

## **Financialization, the Minerals Energy Complex and South African Labour**

---

By Seeraj Mohamed

"Seeraj Mohamed" <Seeraj.Mohamed@wits.ac.za>

An abstract submitted for the Global Labour University Conference, Tata Institute for Social Sciences Mumbai, India, 22-24 February 2009:

### **Information about the author:**

I am director of the Corporate Strategy and Industrial Development Research Programme, School of Economic and Business Sciences, University of the Witwatersrand, Johannesburg.

I am also a member of the Global Labour University (GLU) steering committee at Wits University. I teach one of the core courses in the GLU masters programme at Wits University called Economic Policy, Globalization and Labour

I could also present a GLU working paper I wrote called "Economic Policy Globalization and the Labour Movement: Changes in the Global Economy from the Golden Age to the Neo-liberal Era" it is available at web link: [http://www.global-labour-university.org/fileadmin/GLU\\_Working\\_Papers/GLU\\_WP\\_No.1.pdf](http://www.global-labour-university.org/fileadmin/GLU_Working_Papers/GLU_WP_No.1.pdf)

Email: Seeraj.mohamed@wits.ac.za

---

### **Abstract**

The stated aim of government's social and economic policies in South Africa since the end of apartheid is a development project to redress past injustices and to address high levels of poverty, inequality and unemployment. The success of this development project depends on the ability of the state to tackle structural weaknesses in the economy and to ensure that profits earned, especially in the resource sectors, are reinvested in downstream, value added sectors. The preferred type of investment would be long-term productive investments that increase employment and decent work opportunities. In other words, South Africa requires the state to implement policies that restructure the economy in a way that shifts the core of the economy away from mining and minerals related activities (the minerals and energy complex or MEC sectors) toward more labour

intensive and employment creating, downstream, value-added industrial activities.

At the same time, economic policies have been concerned with promoting investment into South Africa and maintaining credibility of government economic policies with people operating in international financial markets. These policies have worked against the development project in South Africa and have led to increased unemployment in industry and more precarious jobs due to increased outsourcing (of 'non-core' activities in both the private and public sectors) and casualisation of employment. The paper will explore two routes (channels) by which economic policies have led to increased unemployment and more precarious employment. The first route is liberalisation of capital controls that have allowed increased inflows of short-term destabilizing capital into the economy. These flows have led to misallocation of capital in the economy because it has promoted bubbles in real estate and financial asset markets. They have also led to an overvaluation of the currency, which has encouraged outward investment and increased consumption of imports. These factors have caused declining manufacturing activity and employment in the economy. The second route has been increased financialization of South African corporations that has been accompanied by increased internationalisation of South Africa's largest corporations. These corporations have increased outward investment and decreased their involvement in South Africa, especially in employment creating, downstream, value-adding industrial sectors.

This paper will argue that the post-apartheid government has been a significant agent in promoting the integration of the South African economy into the global economy. As a

result, economic policies have supported financialization of the South African economy and allowed greater internationalization of the largest corporations. As a result, there has been a shrinking of the industrial base of the economy and growth in the financial sector and speculative investments. Further, economic policy has reduced the influence of the state in the economy and instead placed the largest South African corporations under the control of global financial institutions and the shareholder value movement. The increased influence of the shareholder value movement on South African big business has shifted their attention towards increasing profits in the short-term instead of focusing on long-term productive investments. Most non-services sector investment was in capital intensive MEC sectors where high levels of resource and monopoly rents could be extracted from the economy. Therefore, the major restructuring of South Africa's major corporations during the 1990s has left the already highly concentrated economy even more concentrated and, unfortunately, more dependent on the MEC, especially for export earnings.