surplus value and when, exchanged in circulation becomes profit. Also, in the process of buying labour power capital utilises a particular narrative to give wide societal acceptance to its compelling desire for labour power; and that is, that it couches it in the notion of job creation. Black economic empowerment ensconces the notion of job creation within its preferred alternative, namely black employment. This what the next section will engage with.

7.9.2 Job Creation and Labour Power

To properly locate the notion of job creation, Marx's ideas on appearance and essence will be utilised to explain how capital continuously presents its labour power buying as job creation. Ollman's Marxist insights will lay the foundation for the analysis.

Marx states that people in capitalist society are ruled by abstractions (Ollman 1993: 26). Appearance is no exception. As an abstraction it is what is on the surface, that which is obvious. Marx states that the appearance of any relation is that by which we recognise it. And most often it is its form that is responsible for how we come to know and communicate it (Ollman 1993:32).

The essence of a phenomenon includes its appearance, but also, goes beyond it and gives it its special character and importance (Ollman 1993: 45). Ollman also stresses that an approach that is rooted in appearance will construct and explain social phenomena from this vantage point. Moreover, the relevance of a particular phenomenon will start and end with sensory perception (Ollman 1993: 46). This leads to the practice that what we cannot apprehend by human senses is trivialised as unnecessary for understanding or dismissed as not having any basis in the material world. This one-sided approach to understanding social phenomena, that is, arresting all social phenomena at the level of appearance does not allow for an investigation into what may exist below the surface of the particular social phenomenon, that is, determine the inner workings of the particular phenomenon. Ollman supports this view when he states: "… as what strikes us immediately gets taken as responsible for the more or less hidden processes that have given rise to it" (Ollman 1993: 46). Essence as stated before gives appearance its special character and importance (Ollman 1993: 45). Ollman states that when Marx investigates any particular type of social phenomenon his analysis will focus on essence in such a way that its apparent aspects are brought out (Ollman 1993: 46).

As an example, according to Marx, “only when labour is grasped as the essence of private property can the economic process be penetrated in its actual concreteness”. Labour is the particular kind of productive activity that goes on in capitalism; and, not only does it bring private property into existence but gives it all its special qualities, and hence is essential to what it is (Ollman 1993: 46). It can also be said then that labour and private property are constituted dialectically, the one presupposes the other. Furthermore, it is only by going behind the veil of appearance of private property, only by revealing its essence, namely labour, that private property can be truly grasped (Ollman 1993: 46). A further example proffered by Ollman is the commodity which is constituted by two contradictory aspects which are inextricably related to each other, namely, use value and exchange value (Ollman 1993: 53).

One further aspect to the understanding of form and essence is that of vantage points. Marx’s conception of point of view goes further, however, by grounding each class’s perceptions in the nature of its habitual abstractions, in order to show how making sense of society from these particular abstractions lead to different perceptual outcomes. More importantly, given what constitutes the lives of workers, the abstractions which they start out to make sense of their society are likely to include “labour,” “factory,” “machine,” and “job creation”. By viewing capital from this point of view capital is made sense of from these vantage points of, namely, “labour”, “factory” and “job creation”. There is no contradictory vantage point from which to view capital. Capital is what it is (Ollman 1993: 69).

A further important dimension that deepens the understanding of form and essence is the notion of common sense. *Common sense* is not wholly devoid of perspectival thinking. People occasionally use expressions such as “point of view”, vantage point,” and “perspective” to refer to some part of what is being discussed. But they are generally unaware of how much their points of view affect everything they see and know. Most people simply accept as given the abstraction of vantage point that are handed down to them by culture and particularly by class. They examine their world again and again from the same angles. The one-sided views that result are treated as not only correct, but as natural and as the only possible viewpoint (Ollman 1993: 70).

Vantage points also, either hide or seriously distort relations and movements that appear to us thus making it difficult to comprehend a particular phenomenon at its essence. Not everything we need or want to know emerges with equal clarity, or even emerges at all, from every possible vantage point (Ollman1993:70). All these kinds of ways of understanding certain social phenomena are put down to the machinations of ideology. Ollman illustrates the effectiveness of ideology in that it displays a sense of material realness which gives capital the advantage. It is real because it displays a certain level of concreteness. As Ollman stresses, ideology for Marx, is never seen as a simple lie or a falsehood. Instead ideology is generally seen as overly narrow, partial, misdirected, and/or one-sided, all of which are attributable to limitations in the vantage points that are used where the inner workings of the vantage points are not grasped for what they are (Ollman 1993: 71). Among the major vantage points associated with bourgeois ideology that either to hide or distort the essential features of capitalism is anything connected with the market (Ollman 1993: 71).

Social processes that are essentially found in the market which are abstracted as finished products, for example a particular commodity, profit and the market, the underlying processes that bring about these results are not visible. Therefore, a commodity is seen as – any good that is bought and sold; profit – something earned by capitalists; and the market itself – an over-the –counter exchange of goods and services. When used as vantage points, from which to view the capitalist system, these constructions are given the sense of an unchanging one-dimensional system (Ollman 1993: 72).

7.9.3 Job Creation Unveiled

Job creation then, as a particular social phenomenon that arises within the context of capital too, displays all the characteristics of an abstraction that is surface level in its obviousness. Also, how people make sense of job creation is essentially sourced from sensory perception. The disadvantage of sensory perception as a tool to apprehend particular phenomena, and, job creation in this case, is that it stunts the possibility of knowing what the internal mechanisms are that give rise to that particular phenomena's particular characteristics and qualities, and in this case "job creation". Also, by grounding people's perceptions in the nature of their habitual abstractions, as is the case with labour, these particular abstractions lead to different perceptual outcomes. Since labour's habitual abstractions are informed by notions such as "labour" "factory," "machine," "profit" "unemployment" and "job creation" it is through the daily exposure to these abstractions that labour makes sense of its world. This continued exposure leads to a state of affairs which lends itself to where these habitual abstractions assume the level of common sense.

Common sense has the tendency to generally render the recipients, in this case labour, unaware that what they consider to be a vantage point, is actually a vantage point that is handed down to them by culture and particularly by class which to a large degree affects their worldview. The continuous and persistent examination of their world from the same single or multiple standpoints incrementally erodes the possibility of viewing a particular type of social phenomenon from a contradictory standpoint. Ordinary workers at the point of production are only introduced to and use the lexicon that capital hands them in the process of production. The language of capital either hides or seriously distorts the real social relations that labour finds itself immersed in daily. The result is that it is difficult for labour in the cauldron of production to adequately comprehend a particular phenomenon whereby its ideological power imbues it with a contrived sense of concreteness or a concretised illusion of which labour is unable to unravel, that is, to excavate its true essence.

Job creation then is constructed in such a fashion over a considerable period of time to misdirect the vantage point of labour; to surreptitiously and by stealth position labour into believing that job creation is what labour's sensory perceptions perceive it to be. The media, politicians, trade unionists and economists repeatedly; and without any deeper investigation accept job creation for what it is, creating jobs. Ordinary working people in the labour movement too believe that it is capital's duty to create jobs. The trade union movement is constantly haranguing capital about its duty to create jobs; and its duty to maintain jobs and not retrench workers. Althusser's concept of interpellation is a helpful tool in this regard to understand the continued framing of 'job creation' as a primary concern and activity of capital. Interpellation is the process whereby politicians, the media, trade unionists, mainstream economists and even the South African Communist Party constantly arrogate to themselves the task of speaking on behalf of "the people". They always preface their interpellations with the phrase: what ordinary South African want are "jobs, jobs and more jobs" as Jeremy Cronin of the SACP vociferously intones about the tasks of the New Growth Path.

Cronin was of view that the New Growth Path was "paradigm-shifting" because of its focus on jobs. In his enthusiasm for this new growth strategy, he stated:

…the NGP…is calling on us to absolutely prioritise jobs, jobs, jobs. We need to aspire to having a full employment economy over the medium-to long-term, with five million new jobs in 10 years as our immediate objective (Cronin 2011: 13).

Furthermore, interpellation is a process by which ideology functions through concrete social institutions. This means that individuals as bearers of structures are transformed ideologically into subjects; that is, they live the relation of their real conditions of existence as if they autonomously determined that relation. In other words, echoing Engels's notion of 'false consciousness', we tend to think and act in the interests of a dominant social category, in this case, the capitalist class, as if it was solely our choice to do so, and it is fully in our interests to do so. Hence out of work workers in the job market looking for work; normally state: "I am going to look for a job". The implication of this statement is that capital is the one that creates the job that the worker is going to look for. So, across the social divide the notion of job creation is commonly and without question accepted by the: capitalist, worker, the media, politicians, economists, trade unionists and even South African Communist Party comrades. However, this may be what is important to understand is the ubiquitous power of this concept which is implicitly accepted by society at large.

But what is the real state of affairs?

Because labour does not have its own means of production to reproduce itself, it is compelled to take a job offered by capital in return for a wage, if it is to reproduce itself. Furthermore, since labour is solely dependent on capital for its survival and reproduction, the recitation that emerges is that capital is the provider of jobs, that capital is *the* job creator. However, this is but one side of the story. Capital too is informed by its own compulsion, the compulsive need for labour power. Capital cannot accumulate without labour power. Labour power is the only aspect of capital accumulation that can produce value; and, more so, the surplus value which forms the essential base from which profit is derived. Labour power is fundamental to capital accumulation.

The truth of the matter is that the essence of this relation between capital and labour is over one thing only and that is labour power. The buying and selling of labour power. Capital goes to the market to buy the one commodity that labour has, namely, labour power. Labour goes to market to sell the only commodity that it has, namely, labour power. They negotiate come to an agreement and capital gets its labour power for a period of time and labour gets its wage.

This contractual agreement has nothing to do with job creation. Capital buys a commodity that it will put to use to produce commodities that will in turn produce surplus value and profit. And where one day capital's ability to produce surplus value and profit is impeded it will dispose of that labour power or even means of production if it is to maintain reasonable levels of profit given the competitive environment that capital creates. If the continued inability to produce the average rate of profit persists it will forthwith rid itself of labour and stop buying labour power to maintain the average rate of profit. Since profit is the driving force of capital accumulation it means that all decisions are made entirely with the making of profit in mind. This means that capital has no compunction whatsoever to retrench labour when it is not able to maintain the average rate of profit. The maintenance of the average rate of profit is the only thing that matters to capital. In the final analysis capital can do with its commodity that it bought just what it wants to within the process of production.

So, the talk about the need for capital to create jobs by politicians, the media, economists, trade unionists, consultants and academics is the height of obfuscation. Capital does not create jobs, it buys labour power. Capital does not wake up in the morning with the sole idea of creating jobs. How would capital ever succeed in its primary objective of accumulation if its purpose was to create jobs? How would capital produce the surplus value without labour power which is the unpaid labour which it appropriates from labour? If capital's primary mandate was to create jobs and following on this pay labour the full value that it produces for the time that it is hired, there would be no question of surplus value production, to wit, there would be no capital. Capital does not buy labour power to produce value so that it can provide jobs. It buys labour power to produce surplus value. Labour power is a necessary evil if capital it to accumulate. If capital could produce value without labour power, it would gladly do so. This cannot be. Capital needs labour power.

The job creation fable trotted out by politicians, economists and other social commentators, serve to mask the true nature of what capital really is, an organism that thrives on value. The job creation yarn is also bought into by labour because the trade unions arrest labour's consciousness and direct it towards the job creation myth. And this practice speaks to the idea that Althusser is making that “they live the relation of their real conditions of existence as if they autonomously determined that relation”. Labour thinks that in terms of its skill and education level and suitability for the job that it has successfully negotiated and procured with the possible desired remuneration commensurate to the job. Labour believes that it has a certain level of autonomy when it negotiates its labour power in the market with capital, as if it had a modicum of choice. But it is through the compulsive structures of capital and its deployment of ideology that has a significant bearing on how labour will conform or not in capitalist society and how labour will experience its “choice” in the process of selling its labour power. Stuart Hall quoted in Cole describes this as: … ‘just how things are’ that it, capital, wins consent and its ideology enters the realm of common sense. And it is at this point that the …philosophy achieves a more settled, long-term, deeper form of control” (Cole 2016: 9). And by deploying the notion of job creation to the point that it becomes ‘just how things are’ the future and continued use of the notion of job creation to misdirect or to hide from view its true nature, that is, the securing of labour power for surplus value production and appropriation is secured in capitalist society.

Hence, workers never say I am going to sell my labour power to a capitalist so he can expropriate my unpaid labour. Workers usually go job hunting. Labour looks for a job; and will only find one with capital. Also, capital does not say I want to buy labour power so that I can expropriate labour's unpaid labour. It says I am providing a job seeker with a job to live. And so this surface level ideological emasculation of labour is perpetuated by all the usual suspects. Althusser speaks about how these experts interpellate labour by deeming it their right to speak on behalf of labour by prefacing their interpellations with: " What workers need are jobs, jobs and more jobs" Jeremy Cronin of the South African Communist Party is just one such expert. On extolling the importance of the New Growth Path strategy he emphasised the need to create "jobs, jobs and more jobs". Now being a member of the foremost worker's party in South Africa one would have expected Cronin to point out the exploitatory essence of jobs. He rather reaffirms and reinforces “jobs” which is the surface level form of its real essence, exploitation. Put another way, jobs are essentially about exploitation, that is, the expropriation of labour's unpaid labour, surplus value. Cronin should know this.

To conclude, job creation is an ideological misdirection by capital of labour to give the appearance that capital is about job creation and not about the buying of labour power; a commodity which capital will use until such time that capital experiences the inevitable tendency of capital for the rate of profit to fall. And when this time comes capital will dispense with labour power and means of production without any hesitancy just to maintain the generation of the average rate of profit. In the next section the relationship between Cyril Ramaphosa’s Shanduka and Lonmin plc will be analysed to show black economic empowerment in the form of Shanduka displays all the characteristics of capital and its central organising principle, namely, profit, particularly when the rate of profit falls and has nothing to do with creating of jobs.

7.10 Labour Power’s Dispensability to Capital: Lonmin and Shanduka: Black economic empowerment and black unemployment

The relationship between Lonmin plc and Cyril Ramaphosa’s Shanduka is a relationship between fictitious and productive capital in the pursuit of surplus value production. The pursuit of surplus value is the dominant force that drives these two forms of capital. And because of this their primary concern is not creating jobs or keeping workers in jobs. So, whether workers are retained or retrenched is of no consequence to them, their only concern is maintaining the average rate of profit. Consequently, Shanduka as the black economic empowerment partner of Lonmin is no different, it has shown scant concern for the jobs of workers when Lonmin were in the process of retrenching workers prior to the events that eventually lead to the Marikana massacre in 2012. In the next section this will be under discussion.

Lonmin Plc is a British company that primarily mines platinum. With the advent of black economic empowerment to obtain a mining license Lonmin needed a black economic empowerment (BEE) partner in keeping with mining legislation which required of the mining industry to be 26% black owned by 2014. It is the context of this legislation that Lonmin acquired a black economic empowerment partner in Incwala Resources, Lonmin's original BEE partner owning 18% of Lonmin equity (sd-report.lonmin.com/…/Lonmin-SD 12-03-04-profit-05-black economic empowerment: No page no).

However, by 2010 Shanduka which is founded and chaired by Cyril Ramaphosa, the present President of South Africa) acquired 50.03% in Incwala resources (Pty) Ltd, a black economic empowerment vehicle that owns 18% in two South African registered Lonmin subsidiaries, Western Platinum Limited and Eastern Platinum Limited collectively referred to as Lonplats. This effectively meant that Shanduka owned 9% of Lonplats. In addition, Ramaphosa as chairman represented Shanduka on the Lonmin Executive Committee as non-executive director.[16]

What the exposition sets out to illustrate is that the relationship between Lonmin and Shanduka are examples of two variations of capital accumulation which are not mutually exclusive. In its accumulation of capital Lonmin accesses constant and variable capital, that is, means of production and labour power, respectively to set in motion the productive process to produce the commodity it seeks to sell in the realm of circulation, namely, platinum. Lonmin acquires means of production, a mine the necessary machinery and labour power to produce platinum which it sells on the market to realise a profit. Lonmin is essentially in the business of platinum production.

Shanduka is an investment holding company which holds shares in resources, financial services, property, energy, beverages and advertising. It also holds a stake in coal mining,

[16] https://www.dailymaverick.co.za/…/130530-Ramaphosa-Statement-to-Farlam-Commission.pdf.

Coca Cola bottling, a stake in Standard Bank and Alexander Forbes (Rumney 2010: 3). With all these diverse interests Shanduka is primarily a conglomerate (Rumney 2010: 3). The point is that Shanduka is not a business entity that is based on the production of commodities like Lonmin. Its primary activity is the buying of shares in the various capitalist sectors in anticipation that these shares will deliver a healthy dividend in the future.

How then does this tie up with black unemployment?

In illustrating how these underlying causes play themselves out I will analyse the relationship between Lonmin and Cyril Ramaphosa's Shanduka. The rationale for choosing Lonmin and Shanduka is to illustrate that Shanduka as an example of fictitious capital arises upon the back of productive capital, of which Lonmin is an exemplar. It is not ensconced within the direct nexus of production, it is remote from production. It does not secure constant and variable capital to generate capital accumulation by the production of a commodity, through the necessary labour power, which will ultimately be sold on the market for a profit. Shanduka does not dirty its hands in the process of production. It is situated outside of production in the realm of circulation, the realm of fictitious capital as a holding company that buys shares and equity in diverse capitalist enterprises. Now if Shanduka as an example of black economic empowerment was situated in production where labour drills for platinum down a mine then the possibility exists that it could "increase employment" or stymie the upward rate of unemployment as it claims if the argument was to be made from the point of view of mainstream economists.

Mainstream economists usually argue that economic growth is the key driver to "increase employment". In Marxist terms this would mean that with the increase in the organic composition of capital, that is, capital accumulation, then, there would naturally be an increase in the variable component of capital, that component of capital which provides the money for buying of labour power, meaning that more workers would have been brought into the productive process. However this may be, mainstream economists do not factor in the possibility that economic growth cannot endure indefinitely and that at some stage the accumulation of capital will stagnate due to overproduction which is induced by the tendency for the rate of profit to fall which makes it difficult in attaining the average rate of profit due to the competitive nature of capital.

When this happens with regard to the tendency of the rate of profit to fall capital responds to this tendency by discarding or shedding labour; workers are retrenched to stem the falling rate of profit. What has been shown is that by capital's very nature there is a tendency for it to shed labour when the rate of profit falls.

Shanduka operates in the realm of fictitious capital where its accumulation proclivities are based on the buying and selling of equity as a holding company. Shanduka is in partnership with Lonmin as its black economic empowerment partner. Shanduka rather than being an owner of the assets and having set aside variable capital for the procurement of labour power to produce platinum; is a shareholder of Lonmin which means that it is only entitled to future profits in the form of dividends. Shanduka does not own Lonmin's real assets it only has a right to future profits as dividends or as David Harvey would say, they are entitled to labour's future unpaid labour which ultimately is paid in dividends. And, because it is not located within production but rather in circulation as fictitious capital it is not possible for it to "increase employment". The belief that it is entitled to the surplus value that labour produces in the process of production by way of shares and dividends renders it unable to even begin to remedy the rate of unemployment.

In effect, its ingrained capital accumulation logic rather than create the circumstances for "job creation" to take place or, to "increase employment", it rather reproduces itself by thriving off the self-same surplus value that labour creates when this surplus value is distributed amongst the various capitalists (itself being one of these capitalists) as profits and as taxes levied by the state. Shanduka, as argued elsewhere, in reality, thrives and reproduces itself based on the inequality that is deeply ingrained within the productive process where capital exploits labour by exacting from labour its unpaid labour as surplus value which Desai described as the "original contradiction" and Marx termed the "ultimate antimony".

Furthermore, not only does Shanduka thrive off the surplus value produced by labour in the form of future profits as shares and dividends, and because of this, Shanduka is not concerned with the situation where with the falling rate of profit because of competition which leads to overproduction; and, eventually to the retrenching of labour. Shanduka is in the business of reaping future profits in the form of dividends and increasing share prices which is shared and supported by Lonmin's Charter that commits to ensure "Our shareholders are realising a superior total return on their investment…"(Lonmin 2014: 87). It is in the business of ensuring the constant exploitation of labour for its unpaid labour *in anticipation of future profits*. Hence, it is not irrational to conclude that whether labour is retrenched or not is not Shanduka's concern. Its primary concern being the continued anticipation of reaping future profits; and, if it meant that labour needs to be retrenched or rehired depending upon capital's potential to accumulate at the rate of achieving maximum profit, so be it. The Marikana shooting where 34 miners were shot by the South African state attests to the extent that capital will go in cahoots with the South African state to avoid increasing the wages that labour demanded at the expense of profiteering.

7.11 Conclusion

To restate, for Marxists job creation properly construed is nothing but the surface level appearance of what in essence is the buying of labour power. Job creation is the dialectical opposite of the procurement of labour power. Capital in essence makes an objective decision, that is, it considers all the factors necessary that will favour the production of surplus-value. It only considers how much variable and constant capital it will set aside for the production of surplus-value. Considerations of providing for the reproduction of labour does not enter the equation when capital decides on how much surplus-value and profit it wants to produce. How labour reproduces itself is not the concern of capital.

The contract concluded by the two contractants as equals is only in respect of the two commodities which they wish to freely and willingly exchange, namely the wage and labour power. Importantly, when capital and labour negotiate with regard to labour-power and the wage, the negotiations do not include and take into consideration the life-style and those accoutrements that sustain labour. What labour eats, where it sleeps, which schools it sends its children to and a host of other factors pertaining to labour's reproduction needs are not the concern of capital at all. All capital is interested in is negotiating the best price for the commodity that it needs, namely, labour-power. How labour uses its wage is purely labour's concern and not the business of capital. Lonmin as a productive capitalist and Shanduka as a fictitious capitalist are only concerned with the production of average profit. Lonmin only buys labour power to ensure that labour power can produce the surplus value from which profit will be derived. Shanduka has a likewise interest in the full exploitation of labour power so that as a shareholder it will be paid the anticipated dividends that has its origin in the surplus value that labour power produces. Lonmin and Shanduka only procure so much labour power and will also share so much labour power in strict keeping with capital's ability to produce the average rate of profit, and, the average rate of profit is the driving force that Lonmin and Shanduka are inextricably tied to. They are not interested in producing or creating jobs nor are they interested in "increasing employment". They are only interested in maintaining the average rate of profit. Having illustrated how rising black capital only sees profit as its all-encompassing goal the next chapter will show how the capital accumulation proclivities of black capital give rise to a fast-rising black middle class.

CHAPTER EIGHT: CLASS REALIGNMENT: THE IMPETUS FOR THE RISE OF THE BLACK MIDDLE CLASS

8.1 Introduction

This chapter will investigate how capital lays the material basis for the rise of the black middle class. A feature of the advent of black economic empowerment is a visible upsurge of the black middle class which clearly undermines the claim that black economic empowerment materially advances all black people. In the light of this phenomenon, this chapter will examine the rise of the black middle class. Furthermore, and importantly, it will explain what the underlying capitalist causes are for the rise of the black middle class. The *idea* of a conspicuously consumptive, well-educated and socially upwardly mobile black middle class as outward manifestations of this class does not explain what brings about this rapid rise of the black middle class - this needs to be explained. In the light of this, an argument will be advanced that the material basis from which the black middle class arises is within the inner core of capital.

However, before an analysis of the black middle, class is considered a general theoretical framework will be mapped out from which the analysis will follow. At the outset, defining the middle class generally is a complex undertaking with various contending standpoints and world views, ranging from income, conspicuous consumption, occupation etc. In the light of this, the standpoint that will frame my analysis will be a Marxist point of departure. More so, it will ground and locate an understanding of the middle class in capitalist society within the law and motion of capital, that is, within the circuits of production, circulation and distribution of surplus value. It is within these circuits usually straddling labour and capital where Marx first observed that with the continuous expansion of capital, that between capital and labour, there indeed was the formation of another social category that straddled capital and labour, or, in his words "there is middle and intermediate strata that obliterate the lines of demarcation", namely the middle class (Marx 1984: 885).

Importantly, it is because of the compelling nature of capital driven by the need to derive the average rate of profit given the competitive nature of capital accumulation, that it produces out of necessity middle class personifications (CEOs, managers, foremen, and salespersons) to manage capital's circuits in its drive to accumulate unrelentingly and consistently. The various social fractions within the middle class will constitute themselves hierarchically depending on their ability to successfully access the circuits of production, circulation and distribution of surplus value. As stated before, it is this compelling process of continual concentration, centralisation and expansion that impels capital to bring into being new personifications or functionaries, in this case, the middle class, to ensure its accumulation tendencies continue unhindered.

In the Communist Manifesto Marx makes the claim that the rise of the bourgeoisie sees more and more a splitting up into two great hostile camps … two great classes directly facing each other, the bourgeoisie and proletariat (Marx 1969: 15).

Urry makes the point that Marx sometimes uses class in a highly abstract theoretical way and other times in a more direct empirical manner (Urry 1973: 179). In his theoretically abstract way, he sees capital and labour as the constituting classes that inform capitalist relations of production where capital and labour are the primary constituting elements of capitalist relations of production. However, actual capitalist society, that is, capitalist society at its empirical level does contain other classes, groupings and strata (Urry 1973: 179). In Capital Vol 3, despite the fact that Marx speaks of the three big classes (capital, labour and landowners) that constitute capitalist society, he does acknowledge that class does not appear in its pure form; that there is middle and intermediate strata that obliterate the lines of demarcation (Marx 1984: 885).

Marx sees these empirical class relations, the middle and intermediate strata as situated within the exploitative relationship between capital and labour where capital appropriates surplus value produced by labour (Urry 1973: 179).

Hence, understanding Marx's abstract class or pure characterisation of the capitalist mode of production is crucial if we are to account for the features of actual capitalist societies especially since there are a variety of empirically observable classes and groupings that occur in different capitalist societies (Urry 1973: 180). Furthermore, particular social groupings that perform the functions of capital and labour vary greatly amongst different capitalist societies hence the imperative to study actual capitalist societies (Urry 1973: 180). South Africa as a particular form of capitalist society is no exception. Having established the need to first ground capital in its pure form before it can be deployed to analyse actual occurring capitalist societies, I will now illustrate how capital sets out to control all before it in its headlong charge to accumulate.

8.2 The Transforming Nature of Capital: Subsumption and Subordination: The Making of the Capitalist World

Capital incessantly needs to subsume, subordinate and control all before it if it wants to accumulate. Marx illustrates this by showing how capital initially sets about systematically divorcing the means of production from labour … which resultantly transforms labour into wage-labour, and the means of production into capital. Moreover, it sought to transform all landed property into property that corresponded to the capitalist mode of production (Marx 1984: 885). Speaking to this line of reasoning of capital to control and subsume, Harvey incisively characterised capital as highly dynamic and inevitably expansionary. This expansion is powered by the engine of accumulation for accumulation's sake and fuelled by the exploitation of labour power, which constitutes a permanently dynamic state of affairs which perpetually reshapes the world we live in (Harvey 2006: 156). What Harvey depicts in this passage is the drivenness of capital which inexorably leads to a perpetually expansionary set of circumstances.

Also, its expansionary disposition is undergirded and built upon an exploitative set of social relations. Its internal constitution is founded upon the ownership and control of the means of production by capital which transforms labour into wage-workers and non-wage workers into capitalists (Urry 1973:179). It is one where the surplus labour produced by labour is expropriated as surplus value by capital (Urry 1973: 179). This is the essence of the relationship between capital and labour - one which is dominated by the continuous appropriation of surplus value and it is in this manner that capital accumulates. The social relations of production are the relations of exploitation between labour and capital (Urry 1973: 179). Taking into consideration Harvey's depiction of capital as incessantly expansionary and Urry's characterisation of the social relations that it creates as being decidedly exploitatory one notes capital's appetite and vigour to control subordinate and subsume in the name of accumulation. More importantly, it needs to control labour, it being the only source of surplus value production. Hall and Bowles make the point that subsumption is the process whereby inherent constraints on labour's capacity to produce is overruled and subordinated to the demands of capital. In addition, the process of valorisation (value production) ensures that subjectivity and autonomy rest solely with capital (Hall and Bowles 2016: 34). Capital subordinates production by co-opting and later transforming it so that productivity is internalised by those who labour and by those who manage the labour process (Hall and Bowles 2016: 34).

Its subordination of labour and the productive process is complete when Marx observes that the creative power of an individual establishes itself as the power of capital, as an alien power confronting him (the worker) (Marx in Hall and Bowles 2016: 34). In a lengthy quote, Marx illustrates the compelling nature of capital's power.

> Thus all the progress of civilisation…every increase in the powers of social production…in the productive powers of labour itself – such as science, inventions…improved means of communication, creation of the world market, machinery etc., enriches not the worker, but rather capital; hence ... it magnifies …the objective power standing over labour (Marx in Hall and Bowles 2016: 34).

Furthermore, Marx illustrates how capital recalibrates labour, re-engineers it through the technological and organisational innovations that reshape both the material forces of production and the social relations of production. Industrialisation and innovation now ground society's reproduction in the continuous recreation of abstract labour for exchange value. In addition to all these technological and organisational changes, subsumption fundamentally effects and transforms the meaning and practice of work. As Marx (2004, 502) states, "The worker has been appropriated by the process… The entire lifetime of a worker and his family are turned into labour-time at capital's disposal for its own valorisation (Marx 2004: 531-2).

To reiterate, this relentless march by capital, Marx observes that the process of capital accumulation is innately incapable of achieving stasis or harmony. By means of machinery, chemical processes and other methods, modern industry continually transforms not only the technical basis of production but also the functions of the worker and the social combinations of the labour process. At the same time too, it revolutionizes the division of labour within society, and incessantly throws masses of capital and of workers from one branch of production to another. *Thus, large-scale industry, by its very nature, necessitates variation of labour, fluidity of functions, and mobility of the worker in all directions* (Emphasis added) (Marx in Hall and Bowles 2016: 36).

To conclude, what is patently clear is that capital needs to accumulate at every turn and the harnessing of labour, whether in production and circulation to produce and realise surplus value, is vital for capital. It is this basic relationship of exploitation, the appropriation of surplus value that has an absolute bearing on how, to what extent and by whom this surplus value will be created for the subsequent appropriation by capital. This headlong accumulation constantly and perpetually changes and remoulds the world that capital seeks to control. Driven by its accumulation logic capital constantly revolutionises production and circulation. It introduces the latest technology, changes the work environment and introduces and makes new types of workers with commensurate skills and competencies to deal with the newly introduced technology and innovations.

Of course, with labour power being the primary source of surplus value production, it is this aspect of the surplus value producing process which capital needs to harness effectively and efficiently to extract the best possible surplus value. Together with the drive to subsume all before it by recreating and controlling labour, changing the work environment and the introduction of new technology and innovation to ensure the seamlessness accumulation of capital, it needs for the circuits of accumulation to be closed. The question of a new kind of labour becomes crucial. In the next section it is to this question that I will turn to.

8.3 The Closed Circuit of Capital: The Need for a Seamless Accumulation Process

The revolutionising of the production process includes through the application of new modes of organisational development and technologies. These developments then revolutionise the relations of production through new labour relations and working conditions (Hall and Bowles 2016: 35).

The uninterrupted circuit of capital is vital to the accumulation of capital. It usually involves the processes of production, the circulation of commodities, their exchange and consumption (Wayne 2003: 20). This circuit of capital is, in the final analysis, the realisation of profit which a part thereof is again ploughed back into production to start the circuit once more of profit realisation the form that surplus value takes in the realisation process of circulation. In an ideal world this would be the trajectory taken for the production and realisation of surplus value as profit later, that is, an uninterrupted movement from production through circulation, distribution and consumption.

Surplus value, however, cannot be achieved unless this entire circuit is secure. The problem for capital is that this process is complex, involving all kinds of gaps, interruptions, blockages, tensions and contradictions which need to be administered (Wayne 2003: 20). Therefore, the co-ordination and speeding up of all the factors (human, technological and cultural) that enable the circuit of capital to be completed are vital to capital. Therefore, in an attempt to circumvent and anticipate these blockages and interruptions and to ensure a seamless valorisation process capital is compelled to ensure that a sufficiently qualified labour force is available to deal with these kinds of problems that the realisation of surplus value needs. It is by the very nature of capital, its single-minded appetite to accumulate that affects how the workplace is organised. How many new occupations, the skill and education needed to deal with capital's incessant changing of the workplace is directly tied to ensuring its accumulation bent is satisfied.

8.4 The need for more people with the expansion of production

Urry makes the point that as production expands, it is both more necessary to increase the number and diversity of unproductive service workers and with the rising production of surplus this is made financially possible and necessary (Urry 1973: 177). Marx in a passage from Capital Vol 3 already recognised that as capital expanded in its search for opportunities to accumulate, in his case, the commercial activities of capital, that more and new specialised forms of labour were needed. Marx expounds:

> The office is from the outset always infinitesimally small compared to the industrial workshop. As for the rest, it is clear that as the scale of production is extended, commercial operations required constantly for the circulation of industrial capital, in order to sell the product existing as commodity-capital, to reconvert the money so received into means of production, to keep account of the whole process, multiply accordingly. Calculation of prices, book-keeping, managing funds, correspondence – all belong under this head. The more developed the scale of production, the greater, even if not proportionately greater, the commercial operations of the industrial capital, and consequently the labour and other costs of circulation involved in realising value and surplus value, *this necessitates the employment of commercial wage workers who make up the actual office staff* (Marx 1984: 300) (Emphasis added).

Marx also had this to say about the cost that the commercial worker incurred for capital and more importantly Marx makes the point that they are a particular kind of labour a "better-paid class of wage workers" (Marx 1984: 300-301). Marx again:

> His wage, therefore, is not necessarily proportionate to the mass of profit which he helps the capitalist to realise. What he costs the capitalist and what he brings in for him, are two different things. He creates no direct surplus value, but adds to the capitalist's income by helping him to reduce the cost of realising surplus value, inasmuch as he performs partly unpaid labour. The commercial worker in the strict sense of the term, belongs to the better-paid class of wage-workers – to those whose labour is classed as skilled and stands above average labour (Marx 1984: 300-301).

Crucially for capital, the particular skilled commercial labour does not cost capital much since his enskilling "develops by itself through the exercise of his function" (Marx 1984: 300-301). Marx again on the particular quality and advantage that commercial labour gives to capital:

> Yet the wage tends to fall, even in relation to average labour, with the advance of the capitalist mode of production. This is due partly to the division of labour in the office, implying a one-sided development of the labour capacity, the cost of which does not fall entirely on the capitalist, since the labourer's skill develops by itself through the exercise of his function, and all the more rapidly as the division of labour makes it more one-sided. Secondly, because the necessary training, knowledge of commercial practices, languages, etc is more rapidly, easily, universally and cheaply reproduced with more the capitalist mode of production directs teaching methods towards practical purposes. The the progress of science and public education the universality of public education enables capitalists to recruit such labourers from classes that formerly had no access to trades and were accustomed to a lower standard of living. Moreover, this increases supply, and hence competition. With few exceptions, the labour power of these people is therefore devaluated with the progress of capitalist production. *Their wage falls, while their labour capacity increases.* The capitalist increases the number of labourers whenever he has more value and profits to realise. The increase of this labour is always a result of more surplus value (Marx 1984: 300-301).

Marx is quite clear on this point with regard to the basis for increasing the need for commercial labour, it is as a result of the expansion of more surplus value. Capital needs more labour power to manage the realisation of surplus value in the realm of circulation. As capital extends and expands its accumulation powers it needs more skilled labour. Not only does capital acquire this labour because of the changing work environment, commercial labour also comes cheaply. Urry further develops this line of thinking from Marx by deploying it within the confines of a modern capitalist setting.

8.5 The need for more technically adept people with the rising complexity of capital accumulation

In making this argument Urry observes that the nature of capital is such that there are two sets of functions: that of capital accumulation and that of surplus value production and that the one is dependent upon the other (Urry 1973: 182). The former is the capitalist function and the latter the function of labour. What is important is the degree of variation possible in the bearers of these functions in different actual capitalist societies and South Africa in the period of black economic empowerment is no different. Usually the bearers of the capitalist function may be differentiated between owners and managers (Urry 1973: 182). What is of interest for this study is the consideration of the two functions that have to be fulfilled namely capital accumulation and surplus value production; and, the variations in the possible bearers of such functions in a more structurally differentiated capitalist society (Urry 1973: 182). Urry furthermore makes the observation that these two functions give rise to two sets of dichotomies: ownership/non-ownership of the means of production and production/ non-production of value. When these two dichotomies are related two classes emerge owners of production that do not produce value; and, that class which does not own the means of production but does produce value (Urry 1973: 182). However, states Urry, there are other two groupings who are owners and producers of value and those who are non-owners and non-producers. The former includes the self-employed and small capitalist employing a few workers, the petty bourgeoisie, shopkeepers generally (Urry 1973 182). It is Urry's latter group that is of interest for this study, namely, those that are non-owners and non-producers. This group generally is made up of managers, professionals, technologists, subordinated commercial employees such as clerks, foremen and shop assistants which for Urry fall into the category of the new middle class (Urry 1973: 182).

Urry further deepens his characterisation of the new middle class by employing notions of power and status in whether they hire or are hired and in whether they do or do not do work. With the already identified capitalist and working class the working capitalist has a position of power and status within the workplace and is responsible for the hiring of labour. The worker, on the contrary, has a position of subordination, of status inferiority, and is hired to work. The position of the new middle class is a little more complicated (Urry 1973: 182). Urry makes the point that we cannot accurately speak of a middle class but, rather should speak of the middle classes in a plural sense.

However, in considering the middle classes as such, what is clear is that none of the groups within the middle classes own the means of production, they all work, and they all have a powerful or high-status-situation in the work-place (Urry 1973: 183). Furthermore, a distinction can be drawn between managers and other groupings within the middle classes in the workplace. Managers are both responsible for the hiring of labour and, as a group, control the day-to-day running of the workplace. With the owners of the enterprise they, managers, are responsible for bearing or performing the function of capital accumulation (Urry 1973: 183). Professionals, traditional and technological, are not principally responsible for hiring or, for general managerial control over capital. There function is to maintain the material and human capital necessary for capital accumulation. They are responsible in general for ensuring the persistence of the superstructure (Urry 1973: 183).

Foremen and clerks are no different to workers except that they have a certain amount of economic power over such workers within specific contexts and this favoured position in the workplace consequently makes them aspirationally middle class (Urry 1973: 183). Extending Urry's reasoning to the role of foremen, one could argue using Urry's dichotomisation of functions, namely of those who ensure capital accumulation and those who are producers of surplus value, that the power that the foreman has over labour in "specific contexts" could be characterised the middle class who are located in production. They are located in the realm of production to ensure the production of surplus value by making sure that labour at the point of production produces at a rate of productivity that capital demands depending upon the particular sector of capital. Going back to Wayne's standpoint around the co-ordinating function that certain occupations play as a result of the demands by capital as it revolutionises the workplace to continue to accumulate, members of this particular faction of the middle class like accountants, lawyers, senior managers, marketing executives, can all be construed as occupying the realm of circulation and distribution where surplus value is realised in the form of profit. The middle class is deployed in all the circuits of the capital accumulation process. It finds itself in the process of production selling his/her labour power as a co-ordinator of surplus value production (foreman), in the process of circulation and distribution where commodities produced in production are priced ready to be sold on the market, as a co-ordinator of surplus value realisation (sales manager).

Wayne extends this thinking when he states that it is often observed that this co-ordinating function of the middle class involves the reproduction of the social relations of production, oiling and co-ordinating the wheels, rather than directly contributing to the production of surplus value proper. He does remind us that Marx unequivocally stated that the labour of the research worker and engineer was productive in character only insofar as it is employed to generate surplus value and profit (Wayne 2003: 20). He does make an important point in that we should not think of these two functions as being separated by a Chinese wall, but rather that these two functions be seen as closely interrelated. Direct producers, labour, produce surplus value and research workers and engineers too help in the production of surplus value albeit not in a materially direct manner, that is, the actual production of the particular commodity in question (Wayne 2003: 20). As Wayne explains co-ordinators are as essential to production since they ensure to a large extent that no 'gaps, interruptions, blockages, tensions and contradictions' stymy the flow of value from production to circulation. In respect of the direct producers, they are at the point of production in the very act of producing commodities (Wayne 2003: 20).

To conclude this section, it is in the nature of capital accumulation to concentrate, centralise and to expand. The constant pursuit of surplus value demands that capital continuously revolutionises the productive process and technology plays a big role. Urry speaks of the "widespread expansion and differentiation of the capitalist function, into administrative, technical, clerical and educational functions. The preponderant class therefore in the work structure with respect to co-ordination expands greatly, but it is a class which is to be distinguished sharply from the capitalist proper who is not only dominant in the work structure but is also owner of the means of production (that is dominant in the market structure) (Urry 1973: 186).

Having set the theoretical basis for understanding and explaining the material base for the rise of a middle class, the question is how does this play itself out in the context of South Africa with the advent of black economic empowerment, more particularly, the rapid rise of the black middle class? This discussion centres on the argument that black economic empowerment is essentially a strategy by Afrikaner capital to rescue South African capital in general. With the expansion of capital, it became necessary to hire more labour since existing labour could not meet this demand it then fell to black labour especially black middle class labour to fulfil this demand.

8.6 The Imperatives of South African Capital: Sanlam and Sankorp: The Impetus for the rise of the black middle class

With a changing political climate beginning in the middle 1980's, Sanlam established Sankorp as an investment management company for its strategic investments. Strategic investments to the value of R 913 million were transferred from Sanlam to Sankorp. This portfolio was spread over the total range of economic sectors of the South African economy that is, 41% in mining, 18% in the financial sector, 8% in transport, 8 % in electronics, 8% in engineering, 8% in retail and 155 in industrial holdings (Verhoef 2003: 28).

The rationale for the establishment of Sankorp had to do with the fact that in 1985 international banking refused to reschedule South Africa's debt. Also, sanctions were impacting negatively upon unemployment, business confidence and foreign direct investment. It was in this climate that Dr Fred du Plessis, chief executive of Sanlam saw it as the responsibility of the life assurance business generally to contribute to the growth and development generally of South Africa. Du Plessis was of the view that Sanlam through Sankorp should invest in growth industries rather than the stock market since 'growth industries' would promote expansion, create employment and prevent retrenchments (Verhoef 2003: 29). Sanlam through Sankorp also provided some R 2 billion to create new enterprises and to help existing, viable enterprises in need of financial aid to expand. This was a direct response to the lack of foreign direct investment (Verhoef 2003: 31).

Of equal importance was the elimination of anxiety and uncertainty about the political and economic future of South Africa amongst business leaders (Verhoef 2003: 31). This was natural because if capital was to accumulate unencumbered then it needed political stability. In this regard Sankorp set out to establish closer links with black leaders in business and community affairs, more so those who were seen to be in the position to control the direction of South Africa's political affairs in the near future. Sankorp perceptively acknowledged that if the South African economy was to grow and expand it could not do so with a shortage of managers and based on this observation they recognised that more and more black people should be trained to meet this labour shortage, especially skilled labour (Verhoef 2003: 32). Following this, Sankorp then developed its equal employment opportunities strategy which consciously targeted those groupings that historically competed at a disadvantage in the labour market (Verhoef 2003: 33). More importantly, Sankorp's strategy was an attempt to influence stability in the socio-economic environment which according to Verhoef:

…would ensure an environment in which business could take risks, serve their clients and make a profit (Verhoef 2003: 33).

Hence, some of the more pertinent goals that Sankorp set for its EO strategy were exactly what capital accumulation generally needs to have in place if it is to successfully advance its accumulation agenda. Some of the goals included "freedom to …operate a profitable business, promote the free enterprise system" to promote productivity and employment" …"to recruit and develop those skills essential for successful business", " removing discrimination to enable worker satisfaction of aspirations for equality, equity and justice" (Verhoef 2003: 33). When a cursory observation is made of these goals then clearly Sankorp wanted to see the continued existence and development of capital by ensuring that the best and most suited labour across the racial divided was ready and available for capital to accumulate.

To initiate these goals Sankorp decided in 1987 to open up a dialogue with black business leaders on the basis of "mutually beneficial projects in the black communities". As itself the product of economic marginalisation as a wholly owned Afrikaner enterprise, it could commiserate with the frustration of black people who had limited access to effective economic empowerment as owners and co-owners of means of production (land, capital, entrepreneurship and natural resources) (Verhoef 2003: 34). Sankorp was of the view that it could make a unique contribution to facilitate effective black participation in the South African economy by forming alliances with black people; and, importantly, Sankorp was interested in forming business alliances from which both Sankorp and its prospective partners could benefit (Verhoef 2003: 34). Business alliances meant essentially economic participation rather than benefactor driven "social responsibility" alliances based on hand outs (Verhoef 2003: 34).

In fostering “business alliances” with suitable black people Sankorp approached this strategy essentially as a capital accumulation initiative, because it only sought the empowerment of black people where they could benefit directly; and, simultaneously strengthen the free enterprise capitalist economic system as the only strategy towards sustained economic growth (Verhoef 2003: 34). Verhoef makes it plain that black economic empowerment (BEE) was a strategic decision in the interest of stronger economic growth in South Africa, as well as a strategy to enhance the performance by companies that fell under the Sankorp group (Verhoef 2003: 35).

By the 1990’s the general trend in black economic empowerment followed the model introduced by Sankorp, that is, the alliance model. This model recognised that the key to successful black economic empowerment had to be empowerment through a skill-building process over an extended period of time which would contribute to the continued capacity for capital to accumulate. This was the approach that Sankorp executed in its pioneering black economic empowerment initiative (Verhoef 2003: 36). Verhoef makes the point that for Afrikaner capital to penetrate and gain an effective foothold in the mainstream economy took all of four decades. She makes the further point that the acquisition of General Mining signalled a quantum leap in Afrikaner economic empowerment and was of the belief that if black people were to be unequivocally integrated into the mainstream economy then it too needed its quantum leap (Verhoef 2003: 37).

In 1991 it decided to initiate black economic empowerment within the Sankorp Group by utilising the life assurance company, Metropolitan Life (Metpol) as its model which was based on principles contained in its blueprint[17]. Metpol was a blue-chip company in the Sankorp Group which would comply with Sankorp’s principles for black economic empowerment. It was a listed company on the Johannesburg Stock Exchange, in which Sankorp/Sanlam

[17] When embarking on a BEE strategy, Sankorp, needed a highly successful company to negotiate with. Since there were no identifiable black businesses with whom to effect such negotiations it had to create such a party. A unique financing model would have to be developed to facilitate such deals since conventional financing models were inadequate. Sankorp would have to be led in the implementation strategy of its BEE initiatives by the people from the black community who were familiar with the business environment in those communities. Also, all transactions were to be conducted along sound business principles, and the panel of black business leaders were to advise Sankorp on the most appropriate strategy to achieve the goals set out above.

controlled 81.8%. Also, Sankorp were of the view that Metpol provided an appropriate vehicle for skills building and skills transfer (Verhoef 2003: 37). By July 1991 Sankorp performed a rights issue for Metpol to reduce the Sanlam/Sankorp shareholding in Metpol from 81.8% to 50.5% following the strong performance of the Metpol share price on the Johannesburg Stock Exchange during the first quarter of 1991. The Metpol share price outperformed the JSE assurance industry index (Verhoef 2003: 38). Verhoef observes that by 1991 the Sankorp model had no precedent for black economic empowerment. Basically, the model entailed the following: 1) Sankorp sold 10% of its shareholding in Metpol to a trust comprising of black shareholders. This trust was established to facilitate Sankorp's black economic empowerment initiatives.

Also, Sankorp put together an advisory panel of prominent black leaders[18] to consider the proposal and advise them on the mechanism of implementation (Verhoef 2003: 38). Sankorp then developed an innovative financing model for implementation, since it did not intend to finance the trust. It wanted to benefit as many black stakeholders as possible and attract black capital into a venture aimed at empowering black people in general. The transaction was envisaged to spread wealth beyond a handful of influential people and be concluded without complicated structures. Sankorp was unambiguous in how it saw its alliance strategy being executed. It had to be done through joint shareholding, co-participation in management and board representation for all parties (Verhoef 2003:38). Verhoef makes a further observation in this regard in that Sankorp did not see this as an exercise of handing over to black control its shareholding in Metpol; rather, it facilitated the purchase of shares in Metpol. Sankorp did not finance the purchase of shares, but provided R 1.8m towards the marketing costs for the establishment of the new company. Sankorp was of the view that vendor financing would not constitute an act of empowerment; and, therefore external funding had to be sought. The trust of black people would take full responsibility for the costs involved in establishing the

[18] Drs. Ntatho Motlana, Oscar Dlomo, prof. Mohale Mahanyele and Messrs Don Makwanazi and Jabu Mabuza. After the first meeting the advisory panel was restructured on their own advice, to exclude Jabu Mabuza and to include Dr. Enos Mabuza, Adv. Dikgang Moseneke and Mr. Franklin Sonn. S.

new entity which included the transfer of shares after purchase (plus stamp duty) to the new entity, and also but not least the finance costs (Verhoef 2003: 39).

In March 1993 history was made when the first black economic empowerment transaction in South Africa was announced. A new company MetLife Investment Holdings (Methold) had been established with the purchasing of 10% of Sankorp's shares in Metropolitan Life. Methold acquired a R135 million financing from the Industrial Development Corporation (IDC) to buy the shares (Verhoef 2003: 39).

With this historic event Afrikaner capital set out to prolong the longevity of capital by setting in train the process of creating and facilitating the rise of black capital. The systematic creation of a black capitalist class and consequent black middle class was a conscious decision made by capital in the form of Sanlam subsidiary, Sankorp. The strategy was not based on the economic interests of all black people. It was a strategy designed to ensure capital's survival given the changing political climate with the ushering in of democracy. Therefore, to ensure its survival capital devised the black economic empowerment strategy to create a black bourgeoisie and middle class which would give these two emerging newcomers to the bourgeois and petty bourgeois classes in general a stake in the surplus value appropriation that capital systematically and perennially indulges in.

By its capitalist logic black economic empowerment reinforces the existing class structure and in the process helps to realign the middle and capitalist class by making it possible for the emerging black middle and capitalist class to become partners with English and Afrikaner capital. What Afrikaner capital had set in motion during the late 1980's, the ANC's and SACP's key ideologues and thinkers (Thabo Mbeki and Blade Nzimande) endorsed and gave momentum to the eventual promulgation of the Broad-based Black Economic Empowerment Act of 2003. The discussion in the next section will look at the extent of the rise of the black middle class.

8.7 Economic Basis of the Black Middle Class, Equity Transactions, Preferential Procurement and the State Bureaucracy

Roger Southall makes the observation that if the black middle class is to be located, then, two major sources of power in contemporary South Africa society need to be considered, which is the democratic state and the large corporations that dominate the economy (Southall 2016: 159). He also makes the point that the different layers or groups of the black middle class are constantly looking to be upwardly mobile by searching for various opportunities in the circuits of capital and the state. This relentless search is not as unilineal as they would hope because it engenders problems of fragility and insecurity that accompany a new upwardly mobile class (Southall 2016: 159).

The rapid rise of the black middle class in South Africa owes its expansion to three key developments, namely, share acquisitions, preferential procurement and the state bureaucracy. They reproduce themselves by selling their labour power as administrators in the state bureaucracy and to capital as co-coordinators of the production, circulation and distribution of surplus value. As administrators in the state bureaucracy, the source of their income is derived from taxes direct and indirect that the state collects from paid labour in the form of wages from labour; and from surplus value in the form of profits from capital. In addition to working as administrators in the state bureaucracy some members of the black middle class have the opportunity by way of the state's preferential procurement policy to become entrepreneurs where they are the preferred vendors for providing the state with the necessary goods and services that it requires.

Capital too played its part in facilitating the rapid rise of the black middle class by way of share acquisitions. Where capital, using special purpose vehicles and vendor financing, helped the black middle class enter the hallowed portals of the Johannesburg Stock Exchange and the world of share transactions. The black middle class was introduced, especially those who commanded good salaries, to any array of interest-generating investments advertised by finance capital which will generate future claims on the production of surplus value like shares, bonds and CDOs (collateralised debt obligations). Also, as technical co-ordinators for both capital and the state the black middle class work in the highly desirable professions such as law, accounting, engineering and medicine

The black middle class in South Africa, one could safely say, pivotally has its economic base squarely in the realm of capital and the state which facilitates its rapid expansion which is the wage or salary from capital and the state; the buying of shares as characterised by equity transactions; and also entrepreneurial opportunities via the state with the policy of preferential procurement.

One could conclude that their rise as a new member of the established middle class induces a sense of urgency and vibrancy with liberal dosages of precariousness in the constant pursuit of economic opportunity to consolidate their class base coupled with the real fear of dropping into the labouring and immiserated classes. The next section will to some extent capture the dynamism, perseverance and vigour with which the black middle class goes about securing and ensuring that its aspirations to thrive and consolidate itself do not falter by drawing on all possible opportunities, whether from the state or from the corporate world. In the next section the extent of the rise of black middle class will be looked at by looking at its demographic size, its economic power and its propensity to consume.

8.8 The Size and Economic Power of the Black Middle Class

The University of Cape Town's Unilever Institute of Strategic Marketing observed that the black middle class in South Africa had more than doubled in size in the years from 2004 to 2012. Black South Africans classified as middle class rose to 4.2million in 2012 from 1.7 million in 2004 (Cronje 2013). John Simpson, a director of Unilever made the point that the economic reach and influence of the black middle class had substantially increased. In his words:

> The black middle class is helping create a vibrant and stable society by increasing South Africa's skill base, deepening employment and widening the tax net (Cronje 2013).

It was further observed that the economic spending power of the black middle class was in the region of R400 billion annually which was more than the 380 billion spent by 3 million white people who occupied the middle class (Cronje 2013). The Johannesburg Stock Exchange reported that black share ownership was 23 % with 10% being directly owned and 13% indirectly owned through pension and retirement funds (Dlamini 2017: 1).

8.9 Work: The State Bureaucracy

Much of the growth in the black middle class has been brought about by way of employment equity in the public service. This is illustrated in the rise of the wage bill by 125% from 195 billion in 2007/8 to 439 billion in 2014/15. The expenditure on personnel has become one of the largest items of current state expenditure amounting to 35% of total spending in the 2014/15 financial year (Jeffery 2014: 387)

The state as a focal point of black middle class advancement highlights its meteoric rise by the following statistics. The initial goal in 1995 was for senior managers in the public service to be 50% black by 1999. In 2003 this target has increased to 75% which was to be attained by March 2005. By then, 30% of senior managers were also to be black women. By 2005 these targets had almost been met, for black people held 70% of senior management positions and black women 29% (Jeffery 2014: 87).

In April 2014 the Commission for Employment Equity established under the EE Act its 14th annual report on employment equity, covering the period from 2013 – 2014. This report found that of all government employees in this period, Africans as part of the black middle class held 69% of top management jobs, 63% senior management posts, 67% of jobs at the ‘professionally qualified level (middle management), and 79% of skilled jobs (Jeffery 2014: 87). These statistics amply illustrate the systematic rise of the black middle class in the state generally and the African demographic more particularly which has its origins in surplus value appropriation by capital of which a portion is paid over to the state in the form of taxes; and, from which salaries are paid for all state functionaries from a budget of R587 billion estimated to rise to R 630 billion by 2020 (Mokone 2018).

8.10 Work: Corporate and Professional

P-E Corporate Services, a private human resources agency, which monitors 850 parastatals and private sector firms accumulatively employing more than a million people, reported that the proportion of black people at senior management level had risen from 5% in 1994 to 33% in 2013, an increase of some 550% (Jeffery 2014: 111). Black middle managers increased form 7% in 1994 to 33% in 2013 a rise of 380%; and, in junior management the proportion of black South Africans doubled from 26% in1994 to 48% in 2013 (Jeffery 2014: 111).

Despite these dramatic instances of black upward mobility, some professions particularly in law, accounting, engineering and medicine have been slow in recruiting black South Africans to these professions. As Roger Southall observed, as late as 2011 almost two thirds of practicing attorneys were white with the African demographic constituting just 20% , over 80% of chartered accountants (CAs) were white and only 7% black in 2012; 86% of engineers were white and only 14% were black in 2013 (Southall 2016: 138). The medical profession fared much better with the number of black students registered for the MBChB degree increased from 32% in 1999 to 45% in 2005 and the graduation statistic rising from 27 to 40% (Southall 2016: 138). The next section will address the consumption patterns of the rising black middle class which has a bearing on capital's ability to profit maximise with the increase in size of the middle class by the rise and incorporation of the black middle class. Importantly, the next section by illustrating the particular consumption traits of the black middle class again confronts the claim by black economic empowerment that it was designed to empower all South Africans. Because clearly those South Africans that live on the margins and in abject poverty, clearly, are not included in this reality which is that of the black middle class.

8.11 Consumer Power

The upward mobility of the black middle class and the length and breadth of its reach in every major location of the state and capital would not be as evident if it were not for a major feature of a new middle class which is robust ability to show their consumer power. This consumer power was noted as being worth about R 400 billion to the economy. Furthermore, because of this market power the outward manifestation of their class power resides in their high living standards and lifestyles.

A crass caricaturing of the black middle class is that they are referred to as 'Black Diamonds who are usually seen as high-spending, hard-living and showy black individuals and 'power couples'. Glossy magazines, as a matter of course, depict them as having broken the racial glass ceiling and who inhabit a world of tasteless 'bling', lavish weddings and over-the-top celebrations and partying (Southall 2016: 163).

South Africa has the added perception that with the rise of the black middle class that the source of their material base is founded upon corruption and political connection rather than the product of hard work, responsibility and integrity which is usually associated with being middle class (Southall 2016: 163).

However, these unwarranted generalisations do not tell the full story of the greater majority of hardworking middle class black people. The advent of democracy with its emphasis on freedom, political and economic, creates the circumstances for the rise and consolidation of the black middle class. The ability and capacity to spend gives the black middle class agency and in so doing gives it a sense of economic success. This sense of agency, which is an aspect of being a fully-fledged citizen, has its foundations in the constitutional rights that the progressive South African constitution guarantees and our constitutional court will enforce. And Southall correctly observes that it is in this context that the black middle class is seen as a major agent in the expansion of the economy and in cementing its political power in democratic South Africa (Southall 2016: 169-170).

Financial Mail illustrates its economic class power empirically where in 2006 mainly the black middle class accounted for sales growth of between 15 and 25% a year in clothing stores; 76% of furniture sales and marked increase in cell phone usage. Also, black middle class consumers were shopping in upmarket food-stores were buying new expensive cars rather than second-hand cars, accounting for the purchase of 30% of imported vehicles in 2007 (Southall 2016: 170).

Furthermore, with the purchasing of property, the black middle class were singly identified as the driving force in a residential property boom as they increasingly sought to own homes in formerly white suburbs. Another aspect of the economy which saw the black middle class as a potential market was the financial services sector which aggressively pursued the insuring and banking of this new middle class (Southall 2016: 170).

To conclude this section, in a non-exhaustive cursory fashion, a slice of the back middle class as an expanding, consolidating and an important economic unit was illustrated. It had become the biggest middle class, it occupied strategic occupations in the state and capital as co-ordinators and as managers, it was expanding incrementally and steadily within the apex occupations such as law, accounting, engineering and medicine; it was important consumer component for the growth of the economy by way of luxury consumer goods especially houses and cars; and it was a target for finance capital; and, as far as insurance and other fictitious capital products were concerned. The rapid rise of the black middle class can to a large extent attribute its rise to the advent and consolidation of black economic empowerment and its capitalist logic that clearly does not include the immiserated millions living on social grants.

Finally, to draw to conclusion this chapter, a theoretical foundation was laid which located the middle class within the laws and motion of capital, that is, within the circuits of production, circulation and distribution of surplus value. It is within these circuits usually straddling capital and labour where the middle class is located resulting from capital's continuous need to accumulate. Because of this expansion due to technology and the changing form of capital there is a demand for new forms of labour to co-ordinate and manage the change that capital goes through as it expands. This new form of labour is usually highly educated and thoroughly skilled in the execution of the new occupations that the introduction of technology induces. It is from this qualitative change in the production and circulation of capital to increase accumulation that induces the need to create new types of jobs and it is this phenomenon that creates the base from which an aspirant middle class is given the impetus to expand and consolidate. The creation of a new technology-savvy labour is found in all the circuits of capital. In the production process they are foreman and in the circulation process they are information technology experts, sales managers, etc. Their induced introduction is naturally to ensure the seamless accumulation of capital.

The rapid rise of the black middle class in South Africa is not immune to this phenomenon. It has its roots in Afrikaner capital's need to rescue capital generally and its cudgels are taken up later by the African National Congress driven by the policy of black economic empowerment. Black economic empowerment policy is firmly located in share acquisitions and state sponsored preferential procurement where black people alone are preferred in the acquisition of shares using the financial instruments of vendor financing and special purpose vehicles which enables and affords black people the opportunity to potentially become entrepreneurs. Important professions such as the legal fraternity, medical doctors and accountants have also made significant headway in the production of black professionals which would in due cause be ready for deployment in the service of capital. Within the circuits of capital a rapid rise in the sourcing of black graduates as managers ranging from senior to ordinary mangers has occurred. These managers are important cogs in the capitalist machine. They ensure the rapid and efficient movement of commodities from the time that these commodities are produced to their eventual sale on the market. Affirmative action as state policy also enables the rapid rise of the black middle class within the contours of the state bureaucracy. Consequently, it is from within the inner workings of capital and the state that the black middle class has its origins energetically reproducing itself to have become to date the biggest middle class in democratic South Africa.

CHAPTER NINE: CONCLUSION

The ANC government came to power in 1994 fully cognisant of the huge social and economic tasks that lay before it. Black South Africans particularly under apartheid capital were forced to live lives of abject poverty, persistent unemployment and rank economic inequality. The problem for the democratic state was how to address inequality, unemployment and poverty and lay the foundations for raising black South Africans to the standard of economic development that white South Africans enjoyed under apartheid. Black economic empowerment (BEE), an affirmative action policy, which focused on the economic advancement of black South Africans, was conceived. It was envisaged that through the enactment of the Broad-Based Black Economic Empowerment Act 53 of 2003 (BBBEE Act) economic inequality and sustained unemployment would be addressed. The argument advanced is that BEE's capitalist roots are the central obstacle to its claim that it is capable of dealing with inequality and unemployment. In addition, the chapter considers the issue of poverty, which is not raised specifically in the BBBEE Act, but arises as natural progression from inequality and unemployment.

In this study I set out to question and interrogate black economic empowerment's fundamental claims. This study also sought to distinguish its treatment of black economic empowerment from other thinkers who generally expounded that for black economic empowerment to be successful then growth of the economy was essential. They also argued that if the economy grew job creation would proliferate and growth of the economy would produce a greater distribution of income for all black South Africans. This study, deploying Marx's method, took a different tack and in this regard distinguished itself from the "economic-growth thinkers". Marx's approach, rather than promote the economic growth thinking, questions not whether growth of a capitalist economy is capable of addressing the problems of economic inequality and unemployment; but questions the very capitalist economy's capability of addressing economic inequality and unemployment.

The central argument that I advanced was that the very capitalist structure upon which this growth strategy was based, in fact laid the foundation for the reproduction of these self-same phenomena. Based on this argument, this study sought to demonstrate that the fundamental weakness in the black economic empowerment strategy was that it too was premised on a capitalist economic base. Logically following this, rather than fundamentally addressing black economic inequality and unemployment, which it was employed to do, it facilitated and reproduced the persistence of black economic inequality and unemployment. Its material basis in capital rendered it incapable to address this problem and in this way the fundamental weaknesses and limitations of the black economic empowerment strategy was exposed.

Furthermore, to explain this inconsistency between black economic empowerment's claims and the method it deployed to fulfil its claims, Marx's theories of fictitious capital, surplus value production and appropriation, and the creation of the industrial reserve army all of which are elements of the broader theory of capital accumulation, were utilised.

In using these theories, I set out to do three things. Firstly, Marx's theory on fictitious capital laid the foundation to show that black economic empowerment is rooted in capital. Secondly, to test the efficacy of black economic empowerment's claim that it is able to distribute income equally. However, Marx's theory of surplus value elucidated that no amount of income distribution can address the question of economic inequality if that distribution was premised upon the inequality that is produced in the process of production where surplus value was appropriated. The point of the exposition is that surplus value appropriation will always be the root of economic inequality. Finally, because of the unpredictability of profit maximisation brought on by competition with fellow capitalists capital from time to time is driven to employ new technology restructure the work place and in this process is forced to in some instances to shed labour thus establishing what Marx termed an industrial reserve army waiting in reserve to satisfy capital's insatiable need for labour power.

The point of using Marx's theory was to demonstrate that capital is not designed for creating jobs. It is designed for surplus value production and labour power is fundamental to this process. How much labour power capital needs is dependent upon its profit maximisation ability. It only buys so much labour power in relation to its ability to generate and envisage rate of profit. Capital is not about creating jobs it is about buying labour power for profit realisation. The deployment of Marx's theories in this regard highlighted the fundamental inconsistency embedded in the black economic empowerment strategy that a capitalist based policy can successfully deal with phenomena that capital produces, namely economic inequality and unemployment.

To empirically illustrate black economic empowerment's finance capital roots, the Sasol transaction was unpacked. This transaction did not provide aspirant black economic empowerment entrepreneurs the opportunity to buy directly into the fixed capital and productive capital of Sasol. Aspirant black economic empowerment players did not become owners of Sasol they were mere indirect owners via their shareholding in Sasol via their special purpose vehicle called FundCo. Sasol as a juridic person with legal personality was the owner of the fixed capital and productive processes of Sasol. Sasol as a juridic person owned the means of production of Sasol and not the shareholders whether directly or indirectly. In the case of Sanlam black economic empowerment does not have to be wholly dependent upon a former established corporation, like Sasol and its black economic empowerment transaction for instance, to survive and reproduce itself as a viable and independent business entity. With the Ubuntu-Botho Investments/Sanlam relationship, UBI illustrates that it can forge ahead in the world of finance capital as an independent player and in equal partnership with Sanlam this is an indication of the maturity and the extent of black economic empowerment's resilience in succeeding in the realm of finance capital.

With regard to black economic equality, the study empirically illustrated how the state and finance capital was used as the key instruments to accomplish black economic equality. Preferential procurement arising from the state and share transfers arising capital were the preferred instruments to realise this vision. This study showed that the very capitalist structure upon which these two strategies rested were indeed the reproduces of black economic inequality. Preferential procurement which came from state levied taxes on both wages and profits to a large extent only the emerging black middle and capitalist class benefited from these strategies. Share transactions which were located exclusively within the context of profits that stem from surplus value appropriated by capital in the form of unpaid labour provided by workers, also mainly benefited the black middle and capitalist class. The effects of these two processes were that in the case of preferential procurement workers' paid taxes on their wages and their unpaid labour is appropriated by capital as surplus value.

On both counts the value that workers create both to sustain themselves and what is appropriated by capital as unpaid labour are deployed to promote the development of an emerging black capitalist class. With regard to share transfers established capital sets aside a percentage of its assets which is housed in a special purpose vehicle from which only black people are allowed to acquire these shares at discounted prices and that will be paid out of dividends.

Preferential procurement and share transactions in the main provided a material base from which arose a specific section of the capitalist class, namely the black capitalist class. Taking this process to its logical conclusion it became difficult to appreciate that a strategy that is based on the logic of capital can effectively address the economic inequality of *all black people.* Resultantly preferential procurement and share transactions as strategies that were based on a capitalist logic to address black economic inequality are demonstrably inadequate. That which it is supposed to address, black inequality, it in actual fact reproduces by creating the material base from which a black capitalist class is given the impetus to reproduce and dominate at the expense of all black people. Hence, the question of the equal distribution of income to correct black economic inequality generally was a contradiction in terms.

The other claim by black economic empowerment that it could deal with unemployment by creating jobs was untenable. When subjected to Marx's critique and properly construed it was found to be nothing more than the buying and selling of the commodity labour power. Job creation as the panacea for unemployment it was argued was nothing but the surface level appearance of what in essence is the buying and selling of labour power. Capital buys labour power and labour sells labour power it had nothing to with job creation. When capital decides to produce surplus value it makes an objective decision with regard to how much labour power and means of production it needed. It only considers how much variable and constant capital it will set aside for the production of surplus value. Considerations of providing for the reproduction of labour does not enter the equation when capital decides on how much surplus-value and profit it wants to produce. How labour reproduces itself is not the concern of capital. The contract concluded by the two contractants as equals is only in respect of the two commodities, which they wish to freely, and willingly exchange, namely the wage and labour power. All capital is interested in is negotiating the best price for the commodity that it needs, namely, labour-power. How labour uses its wage is purely labour's business and not the concern of capital.

To illustrate this empirically, the relationship between Lonmin and Shanduka was analysed to illustrate that capital is not concerned with job creation. Lonmin as a productive capitalist and Shanduka as a fictitious capitalist are only concerned with the production of profit. Lonmin only buys labour power to ensure that labour power can produce the surplus value from which profit will be derived. Shanduka has a likewise interest in the full exploitation of labour power so that as a shareholder it will be paid the anticipated dividends that have their origin in the surplus value that labour power produces. Lonmin and Shanduka only procure so much labour power and will also share so much labour power in strict keeping with capital's ability to produce the average rate of profit, and, the average rate of profit is the driving force that Lonmin and Shanduka are inextricably tied to. They are not interested in producing or creating jobs nor are they interested in "increasing employment". They are only interested in maintaining the average rate of profit since this is induced by the competitive nature of capital.

What is patently manifest and arises directly from black economic empowerment's capitalist foundations was the rise of the black middle class which stands diametrically opposed to the economic empowerment of all black people. It was argued that this class arose squarely within the parameters of the law and motion of capital, that is, within the circuits of production, circulation and distribution of surplus value. It is within these circuits usually straddling capital and labour where the middle class is located resulting from capital's continuous need to accumulate. Because of this expansion due to technology and the changing form of capital there is a demand for new forms of labour to co-ordinate and manage the change that capital goes through as it expands. This new form of labour is usually highly educated and thoroughly skilled in the execution of the new occupations that the introduction of technology induces. It is from this qualitative change in the production and circulation of capital to increase accumulation that induces the need to create new types of jobs and it is this phenomenon that creates the base from which an existing middle class is given the impetus to expand and consolidate. The creation of a new technology-savvy labour is found in all the circuits of capital. In the production process they are foreman and in the circulation process they are information technology experts. Their introduction is naturally to ensure the seamless accumulation of capital.

The rapid rise of the black middle class is not immune to this phenomenon. It has its roots in Afrikaner capital's need to rescue capital generally and its cudgels are taken up later by the African National Congress driven by the policy of black economic empowerment. This policy found traction in share acquisitions and preferential procurement where black people exclusively are given preferential treatment in the acquisition of shares indirectly on the Johannesburg Stock Exchange through vendor financing and special purpose vehicles; and through preferential procurement the opportunity via the state to become potential entrepreneurs. The demands of capital accumulation have created the circumstances for the rapid rise of black professionals in the professions of law, medicine and accounting which will eventually recruit these professionals to work in the various circuits of capital when needed. Black graduates as managers ranging from senior to just ordinary mangers play an indispensable role in the movement of commodities from production to the market to ensure the realisation of profits for capital. The state's affirmative action policy also enables the rapid rise of the black middle class within the state bureaucracy. Accordingly, capital and the state play pivotal roles in the production and perpetuation of the black middle class to such an extent that it is the biggest middle class in democratic South Africa. This contradicts the notion of *all* black people as claimed by the policy of black economic empowerment.

In addition, the question of poverty cannot be ignored. However, it is not specifically raised within the Broad-based Black Economic Act, but it is a natural consequence that flows from capital accumulation as does inequality and unemployment. In economics those in poverty are characterised as those that are unemployed have given up looking for work. Despite the availability of social grants to alleviate the plight of those in poverty the structural conditions that produce it are firmly in place, namely within the laws and motion of capital which are fundamentally geared to capital accumulation rather than solving questions of poverty. Because of the capital accumulation predilection of capital no matter how much money is set aside by the state for poverty alleviation by way of social grants, poverty will endure. Simply because the structures that produce poverty are still in place. Despite the rhetoric around the question of poverty eradication by economists they do not assist in respect of this question. By an arbitrary measure as to what constitutes poverty; the measure being a basket of commodities which economists consider to be sufficient for the poor to survive on which is quantified in money which is then disbursed as a social grant or what economists term the social wage, they make the claim then that poverty can be alleviated on this arbitrary basis. Again, as long as surplus value is appropriated in the productive process poverty will persist. So, not only does black economic empowerment not have the tools to address unemployment it too cannot deal with poverty. In fact, its foundations in capital actually make it a fundamental producer of poverty.

Using Marx's tools of analysis, as expounded in Capital, to interrogate the capacity of black economic empowerment to address black economic inequality and unemployment, this thesis has demonstrated that black economic empowerment *based on the growth of the capitalist economy* is decidedly inadequate to address the persistent scourge of black economic inequality, unemployment and poverty.

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