The Politics of Market Reform

Altering State Development Policy in Southern Africa

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Introduction

South Africa's transition from a racially exclusive apartheid state to a liberal democracy—referred to as a "double transition" to denote the economic dynamics behind the political transformation—has attracted the attention of a substantial number of researchers from a variety of disciplines.[1] The topic of radical transformation in the African National Congress's (ANC) official position on state developmental policy has aroused perhaps the greatest interest among scholars. Prior to 1994, few observers would have predicted that the white minority in South Africa would relinquish its formal rule predicated on racial domination while avoiding the initiation of structural transformations involving a fundamental reorientation of existing social relations. Yet, the end of apartheid and the liberation movement's victory did not result in the transformation of capitalist social-property relations. In fact, upon taking power, the ANC implemented a homegrown, neoliberal structural adjustment program that opened South Africa to foreign economic interests and propelled the country down a path of market liberalization.

Explanations offered by scholars to account for this policy shift within the ANC can be roughly divided into two competing models. According to the first one, the South African government's ability to maneuver was severely restricted by structural constraints imposed by international and domestic business interests in a post–Cold War environment. The fact that

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developing states needed to create a favorable business climate to avoid the prospect of large-scale capital flight limited the options available to them.[2] This capital-logic model draws much of its inspiration from Fred Block's classic study on the relation between class power and the state apparatus within the context of capitalist social-property relations. Block argues that state managers, while exercising a substantial degree of autonomy in relation to each capital fraction, must nonetheless formulate policies in accordance with the general interests of the capitalist class as a whole. They must do so because the latter can constrain state policy through various structural mechanisms, which are employed based on each firm's perception of the overall level of business confidence.[3] In other words, in the era of economic globalization, South African state elites had little choice other than to modify their developmental goals in order to retain scarce capital and attract foreign direct investment.

The second model posits that the ANC was already a convert to neoliberalism by the time the transition had completed because international financial institutions (IFI), along with the business community, had employed a tactic known as "soft conditionality." The latter involves deploying a cadre of technocratic professionals to influence the policy process by targeting members of the ANC and engaging them in policy dialogue as a way of highlighting the efficiency of market reforms.[4] Scholars have employed this model to account for market reform in a wide variety of national settings in which states had previously assumed an interventionist role.[5]

Such explanations, however, fail to account for the implementation of state-led Keynesian and developmental policies in other national contexts by liberationist or left and socialist governments that came to power and carried through their reforms despite the concrete reactions of the capitalist class to the deterioration in business confidence. To illustrate this point, one need only examine the example supplied by Block in his study. In the case of Chile, the election of the socialist candidate Salvador Allende was met with hostility from the domestic and international business community, which immediately began to attack the nation's currency in conjunction with other tactics, such as capital flight and disinvestment. However, the Allende government, committed to its economic program of redistribution, pushed ahead with the reforms; in the absence of complete capitulation by the regime, conditions for a military coup emerged. Furthermore, co-optation of state officials by the IFIs—implied by the soft-conditionality model—has failed to bring about economic moderation in other national contexts in which a socialist and liberation movement and struggle have overthrown repressive regimes—witness Nicaragua after the Sandinista revolution, which eventually culminated in US-sponsored armed rebellion.[6]

Divergence between state-policy formulation in the South African case and those in the above examples, both of which can be characterized as revolutionary or radical transitions, makes the former a particularly useful study of the dynamics of market reform in specific posttransition countries, given that South Africa meets the criteria required to serve as a deviant case study.[7] This article, therefore, explores why the ANC—in light of the history of other liberation and revolutionary movements—adopted a homegrown structural-adjustment program favoring economic liberalization rather than a radical nationalist or Keynesian state-led model as formulated in the Freedom Charter and the Reconstruction and Development Program. It argues that the transition to market liberalization in South Africa upon the ANC's ascent to power occurred through the deployment of soft conditionality by the IFIs but that other conditional variables shaped the outcome of this strategy. Such variables included the nature of apartheid's extra-economic surplus-extraction relations, which directly fused the state's coercive apparatus with the economic sphere, thereby obscuring the class dimension of the black population's oppression.[8]

One may summarize the causal analytical model informing this thesis as follows:

Surplus regime based on extra-economic racial exclusion

X ↓ **Y**

IFI intervention → economic liberalization / neoliberal transition

This model illustrates the interactive relationship between South Africa's extra-economic surplus-extraction regime under apartheid and the ability of technocrats from the World Bank and other IFIs to intervene in the ANC's economic policy making and successfully guide the outcome along neoliberal lines. The table below shows the importance of the above variable interaction in shaping the posttransition economic regime in South Africa compared to other revolutionary/liberation movements.

Table. Conditions for successful external economic intervention in revolutionary regimes

	Previous Surplus	*External Intervention*	*Economic Transition*
South Africa	Extra-economic surplus extraction based on violent racial exclusion around production for export	Soft conditionality; IFIs targeted state officials with policy dialogue; threat of capital flight	Negotiated settlement; free-market capitalism consolidated
Chile	Absence of violent racial exclusion as an accumulation strategy; surplus extraction based on production for export and around domestic capital	Capital flight; devaluation of the currency	Free-market transition through military coup
Nicaragua	Accumulation based on agro-production for export dominated by foreign capital; absence of violent racial exclusion and segregation	Initiation of policy dialogue by the World Bank; foreign aid	Transition secured by soft military campaign and contra war

The specificity of South Africa's surplus-extraction regime is illuminated through this contrast with political transitions in two other developing countries, both of which also threatened the stability of the dominant social class. The South African state's underwriting of racial exclusion under segregation and, later, apartheid was designed to secure conditions favorable to domestic and international mining capital; however, it unintentionally ensured that the political consciousness of the South African liberation movement would develop along lines that led it to prioritize the political element of oppression over the economic. This trajectory thus created a potential space for international actors, such as the World Bank and International Monetary Fund (IMF) technocrats, to operate and influence the economic transition by framing the neoliberal growth regime as a model that promotes abstract market liberty free from state repression.

This article hypothesizes that the independent causal variable behind South Africa's shift to market liberalization in 1996 is the external influence exerted by IFIs during the 1980s and 1990s, up until the formulation of the Growth, Employment, and Redistribution (GEAR) document. However, as stated it also considers a number of conditional and interactive variables, including the extra-economic nature of the surplus-extraction regime under apartheid and the strengthening of the precapitalist landed classes by the South African state that this entailed. Further, the article examines the manner in which international actors deployed and framed the neoliberal project. It maintains that if the above antecedent variables had not existed, then external intervention by IFIs either would have failed or would have had to assume a more violent form in order to attain the desired objective, as in the other cases involving revolutionary and social change. The remainder of this article discusses the significance and implications of South Africa's economic transition, examines some of the competing theories in the literature that attempt to explain the shift in policy by the ANC, and then outlines an alternative argument.

The Significance of the African National Congress's Shift

The liberation struggle that mobilized large numbers of black South Africans against the institution of apartheid arose from recognition that the material deprivation facing the majority of the population had its origin in economic structures as well as political and legal policies. Segregation became institutionalized and consolidated in South Africa during the nineteenth century to meet the labor demands of British mining capital. The fixed price of gold in the international market and the large capital outlays necessary for production called for an ultraexploitable workforce that had to secure its own reproduction largely outside the market sphere.[9] Apartheid, or separate development, arose in 1948 under the Nationalist Party as an institutional mechanism that responded both to the needs of the manufacturing sector in the face of massive import-substitution industrialization after the Second World War and to the class unrest generated by the process of urbanization. This period, during which national manufacturing capital became dominant, marked the beginning of a system of racial Fordism that linked mass production and consumption for the minority white population. However, it treated black Africans as a production cost to be continuously pushed down and excluded as a potential market from the wage goods produced under the banner of state protection.[10]

Early documents formulated by the liberation movement indicate that the leadership of the organization understood that control of economic resources was an important condition for the majority population's emancipation. For example, sections four and five of the 1955 Freedom Charter state that "the mineral wealth beneath the soil, the banks and monopoly industry shall be transferred to the ownership of the people as a whole; all other industries and trade shall be controlled to assist the well-being of the people."[11] Furthermore, the Reconstruction and Development Program document, which the ANC had drafted in cooperation with the South African trade unions, clearly envisioned postapartheid South Africa as a social democracy in which redistribution to meet basic needs would take priority over economic growth. The latter would occur primarily through measures based on Keynesian demand principles as well as the nationalization of strategic industries. Adoption of the GEAR document, drafted by the ANC with the input of World Bank technocrats, represented a significant departure from the liberation party's previous policy principles. One may view it as a victory for advocates of the Washington Consensus and those who had repeatedly promulgated the inevitability of the market.

The above economic transition was also significant because of its social impact. Although the ANC ran on a platform that advocated redistribution and socioeconomic change, a few years after implementation of the market-oriented GEAR policies, the situation for most black South Africans remained extremely dire. For example, by the end of 1996—the year that marked the unveiling of the GEAR document—per capita income for white South Africans was nearly nine times higher than that of blacks. Furthermore, the increase in income that the black population did experience was concentrated within the top 10 percent of black households while the bottom 40 percent saw a 21 percent reduction. This period also witnessed a decline in private-sector investment and an upturn in the unemployment rate—two developments that stood in sharp contrast to the GEAR document's projections.[12]

The acceleration of social inequality in postapartheid South Africa raises some important questions about democratic and economic transitions in general. Under what circumstances and conditions does a revolutionary movement or party, struggling against colonial or political domination, adopt economic policies that would seem to override the larger goals of redistribution and social equality? Is the root cause of such a transformation in policy found in a society's internal social dynamics, or does the broader geopolitical and economic environment frame the agenda and structure the policy space for national movements? Or does the answer reside in a complex interaction of domestic and international variables? An examination of the trajectory of postapartheid South African economic policy may provide answers to these questions in a manner that allows us to better understand the social and economic dynamics driving political change and democratic transitions in a wide variety of contexts. For this reason, such a study holds special significance. The next section critically examines competing theories that seek to explain the transformation in the ANC's economic program and then offers a counterargument to the puzzle that builds on the critical international scholarship on political economy. Specifically, this study supplements the rich, historical, institutional literature that arose from the debate over the appropriate level of analysis to employ when examining epochal change and economic transitions.[13]

Structural Constraints and the International Political Environment

One very influential model that scholars have employed to explain the transition from apartheid to neoliberalism in South Africa is premised on the constraining effects of the geopolitical environment and of domestic and international business interests. This strand in the literature invokes an argument similar to the critical international-relations thesis put forward by Susan Strange in her pioneering work on the interconnections among states, power, and the broader political economy. She notes that structural power refers to the process by which certain states and economic actors operating in the global arena shape the institutions and design the regime of rules that broadly govern interactions in the international sphere. They do so in a manner that allows them to circumscribe the range of policy choices available to those states and agents subordinately embedded within these structures.[14] Extension of this general argument to the specific case of South Africa has enabled its proponents to draw attention to the limited options facing politicians in a peripheral economy dependent on the cooperation of domestic and international capital. Scholars reasoning from this position thus claim that market forces in the post–Cold War environment were of such strength that even the most ardent socialists had to alter their behavior to survive the new economic requirements imposed on developing nations.

For example, Adam Habib and Vishnu Padayachee point out that "the balance of power between the GNU [Government of National Unity] and domestic and foreign economic actors was configured in favor of the business community" and that "the defining features informing the capabilities of these two actors is the mobility of capital in the contemporary world, and the increased competition among countries for foreign investment."[15]

Similarly, Richard Peet advances a thesis firmly grounded within the reality of structural economic constraints (e.g., investor responses on the Johannesburg stock exchange to unsavory policies like the threat of nationalization) in conjunction with an argument which posits that a neoliberal discourse permeated the globe and exhausted all counterhegemonic ideologies.[16] Furthermore, Padayachee points to the "absence of a rigorous debating tradition" within the ANC, the political-conservative shift in the international environment during the 1980s, and the demise of a viable economic alternative that accompanied the fall of the Soviet Union. He suggests that these factors allowed South African capital and the media to influence the policy-making arena in a manner that made it impossible for the ANC to resist the neoliberal project.[17]

Although this capital-logic model highlights several important international pressures facing the new South African government, it does not provide an adequate explanation of why the ANC, given its history as a liberation movement, succumbed with such speed to the neoliberal transformation. As previously noted, similar structural constraints have been imposed on other radical or revolutionary parties and movements (e.g., Chile under Allende) but have failed in bringing about the desired economic transformation in the absence of violent means. In addition, James Hentz has shown that the National Party laid the groundwork for potential capital flight preceding the transition to democratic rule. It did so by implementing a wave of privatization decrees of previously state-owned assets—a political measure designed to facilitate the mobility of capital prior to the ANC's ascent to power.[18] It follows that, had the ANC possessed a clear understanding of the political dimension underlying the National Party's economic policy, government officials could have reversed this course through a series of nationalizations upon assuming power, thereby reestablishing state control over the economy. In other words, their failure to do so calls for an explanation outside any reference to the politically imposed structural constraints. Similarly, it was certainly not inevitable that the ANC would abandon state-led strategies of industrialization and development as a result of the changing geopolitical environment brought about by the demise of Soviet-style socialism. The government could have adopted a number of developmental strategies that also would have been compatible with the accumulation needs of private capital—for example, selective state intervention in the economy along the lines of the East Asian export-led industrialization model with an emphasis on initial labor repression.

The main shortcoming of the structural constraint and capital-logic model is its emphasis on international exogenous factors to the exclusion of an analysis emphasizing internal social and political dynamics that take into account the historical underpinnings of the South African state. To understand why the ANC came to fetishize the market and accept the machinations of capital as an economic inevitability rather than a political strategy, one must understand the endogenous social conditions that shaped the context in which the political consciousness of the liberation movement evolved. However, before exploring this dimension behind the economic transition, it would be fruitful to examine a second competing model that raises several intriguing points about the policy shift within the ANC. Scholars have successfully employed this model to explain the adoption of neoliberal reforms in other developing nations with a history of statist economic policies.

Soft Conditionality and the South African Transition

This second influential argument concentrates on the role played by IFIs in lobbying for market liberalization along neoliberal lines. In many ways, it is more convincing than the structural-constraint model because it posits that active intervention and co-optation by external actors over a period of years were necessary to alter the politics of the ANC in the area of developmental policy. The account starts from the premise that resourceful and determined technocrats within the IFIs were interested in participating in the policy-making process in postapartheid South Africa both before and during the transition. It then outlines the causal mechanism by which these technocratic experts brought about the eventual shift in the ANC's development position—specifically, by deploying their superior resources and knowledge of economic issues to leverage the government's development policy in the direction of market liberalization.

Such IFIs as the World Bank have successfully employed the above tactic, known as a "soft sell" approach, in other large countries with a strong tradition of sovereignty and state-guided economic policies. For instance, Mitu Sengupta observes that one can attribute India's adoption of market liberalization in 1991, after decades of statist intervention, to the IFIs' penetration into elite policy-making circles within the state bureaucracy. She notes, however, that these agencies employed a strategy geared towards targeted dialogue in an effort to influence and build domestic support for market reforms, as opposed to the hard-sell approach of conditionality.[19] According to Sengupta, the World Bank's method of intervention in India began as a hard position in line with the approach of President Lyndon Johnson's administration in the 1960s, during which time aid was tied to a number of conditions such as currency devaluation but evolved to a softer method throughout the 1970s and 1980s. Citing John P. Lewis, who served as director of the United States Agency for International Development, Sengupta contends that this strategic form of intervention sought to identify the economic ministries' civil servants and bureaucrats sympathetic to liberalization and market reforms. It then supplied them with ample resources (e.g., technical data, presentations, and reports) so that they could effectively confront their opponents within the state.[20] Sengupta also writes that targeted dialogue of this type may at times supplement official conditionality and that such a strategy prevents IFIs from losing relevance in an era when private capital flows have at times replaced bilateral lending. Further, it has enabled the World Bank to maintain a presence in large countries that can resist more overt forms of economic intervention in an era of globalization and private capital flows.[21]

Judith Teichman also draws a distinction between the above two forms of intervention, maintaining that IFIs deployed the softer method of external penetration in a number of Latin American countries throughout the 1980s. The size and autonomy exercised by these states compelled technocrats within the World Bank and IMF to adopt policy dialogue as the preferred instrument for bringing about market reforms. They reached this goal by constructing interpersonal networks and relationships of trust with key state officials—again, through presentations and technical data—to help them push through the desired neoliberal policy prescriptions. Much like the Indian case, the key strategy by the World Bank in Latin America called for identifying clusters of civil servants and bureaucrats sympathetic to neoliberalism and then employing its vast resources to ensure ideological victory over more traditional, statist-oriented colleagues.[22]

Justifiably, several scholars have pointed to the role played by IFIs in influencing economic policy in South Africa before and after the official fall of apartheid, hence building on previous scholarship that documents the tactic of soft sell in other national contexts. Patrick Bond points out that a number of brainstorming events and corporate scenarios planned and organized by representatives of the business community sought to cement a social contract among the ANC, the National Party, and big business to secure transition to conventional supply-side economics in the postapartheid setting. For example, Bond states that the political retreat of the ANC came about through "consensus formation in cozy seminars sponsored by business-oriented think-tanks, of which Anglo-American, Old Mutual/Nedcor and Sanlam stand out."[23] Furthermore, in conjunction with elite policy-planning scenarios and exercises, the World Bank succeeded in fostering the belief that no real alternative to neoliberalism existed, given the realities of economic globalization. It did so by issuing economic-policy publications and generally diffusing developmental knowledge to key bureaucratic policy makers such as Finance Minister Trevor Manuel. In addition, Bond notes that the IMF secured an important victory in shaping postapartheid economic policies when the transitional interim government accepted an $850 million loan officially designated for drought relief, which came with a number of stringent austerity conditions, such as wage decreases and deficit reduction.[24]

Ian Taylor and Paul Williams also endorse this position, contending that the ANC, in the midst of economic turmoil in South Africa, became gradually convinced of the virtues of neoliberalism by a cadre of World Bank economists and big-business representatives who met with top government officials—including Nelson Mandela—to "bolster the hegemony of neoliberal ideas in South Africa through consensual means."[25] Moreover, Taylor and Williams assert that the World Bank's influence on the ANC through targeted policy dialogue was especially effective because the latter lacked a large, independent economics research department. Such a resource would have allowed the organization to counter the supply-side, trickle-down discourse emanating from the business think tanks and IFIs, thus making the ANC leadership less susceptible to such dominant ideas.[26] Margaret Hanson and James Hentz offer a similar argument, positing that conditionality and financial coercion are not a sufficient condition when it comes to explaining the sustainment of neoliberal reforms to sub-Saharan African countries and that the continuity of such policies flows from the ownership of these ideas by national governments which come to accept them as their own. According to this model, the intervening variable between financial coercion and economic policy change that conditions the development of domestic ownership of neoliberalism is internal coalition formation. Further, in South Africa the ANC aligned itself with domestic and foreign capital, thus reinforcing the neoliberal discourse of the World Bank and the internalization of such ideas by policy elites.[27]

The soft-conditionality model explains an important dynamic behind South Africa's postapartheid developmental trajectory since, as Bond writes, it delves "beyond issues of structure and into the particular way in which agency (ANC leadership) was shaped."[28] Nonetheless, as a sole explanatory variable, it also possesses several shortcomings of note. For one, the South African case differs in important respects from the traditional national contexts in which the soft-sell tactics of IFIs have been successfully employed. As mentioned above, in the latter cases the strategy deployed by the World Bank involved intervening in an internally divided state-capitalist bureaucracy—as in India and specific Latin American countries—by offering technical and ideological support to civil servants and bureaucrats who already favored market reforms. In other words, intervention in this context occurred in countries already capitalist, albeit with a strong tradition of statist direction and economic ownership. In South Africa, though, IFIs were dealing with a revolutionary party encompassing broad societal groups operating largely outside the country's legal framework and whose political assumptions had therefore not been shaped by the same institutional and economic norms. As previously stated, attempts at co-optation along the above lines—in similar situations such as Sandinista Nicaragua—proved unsuccessful in altering the revolutionary movement's guiding principles, resulting in violent coercion.

Additionally, in both India and Mexico—two countries where the World Bank employed soft-sell tactics—the political leadership faced a balance-of-payments crisis that demanded some type of economic response. Consequently, IFIs could leverage the leadership's need for additional loans as a means of pushing for liberalization and market reforms. South Africa, on the other hand, was unique in that its external debt had not reached a debilitating level; thus, the tactic of "hard sell" and conditionality could not be used to reinforce policy dialogue and push through structural adjustment in the same manner as in the former cases. Overall, the main flaw with the soft-conditionality model as an explanation for South Africa's neoliberal transition is that it describes what happened during this period without adequately explaining why the shift occurred. That is, it fails to convey why the ANC leadership was so susceptible to the IFIs' influence and so quick to adopt their neoliberal prescriptions and align itself with representatives of the business community, in light of the emancipatory goals of the movement and South Africa's political and economic conditions. The conventional explanation, which does attempt to answer this question within the confines of this model, holds that the ANC's economic department was underdeveloped and hence unable to compete with the World Bank's resources and knowledge. Such an explanation, however, ignores the fact that a revolutionary grassroots liberation movement would not necessarily have to compete with IFI resources as long as the leadership properly identified and acted against the economic roots of its constituent's oppression.[29] The following section thus attempts to fill this gap in the literature by providing a satisfactory answer to the above question.

Class Formation, Ideology, and Surplus Extraction in South Africa

To understand why the ANC leadership succumbed so quickly to the soft sell and targeted policy-dialogue tactics of the IFIs and business community, one must examine the social-property relations that structured both the social formation and the South African state and how this in turn affected the political consciousness of the liberation movement. At this point, it would also be helpful to introduce the distinction between economic and extra-economic surplus extraction, whose relevance Robert Brenner highlighted in his seminal article on the transition from feudalism to capitalism in medieval England. According to Brenner, the central distinction between feudal and capitalist social-property relations is that under the former mode of production, surplus is extracted from the producers through directly coercive means, whereby the dominant class relies on judicial institutions and a military apparatus to reproduce exploitative rule, thus fusing the economic and political realms.[30] The logical corollary of such social-property relations is the emergence of certain ideologies—for example, religion—as the dominant spheres in society, justifying and legitimating the transparent surplus-extraction relations between the dominant and exploited classes. Under the pure form of the capitalist mode of production, however, surplus-extraction relations are opaque, and thus the economic moment becomes dominant on a very general level as the law of supply and demand seems to exert itself as an external and neutral law over the entire social structure.[31]

In South Africa, the mining industry largely determined the economic relations that structured the social formation. In order to counteract the negative effects of the fixed price of gold and the high capital costs on profitability, British mining capital moved to secure a cheap labor force for its operations. Creation and reproduction of such a low-cost labor force entailed the establishment of certain conditions that could be maintained only through the presence of an extra-economic element in the capital-accumulation process. The latter manifested itself through several discriminatory practices, such as the employment of color bars, and further involved the consolidation of a racist ideology that justified the relegation of African laborers on the reserves to ensure their social reproduction independently of the wage relation. As Frederick Johnstone has argued, the racial aspect of this legitimating ideology conceals the class character of the black population's oppression, thereby obscuring the economic source of exploitation as it existed in the production process by projecting it into the judicial and political spheres.[32] Furthermore, the deliberate strengthening of the tribal and precapitalist classes in the countryside meant that capitalism did not exist in a near-pure form in the South African social formation; rather, it coexisted with precapitalist modes of production while subordinating them to its requirements. In this context, the historical absence of abstract legal and market equality for the black population resulted "in their oppression being experienced as a racial/national oppression," which in turn "had its effects upon the political line and forms of struggle adopted, tending to give the organizations a more reformist character."[33]

Thus, the manner in which the specific institutions of segregation and apartheid distorted and concealed class interests that were refracted through the South African state also limited the consciousness of the liberation movement in crucial ways and created the potential for its corruption by external actors.[34] However, one should note that the adoption of market liberalization by the ANC did not flow mechanically from the structural features of South African social property relations under apartheid. As previously mentioned, early documents drafted by the movement persuasively argued that private monopoly over strategic resources was connected to the oppression of black South Africans. Successful execution of IFIs' soft-sell strategy depended, therefore, on a second crucial, conditional variable—namely, the manner in which advocates and leading institutions framed the discourse of neoliberalism. David Harvey contends that the rise of the neoliberal project in the United States and Britain, as well as its dominance over competing economic models and ideologies, required both the construction of consent, in addition to coercion, and the internalization of certain values by the larger population as "common sense." This, in turn, demanded the active marshaling of concepts such as freedom and liberty to the neoliberal cause. In this context, the idea of freedom took on a certain connotation—specifically, the embodiment of negative liberty, defined primarily as the absence of interventionist and regulatory state policies. Labor flexibility, specialization, and capital mobility were framed as actions that offered a greater variety of choice not only to employers but also to workers—a discourse carefully constructed by business associations and think tanks.[35]

In light of South Africa's legacy of segregation and apartheid and the role played by the state in the accumulation process through extra-economic means, it is not surprising that the neoliberal discourse outlined above would resonate with large sections of the population. For example, in a study of the strategies employed by advertisers in postapartheid South Africa, Eva Bertelsen shows that advertisements aimed at black consumers consistently appropriated the language of struggle and redefined democracy as individual liberty to promote the freedom to consume as its most important hallmark.[36] Such sentiments also resonated with the ANC leadership, some of whom—such as Minister of Housing Joe Slovo—believed that the overthrow of apartheid and racism would also mean the overthrow of economic oppression, given South Africa's legacy of apartheid and extra-economic surplus extraction.[37] For this reason, neoliberal discourse—promoted by the IFIs—intersected with specific domestic variables and institutions to produce the postapartheid economic transition.

Conclusion

This article has attempted to explain the economic shift that took place within the ANC's policy-making circles—one that underscores the crucial role played by IFIs in facilitating the neoliberal transition—while taking into account the failure of these international actors to effect economic change in other countries where radical or revolutionary movements had come to power. Through comparative analysis, it demonstrated that the crucial, conditional variable—which can account for the difference in outcomes between the South African case and the other two countries—was the presence in the former of an extra-economic element in the accumulation process, underwritten by the South African state. This element shaped the liberation movement's goals along lines that led its leaders to prioritize the national and racial dimensions of their oppression, thus making them susceptible to the neoliberal ideology that framed freedom in market terms. The article also reasoned that the absence of certain crucial variables in the South African case indicates that IFI intervention was likely not sufficient on its own to generate a transition to market liberalization, as in the case of India and specific Latin American countries. Principally, this analysis showed that the tactic of soft sell employed by the World Bank and the business community depended upon the existence of domestic social conditions for its success and that those international factors alone probably would not have ensured the economic transition. This conclusion should encourage further research within the field of international relations that focuses on the interaction between exogenous and endogenous social and political variables, with the aim of shedding further light on the nature of political and economic transitions in developing and postcolonial societies.

Notes

1. Edward Webster and Glenn Adler, "Toward a Class Compromise in South Africa's 'Double Transition': Bargained Liberalization and the Consolidation of Democracy," *Politics and Society* 27, no. 3 (September 1999): 348.

2. Adam Habib and Vishnu Padayachee, "Economic Policy and Power Relations in South Africa's Transition to Democracy," *World Development* 28, no. 2 (February 2000): 253.

3. Fred Block, "The Ruling Class Does Not Rule: Notes on the Marxist Theory of the State," *Socialist Revolution* 7, no. 33 (May–June 1977): 15.

4. Patrick Bond, *Elite Transition: From Apartheid to Neoliberalism in South Africa* (Pietermaritzburg, South Africa: University of Natal Press, 2000), 53–89. See also Hein Marais, *South Africa, Limits to Change: The Political Economy of Transformation* (Cape Town: University of Cape Town Press, 1998).

5. Mitu Sengupta, "Making the State Change Its Mind—the IMF, the World Bank, and the Politics of India's Market Reforms," *New Political Economy* 14, no. 2 (June 2009): 182; and Judith A. Teichman, T*he Politics of Freeing Markets in Latin America: Chile, Argentina, and Mexico* (Chapel Hill: University of North Carolina Press, 2001), 58.

6. John A. Soares Jr., "Strategy, Ideology, and Human Rights: Jimmy Carter Confronts the Left in Central America, 1979–1981," *Journal of Cold War Studies* 8, no. 4 (Fall 2006): 63.

7. According to Arend Lijphart, deviant case studies are of "single cases that are known to deviate from established generalizations. They are selected in order to reveal why the cases are deviant—that is, to uncover relevant additional variables that were not considered previously, or to refine the (operational) definitions of some or all of the variables." Thus, the theoretical value of deviant case studies is based on the fact that while they may weaken the initial proposition, they nonetheless "suggest a modified proposition that may be stronger" although the "validity of the proposition in its modified form must be established by further comparative analysis." Lijphart, "Comparative Politics and the Comparative Method," *American Political Science Review* 65 (September 1971): 692.

8. David E. Kaplan, "The South African State: The Origins of a Racially Exclusive Democracy," *Critical Sociology* 10, no. 2 (October 1980): 92.

9. Frederick A. Johnstone, *Class, Race and Gold: A Study of Class Relations and Racial Discrimination in South Africa* (London: Routledge and Kegan Paul, 1976), 19–20.

10. Harold Wolpe, "Capitalism and Cheap Labour-Power in South Africa: From Segregation to Apartheid," *Economy and Society* 1, no 4 (1972): 445.

11. Richard Peet, "Ideology, Discourse, and the Geography of Hegemony: From Socialist to Neoliberal Development in Postapartheid South Africa," *Antipode* 34, no. 1 (January 2002): 67.

12. Gillian Hart, *Disabling Globalization: Places of Power in Post-Apartheid South Africa* (Berkeley: University of California Press, 2002), 20.

13. See, for example, Robert Brenner, "The Origins of Capitalist Development: A Critique of Neo-Smithian Marxism," *New Left Review* 104 (July–August 1977): 25–92; Robert A. Denemark and Kenneth P. Thomas, "The Brenner-Wallerstein Debate," *International Studies Quarterly* 32, no. 1 (March 1988): 47–65; Andre Gunder Frank, "Development and Underdevelopment in the New World: Smith and Marx vs. the Weberians," *Theory and Society* 2, no. 4 (Winter 1975): 431–66; Immanuel Wallerstein, *The Modern World System*, vol. 1, *Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century* (New York: Academic Press, 1974); and Ellen Meiksins Wood, *The Origin of Capitalism* (New York: Monthly Review Press, 1999).

14. Susan Strange, *States and Markets* (London: Pinter Publishers, 1988), 24–26.

15. Habib and Padayachee, "Economic Policy and Power Relations," 254.

16. Peet, "Ideology, Discourse," 71.

17. Vishnu Padayachee, "Progressive Academic Economists and the Challenge of Development in South Africa's Decade of Liberation," *Review of African Political Economy* 25, no. 77 (1998): 444.

18. James Jude Hentz, "The Two Faces of Privatisation: Political and Economic Logics in Transitional South Africa," *Journal of Modern African Studies* 38, no. 2 (June 2000): 212.

19. Mitu Sengupta, "From 'Hard Sell' to 'Soft Sell': The IMF, World Bank and Indian Liberalisation," *World Affairs* 14, no. 1 (Spring 2010): 114.

20. Ibid., 119.

21. Sengupta, "Making the State," 183.

22. Teichman, *Politics of Freeing Markets*, 59.

23. Bond, *Elite Transition*, 55.

24. Ibid., 178.

25. Ian Taylor and Paul Williams, "Neoliberalism and the Political Economy of the 'New' South Africa," *New Political Economy* 5, no. 1 (March 2000): 26.

26. Ibid.

27. Margaret Hanson and James J. Hentz, "Neocolonialism and Neoliberalism in South Africa and Zambia," *Political Science Quarterly* 114, no. 3 (Fall 1999): 480.

28. Bond, *Elite Transition*, 53.

29. There are, in fact, a number of examples of left-leaning and socialist governments. The Arbenz administration in Guatemala and the Sandinistas in Nicaragua, for instance, have come to power lacking a compa-

rable scope of economic experience and resources in relation to international organizations; nonetheless, those governments implemented specific policies they considered necessary to alleviate social inequalities. One should also note that the ANC received wide support from left-leaning and Marxist economists who collaborated to produce the Marco-Economic Research Group (MERG) report. The fact that the report was eventually discarded further tended to diminish the explanatory appeal of any argument which posits that the ANC simply could not compete with the economic ideas emanating from the World Bank and the business community.

30. Robert Brenner, "Agrarian Class Structure and Economic Development in Pre-industrial Europe," *Past and Present* 70 (February 1976): 35.

31. Michael Burawoy, "Toward a Marxist Theory of the Labour Process: Braverman and Beyond," *Politics and Society* 8 (September 1978): 301.

32. Johnstone, *Class, Race and Gold*, chap. 1.

33. Kaplan, "South African State," 92.

34. This position is an extension of Brenner's thesis that social property relations, once established, set very strict limits on the possible type of economic development. (See his article "Agrarian Class Structure.") Such limits arise from the reality that economic and political actors in any given social formation are always enmeshed in a series of social relationships with one another. Thus, even if individual actors attempt economic or social change, such changes can never be adopted on a general level so long as certain institutional and social-property constraints remain in place. In a similar vein, one cannot treat political struggles against specific social-property regimes as homogeneous movements equally susceptible to external economic forces. Rather, they tend to show different degrees of resistance based on where they locate the source of their oppression, which is always akin to the surplus-extraction relations in which they were enmeshed and from which their resistance arose.

35. David Harvey, *A Brief History of Neoliberalism* (Oxford: Oxford University Press, 2005), chap. 2.

36. Cited in Hart, *Disabling Globalization*, 25.

37. Sagie Narsiah, "Neoliberalism and Privatisation in South Africa," *GeoJournal* 57, no. 1–2 (2002): 5.