

South Africa's Fractured Power Elite

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The major debate which took place from the 1970s between liberal historians and their Marxian-revisionist opponents revolved around whether there was a functional relationship between the policies pursued by successive South African governments and the interests of capital. On the one hand, the liberal historians argued that there was considerable contestation between political and economic power holders, whilst on the other, the Marxian-revisionists proposed that the relationships between them were broadly compatible, with changing political policies reflecting the changing interests of dominant elements of capital across different eras.¹ Inevitably, the debate was inconclusive. Nonetheless, there was to be a considerable convergence around the idea that, from the mid-1970s, the mounting costs of the National Party's rigid adherence to key tenets of apartheid were increasingly costly to large scale capital, which during the 1980s came to exert significant pressure upon the government to enter into negotiations with the African National Congress (ANC).

From this broad agreement has flowed two assertions. These are, first, that the sustainability of South African capitalism requires the overall compatibility of what Terreblanche refers to as the systems of political legitimation and economic accumulation. From this perspective, the economic strains brought about by political crisis required the transition from white minority rule to a "liberal capitalist version of democratic capitalism" (Terreblanche 2002: 456). Second, that the transition to democracy was brought about by an 'elite compromise', which was structured around the concession of political democracy to the incoming ANC in return for its acceptance of the existing contours of capitalism. Although allowing for the expropriation of property by the state subject to market value compensation and due process, the post-apartheid constitutions entrenched the rights of private property, this signaling that any government seeking to address the highly unequal, racially structured ownership patterns of the pre-democratic era, whereby whites dominated the economy, would do so incrementally. Furthermore, the ANC was soon to find it appropriate to quietly discard (or at least to postpone to an unspecified distant future) commitments to socialism, and to abandon policies of nationalization in favour of market-driven policies. The move from the social democratically inclined Redistribution and Development Programme to the pro-market Growth, Employment and Redistribution strategy in 1996 is but the most widely acknowledged marker of the conversion of ANC policy makers to capitalist economics.

The notion of elite compromise suggests an identifiable level of overall interest between South Africa's incoming political and established economic elites. When Tom Lodge sought to divine 'Who rules South Africa?' his answer was unremittingly political: "A political movement governs, and has real power...to reshape political and economic life", yet he managed to conclude that the ANC government was probably better for business than any of its immediate successors (Lodge 2002: 19-31). Similarly, accounts of business-state relations under the ANC have tended to depict contested, yet overall, collaborative relationships which have ensured that the economy has kept on a relatively even keel (Taylor 2007). Even Bill Freund, when

discussing how the ANC has used state power to promote black entry into the bastions of white capital, talks of “the emergence of a new power elite” as if there is a relatively unproblematic convergence of political and economic power.

None of these approaches is ‘wrong’, whether or not they are compatible. They all seek to illuminate how power is distributed and exercised in democratic South Africa. Nonetheless, they leave unanswered important questions about whether there can be said to be an identifiable ‘power elite’. This chapter seeks to provide a preliminary answer, and to pose questions about the relationship between any such elite and South African democracy.

Elites and Democracy

The relationship between rulers and the ruled under democracy is always seen as problematic. In the well known words of Abraham Lincoln’s Gettysburg Address, democracy is the rule of the people, by the people, for the people. However, this skips over the difficulty of how people are to rule over themselves in large scale societies, where face-to-face democratic decision-making by citizens is impossible. Democracy’s answer has been that the people should have periodic opportunities to choose and replace their leaders. If elected leaders are perceived as failing to rule on behalf of the people, then the people can respond by throwing the rascals out. However, the apparent simplicity of this argument merely raises a whole host of difficult questions which have kept political philosophers busy across the generations. What methods of selection or election of leaders are most democratic? What prevents elites, once elected, changing the rules to ensure that they can hang on to power? How can elites be rendered accountable between elections? How can the people choose sensibly between competing elites, all of which disclaim self-interest, in an age when selling politics appropriates the techniques for selling soap?

These and multiple other questions crowd in on attempts to decipher the relationships between ruling and ruled. Broadly, the diverse answers that are given fall into two broad traditions (with considerable cross over between them).

First, there is a large body of ‘elite theory’ which argues that ‘the history of politics is the history of elites’ (Prewitt and Stone 1973: 4). Societal goals are established by the elite and accomplished under their direction. This does not mean that societies do not change, only that most change comes about as a result of changes in the composition of the elite. History is thus the interminable struggle among elites to control society, resulting in a circulation of elites, with established elites giving way to new ideas and interests. The relationship between elites and the masses thus remains one of domination. Elites and counter-elites may mobilize support from the masses, but ultimately the latter are largely pawns used in elite interests or observers of elite behavior. Certainly, in democracies, under conditions of universal suffrage and competitive elections, the people have the opportunity to choose between elites, but after elections elite domination will reassert itself, not least because the elite is organized and the masses are not. Even in democratic political parties, elites will rise to the top. Elites will therefore retain their advantages despite advances in democratic thinking and techniques.

In contrast to this gloomy view, a more optimistic, ‘pluralist tradition’, proposes that elites within democracy are seriously constrained. Elites fight amongst themselves, thereby imparting very considerable power to the people as to who should rule and how. Political parties

and 'pressure groups' impinge on the autonomy of elites to shape society, and as they compete amongst themselves, they are compelled to take mass desires and wants into consideration, knowing that if they don't their chances of being elected to or keeping power will be severely limited. Further, even though political parties and pressure groups will themselves develop their own elites, the latter will themselves be subject to popular constraints within their sphere of action. Thus rather than there being a simple division between elites and the mass, society is ordered into a hierarchy of elites, blurring distinctions between elites and people. Finally, elites are constrained by constitutions. These insist that societies are ruled by laws as well as by men, and that elites remain ultimately accountable.

It is important to recall that elite theory is not the exclusive property of conservative theorists. For instance, it is central to Leninist thought that only a political vanguard can make a political revolution. Nor does elite theory prescribe that the powers of elites will be unchanging. As noted by C. Wright Mills (1956: 20), one of the foremost elite theorists of modern times, any attempt to insist that a ruling class or elite is omnipotent across all epochs of history and across all nations will end up in tautology, and in practice the extent to which rulers have power is subject to considerable historical variation. In other words, the extent to which societies are dominated by elites is subject to empirical verification. This should remind us that elite theory is not normative theory (telling us how society 'should be' governed), but it does raise hugely important questions about the kind of society we want. In short, if it is true that there is a tendency for democracy to transform into elite rule, how should we attempt to counter it? (Prewitt and Stone 1973: 227-237).

An important further consideration is that it is necessary to take both elite theory and pluralism beyond the political, for modern democracy operates within the context of capitalism. Mills (1956: 23) argued that the development of capitalism had seen a progressive enlargement and centralization of the means of oppression and exploitation, of violence and destruction, as well as the means of production and reproduction. This had led to the rise in power in the US of the 1950s not only of corporate elites, presiding over historically unrivalled productive power, but also of military elites, who wielded more destructive power than their counterparts in any previous era. Together, the 'corporate chieftains' and 'warlords' had joined together with a 'political directorate', which was increasingly detached from the formal constraints of democracy, to form a power-elite whose occupation of the 'command posts' of society enabled them to make (or not make) decisions which affected the everyday lives of ordinary men and women. This did not mean that the power-elite constituted a ruling class in the Marxian sense, for the political and military-holders possessed considerable autonomy from the economic domain. However, it did mean that "The power elite today involves the uneasy coincidence of economic, military and political power" (Mills 1956: 276), a convergence later to be described by Dwight Eisenhower, who when standing down from the US Presidency, warned of the dangers of the rise of a 'military-industrial complex'.

Famously, Mills argued that application of pluralist theory to US society described only a 'middle level of power' featuring a world of Congressional and state politics and of small firms which romanticized comfortable notions of how power had been distributed in earlier centuries. Undue attention to middle levels of power obscured the new structures of power brought about by the processes of centralization and bureaucratization wedded to increased technological

capacity. The reality was that the middle levels of power – those of small property, state and city politics, labour unions, consumers, and white collar groups etc. – were increasingly dominated from above, while at the bottom of the heap, the diversity of publics beloved by pluralist commentators, had been reduced to a ‘mass society’, which was very largely the recipient of information from above with little capacity to answer back, and had little autonomy from major institutions dominated by the power elite.

The relevance of these various considerations to contemporary South Africa is that, for many observers, the country’s move from apartheid to democracy was an ‘elite transition’, brought about by a compromise deal between the established white elites (capitalist and NP) with an incoming ANC liberation elite (e.g. Bond 2000). For Terreblanche, amongst others, the outcome was a ‘democratic capitalism’ from whose benefits the large majority of black South Africans were excluded: apartheid has gone, but the new democratic forms obscure merely a circulation of elites.

Today’s South Africa may be distant in time and space from 1950’s America, but this does not detract from the importance of asking the sort of questions posed by Mills of the US of his time. Is it meaningful to describe South Africa as having a ‘power elite’? If so, what is its shape, and what are the bases of its power? What are its interests and commonalities, and does it constitute a coherent ‘ruling class’? Finally, what does its existence and mode of rule imply for South African democracy?

Analysing South Africa’s Power Elite

Underlying notions of South Africa’s ‘elite transition’ is the implication that the pre-1994 power elite was fractured along political and economic lines. Notwithstanding tensions between conservative and reformist elements within the political elite revolving around security issues, large scale capital was broadly united behind De Klerk’s efforts to forge a deal with the ANC. The arrival of democracy introduced a circulation of the political elite, with the ANC assuming the dominant position in the initial post-1994 political coalition, enabling it to extend its control over the levers of political power at different levels (national, provincial and local). Meanwhile, notwithstanding important efforts by large corporations to protect their interests by drawing key individuals from the ANC into the corporate elite, the democratic settlement was simultaneously based upon the confirmation of the capitalist basis of accumulation and the consolidation of corporate power.

There is widespread recognition of major continuities between the apartheid and democratic orders regarding the distributions of benefits between different racial segments of the population. Despite significant efforts by the ANC governments to tackle poverty and inequality through the extension of a battery of social grants and pensions, the economy today remains profound unequal. To be sure, there has been some welcome change. Given modest growth since the transition, there *has been* a modest improvement in the economic status of the general population, and a shift in income patterns away from whites to blacks. For instance, while white average per capita incomes increased by 61 per cent between 1993 and 2008, African average incomes increasing by 93 per cent over the same period.² Yet whilst such gross statistics indicate something of a deracialisation of income patterns, the principal beneficiaries of this have been a growing (although still small) black middle class and those amongst the black labour

force who have retained or obtained formal employment within a wider context of an extensive informalisation of employment within the private sector. Thus, according to Zwelinzima Vavi, General Secretary of the Congress of South African Trade Unions (Cosatu), fully 50 per cent of the population live on just 8 per cent of national income (*Business Report*, 21 December 2011).

What all this adds up to is that in analysing *who holds power* in South Africa we need to look closely at who has the capacity to make the *decisions* which structure the continuations of patterns of such inequality. This demands that we examine institutions.

Mills saw in 1950s' America a triangle of power linking the political directorate, the corporate chieftains and the warlords, the last mentioned having challenged civilian dominance of the political-economic system given the rise of the US to the status of a world power. In contrast, in South Africa, which at most has never been more than a 'middle' or 'regional' power, the senior military has never approached equality with either the topmost rank of politicians or those who predominate over the economy. There was, to be sure, a period in the 1980s when, under PW Botha, the authority of the cabinet was subordinated to a State Security Council, under whose authority significant civilian structures were militarised as the regime engaged in counter-revolutionary warfare both at home and abroad. However, the senior military were put back in their place with the assumption of the Presidency by De Klerk.³ Subsequently, under the ANC, although there has been some movement of personnel from senior military ranks into the political and economic spheres, the military has remained subordinate to the civilian government. Although financial subsidies have continued to be pumped into the two major military-related parastatals (Armcor and Denel), the overall role these play within the economy has remained limited. South Africa, in other words, is not threatened by a military-industrial complex. However, – as we shall see – there are those who propose that it has remained under the yoke of a Minerals and Energy Complex (MEC) established under segregation and apartheid.

In light of the above, we should conceive of the power elite in South Africa as those who occupy the commanding positions within the polity and the corporate sector; and by 'commanding positions' we mean those whose decisions or non-decisions have major consequences for masses of ordinary people – as citizens, employees, consumers, taxpayers, grant-recipients or whatever – who have little or no chance of changing them.

South Africa's Political Directorate

Lodge (2002: 22) portrays the South African 'governing class' as composed of "presidents, premiers, members of cabinets and executive councils and – in the most extended sense – parliamentarians as well as the heads of civil service departments". He sees the political movement from which the large majority of them are drawn as representing an amorphous social alliance (organized labour, black entrepreneurs, an emergent managerial class, the rural poor, and a multiracial intelligentsia) within which no group is dominant: all struggle for influence. Command of the state invests politicians and administrators with considerable autonomy, albeit an autonomy constrained by social actors, ideology, moral beliefs and perceptions of the possible. Meanwhile, the state has its own interests, and while its performance has probably been better for business than any of its predecessors for a long time, it is by no means "a government wedded to the interests of the private sector". Indeed, the government continues to see business

as representing a constituency other than its own, and it may often have considerable differences with it (Lodge 2002: 29-31).

Insofar as this description portrays the cut and thrust of daily political life in South Africa as depicted in the media, it is unobjectionable. However, apart from its uncanny resemblance to what Mills describes as the goings-on at the middle level of power, it fails to elaborate different levels of power and interest within the political movement and government while subscribing to a rather uncritical view of business-state relations as essentially pluralistic and undifferentiated.

In any government, there is of course a hierarchy of power and authority flowing downwards from President or Prime Minister through the cabinet (or equivalent), ruling party or coalition, and civil service. In this context, who makes what decisions (and ensures their implementation) becomes critical. In the ANC's South Africa, there is substantial agreement that under Mbeki, the Office of the President underwent a major expansion in size and influence and, likewise, that the ANC caucus in parliament was reduced, very largely, to voting fodder, not least because of top-down interventions to inhibit the capacity of parliamentary committees to hold the executive account. There has been no major reversal of these trends under Zuma. Indeed, if anything, they have been extended, for instance via the location of the new Ministry of Performance Monitoring and Evaluation within the Presidency, and the imposition of a three line whip on ANC MPs when the highly controversial Protection of Information Bill was put to parliament in November 2011. Meanwhile, although Zuma characteristically has attempted to balance the wide diversity of interests represented within the ANC by expanding the cabinet, there are manifestly inner and outer circles of political power at the top-most level.

Under ANC presidents, the inner circle has normally been composed of the President, Deputy President and those who have been appointed to the most powerful ministries. (It was precisely Zuma's marginalisation by Mbeki within the inner circle from around 2000 that led to the ensuing battle between them). Those included within the inner circle will change with circumstance (although holders of major portfolios such as Defence are likely to be a constant), but they are principally clustered around the Presidency and the Ministry of Finance (notably Planning, Trade and Industry, Minerals and Energy) which together determine the major outlines of economic and financial policy. They are joined by select Ministers who, while not necessarily heading ministries which rank particularly highly, wield significant political influence within the party and Alliance (we might instance, under Zuma, Blade Nzimande, whose particular importance as general secretary of the South African Communist Party extends well beyond his portfolio of Higher Education). Furthermore, as party factional interests have increasingly penetrated the state machinery, and state power has been used to fight internal party battles, so have ministries within the Security cluster, notably Intelligence, risen in political stature and (it would appear) been incorporated within decision-making at the highest political levels.

The outer circle of political power would appear to have two principal elements. First, it is composed in major part of those national ministers not included within the inner circle. This does not mean that these ministries are not important in their own terms. No one, for instance, would deny the consequence of portfolios such as Education and Justice. However, whether their occupants find themselves within the inner circle will depend heavily upon their political weight and circumstance. Second, this outer tier would also seem to include individuals enjoying major

political influence and/or holding high position within the ruling party. Additionally, the highest circles of political power are, necessarily, sustained by the topmost ranks of the civil service, who together with them constitute the equivalent of Mills' political directorate (notwithstanding the tensions which seem so common between Ministers and their Directors-General).

It is notable that this particular identification of the political directorate gives greater priority to the state than it does to the ruling party, whereas – particularly in its immediate post-Polokwane mood – the ANC insisted that it was pre-eminent, and claimed to demonstrate this when, in September 2008, it 'recalled' Mbeki from the Presidency. As it happened, Mbeki chose to obey the injunction (although, constitutionally, he could have put the decision to a vote of no confidence in parliament). Clearly, with the rise of the ANC 'party-state' the relative power of party and state will fluctuate and Booysen (2011: 369-372) sees the party assuming considerably more weight under the Zuma presidency. However, it is occupancy of state position which provides individuals with the capacity to make key decisions. To be sure, individuals within government may be constrained by broad party policies, but the extent to which these limit the autonomy of decision-makers in practice is limited, for the former are usually subject to variant interpretations, with ministers consistently claiming that their actions, whatever they are, have been determined in accordance with the party line.

Ultimately, the political power elite is defined by the nature of its decisions. Generally, these are both *national* in their implications and *formative* in that they shape policy and outcomes, sometimes in the teeth of opposition from even within the ruling party. The classic instance remains the government's adoption of GEAR in 1996. This marked a significant shift from the broadly social democratic tenor of the RDP to a much more vigorously pro-market policy, was announced at short notice to startled ANC MPs from above, and was declared to be non-negotiable. Subsequently, the broadly pro-market thrust of economic policy has been maintained, notwithstanding its assuming more politically correct guises. Although, in recent years, the government has come to adopt a more interventionist posture centred around increased state spending on infrastructure, this would appear to follow more from the failure of private investment flows to live up to expectations than from the ANC's more assertive emphasis upon the virtues of a 'developmental state'.

Apart from exercising their authority over non-national spheres and being subject to considerable (state and party) control from above, provincial premiers and their executive office holders, along with those presiding over local government, have far more limited scope to shape policies, and are largely restricted to the sphere of implementation, and thus tend to be judged in their success by the efficiency of their 'delivery'. Together with the broad body of the Tripartite Alliance (which links the SACP and Cosatu to the ANC), they appear to operate at the equivalent of Mills' middle level of power, where their influence over the elite is largely one of *constraint*. In individual instances, for instance, a particular industrial relations dispute with either state or private employers, bodies like Cosatu and its individual unions may be popularly portrayed as exercising 'veto power'. However, this term – beloved by American pluralists – fails to capture the fluidity which normally obtains in power relationships. Trade unions may use their strategic weight to secure gains for their members, yet they can rarely dictate terms to either government or employers, and they end up in a situation of bargaining. Similarly, there were many within the ANC and the Alliance who despaired at the tragic consequences of Thabo Mbeki's insistence

that HIV did not cause AIDS, but they felt powerless to contest the resulting policy decisions openly. It was only after various judgements in the Constitutional Court ruled government policy unconstitutional and civil society mobilisation rendered the presidential line untenable, that doubters within the cabinet felt sufficiently brave to compel Mbeki to withdraw from the fray and for government to shift its ground in conformity with scientific rationality. Similarly, while the unprecedented combination of protest against the Protection of Information Bill between the parliamentary opposition, civil society groups and the media interests contributed to the government re-drafting its content significantly during 2011, this was equally an outcome of its belated recognition that an unchanged Bill would be thrown out by the Court.

This particular instance suggests that the one institution which may have *veto power* over government is the higher judiciary, culminating in the authority of the Constitutional Court. Does this mean that those who sit on the Constitutional Court should themselves be included within the national power elite? Certainly, the Court has handed down significant judgements declaring state actions to have been unconstitutional. During 2011, it was apprehension that a case brought by activist Terry Crawford-Browne would likely result in the Court's instruction to the President to institute an inquiry into the notorious 1998 arms deal that resulted in the government taking pre-emptive action whereby it announced establishment of a judicial inquiry over whose terms of reference it would have greater control than if these had been laid down by the Court itself. However, although the Court has on occasion adopted formative positions, instructing government (at different levels) to take particular courses of action, its capacity to enforce such judgements has in practice proved limited.

Mills was largely silent on the role of the Supreme Court in the US, although the thrust of his argument would suggest that he thought its capacity to constrain the power elite had diminished with the rise of the military-industrial complex. In contemporary South Africa, it would appear that the high judiciary – more independent than it was under apartheid – remains alongside but outside the power elite. Worryingly, however, there are mounting indications that the political directorate is increasingly restive with constitutional constraint, and will take what actions it can to erode the veto powers of the Constitutional Court and to diminish the state's public accountability under the Constitution.

The changing shape of South African corporate structure

The composition of the political elite is relatively easy to identify because politicians are the focus of concerted attention in the media. In contrast, identification of those who form the corporate elite is considerably more difficult, not least because many leading corporate power-holders prefer relative obscurity and are skilled at hiding behind their high suburban walls. Furthermore, there are classic questions to be confronted. How do we relate wealth to power? As Mills stressed, the modern corporation is the fount of wealth, but it does not follow that the wealthy are automatically the makers of key decisions, for some will be passive shareholders and have their wealth managed for them. In South Africa, as in other contemporary capitalist societies, control of corporations has to a considerable extent moved away from the owners of capital to managers, the most senior of whom are the ones who actively exercise corporate power. Again, private ownership of large corporations has largely given way to institutional ownership, with bodies like banks, unit trusts and pension funds holding significant investments

in the actual companies which make things or dig minerals out of the ground, this suggesting a shift of power and influence to asset-managers and those who make investment decisions.

The corporate structure has evolved around a Minerals-Energy Complex (MEC) which by virtue of its weight and linkages plays a determining role throughout the rest of the economy. The origins of the MEC lay in gold mining. After exhaustion of surface gold deposits, the economies of scale required by deep mining demanded enormous amounts of investment and led to an early concentration of capital. By the early 1930s, the 57 goldmining companies were, with minor exceptions, controlled by six finance houses or groups. The conglomerate forms that developed thereafter were extensions of this oligopoly. Subsequently, notably during and after the 1960s, the economy gravitated away from its dependence on gold and diamonds to a range of other raw and processed materials, with the growth, inter alia, of coal, ferro-chrome, platinum, vanadium and copper mining. The smelting, refining and supply chain activities required by these served as a major stimulus to manufacturing, which developed more around primary production than import-substitution production of consumer goods under the shelter of protection (Fine and Rustomjee 1996: 96-118).

Apartheid provided the conditions for the greater concentration of capital, as the major mining houses diversified further into manufacturing, as finance capital diversified into both, and as English-speaking and Afrikaner capital steadily merged their interests with each other and foreign capital. A further development was a greater interpenetration of private capital and the parastatals, the major ones of which - Eskom, Transnet, Sasol and the Industrial Development Corporation (IDC) - had themselves played a major role in lubricating the wheels of the MEC. By 1981, over 70 per cent of the total assets of the top 138 companies were controlled by state corporations and eight privately owned conglomerates spanning mining, manufacturing, construction, transport, agriculture and finance. Further concentration was to come as, with mounting political crisis, foreign companies disinvested and sold their assets locally. Unable to invest widely abroad during late apartheid, the conglomerates invested their excess capital by buying local assets which were often distant from their core business. By 1990, just three conglomerates – Anglo-American, Sanlam and Old Mutual – controlled a massive 75 per cent of the total capitalisation on the JSE. However, the opening up of the economy brought about by the transition to democracy brought about a dramatic change in the capital market. First, the conglomerates chose to ‘realise shareholder value’ by an extensive process of ‘unbundling’. Second, the opening up of the economy encouraged major South African corporations to go global alongside a (limited) inflow of foreign capital (Southall 2010).

The non-core assets of the conglomerates were largely taken up by institutional investors, both public (for instance, the Public Investment Corporation) and private (pension funds etc), as well as by new BEE players who were, in turn, backed by the banks and institutional investors themselves. Unbundling had a major effect upon the big three and the other major conglomerates. Most notably, whereas in 1992, Anglo controlled some eighty-six JSE-listed companies, by 2008 it had become a more focused miner with holdings of more than 25 per cent in only four: AngloGold Ashanti, AngloPlatinum, Kumba and Tongaat Hulett. A proportion of the unbundled assets were taken up by the renewed inflow of international capital. Against this, from 1997, amidst a general relaxation of exchange controls, the government granted permission for some of the largest South African companies – notably, Billiton, South African Breweries,

Anglo-American, Old Mutual and Liberty Life – to move their primary listings from the JSE to London, thereby facilitating their evolution into major multinationals. In short, the transition provided the conditions under which significant domestic funds could exit South Africa and foreign capital could come in, this facilitated by Johannesburg’s moving to become the continent’s primary financial centre for global capital.

By late 2010, there were some 405 companies listed on the JSE, with a market capitalisation of R5 772 billion. Of these, the top 20 by market capitalisation were as follows:

Table 1: Top 20 Companies on JSE, November 2010

Company	Market Capitalisation (R Billions)+	Percentage of total JSE Market Capitalisation
BHP Billiton	559	9.7
British American Tobacco	523	9.1
Anglo-American	416	7.2
SAB Miller	373	6.5
MTN Group	228	4.0
<i>Total % market capitalisation top 5</i>	<i>2099</i>	<i>36.4</i>
Sasol	202	3.5
Compagnie Fin Riche	202	3.5
Anglo-Platinum	174	3.0
Standard Bank Group	162	2.8
Naspers	144	2.5
<i>Total % market capitalisation top 10</i>	<i>2983</i>	<i>51.7</i>
Kumba Iron Ore	128	2.2
Impala Platinum	128	2.2
AngloGold Ashanti	125	2.2
FirstRand	113	2.0
Vodacom	99	1.7
Absa	93	1.6
GoldFields	83	1.4
Old Mutual	76	1.3
Nedbank	64	1.1
Sanlam	55	1.0
<i>Total market capitalisation top 20</i>	<i>3947</i>	<i>68.4</i>
Others (385)	1825	31.6
Total	5772	100.0

+ 1 billion = 1000 million. Source: Who Owns Whom, 2011: 45-50

Table 1 indicates that while the degree of concentration of ownership has reduced considerably since the early 1990s, and while ‘unbundling’ has made a significant impact upon company rankings, the extent to which the JSE remains dominated by a small number of companies – with just 5 corporations responsible for over a third of total market capitalization and the top ten responsible for over half – remains very high. Meanwhile, further examination reveals that out of the top 20, 8 operate in the minerals and energy sector directly; 6 operate in the financial sector; 2 in mobile telecoms; and the other three in brewing, tobacco and

multimedia, this demonstrating the continuing domination of the corporate structure by companies directly engaged in the MEC. This is illustrated by Table 2, which indicates that together, Mining and Finance together account for over half of the total market capitalization of firms on the JSE.

Table 2: Market Capitalisation of Sectors as Percentage of Total JSE Market Capitalisation*

Minerals and Energy	
General Mining	19.6
Platinum and precious metals	6.9
Gold Mining	4.5
Other mining	3.3
Integrated Oil and Gas	3.6
<i>Sub-Total</i>	<i>37.9</i>
Finance	
Banks	8.4
Life Insurance	3.2
Investment Services	1.2
Other Finance	1.5
<i>Sub-Total</i>	<i>14.4</i>
Industry and Construction	<i>14.0</i>
Tobacco	<i>9.1</i>
Brewers	<i>6.5</i>
Telecoms	<i>6.2</i>
Retail	<i>4.1</i>
Other	<i>7.8</i>

Calculated from Table of same name, *Who Owns Whom* 2011: 50-51. Allocation of some categories to sectors is inevitably arbitrary.

But how do we translate such information into identifying a corporate power elite, and what is the latter's relation to the holding of private wealth?

Wealth, Income and Power in South Africa's Corporate Sector

It is more difficult to identify the powerful within the corporate structure than within the state. The political directorate was defined as those whose positions enable them to make decisions which have national level implications, whether it be to decide economic policy, introduce a National Health Insurance system, sign a multi-billion arms deal at tax-payers' expense with international arms companies, or increase social security benefits. In contrast, the decisions made by those who run South Africa's corporate sector may well have direct implications for the citizenry as a whole (the supply and pricing of electricity being one highly pertinent example), but more often decisions by major corporate power holders are likely to relate to particular economic sectors, their national impact being considerably more indirect. However, the corporate elite across the parastatal and private sectors make a multitude of investment and pricing decisions which have enormous consequences for citizens as employees, workers and consumers. The key difference, of course, between decisions made by power holders in the parastatals and those in the private sector is that the former are meant to be made in the public interest, whilst the latter are made in the interests of private shareholders and the bottom line.

An introduction to the contours of the corporate elite is provided by two sets of data which can serve as proxies for power.

First, we can identify the super rich and link it to their key investments. In 2010, the wealth of the country's 20 richest men (only one woman made the top 100) according to disclosed shareholdings amounted to R102.6 billion.⁴ At the top of the 'rich list' was Indian steel magnate Lakshmi Mittal, who owns 52 per cent of steel corporation ArcelorMittal, which had a market capitalization of R33 billion in 2010. Second, and the richest South African, was mining executive Patrice Motsepe, worth R19.9 billion through his stakes in African Rainbow Minerals and Sanlam. Third was De Beers chairman Nicky Oppenheimer, based on his 2.5 per cent stake in Anglo-American, worth R10.7 billion, but this excluded the Oppenheimer family's 40 per cent stake in diamond miner De Beers (delisted in 2001) and the Twsalu Kalahari Reserve, the largest private reserve in the country. Overall, the Oppenheimer's family wealth was listed as around R35 billion, ranking the family the 154th richest in the world.⁵ Thereafter came:

- a list of highly placed individuals, for instance, Christo Wiese (R7.3 billion, nearly R6 billion of it held in Shoprite); Des Sacco (R5.1 billion, held in Assore Ltd); Stephen Saad, (R4.2 billion, held in Aspen Pharmacare Holdings); Laurie Dippenaar (R3.05 billion, held in FirstRand); and Adrian Gore (R1.9 billion, in Discovery Holdings) who represent a mix of long established and more recent entrepreneurial wealth.
- the Ackerman family trust (R4.58 billion, held in Pick 'n Pay); and the Rembrandt trust (R4.4 billion held in Remgro Ltd), the investment vehicle of Johann Rupert (son of Anton Rembrandt, who started the Rembrandt group in the 1940s). Johann Rupert also holds a separate R672 million holding in Remgro; and.
- alongside Motsepe, three highly prominent black businessmen, Tokyo Sexwale (R1.9 billion, held in the Mvelaphanda Group and Mvelaphanda Resources); Cyril Ramaphosa (R1.55 billion, held largely in Assore – a mining holding company, the Bidvest Group and Standard Bank); and Lazarus Zim, coming in at No.20 with a fortune of R1.4 billion, largely held in Mvelaphanda Resources and Northam Platinum. Together, Motsepe, Sexwale, Ramaphosa and Zim represent the peak of the BEE elite (Who Owns Whom 2011: 59).

The majority of individuals located in the top 20, and likewise in the top 100, hold positions as Chief Executive Officers (CEOs) or Non-Executive Chairmen or Directors in the companies in which they have major financial interests. At the very top, in other words, ownership is by no means cleanly separated from control, especially when around a 20 per cent holding in companies is likely to offer de facto control of voting on company boards.

The second set of data refers to the remuneration of the best paid directors. This indicates that it pays far better to be successful in the private sector than in the parastatals. In 2010 the top 15 JSE listed directors earned a total of R622 million compared with R1.024 billion in 2009 (the latter including a spectacular pay out by BHP Billiton to Chip Goodyear of R411 million, who retired as CEO at the top of the commodity boom). In contrast, the top 15 earners in state corporations earned a paltry R103 million in 2010 compared with R105 million in 2009. All the top earners are CEOs or senior executives, with those in the private sector reaping R143 million

in performance bonuses and R123 in gains in share prices, while some also pick up golden handshakes. Thus Pine Pienaar, who resigned as CEO of Mvelaphanda, and topped the list with a total income of R63.07 million, received a termination benefit of R34.45 million on top of a performance bonus of R22.38 million. Meanwhile, the R35 million paid out to four parastatal CEOs who were unseated (Khaya Ngqula, SAA; Dali Mpofo, SABC; Siyabonga Gama, Transnet; and Jacob Maroga, Eskom) included handsome pay out elements (Who Owns Whom 2011: 64-65).

The excessive remuneration paid to corporate high flyers (publicly justified by the supposed need to reward their services in a globally competitive market for scarce skills) has caused outrage in a country where so many people are desperately poor (Pine Pienaar earned R37 500 an hour in 2010, more than most South Africans earn in a year).⁶ Criticisms are given further bite by the continuing racialisation of incomes. In 2010, there was just one black (Jabu Mabuza, an executive of Hoskens Consolidated Investments), amongst the top 20 earners in the private sector, in contrast there being five whites among the top 20 earners in the lower paying public sector in the same year. Yet income disparities along racial lines are merely an indicator of the deeper racialisation of wealth. Reports by two different private research companies found, variously, that just 7 per cent (Empowerdex) and 18 per cent (Trevor Chandler and Associates) of the share capital on the JSE was owned by black people in 2010 (SAIRR 2009-10: 279). More generally, however, we know too little about the wider distribution of wealth, the fundamental problem being that the government does not collect data relating to the ownership of assets (ranging through land ownership, holdings in shares and bonds, ownership of houses, and consumer durables etc), while multiple other difficulties (such as lack of information regarding ownership of foreign assets, unincorporated businesses and unlisted corporations) present themselves (Aron and Muellbauer 2004). Nonetheless, while we may assume that there has been some challenge to racial disparities since Van Heerden (1996) (using, largely, estate data) found that whites owned 90 per cent of South Africa's personal wealth (with 20 per cent of whites holding more than 70 per cent of white wealth), we may equally assume that ownership of wealth remains highly skewed not merely in favour of whites, but of rich whites.

In drawing all this disparate data together we can venture the rather unsurprising proposition that the value of the financial investments of the rich and the remuneration of the top directors reflects corporate power, and that this is strongly weighted in favour of companies in mining and finance (including holding companies). The investments of 14 out of the top 20 in the 2010 rich list are overwhelmingly held in mining and financial interests, while fully 16 out of the top 20 earners are, similarly, directors of companies in mining and finance, the four exceptions being Paul Adams and Nic Durante of BAT, Graham Mackay of SAB Miller and Jappie Basson of Shoprite. Meanwhile, it is to be recalled that while wealth very easily translates into power, private wealth is generally diversified into different vehicles, as the wealthy entrust their wealth into the hands of institutions, large companies and their directors. According to *Who Owns Whom* (2011: 43) fully 81 per cent of JSE market capitalization was controlled by institutions (inclusive of major companies), this up from 74.3 per cent in 2003 (the first year for which the calculation was made). This confirms that while, as noted above, the very rich retain significant control over certain companies, ownership in South Africa has nonetheless become largely separated from direct control, this underlined by the fact that only just over 8 per cent of the JSE's market capitalization in 2010 was held by director controlled companies (these defined

as directors' holding in excess of 26 per cent of firms' market value with no other dominant shareholder). However, separation of ownership and control does not seem to indicate a significant disjunction of interest between the very wealthy and their wealth managers. Shareholder activism in South Africa is generally reckoned to be even more limited than in most countries with developed corporate structures, and institutions which have the financial leverage to exercise control only rarely object to their directors' rewarding themselves handsomely. Furthermore, while the South African corporate structure is the most advanced in Africa, we should not forget that, in global terms, it is not only relatively small, but it is heavily concentrated in a few areas within the single city of Johannesburg. It is probable that the very wealthy and the directors of major companies live, work and play closely together, and have a highly developed sense of community of interest (communicated to a wider audience, for instance, via the weekday business programmes broadcast at peak hours on major radio stations). But how does corporate power relate to political power? To what extent is South Africa ruled by a coherent power elite?

The South African Power Elite: Coherence or Disjunction?

Merle Lipton (1985: 12) posited four broad relationships between capitalists and apartheid:

- Capitalists did not want apartheid and had the power to get rid of it;
- Capitalists did not want apartheid, but did not have the power to get rid of it;
- Capitalists wanted apartheid, and had the power to retain it;
- Capitalists wanted apartheid, but did not have the power to retain it.

When the debate raged between the Marxist-revisionists and the Liberals during the 1970s, the former were arguing the third option, and the latter argued the second. However, it was suggested above that by the 1990s, there had been a convergence around the idea of 'elite compromise', the suggestion that in essence the capitalist elite had had enough of apartheid and wanted to replace it with democracy. Terreblanche depicted this as the system of political legitimisation falling in line with the mode of economic accumulation: the ANC gained control of the state under conditions of liberal democracy in exchange for accepting the existing structure and rules of capitalist economy. Nonetheless, even if we accept this paradigm, it remains remarkably difficult to decipher how economic weight is translated into political decisions. Let us recap the arguments of this chapter, and elucidate how they fit together.

First, it is accepted that South Africa has distinctly identifiable political and economic elites. David Welsh (2009) has argued convincingly from the liberal position that the NP's adherence to apartheid strictures came at considerable cost to large scale capital and to economic growth as a whole, although he demonstrates equally that while capitalists only moved reluctantly to the embrace of majority rule, they had little direct influence over the ruling party. Whether or not we accept his interpretation in toto, he makes it abundantly clear that the NP embodied a highly diverse set of political, religious and ideological interests, and was by no means the direct instrument of capital, Afrikaner or otherwise. Similarly today, the ANC is comprised of a myriad of jostling interests and factions, ranging through political conservatives to declared communists, to black business interests through 'tenderpreneurs' to the ANC Youth League, while overall declaring itself the protector of the 'the people' and the poor. The ANC, in short, is most certainly *not* the tool of large scale private capital, which as illustrated above, is

still overwhelmingly representative of white wealth and controlled by white directors. For a start, the ANC government's economic policy has involved numerous decisions and thrusts which have run against the direct interests of capital. For instance, the introduction of new order mineral rights under the Minerals and Petroleum Resources Development Act of 2002 (which imparted to the state the ownership of all minerals in the ground) deeply upset large scale mining capital, and there are other key areas (for instance, around the laws governing employment and which private employers deem to be 'inflexible') where the government espouses positions which are subject to constant criticism by business, both big and small.

At the heart of the differences between the ANC and business is that the corporate structure is still highly racialised. During 2011, this was highlighted by the breakdown of the attempt to combine the interests of emergent black business and large scale capital within one organization (Business Unity South Africa), with accusations of racism by the former being met by the protestations of good will of the latter. Whatever the reality of the matter, the separation signaled severe tensions which will likely reverberate within the ruling party. Nonetheless, despite continuous sparrings around race, there are also major cross-over points between government and large scale white capital.

BEE represents a strategy whereby the ANC has sought a deracialisation of capital, and whereby large scale capital has sought to increase its leverage by creating a subaltern black capitalist class. A widespread critique of BEE is that its principal outcome has been to create a small grouping of very wealthy black businessmen and women rather than spreading the benefits of capital ownership more widely. Nonetheless, prominent black business persons who have made it to the top (notably Cyril Ramaphosa and Tokyo Sexwale) continue to wield significant influence within the ANC and presumably voice the interests of large scale capital within the councils of the ruling party. Similarly, not only have the parastatals served as a platform for black managers to move profitably to the private sector, but state corporations work very closely together with large scale capital, as instanced by Eskom's energetically pro-active stance in favour of nuclear power. Again, crucial to a collaborative state-business relationship are the activities of state bodies such as the IDC, DBSA and PIC which direct huge investments into the path of private capital, and which by their acquisition of shareholdings in major corporations play a major role in the making of their investment decisions.

Mills (1956: 276) identified an "uneasy coincidence of economic, political and military power" in 1950s America rather than a coherent ruling class. Similarly, in today's South Africa, it would seem that, reflective of the country's divided history, there is an uneasy co-existence of largely racialised political and corporate elites who, while differing on lesser order issues, agree upon major fundamentals or latter-day 'common sense' centred around the functioning of the market economy, with large corporations (especially those which dominate the JSE) exercising '*disciplinary*' power via their capacity to choose to invest or to withhold investment, and even to export capital in response to government policies. If in post-1994 South Africa, the state is the committee of the ruling class, it is a committee which remains significantly divided by the inherent factionalism of ANC politics and perceived differences between the government and business along lines of race.

The disjuncture between the major concentrations of power within the political and corporate elites allows considerable space for other less powerful forces within society. At the middle level of power, notably at provincial and local levels, ambitious factions jostle for influence, money and tenders, whilst opposition parties, trade unions and civil society groups lobby the ANC and government, around matters of class, sectional, and general interest within an untidy but lively democracy. Power remains grossly unevenly distributed within South Africa, and unsurprisingly, continues to favour the powerful, and the country remains one of the most unequal in the world, even though liberal democracy has to some limited extent brought about a deracialisation of inequality. Whether the elites have the political will and economic guile to respond creatively to pressures from below by promoting more socially and racially inclusive growth will determine the future course and fate of South African democracy.

NOTES

¹ This of course exaggerates the polarity between the two positions. A survey of the power elite at the height of apartheid indicated that the political and economic power holders agreed on the basic principles of white rule while differing around tactics, yet Heribert Adam (1971), the author, was scarcely a Marxist.

² Annual per capita incomes have increased from R46 486 for whites, who constitute just 9 per cent of the population, and R5073 for Africans, 79 per cent of the population, at 2000 prices in 1993 to R75 297 and R9790 respectively in 2008)(SAIRR 2009-10: 252).

³ See Welsh (2009: 467-475) for details of De Klerk's major showdown with rebellious senior officers of the South African Defence Force from late 1992.

⁴ The Rich List, published annually in the *Sunday Times*, is compiled by the research staff of Who Owns Whom. Concentration on the top 20, rather than the entire 100 wealthy people who compose the list, is by no means entirely arbitrary. In 2011, the top 20 accounted for more than 70 per cent of the wealth of South Africa's richest people (*Sunday Times*, 4 September 2011). Note that other individuals, such as entertainers, sports stars and owners of unlisted businesses may conceivably have been as rich as those in the top 100, but if so, their wealth was not invested on the JSE.

⁵ The Oppenheims announced their decision to sell their 40 per cent stake in De Beers to Anglo-American for US\$5.1 billion in November 2011, severing a connection it had had with the company since Ernest Oppenheimer seized control of it from the company of Cecil Rhodes in 1927.

⁶ For an invaluable review of the entire issue of executive remuneration, see Crotty and Bonorchis (2006).

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