

Systemic racism behind South Africa's failure to transform its economy

February 2 2017, by Thanti Mthanti



Credit: AI-generated image ([disclaimer](#))

South Africa suffers from high levels of poverty, racism and inequality. This can be almost entirely attributed to centuries of conflict between white settlers and indigenous Africans. Apartheid reduced black Africans to the periphery of the economy. Many were condemned to landlessness and poverty.

The country's post apartheid government attempted to dismantle this inheritance by adopting a [strategy](#) of black economic empowerment. It passed a series of laws designed to redress historical economic inequalities. These include the Employment Equity [Act](#) and the Broad-Based Black Economic Empowerment [Act](#) (B-BBEE).

But years after their implementation, these policies largely remain [failures](#). For instance, in 2016 whites still constituted [68.9%](#) of top management in all sectors. Yet they are only [9.9%](#) of the economically active population. In contrast black Africans, who constitute 78% of the economically active population, hold only [14.3% of top management positions](#).

Empowerment legislation has also been largely ignored. As of February 2016 – 22 years after the fall of apartheid – black South Africans still directly owned only [3% of shares](#) on the Johannesburg Stock Exchange (JSE).

There's a helpful way to understand how a supposedly "rigorous" [corporate governance](#) infrastructure has failed to ensure compliance with transformation legislation. The Helmke-Levitsky [framework](#) demonstrates how informal de facto institutions, such as racism, interact with formal de jure institutions to shape corporate governance. It also shows how white people can frustrate transformation by rendering empowerment laws ineffective.

Models of interaction

The Helmke-Levitsky framework was developed by political scientists Gretchen Helmke and Steven Levitsky. They argue that four distinct postures guide how the informal institution of racism can interact with formal empowerment laws. These are complementary, accommodating, competing, and substitutive.

Complementary: In this naive case, the interests of whites and those of the African National Congress (ANC) government would be aligned to drive transformation. The informal institution of racism would somehow, magically, complement the effective implementation of empowerment policies.

Accommodating: In this instance the ANC government would be effective in enforcing transformation laws. However, the goals of formal empowerment laws and informal racist agents are in conflict. This would lead to subversion of the onerous transformation laws through petty corruption. Racist agents would also move to largely position themselves in the informal sector.

Competing: Informal institutions striking this posture are exemplified by criminal networks such as the Mafia. In this case racist agents would directly challenge an ineffective ANC government. They would create their own de facto criminal rules of engagement. Their aim would be to totally undermine state institutions.

Substitutive: This posture would also arise where the ANC government is ineffective. The goals between formal empowerment laws and informal racist agents would also be incompatible. However, in this case racist business groups would be so large and powerful that they substitute for the state, or capture it for their own ends.

In my view, South Africa's bifurcated political economy seems to have reproduced a hybrid of accommodating and substitutive informal postures. This has a negative impact on the political economy and transformation. Essentially, it has reinforced the power of domineering whites and marginalised impoverished blacks.

By any means possible

Transformation rules and the interests of informal racist agents have proved to be incompatible. As a result, whites have used racism to crush the perceived threat to their property rights.

They are able to attain their goals since the ownership and control of listed companies and banks is highly concentrated in their hands. They are able to use their oligarchic power – and grand corruption – to maintain the status quo.

They stifle black advancement by appointing friends or family members without the requisite qualifications or experience as senior executives. Highly qualified blacks are [overlooked](#).

They also engage in grand corruption, for example, by [falsifying](#) their empowerment scores to get large construction tenders, banking and mining licences. In this way, they subvert black advancement and entrepreneurship.

White [oligopoly](#) power is so effective in marginalising blacks because it has one or two friends in the ANC government. The governing party does not enforce its own transformation or land distribution laws. Instead, it may use state power to protect white oligarchs.

The Marikana massacre provides an apt example of the power of this phenomenon. The current ANC Deputy President, Cyril Ramaphosa didn't employ his substantial political power to ensure that mining giant Lonmin met its social and labour responsibilities as per legislation. Instead, he seems to have made sure that the [strike was crushed](#).

Conversely, the black majority doesn't have the economic power to counter the discriminatory effect of white oligopoly power. It's not surprising, then, that where black entrepreneurship exists its marginal, accommodating white discriminatory power.

Black entrepreneurship therefore manifests, largely, in the informal, shadow economy. Examples are spaza shops, the violent taxi industry or tendering characterised by petty corruption.

Need for reform

Applying the Helmke-Levitsky framework strongly indicates that South Africa's captured institutions are effective for protecting white property rights. For blacks, the same "rigorous" institutions are useless for transforming the economy or restoring their land.

South Africa needs honest empowerment and corporate governance reforms to achieve meaningful economic transformation. These reforms must take into account the reality of white racism. To expect white oligarchs to act against their perceived interests is naive.

But corporate governance and empowerment reforms may not be enough to foster [transformation](#). Fundamental reforms addressing the institutional context in which racist oligarchs operate need to be put in place.

Anti-corruption and election funding laws may need to be revisited to counter state capture. In addition, discriminatory white oligopoly power will also need to be directly curbed by, for instance, reducing white control of the banking industry.

In my view, these and other reforms may be necessary to realise the post apartheid dream of a united, prosperous and non-racial South Africa.

This article was originally published on [The Conversation](#). Read the [original article](#).

Provided by The Conversation

Citation: Systemic racism behind South Africa's failure to transform its economy (2017, February 2) retrieved 27 April 2024 from <https://phys.org/news/2017-02-racism-south-africa-failure-economy.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.