The challenges are more stark, more pressing, and South Africans are less deferential in the demands they make of those who would lead them. They expect a government of the people to serve the people, and the liberation for which they waited so long to assume forms beyond the merely symbolic and rhetorical.  

The June 16, 1999, inauguration of President Thabo Mbeki marked a watershed in South African politics. With nearly two-thirds of the popular vote and its political opposition in disarray, leaders of the African National Congress (ANC) could legitimately claim that their party—under the capable direction of Nelson Mandela—had been primarily responsible for bringing a kind of political stability unknown during the turbulent past, had effectively restored public confidence in the exercise of civil liberties, and had moved toward the implementation of an envisioned “rainbow nation.” With the close of the “Mandela era” and after five years of ANC rule, it is time to take stock. South Africa remains a troubled country in transition, a complex process that defies simple analysis. The temptations to paint either a thoroughly negative picture or a glowing account of the new dispensation must be equally resisted. Critics impatient with the slow pace of delivery have accused the ANC leaders of devoting inordinate attention to allaying white fears for purposes of sustaining an “investor-friendly” environment at the expense of attending to the pressing needs of the black majority that voted them into power. These detractors also charge that the ANC’s conciliatory approach toward former enemies in the white minority regime, coupled with a hands-off approach to the entrenched white oligarchy, has had the unintended consequence of reinforcing the arrogance and intransigence of powerful vested interests.

Yet what must be borne in mind is that the persistence of enormous inequalities across racial lines cannot be attributed to the ANC’s inattention, ineptitude, and neglect, but is largely the result of the suffocating legacy of centuries of capitalist exploitation and racial oppression. The new governing class is not a free agent when it comes to taking concrete steps to address long-standing grievances. The new men and women of
power face enormous obstacles—structural, institutional, political—that place concrete limits on the ability to deliver, in the words of the ANC’s 1994 election manifesto, “a better life for all.” By any stretch of the imagination, the collapse of white minority rule, the adoption of a new constitution, the implementation of a working parliamentary democracy, the marginalization of far-right extremism, the decline of low-intensity civil war in KwaZulu Natal, the demobilization of guerrilla armies, and the revamping of military forces, just to name a few accomplishments, are monumental achievements in their own right. The picture painted in white opposition circles of a country inexorably degenerating into a Third World African “basket case” is far removed from the realities of daily life in the “new South Africa.”

**Two Nations or One?**

Realistically speaking, post-apartheid South Africa consists of two separate nations—one prosperous, comfortable, and predominantly but not exclusively white, and the other impoverished, fragmented, and overwhelmingly black. These “two nations” coexist simultaneously and sometimes coextensively, rhizomically and unevenly intersecting and overlapping with one another. The borderlines—spatial, cultural, symbolic—between these two worlds are unmarked and undefined, but they are easily recognizable. Even a cursory sketch of the most visible symptoms of these polar extremities reveals a startling portrait of social inequalities manifested for the most part along racial lines. The existing patterns of social stratification endow the country with a peculiar patina that seems to bring the “First World” and “Third World” together within the same spatial-temporal boundaries. With just 5 percent of the population owning 88 percent of the social wealth, South Africa has perhaps the most unequal distribution of economic assets in the world. The majority of South Africans survive on income levels on or near the official poverty datum line. Although reliable statistics are difficult to obtain, it has been estimated that over 7 million people, or somewhere around 40 percent of the economically active population, are currently unemployed. It has been
estimated that the rural poor number 11.5 million people, or one-third of the total population. According to current estimates, less than 10 percent of school-leavers can expect to find regular work. Since 1990, job losses have been so severe that at present there are fewer people employed than there were in 1980. More than half a million jobs have been lost since the transition began, and apart from a brief period of stagnation from 1994 to 1996, job hemorrhaging has continued unabated since 1990. The workforce has always been characterized by a significant proportion of casual laborers who are locked into part-time, temporary, and irregular employment. Those workers excluded from full-time working relationships float back and forth between formal wage employment and alternative ways of eking out daily existence in the so-called informal economy.

These gross socioeconomic inequalities are grounded in the most distorted and exaggerated forms of uneven development, dividing town from country, separating one region from another, and leaving huge fissures in the social fabric. The socioeconomic geography of townships, informal squatter settlements, and former “group areas” provides ample testimony to the artificial character of urban life under apartheid. The deleterious effects of forced removals, labor migration, racially defined patterns of landownership and land use, inadequate provision of housing, and racial patterns of employment, just to name a few, are so deeply ingrained in the rhythms of everyday life that they cannot be easily counteracted. Overcoming huge disparities in education and skill enhancement, health care, and other social services; confronting the yawning gulf in income levels; promoting land redistribution and rural development; and providing genuine opportunities for socioeconomic advancement defy the imagination of even the most creative planners.

“Enterprise Culture” in the “New South Africa”

According to the faithful who preach the uplifting gospel of market competition and free enterprise, the most effective alchemy for bringing about the reciprocal assimilation of old and new elites can be found in a convergence of interests around property, privilege, and wealth. To this end, they chorus in unison about the virtues of proprietorship and aggressively promote the norms and values of entrepreneurialism. In their view, the pursuit of socioeconomic self-interest not only effectively disciplines the passions for raw autocratic power that motivates so much political ambition in Africa and elsewhere but also provides the point of departure for an organic compromise between an entrenched white oligarchy and an emergent yet restive black middle class, two agglutinated sociocultural groupings that otherwise have very little in common. The animating leitmotif of this doctrine is that the spirit of acquisitive capitalism provides an underlying moral authority that imposes its own self-regulating normative order on “civil society.”

The growing affinity between the largely white business class and the ANC-led government is perhaps the most visible expression of what Bayant has called the “reciprocal assimilation of elites.” Business interest groups have assiduously courted the ANC leadership, and this strategy has paid rich dividends. Leading corporate executives have become the staunchest supporters of the ANC, praising its moderate course of action and making substantial campaign contributions to the organization. Because of their overriding interest in averting social conflict and overcoming political disorder, the propertied classes have accepted the tutelage and authority of a relatively powerful state with ANC notables in charge of day-to-day governance. The ambitions of the entrenched white oligarchy are clear: to incor-
porate a black professional managerial elite as a subaltern group within an expanded hegemonic bloc organized around a defense of material interests. South Africa's leading companies have embarked on an adept strategy of accommodation and co-option, introducing "affirmative action" plans, inviting well-known black notables to sit on their expanded boards of directors, "Africanizing" their corporate images, and engaging in public acts of philanthropy and charitable "good deeds."

The Main Beneficiaries of the Political Transition

The propertied classes—predominantly white—look upon their accumulated wealth, their privileged status, and their continuing influence as a birthright. White-dominated political parties (especially the Democratic Party and the New National Party) and the mainstream media have vociferously defended these vested interests. The class capacity, organizational prowess, and opportunity structures for affluent households have remained largely intact. Ironically, the demise of apartheid has gone hand in hand with the establishment of new status hierarchies and the creation of new forms of social exclusion.

The most visible beneficiaries of the political transition are the tens of thousands of black people who have experienced some degree—ranging from modest to astronomi-
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cal—of upward mobility in the “new South Africa.” The political transition opened up new places in the social division of labor that black people with political credentials, technical skills, and managerial expertise quickly filled. Large numbers of leading community activists, returning exiles, trained professionals, trade union officials, and research analysts moved quickly into intermediate and senior positions in the state administration, into corporate management, and into ownership of black-owned business enterprises. Taken together, these heterogeneous categories make up what is loosely referred to as the emergent “black middle class”—a highly elastic category that can at best function as a descriptive marker and a metaphor for the suppressed aspirations of the oppressed black majority. The emergent property-owning black elite is experiencing a gradual process of incorporation, occupationally and professionally, into a broader entrepreneurial class. But a plethora of mechanisms—private schools, exclusive social clubs, business and professional associations, gated communities, and so forth—create institutional barriers to entry that prevent sociocultural assimilation.

According to research conducted by the Kagiso Trust on the eve of South Africa’s first nonracial elections in 1994, effective black participation in the business sphere barely exceeded 10 percent of the total, less than 3 percent of managers or executives of companies were black, and less than 2 percent of all direct interests in companies listed on the Johannesburg Stock Exchange (JSE) belonged to black South Africans. This research further indicated that only 15 percent of small business firms were owned by black people, and black entrepreneurs controlled little more than 40 percent of all enterprises in the informal sector. The forward thrust of black economic empowerment has changed the face of business in South Africa.

In the mid-1990s, the formation of New African Investments Limited (Nail) and Real Africa Investments Limited (Rail) marked the beginning of a furious scramble on the part of emergent black entrepreneurs to cobble together vast holding companies with stakes in a wide range of business enterprises. These trail-blazing companies—of which it has been estimated that thirty-five to forty are listed on the JSE—largely came into being as a result of the “unbundling” of huge white-owned conglomerates. Like their white counterparts, these “black chips”—as white stockbrokers derogatorily referred to them—have mimicked the pyramidal structure that is a characteristic feature of large-scale South African corporations; have undertaken voracious acquisition sprees; and have formed joint ventures or acquired shares in literally dozens of existing white and black businesses, ranging from merchant banking, insurance, and other financial services, to transportation, construction, engineering,
information technology, catering and food processes, publishing, print and electronic media, tourism, health care, and manufacturing.\textsuperscript{14} Ernest and Young's annual merger and acquisition survey reported that there were forty-five black empowerment deals in 1996 valued at R7 billion, compared with only twenty-three deals, but valued at R12.4 billion, the year earlier.\textsuperscript{15} Black empowerment reached a high point in 1996 with the consumption of two “megadeals”: Anglo American's sale of 35 percent interest of Johnnie to the National Empowerment Consortium (led by the former trade union leader and key ANC strategist at Kempton Park, Cyril Ramaphosa), and the sale of a controlling interest in the mining firm JCI to Mzi Khumalo's African Mining Group.\textsuperscript{16}

Beside these high-profile “black chips,” all sorts of black-owned enterprise associations have sprung up. Civic associations, trade unions, community development associations, and groups of private individuals have joined the rush to form investment trusts. By pooling pension funds, accumulated savings, and borrowed money, these trusts have purchased existing companies, invested in the stock market, and provided “start-up” capital for groundbreaking business operations. The largest and most well-established black entrepreneurs in the small and medium enterprises sector are found in the retail, taxi, construction, and garment manufacturing subsectors. Around one-fifth of these can be defined as dynamic. The bottom 60 percent—although better off than the typical micro-enterprise—function at the survival level.\textsuperscript{17}

The rapid pace at which black empowerment “wheeling and dealing” took place prompted mixed reactions. On the one side, business and financial commentators hailed these developments as a step toward social stability, speaking approvingly of the new black “moguls,” “magnates,” and “landlords” and confidently forecasting that “Blacks [were] set to eclipse Afrikaners” at the JSE.\textsuperscript{18} On the other side, skeptics spoke of “fatcats,” “sellouts,” and “black faces in the white man’s club” who callously took advantage of their “struggle credentials” to enrich themselves at the expense of their former “comrades.”\textsuperscript{19} Despite the triumphalist rhetoric trumpeting the benefits of the development of an emergent black elite, critics have charged that most black empowerment deals simply “reward the already empowered” rather than magically trickling downward to assist the “poorest of the poor.”\textsuperscript{20} The much-publicized crash-and-burn of JCI under Mzi Khumalo and the breakup of the high-profile black management team at Nail were somber reminders that highly leveraged “black empowerment” companies were not immune to the vagaries of market competition and charges of mismanagement, corporate greed, and poor performance.\textsuperscript{21} A small but growing number of small- and medium-scale black-owned businesses have developed managerial skills, attracted outside investment capital, and expanded operations. In the main, however, large-scale black empowerment has yet to go beyond share acquisitions and preferential tender considerations to create jobs or new career paths through innovative training of less-skilled workers. Very few large-scale black-owned enterprises have day-to-day operational control over their corporate assets. Many established white-owned corporations have opportunistically entered into empowerment deals with smaller black-owned companies to position themselves to take advantage of state contracts. In 1997, Breakwater Monitor reported that white executives occupied 96 percent of the top management positions whereas black managers held only 3.5 percent.\textsuperscript{22}

Since 1997, the process of transferring ownership and control of companies listed on the JSE to black entrepreneurs has slowed. According to the authoritative McGregor's
Who Owns Whom, black consortia held 8.9 percent of the JSE’s market capitalization at the end of 1998, compared with 9.3 percent in 1997 and 6.3 percent in 1996. Most surprising, Afrikaner control of the JSE has expanded—from 1 percent forty years ago to 32 percent last year. By contrast, English companies controlled a massive 99 percent of the JSE forty years ago, but their grip has steadily loosened over the years to 59 percent in 1998. The rapid surge in Afrikaner control—from 24 percent in 1996 to 32 percent in 1998—reflects an ongoing trend for medium-sized (director-controlled) companies to expand in size as the larger conglomerates unbundle and focus on their core businesses or on international expansion.24

The Losers

Despite the romantic rhetoric of neoliberal free market ideologues who speak of the rising black middle class with a deepening stake in the capitalist system, the general trend since the mid-1970s is toward increased fragmentation, differentiation, and segmentation of the labor force. Although there has been a modest redistribution of income from white to black households, the gains among black households were in themselves very unevenly distributed. Increasing social differentiation has resulted in greater insecurity of employment. Women, first-time work seekers, and those without skills or training are the most vulnerable to fall into what Rosa Luxemburg called the “limbo of the outcasts.” A recent survey of Soweto, generally regarded as South Africa’s most affluent township, found that approximately 70 percent of the sixteen- to twenty-five-year-old age cohort not enrolled in school were unemployed, and nearly 60 percent of households had a monthly income of less than R1,500 ($28).25 Those unable to find regular income-generating work face social ostracism, marginalization, and criminalization. Trade liberalization, the elimination of tariffs, and the wholesale encouragement extended to overseas investors has put tremendous pressure on local businesses to conform to the changing realities of globalization. The expansion of piecework and homeworking, outsourcing, sweatshops, and the institutionalization of “permanently temporary” work has contributed to the growth of an unregulated and unsteady labor market. The phenomenon of irregular work is not new in South Africa, but the growth of part-time, flexible work with fewer benefits, and no security of employment, puts downward pressure on wage rates and threatens to undermine the hard-fought gains of the organized trade union movement over the past two decades.

By the early 1990s, the disintegration of apartheid-era influx controls gave rise to a burgeoning informal economy.26 Millions of workers are trapped in an ongoing state of casualization, a “footloose” proletariat in continual search of wage-paying employment. The desperately poor are forced to pursue individual strategies of self-provisioning, “shadow work,” underground commerce, and hustling of all sorts.

In the countryside, around 60,000 white farmers own the lion’s share of productive land. Despite laws to the contrary, rural workers face arbitrary dismissals, evictions, and gross exploitation. Verbal abuse remains the norm on many farms, and beatings and other physical abuse are by no means unusual.27 Millions of black households eke out a marginal existence on unproductive land in the former Homelands. Because land redistribution operates on the principle of “willing buyer/willing seller,” very little productive land has changed hands. In some isolated areas, rural violence has surged.

The collapse of apartheid-era influx controls in the mid-1980s unleashed a torrent of new migrants from impoverished rural areas
seeking accommodation in the burgeoning informal "shack" settlements that proliferated on the fringes of established urban black townships. This rising tide of desperate work seekers has continued unabated, putting new strains on already-overtaxed resources. Whatever gains made during the Mandela administration toward providing basic infrastructural improvements such as water, electricity, sewage, schools, and the like have been dwarfed by the rising demand. In sheer numbers alone, the vast millions of urban and peri-urban unemployed and underemployed are the most evident losers in the political transition. A 1996 survey conducted by Bosch and Gordon revealed that around 63,000 children aged between ten and fourteen were working in South Africa because of widespread poverty and high adult unemployment. Many of these economically active ten- to fourteen-year-olds were employed as vendors, farm laborers, cleaners for the taxi industry, and sex workers.28

In the aftermath of the political transition, the "new South Africa" has become a mecca for perhaps as many as 4 million immigrants seeking a better life.29 South Africa’s borders are extremely porous: There are few if any deterrents—physical, logistical, or institutional—capable of preventing migrants from entering South Africa and remaining illegally. The escalating flow of foreign migrants and refugees has generated considerable controversy, particularly over its volume and its wider implications, both for the labor market and for the development of a coherent national immigration policy.30 Although foreign workers sought employment in the mining and agricultural sectors, recent immigrants have established themselves in the interstices of the small enterprise economy, particularly in urban areas.31 Foreigners are concentrated in inner-city pockets like Hillbrow, Joubert Park, and Berea in Johannesburg, to cite the more obvious examples.32 Despite the fact that most immigrants are concentrated in the informal sector, there is a growing perception—especially among impoverished black South Africans—that immigrants from Nigeria, the Democratic Republic of Congo, Zimbabwe, Mozambique, and other African countries are taking jobs away from deserving South Africans. Dehumanizing stereotypes of foreigners—as job takers, womanizers, drug dealers, and thieves—are reproduced in urban legend, the popular media, and political commentary.33 Xenophobia has manifested itself through unprovoked attacks on foreign workers and street hawkers.34

Old Realities, New Divisions

Under white minority rule, racial classification operated as perhaps the central organizing principle defining life chances on the market. With the end of apartheid, the fault lines between the "haves" and "have-nots" has not changed appreciably. High unemployment rates continue to be a major Achilles’ heel of the South African economy, and the inability to create new jobs in sufficient numbers reinforces the separation between "insid-

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Despite laws to the contrary, rural workers face arbitrary dismissals, evictions, and gross exploitation. Verbal abuse remains the norm on many farms, and beatings and other physical abuse are by no means unusual.
ers” and “outsiders.” “Citizenship” instead of “race” operates as an alternative market separating those with rights and those without.

It is estimated that at least 250,000 new jobs annually are required just to keep the unemployment rate from rising from its current levels. Without a significant reversal of fortune, the afterglow of “Mandela magic” will rapidly fade, and the new governing class under Thabo Mbeki will face escalating pressure to deliver on its promises.

Notes


11. In conventional usage, black economic empowerment refers variously to (1) individual career advancement in the corporate or state bureaucracies; (2) outsourcing to black-owned medium, small, and micro-enterprises; and (3) stakeholding and/or outright ownership. See Phinda Mzwakhe Madi, Black Economic Empowerment in the New South Africa (Randburg, South Africa: Knowledge Resources, 1997), pp. 55–58.


13. Other black-owned conglomerates, notably Thebe Investments, Kagiso Trust, and Pambodo Holdings, soon followed. In 1997, the advertising guru Peter Vundla started Pambodo Holdings along with the well-known “talk-show” host Felicia Mabuza-Suttle, Solly Sithole, and Ndaba Ntsele. Pambodo (Swahili for “we are one”) moved rapidly, purchasing interests in information technology, food services, and health sectors. Pambodo purchased Axeceopr from Sanlam in the third largest transfer of wealth from white to black hands in South Africa’s recent history. Vundla is a member of Deputy President Thabo Mbeki’s “kitchen cabinet”—an informal grouping that Mbeki uses as a sounding board (Ferial Haffajee, “Black Group Snaps Up R1.8bn Deal,” Weekly Mail & Guardian, May 8–14, 1998). See “Empowerment: The Rags and the Riches,” Saturday Star, March 6, 1999.


16. The meteoric rise and the equally swift fall from grace of Mzi Khumalo sent shock waves through black empowerment groupings.


New Winners and New Losers in South Africa


23. Apart from the unbundling and refocusing of the major English companies, three of them—Anglo American, the colossal conglomerate built on gold mining; South African Breweries, the world’s fourth largest beer maker and distributor; and Old Mutual, South Africa’s largest insurer, with core interests in life insurance, pension plans, mutual funds, banking, and real estate, but with stakes in everything from coal to hotels to clothing chains to oat cereals—have opted for primary stock exchange listings in London (“Investors Flock to Big South African Insurer’s Debut,” *New York Times*, July 13, 1999).

24. It took decades for Afrikaner companies to reach 9-percent control of the JSE, but recent growth has been significant. Afrikaner presence on the JSE was originally spurred by the formation of Santam and Federale Volksbeleggings and the diversification of the Rembrandt Group. But in the past two decades, the explosion of the Information Technology (IT) sector—of which Afrikaner companies play a significant part—has boosted Afrikaner control to new heights (Marcia Klein, “Economic Liberation Falters on the JSE,” *Business Times*, June 13, 1999).


29. See David McDonald et al., *Challenging Xenophobia: Myths and Realities About Cross-Border Migration in Southern Africa* (Cape Town: IDASA, 1998); Bhe-


