The Evolving Structure of South Africa’s Economy: Faultlines and Futures

Edited by Seeraj Mohamed, Amuzweni Ngoma and Basani Baloyi
The Evolving Structure of South Africa’s Economy: Faultlines and Futures

EDITED BY
Seeraj Mohamed, Amuzweni Ngoma and Basani Baloyi
## Contents

Acknowledgements ........................................ vii  
Acronyms and abbreviations ................................. ix  
Contributors ............................................. xvii  
Preface ................................................... xxvi  

Chapter 1: Introduction  
– *Seeraj Mohamed, Amuzwenni Ngoma and Basani Baloyi* .................. 1  

**PART 1: EVOLVING STRUCTURE OF THE SOUTH AFRICAN ECONOMY**  

Chapter 2: Locating industrial policy in developmental transformation: Lessons from the past, prospects for the future  
– *Ben Fine and Seeraj Mohamed* ....................... 22  

Chapter 3: Beyond the MEC? Limits and prospects in the development of South African capitalism  
– *Samantha Ashman* ................................ 59  

Chapter 4: Why is the South African economy stuck in chronic crises?  
– *Asghar Adelzadeh* .............................. 86
Chapter 5: Vulnerability in the spotlight: Reflections on macroeconomic management in a polycrisis
  – Eddie Rakabe ........................................... 135

Chapter 6: The evolution of South Africa’s economic structure:
Key trends amongst the top 100 firms on the JSE
  – Thando Vilakazi and Teboho Bosiu .................. 168

Chapter 7: Confronting the industrial and empowerment implications of the energy transition in South Africa
  – Ayabonga Cawe .......................................... 199

PART 2: STRUCTURAL CHANGE AND SECTOR BALANCES

Chapter 8: Post-1994 sectoral evolution and structural transformation in the automotive and agro-processing manufacturing sub-sectors and the grocery retail sector
  – Reena Das Nair and Jason Bell ....................... 224

Chapter 9: From the minerals–energy complex to a just transition?
  – Lucy Baker and Jesse Burton ......................... 270

Chapter 10: The role of spatial development, logistics and transport in the South African economy: Reflections on immediate and longer-term priorities
  – Irvindra Naidoo, Monde Gqoli, Vukani Nkasa and Nkululeko Gobhozi ................................. 297

Chapter 11: Lifting the colony while improving the metropolis: Addressing duality in economic development
  – Joel Neshtitenzhe ........................................ 328

Chapter 12: South Africa: Regional integration and structural transformation
  – Alan Hirsch ............................................. 361
PART 3: GOVERNANCE, LABOUR AND LIVELIHOODS

Chapter 13: Structural transformation in South Africa: Who bears the cost? The invisible work of social reproduction
– Basani Baloyi, Miriam Di Paola and Andrew Mukandila .......................... 384

Chapter 14: Technological innovation, the changing nature of work and the implications for trade unionism in post-apartheid South Africa
– Thabang Sefalafala, Ruth Castel-Branco and Musawenkosi H. Malabela ............ 421

Chapter 15: Developmental state, social compacting and economic recovery: South Africa’s experiences through the COVID-19 pandemic
– Yacoob Abba Omar ............................................. 444

Chapter 16: Binding constraints to decision making on growth: Perspectives from heads of departments
– Amuzweni Ngoma and Busani Ngcaweni ................. 469

Chapter 17: Political settlements and the rebuilding of South Africa’s state-owned enterprises
– Mark Swilling, Nina Callaghan and Wendy McCallum .................. 506

Chapter 18: Conclusion: Getting to inclusive growth and sustainable development
– Amuzweni Ngoma, Seeraj Mohamed and Basani Baloyi ......................... 544

Index ............................................................... 561
Preface

There are serious questions regarding the extent to which the South African economy has evolved to be developmental, resilient and inclusive. In the wake of the global financial crisis and now the COVID-19 pandemic, South Africa is grappling with low economic growth and high unemployment, rendering poverty and inequality persistent societal challenges. These obstacles exert pressure on South Africa to foster structural transformation so that it may achieve its developmental goals. Informed by this urgent intent, this book examines the evolving structure of the South African economy over time.

The imperative for structural transformation in South Africa comes at a historically significant moment for humanity. More than ever, the nation is confronted by a polycrisis of colliding transitions – ranging from a maladjusted political economy to geopolitical tensions, declining state legitimacy, natural disasters and violent crime. The COVID-19 pandemic aggravated many of these challenges.

*The Evolving Structure of South Africa’s Economy* was written against this backdrop. The authors have been alive to how South Africa’s structural transformation agenda is affected by the global context, including rising inflation and interest rates. This context brings important nuances to their perspectives on structural transformation.

South Africa’s economy is characterised by uneven outcomes. In the first 15 years of democracy, the country experienced periods of high economic growth, but the last decade-and-a-half has been characterised by low growth. The authors of this book offer technical and analytical insights on the overlapping structural faultlines that have produced this uneven performance. Bound by an analytical thread that centres on power relations and political settlements, the authors explain the
Preface

changes and continuities of South Africa’s economic structure. They take cognisance of spatial disparities and capital intensity within the context of low skills, uneven power relations and low investment alongside a trust deficit in state–business and labour–business relations, as well as inadequate attention given to environmental challenges and social reproduction.

Other structural constraints discussed in this volume include macroeconomic policy and its effect on the real economy, state–capital relations, state capabilities, labour and the changing nature of work, investments and technology, and integration into regional and global value chains. The authors show how poor governance and corruption have slowed down structural reform. This has been further exacerbated by the inconsistent availability of energy and the deterioration of logistics and transport. These structural faultlines have also slowed down the economic rebound of wholesale and retail trade and the construction sector – areas in which many low- and medium-skilled workers earn their livelihood.

Over recent decades, the financial and services sector has grown to dominate the economy, especially in its employment intensity. Notwithstanding this, South Africa’s economy has not diversified out of its minerals–energy core, and manufacturing has been declining. It is in this context that this book discusses deindustrialisation and deagrarianisation as significant shifts within a financialised minerals–energy complex (MEC).

Authors adopt multiple theoretical and empirical perspectives to take stock of the historical and contemporary structure of the South African economy, its evolving nature and possible future pathways. Their analyses take forward the debate on the extreme social impacts of globalised and financialised economic structures, which are dominated by large corporations.

The book details the structural reforms and policy regimes necessary for increasing productive capacity in South Africa’s agriculture, manufacturing, agro-processing, retail and services, energy and mining sectors. It also reflects on the role that micro and informal enterprises can play if afforded the necessary support.

The technical detail and analyses in the book point to the need for a
radical review of macroeconomic policy to facilitate reindustrialisation and to leverage interlinkages that will reduce the country’s chronic vulnerability to unemployment, poverty and inequality.

Critically, the transition to a low carbon economy, with associated opportunities in the hydrogen economy, can help to further change the structure of the South African economy. A ‘green’ MEC can open up new opportunities across value chains and help empower blacks, women and youth.

Given the magnitude of the challenges, political settlements and compacts amongst social actors are urgently required.

The Mapungubwe Institute for Strategic Reflection (MISTRA) expresses its deep appreciation to the contributors to this volume, whose insights will, we hope, generate important reflections amongst policymakers, industry leaders and broader society. We are also grateful to MISTRA’s donors who made the publication of this research possible.

Prof. Sibusiso Vil-Nkomo

*Chairperson: MISTRA Board of Governors*