

UNDESA Paper

‘The financialization of the South African economy and its impact on economic growth and employment’

Sam Ashman, Seeraj Mohamed and Susan Newman

1 Introduction: South Africa’s changing MEC

The South African economy, along with the global economy more generally, has become increasingly financialized since the early 1990s. Financialization is closely associated with neoliberal policies which have included the active promotion of financial sector interests and a changing role for the state, particularly through its withdrawal from direct ownership (through privatization) and from social provision. Financial markets and financial institutions have grown in both size and influence over the neoliberal period. Financialization is understood as changes in the structure and processes of capitalist accumulation. This has entailed important shifts in the relations between households, corporate business, and financial institutions. This shift has been from a situation where financial institutions have acted as intermediaries between household savers and investing firms towards a financial system that creates liquid markets where household investors can freely buy and sell claims on corporate earnings. Financialized financial institutions as issuers and dealers of financial paper are thus regulators of firm and household behavior and of the macroeconomic trajectory rather than unproblematic intermediaries between saving households and non-financial corporate businesses, or between banks and corporate businesses or between firms. (Froud et. al. 2002)

How does corporate (financial and non-financial) and household behavior change after financialization? What are the consequences of these changes? To answer these questions we need to be aware of how financialization has affected different countries in specific ways, through the interaction between a variety of what we call channels of financialization. To understand financialization in the context of South African capitalism, we use Fine and Rustomjee’s (1996) conception of the South African economy as having evolved a distinctive system of accumulation which they call the ‘minerals-energy complex’ (MEC). We argue that we have moved from a period of the classic MEC to a now financialized MEC (Ashman 2012). Fine and Rustomjee provide a framework for understanding the historical development of the structure of the economy through examining the evolution of big business (both English and Afrikaner) and the state. The term MEC summarizes the way in which this agglomeration of corporate and state interests supported the development of mining, minerals processing and energy related economic sectors and neglected other sectors with weak linkages to the MEC “core”. The expansion of one sector in the MEC has a pulling effect on other MEC sectors but this occurs in relative isolation from non-MEC sectors and for this reason the economy has skewed and relatively undiversified industrial structure.¹

¹ While this paper cannot delve deeply into the economic history of South Africa it acknowledges the importance of the country’s political and economic history. Land alienation, forceful proletarianization,

The conglomerate corporations around mining, energy and finance and the larger state owned enterprises came to dominate the entire South African economy by the 1980s. The term MEC thus denotes an economy concentrated in particular sectors and sub sectors but also marked by high concentrations of ownership. The high level of concentration in the South African economy has not changed as a result of the extensive and significant corporate restructuring since the 1990s (Roberts et al, 2003, Competition Commission, 2009). In South Africa, most sectors remain dominated by one or two firms that are often highly vertically integrated. From the 1990s the South African economy's growth path has been shaped by financialization, which has directed capital away from the investment necessary to diversify the industrial base.

The liberalization of domestic financial markets has contributed to financialization of the South African economy. This deregulation occurred within the context of widespread global deregulation of financial markets and cross-border financial flows. To a large extent the South African financial institutions have emulated the behaviour of US and British finance, which given their longstanding ties, were the benchmarks for South African financial institutions. Similar to the US and Britain, South Africa has developed a market-centred rather than a bank-centred financial system.² The rapid growth and increasing rates of return of these Western financial institutions were seen as a sign of their success and further supported their emulation in South Africa.

Financialization has reshaped the South African economic growth path over the past two decades as capital was directed to finance and consumption and the sectors with strong linkages to these activities (Ashman *et al*, 2010; Mohamed, 2010). This economic growth path is not sustainable as its limits are linked to the size of bubbles that can be created in real estate and financial asset markets and the extent to which debt can be extended for consumption. The global financial crisis very quickly provided these constraints for South Africa in 2008. Mohamed and Finnoff (2005) argue that the weaknesses of an economy shaped by the MEC and the political changes in South Africa led to large-scale capital flight from the South African economy after the onset of democracy. The macroeconomic policies of the country and the type of liberalization of exchange controls allowed big business to take large amounts of capital abroad (Ashman, Fine and Newman (2011). The economy became more dependent on short-term capital inflows to maintain the overall balance of payments.

We argue that the gap between gross savings and gross capital formation has widened since 1994 because an increasing share of savings was channelled towards financial investment and the shifting patterns of investment by non-financial corporations. Contrary to the view that South Africans do not save enough we show that gross domestic savings has stagnated since 2002 with an increase in gross savings being driven by capital inflows from the rest of the world attracted by high interest rates healthy returns on South African capital markets. Low domestic savings is due to

and the legacy of colonialism and apartheid in general, can be felt on class formation, the nature of the state, business, labour markets, and many other aspects of post-apartheid society and economy.

² See Demirgüç-Kunt, Asli & Ross Levine (eds) *Financial Structure and Economic Growth: A Cross-Country Comparison of Banks, Markets and Development*, Cambridge, MA: MIT Press, 2004 for a discussion of bank-centred and market-centred financial systems.

poverty and inequality. The financial sector attracts short-term and speculative rather than long-term productive capital. These short-term inflows finance a large current account deficit and maintain the overall balance of payments, but this is at the expense of productive investment and employment creation.

In what follows, Section 2 looks at financialization in general terms; Section 3 provides evidence of financialisation in South Africa at three different levels identified – financial institutions; non-financial corporations, and households. Section 4 looks at corporate restructuring and the financialization of NFCs in SA, arguing that they have selectively withdrawn from certain business activities in South Africa and have further tightened their grip in South Africa. The restructuring of the South African corporate landscape during the 1990s has increased South Africa's dependence on mining and minerals resources while strengthening the financial sector but left manufacturing industry weakened. Section 5 the effect of these changes on labour and employment. It gives a context that describes the reform of labour legislation from 1994 and discusses the defensive response by big business to these changes. Overall, it argues that the impact of corporate restructuring and financialization on employment has been negative and the changes have led to increasingly precarious employment in non-productive services. There has been lower productivity as a result not of poor training and skills but because of poor pay, casualisation and outsourcing, less training and increasing unemployment. Section 6 is the conclusion.

Financialization: theory and literature

The term financialization has its origins in heterodox political economy in the last decade or so and it points to important changes in the nature of capital accumulation. Ashman and Fine (2013) provide a summary of what financialization has involved in the following terms:

the phenomenal expansion of financial assets relative to real activity (by three times over the last thirty years); the proliferation of types of assets, from derivatives through to futures markets with a corresponding explosion of acronyms; the absolute and relative expansion of speculative as opposed to or at the expense of real investment; a shift in the balance of productive to financial imperatives within the private sector whether financial or not; increasing inequality in income arising out of weight of financial rewards; consumer-led booms based on credit; the penetration of finance into ever more areas of economic and social life such as pensions, education, health, and provision of economic and social infrastructure; the emergence of a neo-liberal culture of reliance upon markets and private capital and corresponding anti-statism despite the extent to which the rewards to private finance have in part derived from state finance itself. Financialization is also associated with the continued role of the US dollar as world money despite, at least in the global crisis of the noughties, its deficits in trade, capital account, the fiscus, and consumer spending, and minimal rates of interest.

One critical consequence of financialization has been to reduce the level and efficacy of real investment as financial instruments and activities have expanded at its expense – albeit with booms in investment in particular sectors at particular times such as with the dotcom bubble of the 1990s. Overall, financialization has produced the

prioritization of shareholder value – or financial worth – over other economic and social values and extended the influence of finance over economic and social policy more generally, both directly and indirectly. More and more aspects of economic and social life become put at risk from the volatility of financial instability as a consequence (Ashman, Fine and Newman 2010; Ashman and Fine 2013). Most research, particularly initially, focused on the USA and the UK as the leading examples of financialized economies. But as financialization has extended, it can be seen to have a wide variety of forms and effects in different national contexts.

The literature on financialization in the US suggests that important changes in the global economy are the result of the way that new entrants - the “Asian Tigers” and then China and India – have increased competition in global product markets. This had the effect of driving down prices and reducing profits for US manufacturing firms. This did not, however, lead to the scaling down of production given the existence of high levels of sunk costs and increasing returns to scale. Instead it produced a shift from the funding of new investment from retained corporate earnings to external sources of finance (Crotty 2002). The 1980s and 1990s saw a growth in the influence of financial actors, particularly institutional investors. The 1980s also saw a rise in mergers and acquisitions and of hostile takeovers. By the 1990s, there was broad agreement across business, government and academia that management priorities had shifted to a focus on the need to increase shareholder value. Managers of non-financial corporations thus found that they had to focus on increasing short-term returns rather than the long-run growth of business. Lazonick and O’Sullivan (2000) have characterized this as a shift from ‘patient’ to ‘impatient’ capital. Whereas during the ‘patient capital’ of the post-WWII period management was focused on accumulation through ‘retain and reinvest’, from the 1980s onwards management were pressured to focus on short-term returns and had to ‘downsize and distribute’.

Crotty (2002) argues that the interests of the executives of corporations were aligned with the short-term interests of institutional investors through increased use of share options. A larger share of executive remuneration came from share options and profit-linked performance bonuses which concentrated their attention on achieving high short-term returns. Froud et al (2003) describe the impact of financialization causing a change in US management’s attitudes from that of a concern during the 1980s with competing against Japanese corporations for shares of product markets to worrying about pressure from the stock market during the 1990s. Both Crotty (2002) and Froud et al (2003) point to how corporations began to face both increased competition in product markets and pressure from financial markets to report ever increasing levels of profits. Crotty (2002) refers to this as the ‘neo-liberal paradox’. He ascribes high levels of corporate fraud and misreporting of profits during the early 2000s as one response by executives to this pressure. Attacks on working conditions are another response of executives to this pressure. Crotty argues that the ‘high road labour relations’ of the post-WWII era were eroded by management when corporate profits in the US began to decline. This erosion of wages, benefits and standards spread globally; possibly contributing to declines in global economic growth and aggregate demand from the 1980s.

Froud et al (2003) provide in-depth case studies of financialized multinational corporations and argue that there is a discrepancy between the ‘narratives’ and ‘numbers’ of these corporations. The public narratives provided by chief executive

officers and other executives of these corporations are designed to bolster and improve share prices by creating ‘stories’ about the performance and future plans of the corporation which are not confirmed by the financial results of these corporations in reality. The phenomenon they speak about has created a business environment where certain CEOs have ‘superstar status’ and the performance of share prices reflect the CEOs public performances rather than the actual activities and profits of their corporations. Such corporate superstars include (now deceased) Steve Jobs of Apple, Richard Branson of Virgin, and former CEO of GE Jack Welch. Froud et al (2003) also show how non-financial corporations resorted to financial activities and speculation in financial markets to increase their returns to shareholders. For example, Froud et al (2003) show that high returns to GE shareholders were not attained by gains in product markets but by activities in financial markets – whatever shareholders believed about Jack Welch. In reality, GE acquired financial firms with high returns which increased the average return of the GE Group.

Another phenomenon that increased with the onset of the financialization of NFCs was share buybacks. Share buybacks were an easy way for firms to increase earnings per share and push up share prices. Crotty (2002) and Orhangazi (2007) argue that many NFCs in the US increased their levels of debt in order to buy back shares. Share buybacks that increased share prices were not only a means for executives to get higher bonuses and appreciation from shareholders; it was also a means to respond to the possibility of hostile takeovers. Increased criticism of management could lead to attempts by certain institutional investors to replace management or embark on a hostile takeover. The reduction of shares available in secondary markets was a way for executives to increase their power in these conflicts.

Stout (2012:3) in a detailed study of shareholder value within US corporate law says, “... it is just that – an ideology, not a legal requirement or a practical necessity of modern business life. United States corporate law does not, and never has, required directors of public corporations to maximise either share price or shareholders wealth.” As long as the boards of these corporations do not use their positions to unduly enrich themselves, US law gives them much discretion in how they run their businesses. Boards do not have to be fixated on increasing shareholder value but could pursue goals such as firm growth, improving the quality of their products, protecting employees and serving the public interest. Stout argues that the single-minded goal of pursuing increased shareholder value is harmful to both corporations and US society:

In the quest to “unlock shareholder value’ they sell key assets, fire loyal employees, and ruthlessly squeeze the workforce that remains; cut back on product support, customer assistance, and research and development; delay replacing outworn, outmoded, and unsafe equipment; shower CEOs with stock options, and expensive pay packages to ‘incentivize’ them; drain cash reserves to pay large dividends and repurchase company shares, leveraging firms until they teeter on the brink of insolvency; and lobby regulators and Congress to change the law so that they can chase short-term profits speculating in credit default swaps and other high risk financial derivatives. (Stout 2012:4)

Crotty (2002) also argues that financialization also means that subsidiary firms are often not seen as enterprises to nurture and grow over the long-term within corporate groups but instead are seen as part of a portfolio of assets to be bought and sold to increase the short-term returns of the corporation. Froud et al (2003) argue that downsizing was a common response by executives to pressure for higher returns. Both

behaviours, treating subsidiary firms as part of a portfolio of assets and downsizing firms, reduce investment in long-term productive capacity and building the skills of the workforce. They are also associated with increased offshoring and outsourcing of (increasingly) core business activities. As a narrative instrument, talk about downsizing by executives seemed to guarantee higher share prices. For example, downsizing of a corporation's labour force usually sends a signal to those speculating in the stock market that management is cutting costs to increase profits. The downside could be that those corporations would lose skills in their workforces that they had built up over a long time. Put differently, they may be harming the long-term productivity growth of the firms within their corporation for short-term gains in their share price.

The experience of Europe, particularly the UK during the 1980s, provides important insight into the negative impacts of downsizing and downgrading labour market conditions on economies. Michie and Wilkinson (1994) discuss labour markets during the de-industrialization period during 1980s. They argue that the process of downsizing, casualization and outsourcing undervalues lower skilled and semi-skilled jobs. They attribute loss of manufacturing sector jobs and de-industrialization not to shifts in consumption patterns favouring increased growth in services but to a shift in the balance of trade and growing overall levels of manufacturing. They show that in the UK, where de-industrialization and manufacturing job losses were highest, that manufacturing job loss was due to a situation where there was productivity growth but not growth in manufacturing output. The tight monetary policy pursued at the time further increased unemployment. Yet the policy response to unemployment caused by tight monetary policy and the trade imbalance (balance of payments constraints) in the UK was labour market deregulation which lowered pay, increased inequality, and contributed to labour force instability which in turn is a large constraint on training. The overall experience in the UK (as elsewhere) was that employers that could take advantage of high unemployment levels chose to reduce work conditions, cut pay and casualized jobs. The causation within orthodox economics is therefore incorrect when it is argued that low productivity causes low wages or that lack of training and skills is the cause of low pay. Low paying employers are less likely to train their employees. Low pay also allows firms to survive even where there is poor performance from management and obsolete equipment is not replaced. Declining training capacity can also lead to a skills shortage.

Perhaps most important for South Africa is the impact of financialization on levels of investment, something discussed further in the next section. Aglietta and Breton (2001) argue that as nonfinancial corporations seek to increase their dividend payments and to use share buybacks to raise share prices they are left with less capital for investment. Dumenil and Levy (2004) show that interest and dividend payments from nonfinancial corporations to financial markets have increased and that as a consequence nonfinancial corporations have less capital for productive investment. Orhangazi (2007), discussed further below, uses firm level data from the US to show a negative relationship between real investment and financialization. Lapavitsas (2012) argues we need to look further at the development of financial imperatives in three separate but connected spheres_banks/financial institutions, firms and households (see section 3 below for evidence from South Africa from these three different areas) and how these combine to particular form and effect. But in general terms global deregulation and deregulation in South Africa have contributed to the

growth of the financial sector and the increasing influence of finance over other spheres of South African society at the same time as these changes have had an impact on non-financial corporations and upon households.

In conclusion, the financialization of the US and other developed economies has had a number of negative outcomes for the global economy and the South African economy. The impact on corporations has been a shift towards focus on short-term returns and increased concern with shareholder value. This development has been negative for investment and employment. Further, the negative relationship between management and workers associated with lower investment in enterprises is associated with lower employment, lower levels of productivity and training and increased outsourcing and casualisation of jobs. The overall results of financialization are lower employment, reduced skills levels, increased inequality, and higher levels of poverty. The lower levels of investment and employment lead to lower levels of aggregate demand.

2.2 Mining and financialization and changes to commodity markets

The importance of mining to the South African economy means we need to look specifically at the financialization of the global mining industry and global commodities markets and the implications of this for South Africa. There are negative consequences associated with financial crises and contagion and the possibility of even more destabilizing bubbles and crashes. The environment leads to increased uncertainty and more difficulty for planning investment and increasing employment in mining. Changes to commodity markets have occurred as a result of new financial institutions and instruments, particularly the use of derivatives linked to commodities and the proliferation of exchange traded funds (ETFs) including those tracking commodities stocks. The use of derivatives has not significantly declined as a result of the global financial crisis. According to the BIS statistical release for 2012, the total notional amounts outstanding for over the counter derivatives returned to over US\$600 trillion during 2011 but had not significantly declined below US\$600 trillion during the crisis (BIS 2013). There have been large investment flows into commodities derivatives over the past decade and these flows increased after the global crisis. Thus, while mining concerns such as Anglo American report what seems to be legitimate use of derivatives to hedge risks in currency, commodities and interest rates, the commodities market themselves have become the focus of speculative activity.³

The European Union has expressed concern with the changes in mining and commodity markets. A statement released on discussion within the Council of the European Union:

Acknowledges that financial markets have a role in hedging the exposure of both producers and consumers of raw materials and commodities to risks associated with physical production and price uncertainty, whilst also TAKING INTO ACCOUNT the growing influence of financial actors in commodity markets, in particular the steep rise in financial investment flows into commodity derivative markets in recent years, and

³ It seems that the mining corporations have become more reliant on conventional funding sources at a time when derivatives have become more important in price formation for their products. The reliance on conventional funding has meant that since the global economic crisis mining companies have not invested as much in new mines but have expanded existing mines.

believes this trend should be analysed with a view to its potential to affect the proper functioning of commodity markets; AGREES that the integrity and transparency of commodity derivatives markets need to be improved. (Council of the European Union, 2011)

The growth of exchange traded funds (ETFs, also referred to as tracker funds) is due to the overall financialization of markets that have affected the way in which retail investment firms market investment services and how investment companies and institutional investors choose to allocate their investments. The portfolio choices of investors favour increasingly liquid investments and diversification. ETFs have grown very fast. According to a BIS working paper, the ETF market had grown to over \$1.6 trillion in 2010 from \$410b in 2005 (Ramaswamy 2011). The Financial Stability Board estimates that the ETF market has grown at an annual rate of 40% over the past decade (see Gillian Tett, 5 May 2011 *Financial Times*). Ramaswamy says that 80% of ETF assets in Europe are owned by institutional investor and 50% are owned by institutional investors in the US. Ramaswamy warns that the ETFs are not transparent in the way they track indexes. He says that as ETFs have proliferated and competition has increased the complexity of the ETFs has increased. These developments have made risk assessment difficult. Many of the risks that emerged in the rapid growth of the securitized debt and derivatives markets before the global financial crisis could very well be present in the very rapidly growing ETF market.

There are vanilla ETFs that hold the actual financial assets of the indexes they track and there are synthetic ETFs that include derivatives based on the value of the financial assets in the index they are tracking. The use of derivatives poses dangers related to over-leveraging. The Financial Stability Board has also warned that investors in ETFs may not be aware of the risks associated with what they are buying (Tett 2011). A similar problem was encountered with derivatives and securitized debt markets in the early 2000s through to the financial crisis. As with those financial innovations, there is a possibility of increased levels of economy-wide and global systemic risks.

According to the website MoneyMetals.org, ETFs linked to mining and minerals markets have become popular precisely because of the lack of transparency of these funds. The impacts of increased environmental legislation and concerns by civil society groups have induced institutional investors to demand higher standards from mining companies. These pressures have increased costs of mining globally. Civil society groups are also putting pressure on institutional investors to withdraw from companies and countries with poor environmental and human rights records. However, financial institutions have created instruments that lack transparency to support shareholders and institutional investors that may be subject to civil society pressure. For example, they have developed funds that hold shares on behalf of investors. They also use ETF for these purposes. MoneyMetals.org explain that it is possible for some financial institutions to offer 'clean' (in terms of environmental and human rights measures) investment funds while also offering funds with investments in businesses that violate these 'clean' criteria because of the lack of transparency of the instruments they have developed.

The increased use of derivatives for speculation in commodities markets and in ETFs has had a huge impact on commodities firms, markets and price formation for

commodities. A 2012 Unctad Policy Brief echoes the concerns of the EU above and summarizes some of the main issues:

Despite a growing body of evidence on the destabilizing influences emanating from financial markets, the “real economy” explanations still dominate the debate. It is not commonly recognized that demand from financial investors in the commodity markets has become overwhelming during the last decade. Of course, supply and demand shocks can still move commodity prices time and again. But with the volumes of exchange-traded derivatives on commodity markets now being 20 to 30 times larger than physical production, the influence of financial markets has systematically transformed these real markets into financial markets. This calls for strong and prompt policy and regulatory responses in the financial markets, rather than in the physical markets. (Unctad 2012:1.)

The Unctad research shows an increasing correlation between returns on commodities markets and other financial markets. They argue that financial investors bet on the trends in the commodities markets for the time they are in those markets in the same way they bet in financial markets. They also use the same information they use to inform their decisions in financial markets for their decisions in commodities markets. “They do not trade systematically on the basis of fundamental supply and demand relationships in single markets, even if shocks in those markets may influence their behaviour temporarily” (ibid, p.2). As a result, there is much more herding behaviour in commodities markets that “... introduces spurious signals into the market (ibid, p.4).” that has caused growing possibility for ‘volatility leaks’ (see Tang and Xiong, 2012). The Brief warns, “Because of these distortions, commodity prices in financialized markets do not provide correct signals about the relative scarcity of commodities. This impairs the allocation of resources and has negative effects on the real economy (ibid.)”.

The increased volatility and correlation of commodities prices with trends in global financial asset prices poses real problems for the South African economy. The relatively uncontrolled movement of capital (most of it short-term flows) into South Africa as a result of liberalization of cross-border capital flows causes the neo-liberal macroeconomic policies of the country (that focuses on consumer price inflation not asset price inflation) to be pro-cyclical. Therefore, periods of increasing global liquidity and inflation in the value of financial assets could translate into increased short-term flows into South Africa at the same time as commodities prices increase. This event could lead to more rapid growth of bubbles in financial asset markets (than seen in the 2003 to 2007 period) and potentially more severe crashes in these financial assets and equity prices (particularly commodities and financial equities). The volatility in commodities markets makes investment planning harder for mining companies and promotes a liquidity preference where speculation on price changes is more rewarding than long-term real investment in mines and expanding mining output. These developments do not favour investment and employment in mining but could further deepen financialization of the South African economy. The impact of a crisis in commodities markets (whether due to risks in these markets or contagion) on the South African economy is a subject for further research, however, one can predict that there will be a significant negative impact on the country’s balance of payments and employment in mining and closely linked sectors.

3 Evidence of financialization in South Africa

3.1 Evidence of financialization in South Africa at the aggregate level

This section provides evidence at the aggregate level for financialisation in three broad sectors which account for the key institutions in financialised accumulation, namely households, financial institutions and non-financial corporations.

3.1.1 Banking, finance and financialisation

Financial institutions, as issuers and dealers of financial paper, lie at the heart of the process of financialisation. Financial institutions are financialised when their function in the economy is not primarily to bring together savings from the former into large enough units for productive investment in the latter as in traditional understandings of the function of banks, but rather to facilitate and fuel financialisation processes in households and non-financial corporations, primarily through the diversion of a substantial proportion of long term savings into securities. To this extent, it is impossible to determine whether financial institutions are financialised if taken in isolation and apart from activities in the 'real' economy.

The nature of financial sector restructuring and behavior in recent history do, however, provide us with a number of indications to the degree of financialisation in the South African economy. First, a large and deep financial sector, together with the presence of active capital markets, provides the basic conditions for financialisation. Table 2.1 compares a number of indicators for the size, depth and intermediation efficiency of South Africa's financial markets with those for the United States - arguably the most financialised national economy - upper middle income and high income countries. By even high income country standards, South Africa has a highly developed, deep, diversified and efficient financial market.

Second, examination of the balance sheet for the banking sector in aggregate shows a shift towards holding more short-term assets and liabilities and increasing dependence on non-deposit liabilities - namely equities and short-term credit - together with the acquisition of securities on the asset side, to finance the massive expansion of credit since 2004 (see figures 2.1-2.3).

Third, the process of financialisation involves policy and regulatory reform of the financial sector in order to reduce impediments to, and support, the expansion of the capital market's sphere of influence. Informed by the financial liberalization approach of the De Kock commission appointed in 1977, comprehensive reform of the financial sector was undertaken in the 1980s. The banking sector was deregulated through the abolition of specialised bank categories and barriers against foreign entry were removed. By 1994, all distinctions between deposit-taking institutions were removed. Post reform capital requirements followed international standards as prescribed by Basel. Compared with both high and upper-middle income countries, private pension and insurance constitute a large part of the financial sector as a result of the historical specificities of the South Africa's economic development under apartheid (see for example Ashman & Fine 2012).

The financial sector also saw considerable reforms that would facilitate the expansion of flows between capital markets and households in particular. Quantitative credit

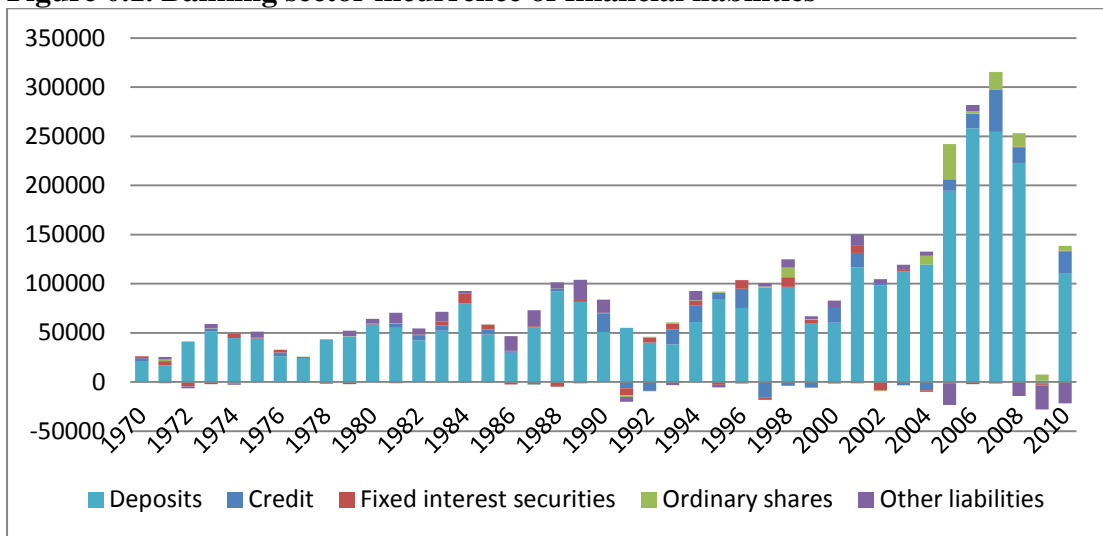
controls were removed in the early 1980s, which together with higher interest rates that came about through neoliberal macroeconomic policy reforms, resulted in supply-driven credit expansion. Government prescribed asset ratios for pension funds and pensions invested with insurance companies were relaxed in the early 1980s which made it possible for them to expand investments in equities. Restrictions for official pension funds to invest only in fixed public fixed interest securities were lifted in 1990. More recently, in 2007, restrictions against selling investment products fell away resulting in the growth in number of private investment funds and savings products, namely unit trusts, as well as the entry into savings by established insurance companies e.g. Discovery Invest.

Put simply, the features of the financial sector described above have provided both the supply of finance, through expanded credit, as well as the supply of financial instruments and assets, to which current and future savings of both households and firms can be diverted.

Table 0:1. Financial market indicators for South Africa and selected country groupings for 2009

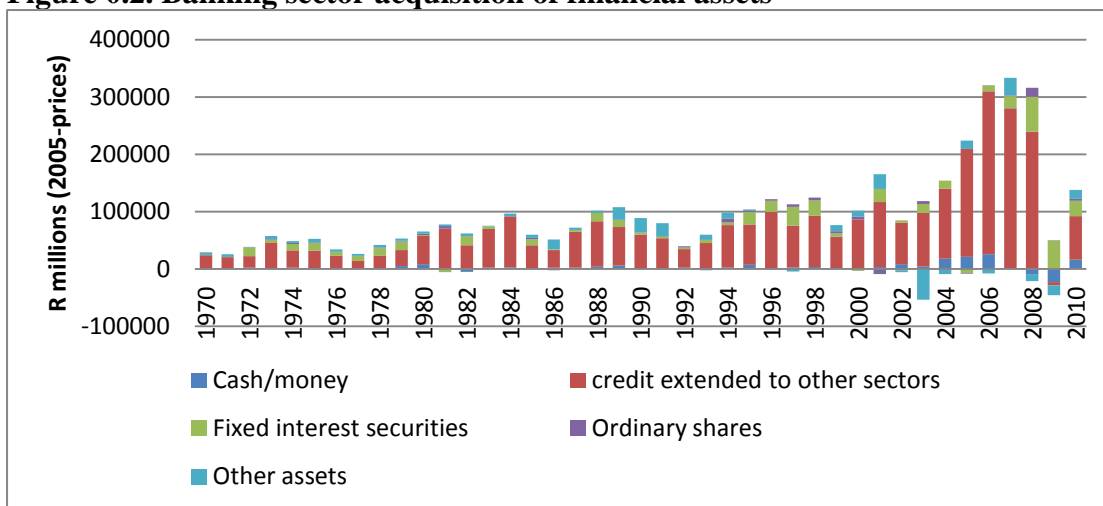
Country/country group	Bank deposits to GDP	Liquid liabilities to GDP	Deposit money bank assets to GDP	Other financial institution assets to GDP	Private credit by deposit money banks and other financial institutions to GDP	Stock market capitalization to GDP	Ratio of bank credit to bank deposits	Life insurance premiums to GDP
South Africa	0.67	0.46	0.95	1.18	1.74	3.38	1.29	0.12
Median for upper middle income countries	0.55	0.55	0.53	0.07	0.52	0.78	0.93	0.02
Median for high income countries	0.85	0.84	1.18	0.07	1.08	1.19	1.09	0.04
United States	0.83	0.77	0.73	1.74	2.19	1.52	0.75	0.05

Figure 0.1. Banking sector incurrence of financial liabilities



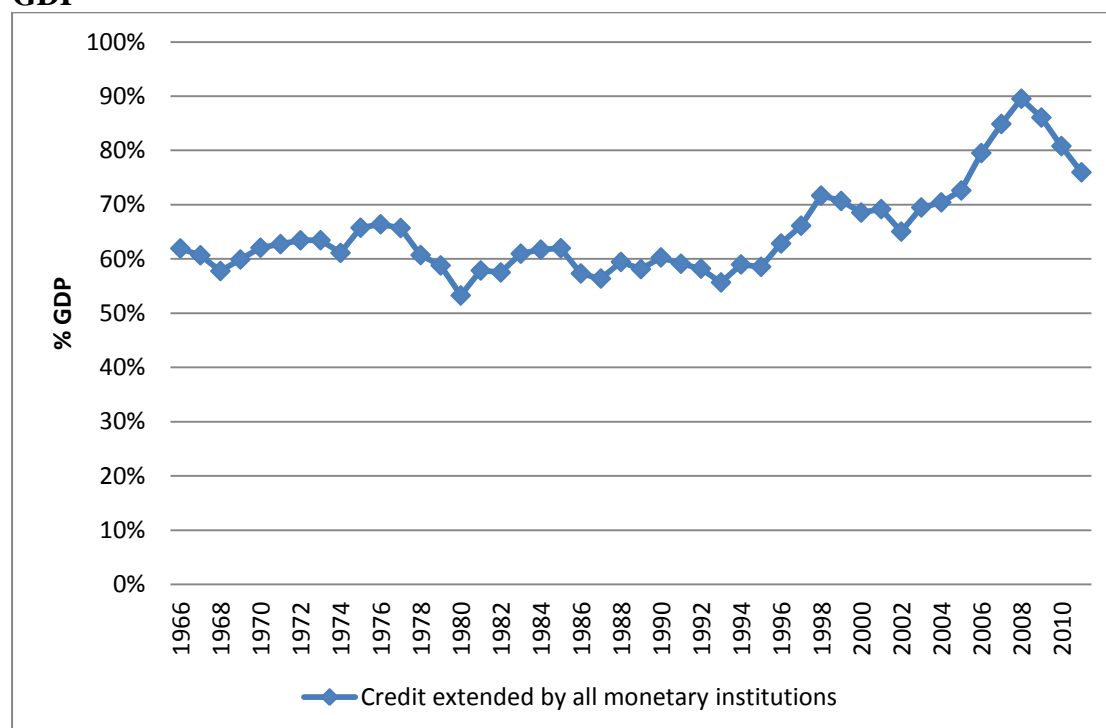
(Data source: Flow-of-funds tables, SARB 2011)

Figure 0.2. Banking sector acquisition of financial assets



(Data source: Flow-of-funds tables, SARB 2011)

Figure 0.3. Credit extended by all monetary institutions as a proportion of GDP



(Data source: SARB 2012)

1.1.1 Households and financialization

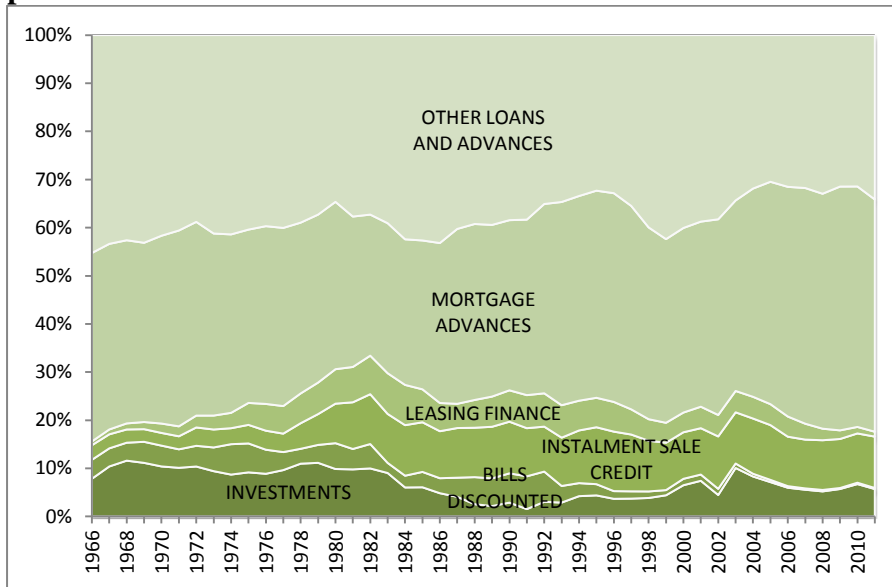
‘[T]he household [is] a key institution in a financialised economy, where savings and investment circuits divert middle class long term savings and expectations for retirement onto the stock market and where the household buffers the consequences for individuals who have not made necessary savings.’ (Froud et. al. 2002, p.125)

In the first decade of the 2000s, on average, 53% of all loans extended to the private sector were to households. The vast proportion of this was in mortgage lending and the financing of current consumption (see figure 2.4).⁴ This expansion of borrowing by households has driven financialisation in at least two ways. First, by financing current consumption, it frees up a larger portion of households savings for the acquisition of financial assets, either directly through the purchase of equities, the purchase of savings-investment products, namely unit trusts, or through life insurance and pension products. Second, the explosion in mortgage finance has fuelled house price inflation – by contrast to the period from the early 1980s up to 1999 when returns on housing were weak, the Absa

⁴ The phenomenon of debt driven consumption in South Africa has been discussed in Mohamed (2010)

house price index for all sizes increased by almost 300% between January 2000 and June 2008 (figure 2.5). Associated with house price inflation, has been a wealth effect, and the subsequent channelling of more funds into the acquisition of financial assets.

Figure 0.4. Credit extended by all monetary institutions to the domestic private sector

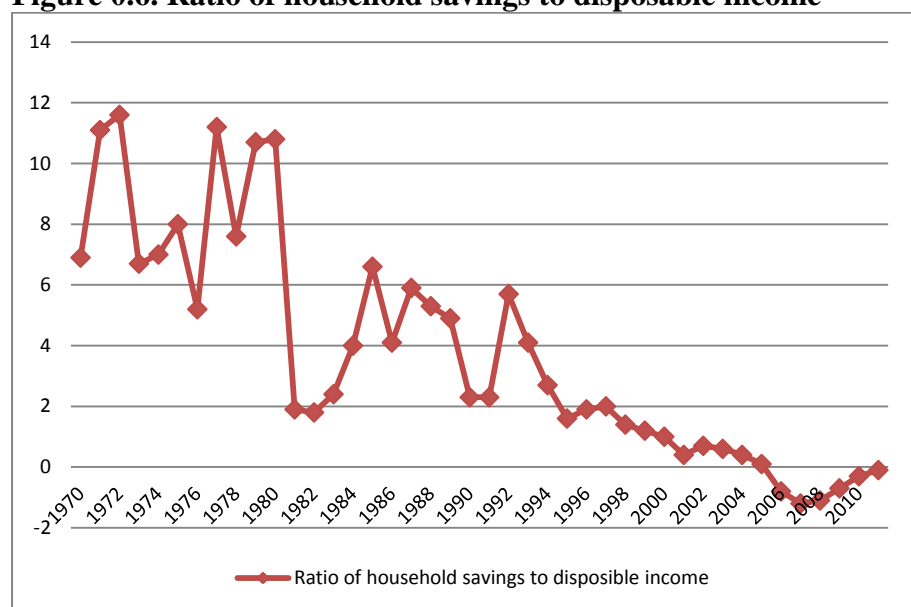


(Data source: SARB 2012)

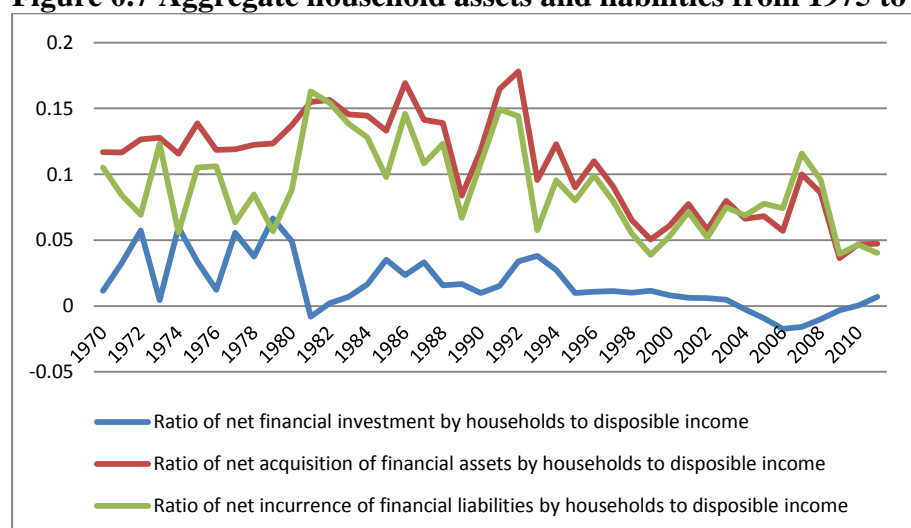
Figure 0.5 Absa House Price Index for Small, Medium and Large Properties, 2000=100



(Data source: ABSA 2012)

Figure 0.6. Ratio of household savings to disposable income

(Data source: National Accounts, SARB 2012)

Figure 0.7 Aggregate household assets and liabilities from 1975 to 2011

Data source: (Flow-of-Funds, SARB 2012)

The savings and investment behaviour of households has changed profoundly since the 1970s. Household savings as a share of disposable income has followed a downward trend since 1970, albeit with less volatility since 1994 (figure 2.5). In 2005, the ratio of savings to disposable income for households fell below zero, representing dissaving, which has occurred as a result of growing indebtedness (increased incurrence of financial liabilities) and not a fall in the acquisition of financial assets by households (figure 2.6). Households in aggregate appear to be saving for the future through the acquisition of financial assets, without forgoing current consumption which has been financed by debt.

Figure 2.7 charts aggregate household assets and liabilities from 1975 to 2011. The distribution of household savings across asset types has shifted in aggregate.

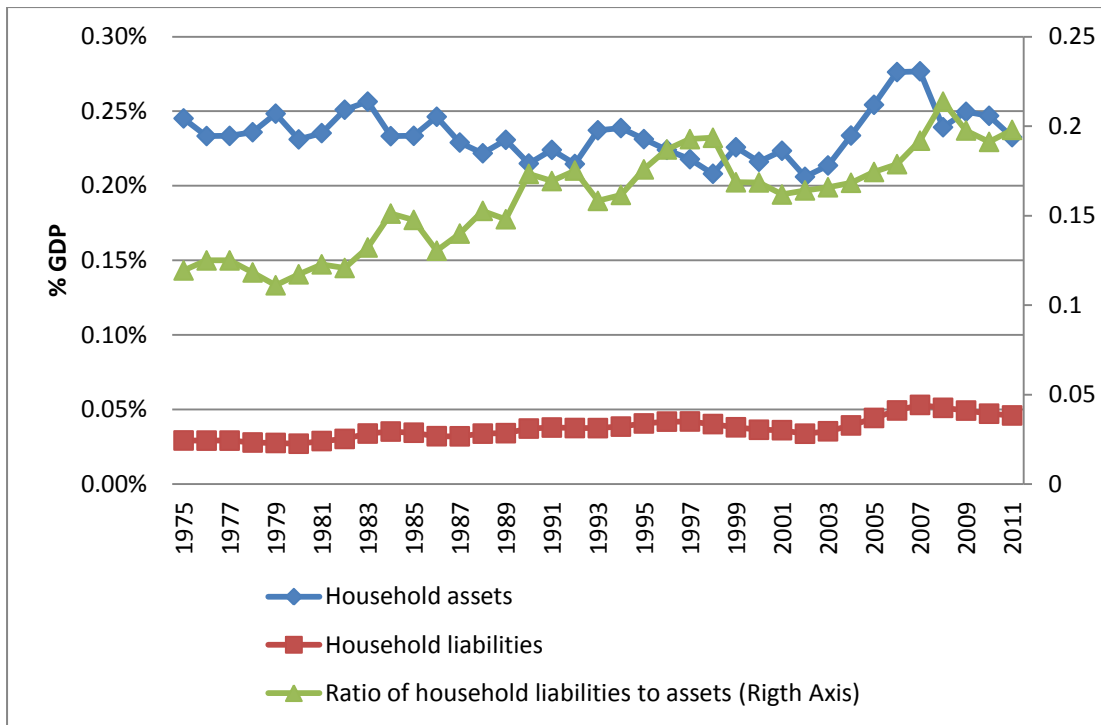
While household liabilities as a share of GDP has been increasing since the mid-1980s as financial market deregulation took place, household assets remained relatively stagnant as a share of GDP until 2000 when it began to increase dramatically, in part owing to increasing house prices. What is of particular interest is that the ratio of household liabilities to assets has been increasing since the early 1980s, dips a little in the period immediately after 1994, only to increase as the share of household assets to GDP increases. What this suggests is that the period after 1994 is structurally different from that in the period between financial deregulation in the 1980s and 1994, with the latter associated with financialisation processes as households increase the amount borrowed for current consumption expenditures in order to channel more of their income into the acquisition of assets, particularly financial assets.

The share of financial assets to all assets held by households increased year on year from 44% in 1976 to 76% at its peak in 1999 and averaged 70% between 2000 and 2010⁵. The composition of financial assets has also shifted, with a decline in the share of money deposits and an increase in the share of interest in pension funds and long-term insurers (which make up the bulk of financial investments) and other financial assets which include unit-trusts and direct holding of equity instruments by households.

Through pension funds and long-term insurers, households have increased their exposure to capital markets. Pension funds and long-term insurers themselves have oriented their investments towards short-term equities (ordinary shares) and reducing their share of fixed-interest government and non-government securities, fixed property and loans (figures 2.10 & 2.11). Insurers today resemble investment funds. The proportion of pension fund assets invested with insurers in 2011 was around 50% of all assets.

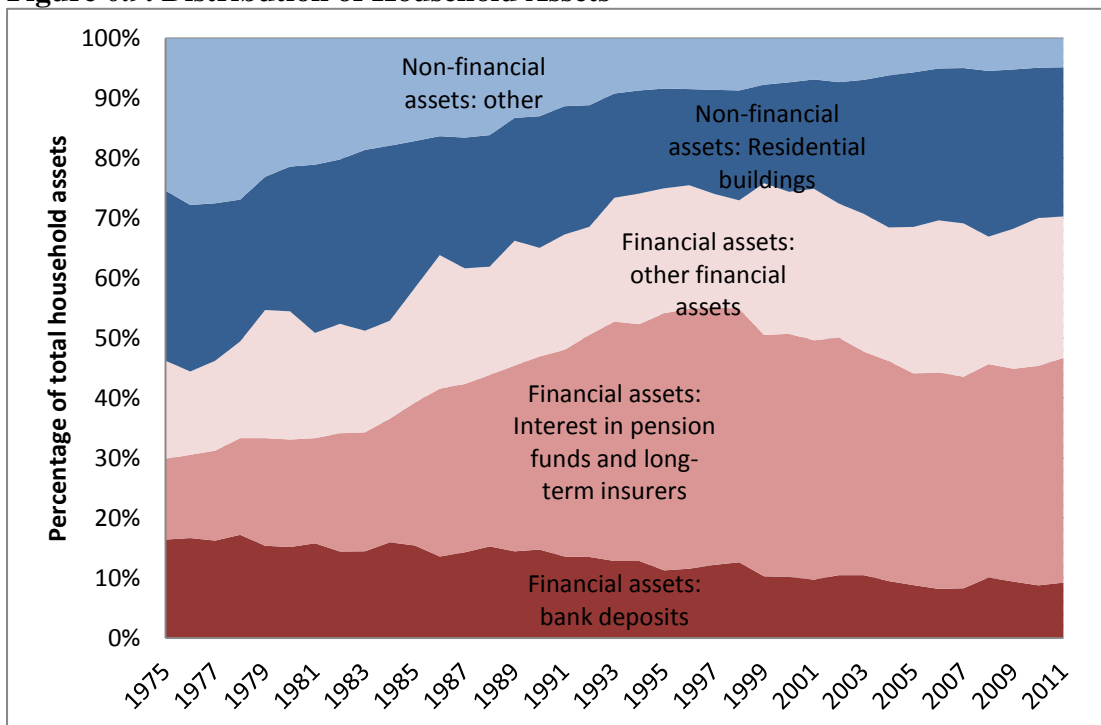
Figure 0.8. Household assets and liabilities as a percentage of GDP: 1975-2011

⁵ The slight reduction in the share of financial to total assets held by households from 2000 can be explained by the increase in the share of the value of housing assets inflated by credit expansion after 1999 as explained earlier.



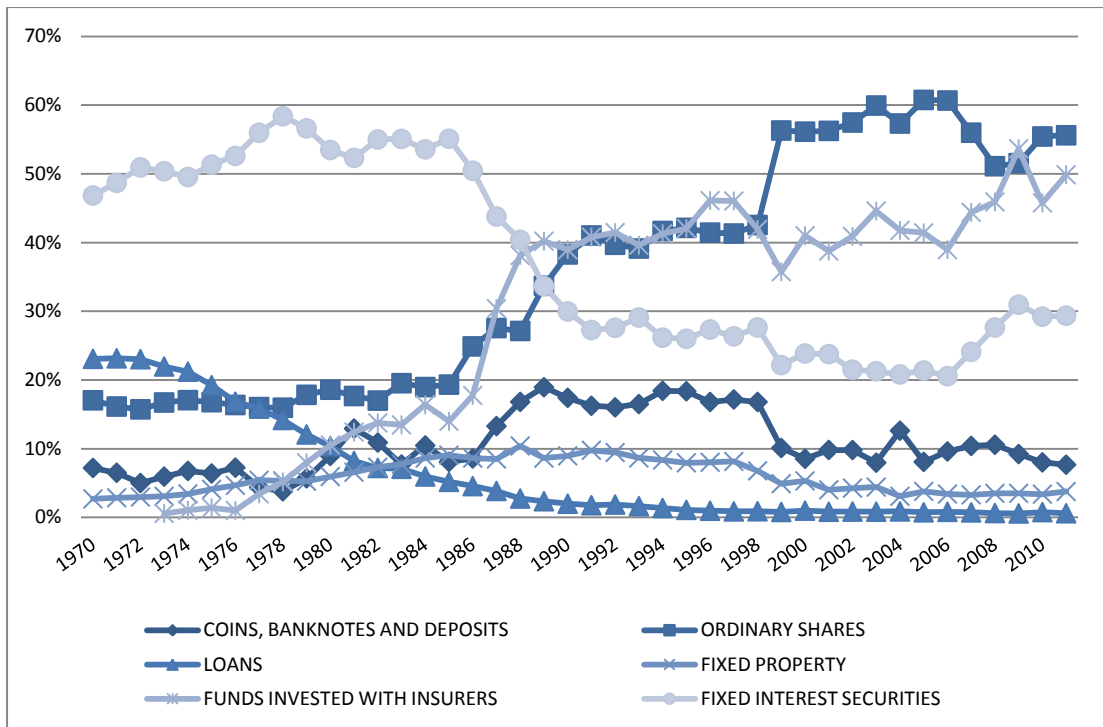
(Data source: Household Balance Sheet, SARB 2012)

Figure 0.9. Distribution of Household Assets



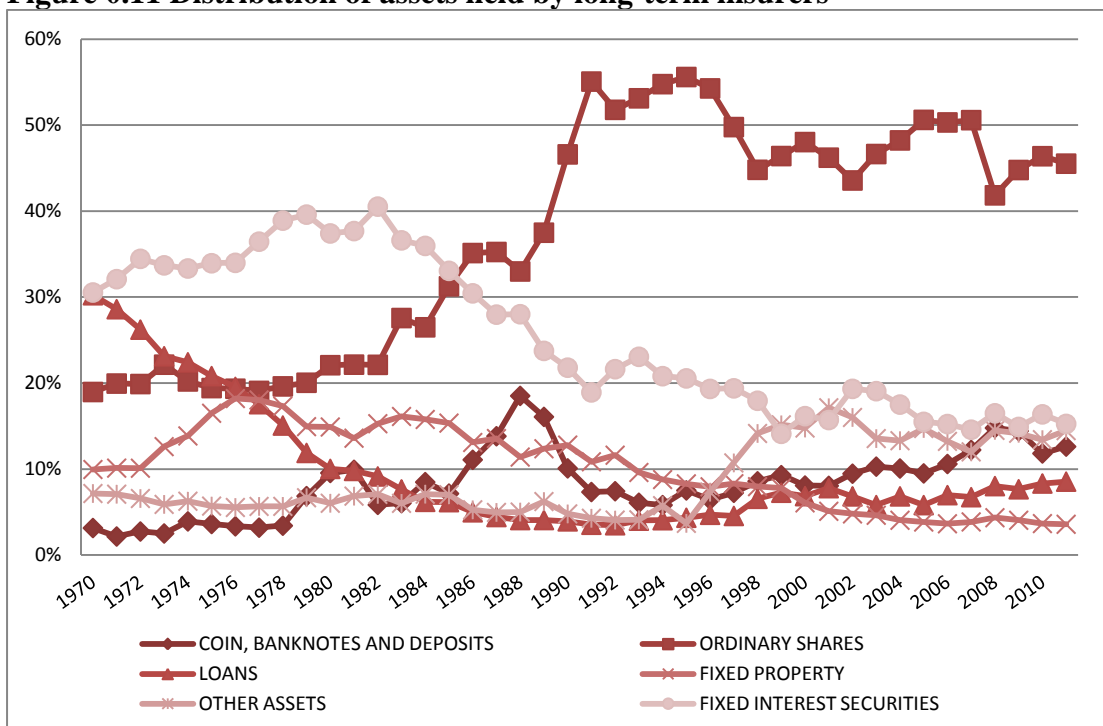
(Data source: Household Balance Sheet, SARB 2012)

Figure 0.10. Distribution of assets held by private self-administered pension and provident funds



(Data source: SARB Quarterly Bulletin 2012)

Figure 0.11 Distribution of assets held by long-term insurers



(Data source: SARB Quarterly Bulletin 2012)

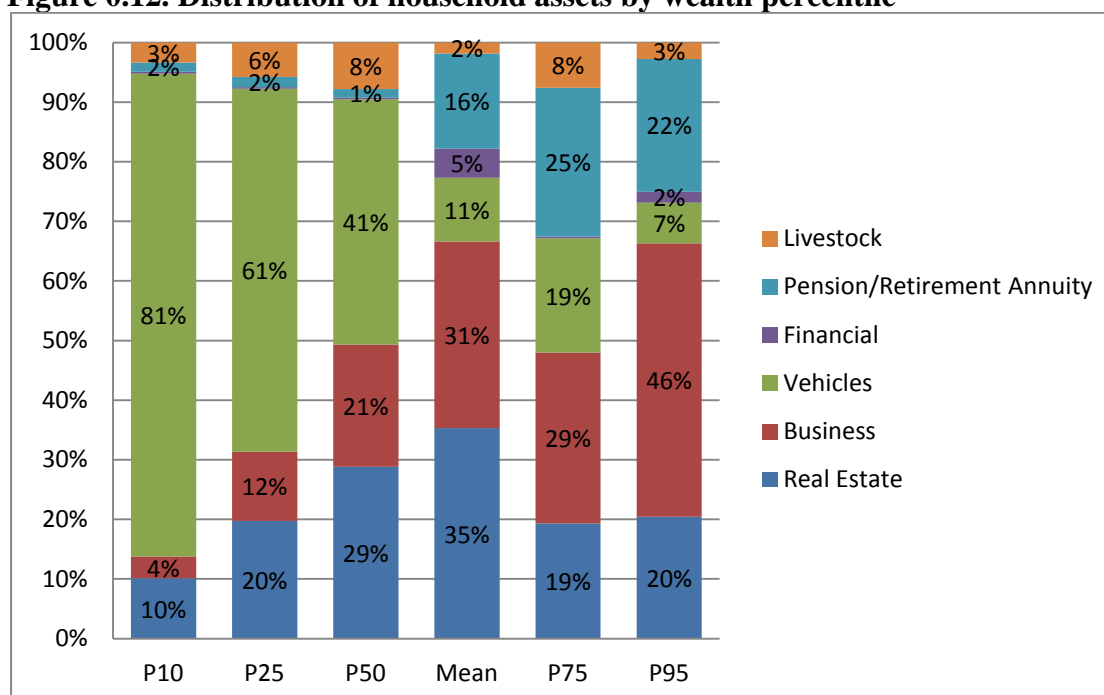
Thus far, we have only presented evidence for changes in household savings and investment behaviour with financialisation at the aggregate level. It goes without saying that aggregate categories will obscure the diversity across its constituents. This is particularly striking in South Africa owing pervasive and worsening inequalities. The income and net wealth Gini coefficients are 0.68 and 0.90 respectively (Finn, Leibbrandt & Levinsohn 2012). Amongst the components of

assets and debts, financial asset are the most unequally distributed, with a Gini coefficient of 0.95 (ibid.). With 85% of all assets in the hands of the top 10 percent most wealthy and 75% in the top 5 percent (ibid.), the aggregate story on shifting savings and investment behaviour of households with financialisation is a story of a wealthy minority. It is only the relatively wealthy that can put 5-10% of their disposable income into the acquisition of financial assets through pension, insurance and savings plans. Only the few at the very top of the wealth distribution directly hold equities. This can be seen in the distribution of assets across wealth percentiles (see figure 2.10). So what about the 75% of the population who are unable to forego, or borrow for, current consumption in order to pay into a pension, insurance or savings plan?

‘The household savings circuit through the stock market directly accelerates the inequalities of old age and ensures that a majority of the population derives little benefit from any distribution of dividends or the rise of corporate share prices’ (Froud, Johal & Williams 2002)

Increasing incomes from dividends and interest payments of the very top of the income distribution has also driven worsening income inequality since 1994. The incomes of South Africans in aggregate increased by 130% between 1993 and 2008 compared with a median of just 15%; increases in incomes have been driven by a small number with very large increases (Leibbrant and Levinsohn 2011). This corroborates with findings by Palma (2009) that worsening income inequality in the United States was largely driven by the very large increases in income of the top 1% of the income distribution through increased earnings from financial activities.

Figure 0.12. Distribution of household assets by wealth percentile



(Based on data from Daniels, Finn and Musundwa 2012)

Financialisation has led to changes in the savings and investment behaviour of the 25% of households at the tops of the income and wealth distributions. For these households, future income and consumption have become highly integrated with capital markets as they increasingly depend upon dividend and interest payments and stock prices. This, together with the lack of access to financial assets and credit for the majority has profound implications on income and wealth inequality.

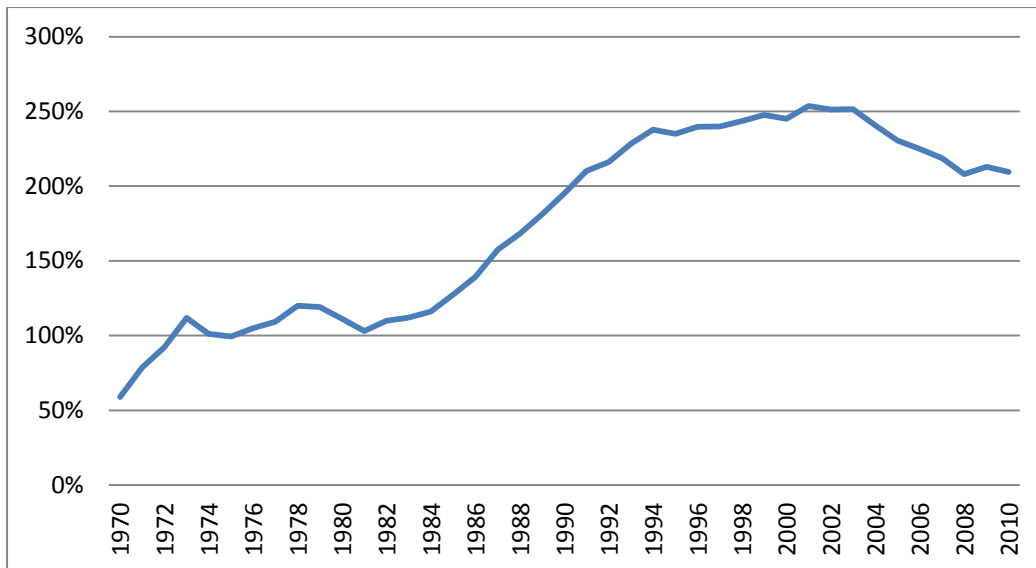
1.1.2 Non-financial corporations and financialisation

The third key institution in the financialised system of accumulation is the non-financial corporation (NFC). The process of financialisation has to be understood in terms of changes in the structure and processes of capitalist accumulation. Restructuring of the financial sector and capital markets under financialisation has made it possible for the financial sector to capture and distribute an increasing share of the surplus. Changes in the savings and investment behaviour of households through greater integration with capital markets has determined a highly unequal and unequalising distribution of this surplus between households. But how has financialisation changed the behaviour of non-financial corporations, the institutions that produce the capitalist surplus?

Firms' behaviour under the traditional 'productionist' model saw firms as the core site of capital accumulation where surpluses from the process of production were largely reinvested to increase the capital stock and thus the productive base of the firm. At the level of the firm, financialisation has been operationally defined as the increase in financial operations and motives of NFCs. Two quantitative indicators of financialisation of NFCs that have been cited in the literature are the increasing share of financial to total assets, and the increase in income derived from dividend and interest payments. (Orhangazi, 2011) Figure 2.13 shows financial assets as a percentage of fixed capital stock has been increasing since the 1980s. Rather than signaling the onset of financialisation, the increase between 1980 and the early 1990s should be interpreted as the consequence of economic sanctions, tight capital controls and that kept capital within the country together with the reluctance to invest in physical investments for fear of seizure in the case of political transition. Net corporate earnings from interest and dividend payments, as captured in the amounts receivable category within the flow-of-funds accounts, shot up as a share of internal funds in 1994, fluctuating between 1% and 20% in the period 1994 to 2004 before becoming negative, representing an outflow of funds from the non-financial corporate business sector (figure 2.14), indicating that financialisation began in earnest with the democratic transition.

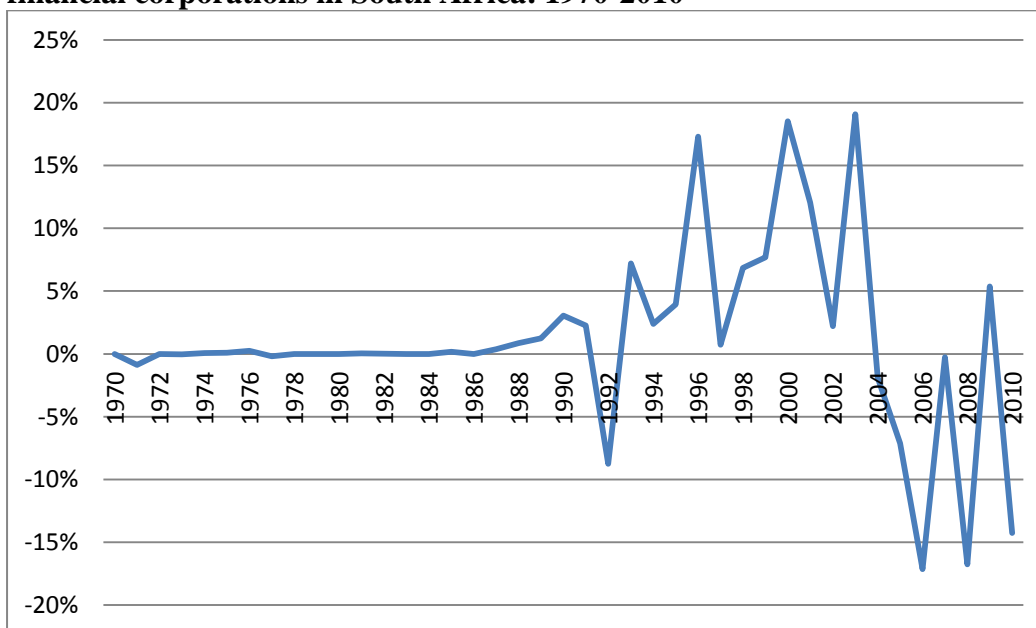
As discussed above, financialisation comes with changes in the savings and investment behaviour of non-financial corporations with the tendency towards shorter planning horizons, increasing dividend payments through share buybacks and increasing financial activities associated with short-term returns, and consequently, a reduction in 'productive' fixed investment.

Figure 0.13. Financial assets as a percentage of fixed capital stock for non-financial corporations in South Africa: 1970-2010



Authors' calculations based on flow-of-funds tables compiled by SARB 2011

Figure 0.14.. Amounts receivable as a percentage of internal funds for non-financial corporations in South Africa: 1970-2010



Author's own calculations based on flow-of-funds tables compiled by SARB 2011

From figure 2.15, we see that the increasing acquisition of financial assets has gone hand-in-hand with low levels of fixed investment in South Africa since the mid-1980s. The underlying relationship between low levels of fixed investment and high levels of financial asset acquisition in the late apartheid period differs from that post 1994 with political uncertainty and trapped capital explaining the relationship in the former period and the crowding out of real investment through various processes of financialisation at the level of the firm explaining the relationship in the latter period..

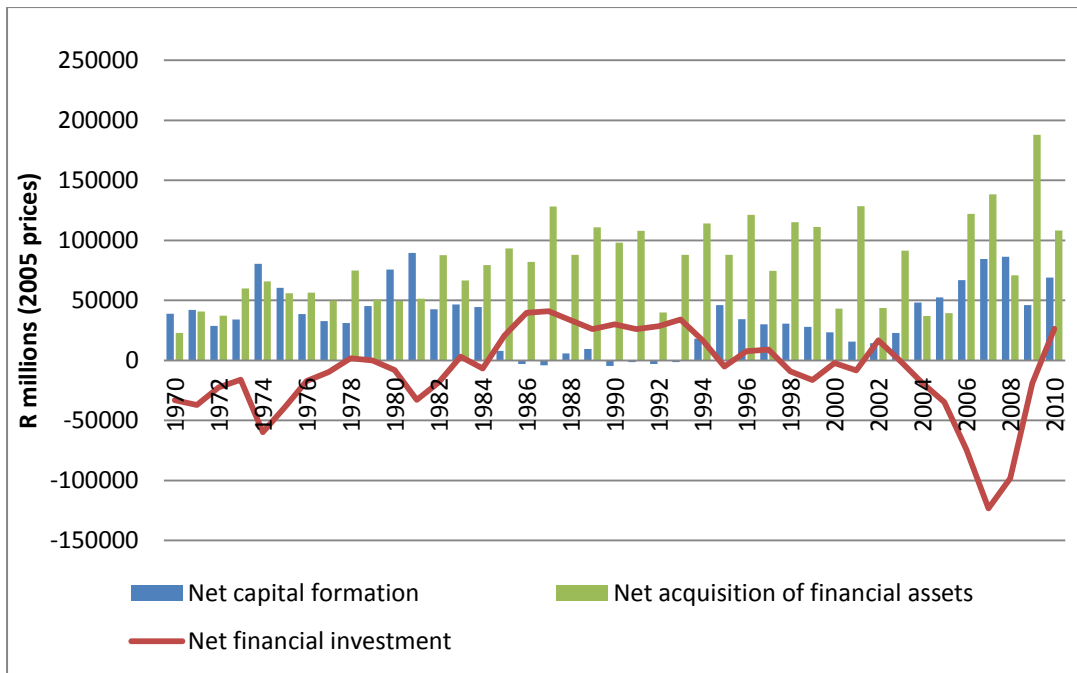
Net fixed capital investment recovered after 1994, but remained below levels in the 1970s and early 1980s, but without a reduction in the acquisition of financial assets. From the onset of the debt crisis until 1994, non-financial corporations in South Africa had been net lenders (positive net financial investors). Lending to other sectors made up the greatest share of financial acquisitions in the 1970s and 1980s and included trade credit and other short-term loans, long-term loans and mortgage loans (figure 2.16). During 1988 there was a significant increase in the acquisition of liquid assets⁶ that has persisted into the post-apartheid period. On average cash/money made up 19% of annual financial acquisitions in the period 1970-1987 compared to an annual mean of 48% from 1988-2010. In addition to the increased acquisition of liquid assets, the period from 1994 saw further shifts in the composition of financial acquisitions from mainly lending to other sectors and money assets⁷ to greater diversification across a variety of financial assets, notably the acquisition of ordinary shares, fixed interest securities and other assets⁸. The asset side of the non-financial corporate balance sheet has shifted towards increasingly short-term assets. (Ashman and Newman 2012)

Figure 0.15. Net annual capital formation, acquisition of financial assets and financial investment by non-financial corporations in South Africa: 1970-2010

⁶ This is shown by the money/cash category which includes cash and demand monetary deposits, short/medium-term monetary deposits, long-term deposits, deposits with other financial institutions and deposits with other institutions

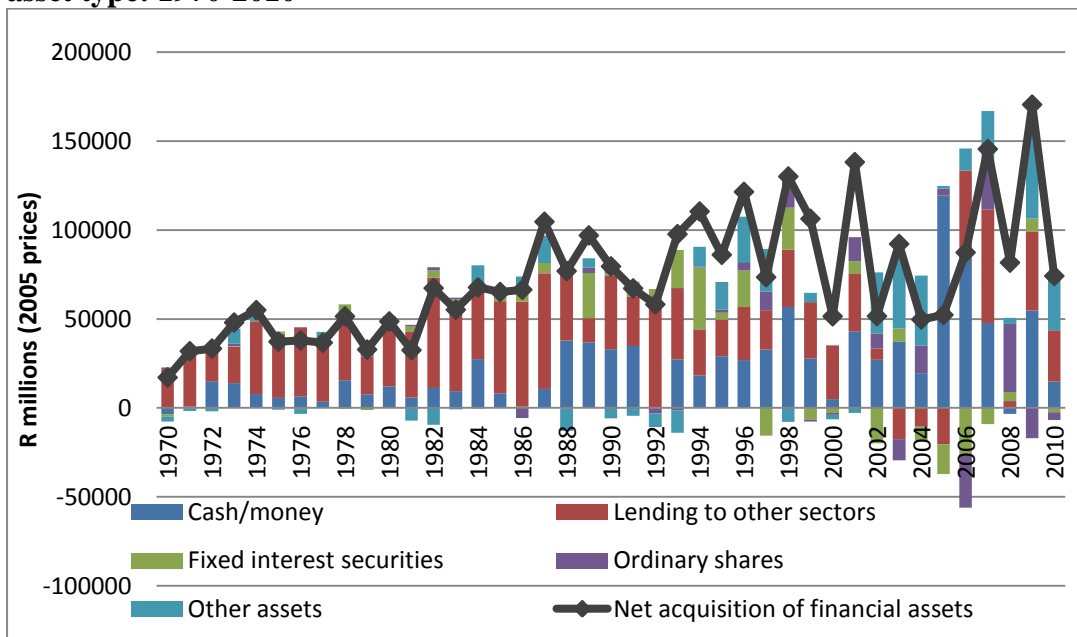
⁷ Cash/money assets are defined here as the sum of cash and demand monetary deposits, short/medium-term monetary deposits and deposits with other institutions. In the context of low interest rates, it might be argued that these money deposits cannot be legitimately considered financial assets. In contrast to Europe since the onset of the global financial crisis where the holding of money assets reflects an investment freeze owing to uncertainties about future economic performance, money deposits in South African commercial banks earn competitive returns. Even demand deposits in South African commercial banks can earn monthly interest rates between 2% and 3% (see for example Standardbank's AccessSave account) and can thus be considered a financial asset.

⁸ This is a catch all category for a growing number of new financial assets, which tend to be short-term in nature, which may include debt securities and other derivative instruments.



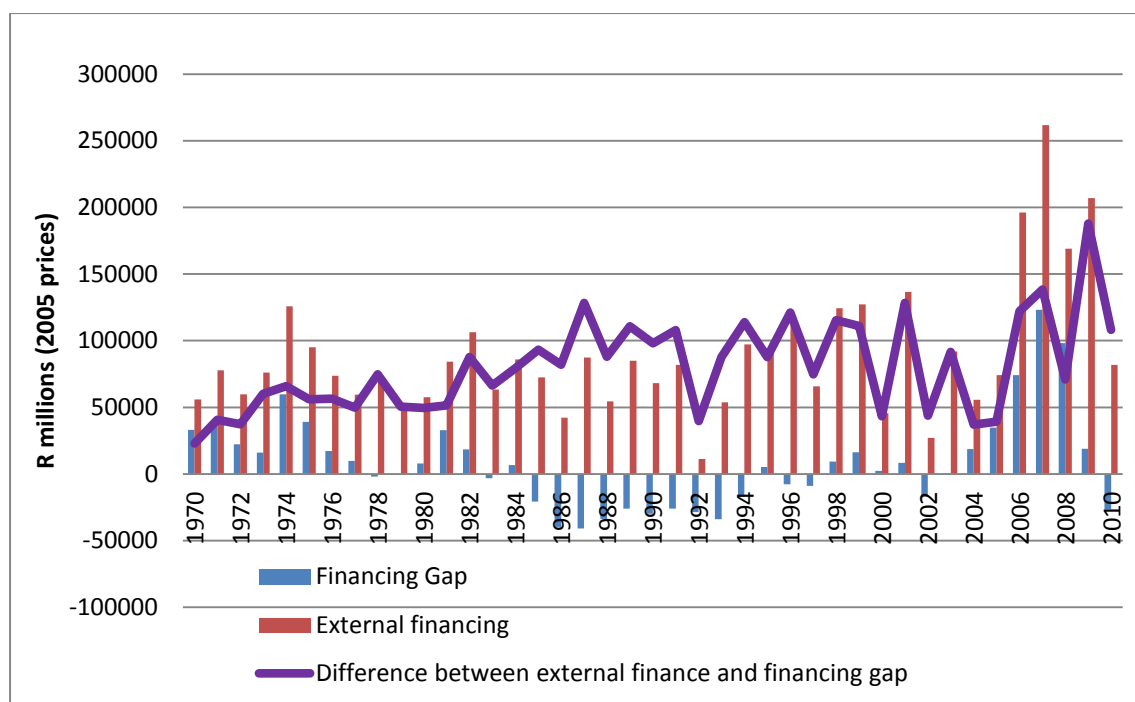
Flow-of-funds tables, SARB 2011

Figure 0.16. Acquisition of financial assets by non-financial corporations by asset type: 1970-2010



Flow-of-funds tables, SARB 2011

Figure 0.17. Annual financing gap, external financing and the difference between the two for the non-financial corporate businesses: 1970-2010



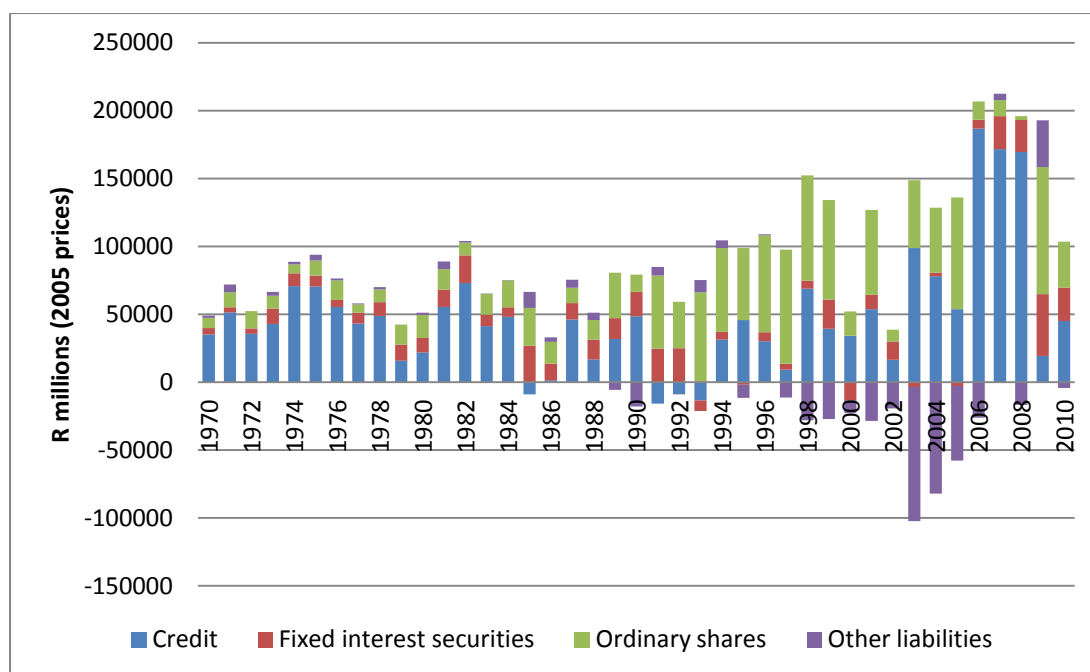
Flow-of-funds tables, SARB 2011

The period since 1994 has also seen non-financial corporations moving from their positions of net lenders to net borrowers for all years except for 1996, 1997 and 2002 suggesting that increased acquisition of financial assets has been financed through the expansion of credit. We find further evidence that increased external borrowing by non-financial corporations to finance the acquisition of financial assets when we examine the evolution of the financing gap⁹ for non-financial corporations and their external financing¹⁰ (figure 2.17). The difference between the financing gap and external financing has fluctuated around a relatively stable mean from the mid-1980s until the mid-2000s when this difference began to follow a positive trend until 2010. Between 2004 and 2008, bank credit dominated the liabilities side of the non-financial sector balance sheet, coinciding with an increase in the difference between the financing gap and external financing for non-financial corporations (figures 2.18 & 2.19). Moreover, there has been a shift in the composition of financial liabilities held by non-financial corporations with an expansion of ordinary shares and other short-term liabilities from 1994 (figure 16). Owing to maturity mismatch between assets and liabilities, the short-term nature of liabilities is not conducive to long-term productive investments which drive capital accumulation. Consequently, we have seen the financing of the acquisition of (largely short-term) financial assets rather than fixed capital. (Ashman and Newman 2012)

Figure 0.18. Sources of external financing by non-financial corporations: 1970-2010

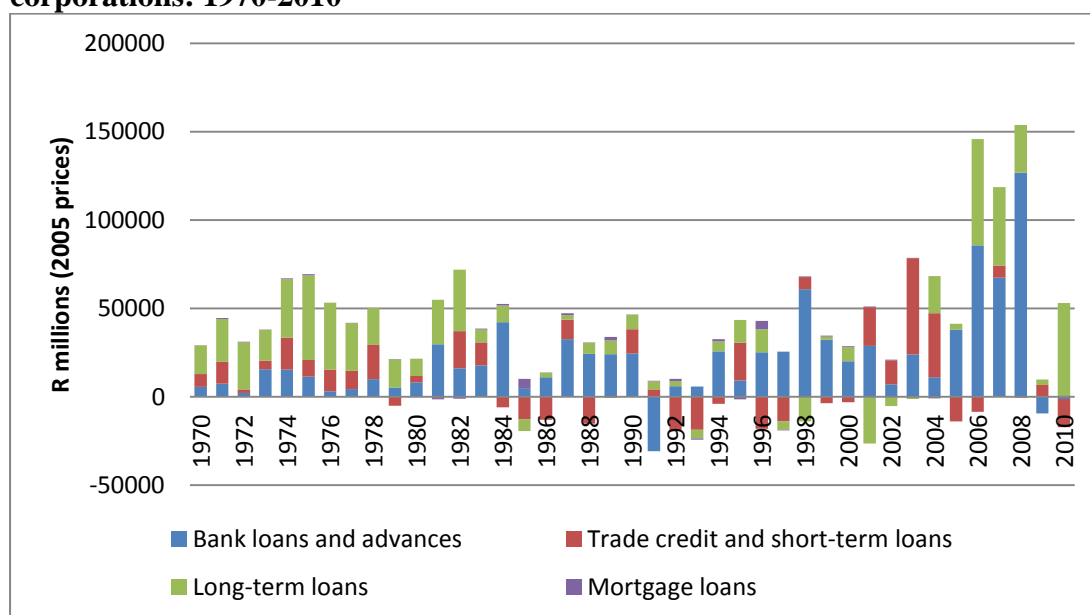
⁹ The financing gap is equal to net borrowing which is the difference between net savings and net capital formation.

¹⁰ External financing is equal to the net incurrence of financial liabilities.



Flow-of-funds tables, SARB 2011

Figure 0.19. Breakdown of the sources of credit received by non-financial corporations: 1970-2010



Flow-of-funds tables, SARB 2011

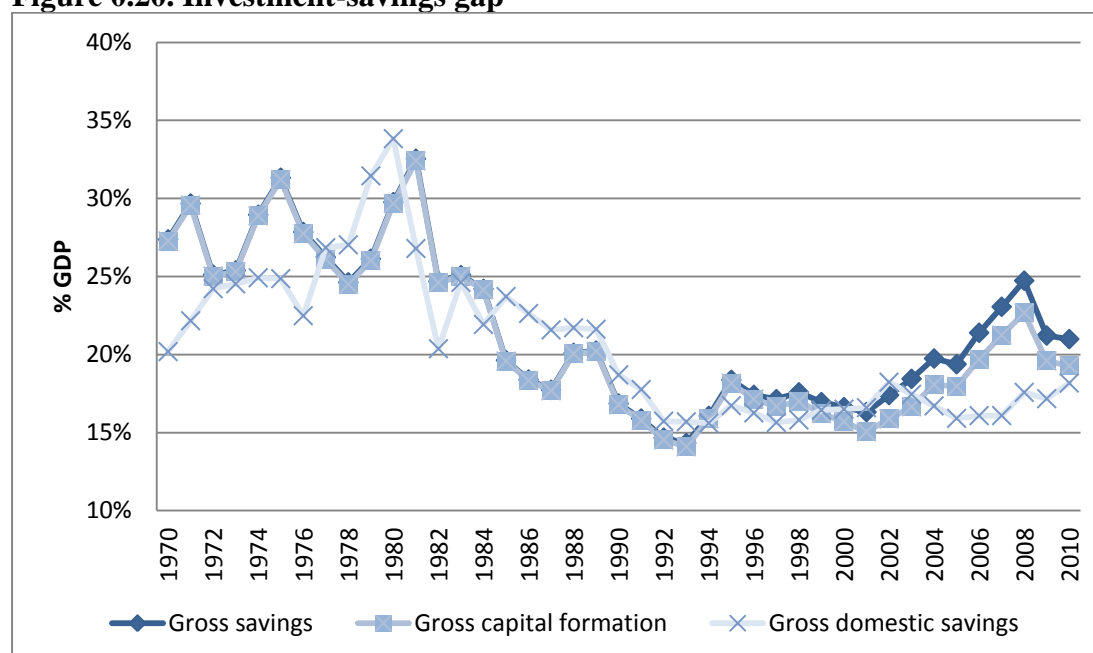
1.1.3 Financialisation of the South African Economy and the Savings and Investment Process

The discussion of financialisation of households, financial institutions and non-financial corporations above can begin to reveal what underlies changes in the savings and investment process of the economy as a whole (figure 2.20). A gap has opened up, and widened, between gross savings and gross capital formation

since 1994. This can be explained by an increasing share of savings being channeled towards financial investment by savers together with the shifting patterns of investment by non-financial corporations.

Gross domestic savings has stagnated since 2002 with an increase in gross savings being driven by capital inflows from the rest of the world attracted by high interest rates healthy returns on South African capital markets. This stands in contrast to the view that the problem with the South African financial sector is its failure to mobilise savings for investment through the availability of suitable financial products. Rather, low domestic savings continues to be a function of inequality, where the majority of the population has little or no income to spare after current consumption expenditures. The financial sector attracts short-term and speculative rather than long-term productive investments. These short-term inflows finance a large current account deficit and maintain the overall balance of payments, but this is at the expense of productive investment and employment creation.

Figure 0.20. Investment-savings gap



Flow-of-funds tables, SARB 2011

Need a concluding section that links to the next section.

4 Financialisation and corporate change in South Africa

As we saw above, global processes of corporate restructuring driven by financialisation began in the US and Europe. These global processes have influenced the shape of the restructuring and internationalization of South Africa's largest corporations and also the changing functions and behaviour of financial institutions in South Africa. These important changes took place in the context of the transition from apartheid to democracy in South Africa. During this period, big business played a complex role. In the pre-transition period there was recognition that apartheid would not survive, but there was reluctance to accept the losses that would be associated with any collapse of the apartheid economy. As such, big business played an important role in supporting the apartheid state and economy (Terreblanche 2002). One way of doing this was buying up the assets of divesting foreign corporations. As a consequence, large South African corporations became even more diversified during the height of disinvestment during the late 1980s. At the same time, prominent business figures began discussions with the banned and exiled African National Congress about political change in South Africa. By the time of the first democratic elections, much of big business had developed plans for both restructuring what they now considered to be oversized and diversified businesses and for moving large amounts of capital abroad in part to protect it from the possible actions of a future black majority government. At the same time, however, they wanted to maintain their profitable South African operations, particularly in mining where South Africa, despite the relative decline of gold, remains an important global player.

Mineral reserves as well as South Africa's potential to act as a 'gateway' into the rest of the African continent meant that there would not be complete withdrawal by business elites. Big business remained an active force in lobbying the new government and was a willing participant in the government's black economic empowerment plans. At the same time, the market power of big business, the cartels that operated in almost every economic subsector and the growing and now liberalised financial system continued to dominate the economy. The continuing importance of mining and financial groups in the South African economy can be seen in tables 4.1 and 4.2.

4:1. Summary of control of JSE market capitalization (% of total)

	2012	2011	2010	2009	2007	2005	2000	1995	1991
FOREIGN	30	29.8	27.9	33.1	20.7	14.2	3.9	4.1	1.9
INSTITUTIONS	19.4	17	17.6	14.4	12.6	13.7	6.7	1.7	4.9
DIRECTORS	9.2	8.9	8.3	7.7	9.4	8.2	8.9	11.4	5.4
SABMILLER	9.2	7.5	6.5	5.9	5.5	4.9	2.8		
ANGLOAMERICAN CORP	8.9	11.8	13	10.6	20.8	17.3	23.6	37.1	42.4
REMBRANDT	7.2	5.2	5.1	3.8	6.7	7.8	11	7.8	15.2
BLACKGROUPS	3.9	4.6	5.4	7	5.5	5.8	5.7		
RMB/FIRSTRAND	3.9	3.1	2.8	2.5	3.1	5	2.9	1	
SAMUTUAL	3.3	2.9	2.8	2.8	4	4.5	11	11.2	10.4
SANLAM	1.4	1.2	1.2	1.2	1.2	1.6	13.2	12.7	13.2

LIBERTYLIFE/ STANDARD BANK	1.1	2.4	3.9	4.3	3.4	4.3	5.2	7.3	3.7
BIDVEST GROUP	0.9	0.8	0.9	0.8	0.9	1.1	1		
INVESTEC	0.7	0.6	0.8	0.8	0.9	1	1.9	0.9	
PSG	0.6								
STATE	0.1	0.2	0.3	1.5	1.8	2.5			
ALTECH	0.1	0.1							
ABSA						2.5			
SASOL*	3.9	3.5	4.6	3.5	4.6	4.2	2.6	1.7	
ANGLOVAAL+							0.7	2.9	2.9
TOTAL	100	100	100	100	100	100	100	100	100

Source: Who owns Whom (2013)

4.2. Current ownership of previous top 5

	2012	2011	2010	2009	2007	2005	2000	1995	1991
FOREIGN	30	29.8	27.9	33.1	20.7	14.2	3.9	4.1	1.9
ANGLO AMERICAN CORP	8.9	11.8	13	10.6	20.8	17.3	23.6	37.1	42.4
REMBRANDT	7.2	5.2	5.1	3.8	6.7	7.8	11	7.8	15.2
SA MUTUAL	3.3	2.9	2.8	2.8	4	4.5	11	11.2	10.4
SANLAM	1.4	1.2	1.2	1.2	1.2	1.6	13.2	12.7	13.2
LIBERTYLIFE/STANDARD BANK	1.1	2.4	3.9	4.3	3.4	4.3	5.2	7.3	3.7
Top 5 groups collectively	21.9	23.5	26	22.7	36.1	35.5	64	76.1	84.9

Source: Who owns Whom (2013)

From the mid-1980s to mid-1990s, the top 5 conglomerates controlled more than 80% of the capitalization of the JSE (Table 4.2). Four of these five groups are mining and finance groups. There is also a high level of interpenetration between mining and finance groups. By the 2000s this top five controlled 64% of the capitalization on the JSE and five years later this control declined to 35.5%, in 2010 it was 26% and 2012 it had declined to 22% (Table 4.1). A large share of the decline has occurred because of significant corporate restructuring and increased internationalization of the largest South African corporations. Some 4 of the 5 companies that were the top 5 (in terms of market capitalization on the JSE) have moved their primary listings or jointly listed on foreign stock exchanges. However, the control of these groups had not changed as much as the drop in the share of market capitalization implies. Roberts and Machaka (2002) find:

In the top 10 companies in 2002, only three – Sasol, originally a state-owned enterprise, and two foreign-controlled firms created by conglomerate restructuring (Billiton and South African Breweries, SAB) – were independent of the main conglomerates. Although listed separately, three of the top 10 (Anglo American, Angloplat, and Anglogold) are still effectively part of the Anglo group. The other top ten firms – Richemont, Old Mutual,

Goldfields and Impalaplats – are all tied into conglomerate holding structures.

Table 4.1 shows that the percentage of foreign-control of the JSE market capitalization increased from 1.9% in 1991 to 10.1% in 2002 and was 30% in 2012 (having peaked at 33% in 2009). There have been some acquisitions of local companies by foreign firms but most of the change in foreign ownership is the result of the change in the structure of South African firms now listed overseas. **Increased speculative short-term foreign portfolio investment inflows also contributed to the growing levels of foreign institutional ownership.** As a result, South African listed corporations are subject to both the volatility associated with shifting global portfolio capital flows and the demands of the shareholder value movement and credit ratings agencies.

The South African Competition Commission (2009) provides important insights into South Africa's industrial structure after the large scale corporate restructuring of the 1990s and early-2000s. They say:

The South African economy is still dominated by many of the traditional power groups even after the unbundling since 1994. It must also be remembered that unbundling by conglomerates does not generally decrease the concentration of ownership within sectors. In most instances there has in fact been an increase in concentration which raises concerns about possible anti-competitive behaviour in the economy (Competition Commission, 2009, p.22).

The most powerful corporations have been able to use their economic, market and political power earned over the last century to maintain their dominance over the South African economy while internationalizing their operations. They have attempted to be players in the process of unprecedented global corporate restructuring, described by Nolan (2003) as a global business revolution. Many have also shifted their corporate listings to developed economies, particularly the London Stock Exchange (LSE), and by so doing have had to allow themselves to be influenced and reshaped by institutional investors. Some of them such as Anglo American have been forced to focus on their core businesses whilst others, such as the executives of Billiton had to settle for accepting a leadership from another larger corporation and corporate culture after merger with BHP. Internationalization, then, may have earned some of the larger institutional shareholders and controlling families handsome returns but it has set them into a new global context where competition is much harder and global concentration has increased across many economic sectors.

The review of the Competition Commission says:

The oligopolistic nature of many of South Africa's industries has been built on a range of institutional linkages such as the informal market-sharing agreements reported in many subsectors of the economy. Information sharing and trust are two of the most important requirements of collusion and, while new entrants into sectors may have a major impact on the degree of rivalry and competitiveness in a sector, the barriers to entry remain high in most sectors. These barriers can be endogenous, that is, the result of strategic

behaviour by dominant firms and of formal and informal links between potential rivals. The barriers can also be increased by vertical integration in the South African economy which has been one of the patterns under conglomerate restructuring (ibid.).

Black economic empowerment has been an important programme driven by the government. Black-owned companies, many led by politically well-connected individuals, have taken control of businesses in many sectors. As Goldstein (2001) points out, white big business acted expediently and voluntarily sold off sections of sectors to black-owned businesses as a way to gain political capital. Notwithstanding their political connections, black controlled businesses remain relatively small players. Table 4.1 shows that in 2012 they controlled only 3.9 percent of the capitalization of the JSE. Black business groups have not attempted to break new ground or found common cause with attempts to shift the economy onto a new economic growth path. Instead BEE ventures have been largely in traditional economic areas of mining and finance and have often chosen to focus on managing portfolios of shares in holding companies. Often these portfolios consist of shares in companies unloaded by the large South African corporations in their efforts to focus on core business.¹¹ This paper is unable to deal with black economic empowerment comprehensively, but in many respects BEE has added to the financialization of the economy, not challenged it.

Changing corporate structure and executive behaviour is one of the most important implications of financialization on South African industry and the economy. Global and domestic factors shaped the behaviour of South African big business. Goldstein's research indicates that the boom in merger and acquisitions in South Africa during the 1990s was different to those in other countries. The restructuring in South Africa was more about dismantling pyramid structures than increasing the competitiveness of industrial sectors. Goldstein (2000:17) says, "Of the twenty largest South African deals reported in 1992-98, 75% corresponds to the simplification of the corporate structure; 10% to consolidation in the financial industry; 10% to foreign acquisitions; and only one deal – TransNatal's acquisition of Rand Coal to form Ingwe Coal in 1994 – is a "genuine" South African merger." Goldstein also says that it is noteworthy that South African conglomerates hardly made any large acquisitions within South Africa itself. Instead restructuring and offshore listings led to a situation where:

- powerful families took rewards in global markets in exchange for giving up control and influence
- large South African corporations reduced diversification to increase focus on core business globally
- there was a separation of mining-finance groups with mining companies taking less interest in non-mining industry and finance focused on growing financial services
- financial services expanded into global markets with an initial focus on developed countries, offshore havens and later control of banking in other African countries

¹¹ Many BEE ventures also hold shares in certain businesses because government has introduced sector charters for black economic empowerment that list the amount of black ownership in each industrial sector.

The families and groups that controlled the South African corporate landscape generally chose members of the boards of directors and influenced the appointment of executives of the major South African corporations and their subsidiaries.¹² The composition of boards and senior management of corporate South Africa has not changed significantly but the influence of the shareholder interests on them has increased.

Ernst and Young (2002) in a review of South African mergers and acquisitions for 2001 state:

Shareholder activism has been slow to take off in South Africa, but like all global trends it is one, which is catching up with us very quickly. The prominent South African companies that have listed offshore over the last two or three years have already been exposed to the higher level of transparency demanded in global markets. South African companies with a more domestic orientation are under pressure to emulate their global peers (p.27).

4.1 Anglo American PLC: a case study of financialization

The case of AAC provides an important indication of the impact of financialization of the South African economy because of its overall importance to the South African economy. Anglo American is by far the most important South African company. The history of South Africa (since the discovery of diamonds and gold) is intimately tied to the development of AAC (Innes 1984). All economic sectors have been shaped by Anglo's involvement and diversification to some extent. At the time of the transition to democracy, AAC was South Africa's largest natural resource company, with an annual turnover of nearly \$25 billion in 1993. At points in its history, AAC has been the world's biggest gold, platinum and diamond producer (Innes 1984). It also ran the world's most successful global cartel, the Central Selling Organization (CSO). Until the 1980s it was a dominant player in South African finance through its control of First National Bank. In the 1990s, AAC had 100 subsidiaries in South Africa and manufacturing accounted for about 30 per cent of its revenues. By the time of the first democratic elections in 1994, AAC's activities collectively accounted for 43.3 per cent of the JSE's market capitalization (Goldstein 2000). The Oppenheimer family directly owned only 8.1 per cent of the company, but had ultimate control due to the complex pyramid structure of ownership.

The manufacturing interests of Anglo before the restructuring were not limited to the MEC. It had significant holdings and often control of certain markets in construction, printing and publishing (it controlled the largest newspaper group), automobiles (retail and manufacturing) and freight services. Anglo also owned 10% of Barlow Rand and had significant influence over the company. In 1970 Barlow Rand owned more than 70 manufacturing companies and increased this number steadily (in 2000 it was renamed as Barlow World an international distributor of leading global brands and logistical services).

¹² Innes (1984) provides a good discussion of family and group control over the South African corporate landscape.

After the restructuring of the late-1990s, the only manufacturing outside of the MEC sector Anglo was involved in was paper and publishing (Mondi Ltd in South Africa) and sugar and starch (in the Tongaat-Hulett Group, which also produces aluminium). By 2007 AAC had sold off these ‘non-core businesses. It held onto Boart Longyear in South Africa, which produces tools and equipment and services for the international mining industry. However, Anglo chose to shift the engineering and design segments of that business to Europe before it sold it to a private equity company in 2005. Thus, the one important area of capital and transport equipment where South Africa had built a technological lead due to innovation in mining and minerals processing has been shifted offshore. By 2011, Anglo had unloaded all its non-mining subsidiaries and had also moved out of gold mining in South Africa (through the sale of its remaining share in Anglogold Ashanti in 2009).

Roberts et al (YEAR) list some of the major developments in AAC’s restructuring:

- Unbundling of JCI, to separate Anglo American Platinum (Amplats) in 1995.
- The merging of gold interests under AngloGold in 1997 and the restructuring of platinum holdings under Amplats in the same year.
- In 1998, Anglo merged its financial service interests of FNB and Southern Life with RMB to create FirstRand and then swapped its 15.3 per cent stake with Rembrandt for 7.1 per cent of Billiton and 11.3 per cent of Goldfields in 2000.
- After merging with Minorco in 1998, AAC listed on the London Stock Exchange in 1999.
- The de-listing of De Beers and the breaking of the AAC-De Beers cross-holdings in 2001, which meant the Oppenheimer’s essentially having control of De Beers, but reducing their stake in AAC to 5.1 per cent and to a large extent losing control of AAC.
- Diversified industrial interests were unbundled, including AECI and Bevcon (with holdings in SAB). In 2007 it unbundled Mondi and Highveld Steel and Vanadium.
- It looked set to take control of South Africa’s main iron ore deposits through acquisition of stakes in Kumba and Avmin in 2002, but has withdrawn from Avmin following prolonged proceedings of the Competition Tribunal and Appeal Court. And, sold of its remaining shares in Highveld Steel and Vanadium in 2007. Engaged in huge investment in Brazil in Minas Rios.
- International acquisitions in minerals such as Colombia’s Cervejon Centrale Coal and Cerrejon Zona Norte, Australia’s Shell Coal, Chilean copper mines Empresa Minera de Mantos Blancos and Disputada, Australia’s Acacia Resources and nickel producer, Anaconda
- International acquisitions in paper and pulp such as interests in Brazilian firm Aracruz Cellulose, Russian firm Syktyvkar Forest Enterprise, and French packaging firm La Rochette. By 2007 with the demerger of Mondi. Anglo had withdrawn from paper and pulp.

- Construction materials and aggregates in Europe include the UK's Tarmac and Spain's Mavike.

As a result of the restructuring Anglo American became one of the world's largest mining and natural resources companies, with interests in gold, platinum and diamonds, and an important global player in coal, base and ferrous metals, industrial minerals, and forest products. After being one of the major players in the global gold industry for most of the Twentieth Century, Anglo has sold off its interests in gold. Carmody (2003: 263-4) argues, "By moving their headquarters to London, and financially delinking from South Africa, these companies are able to unlock 'shareholder value'. While the stock market capitalization of many companies in advanced capitalist countries, such as the US, are above their net asset values on the basis of projected future profits, Anglo's market capitalisation was 22 per cent below its net asset value in 1995". Anglo still has substantial assets in South Africa but these are less than 50% of its total assets today. In 2011 South African assets were 35% of turnover and 31% of total operating profits (before exceptional items).

The financial arm of Anglo, Anglo American Capital PLC seems to have become an important part of the group, even though it is not mentioned in the 2012 Annual report when discussing the contributions of subsidiaries to incomes, profits and the balance sheet. The Anglo websites says that Anglo American Capital PLC is wholly owned by it and is its principle financing vehicle. Anglo guarantees notes issued by Anglo American Capital PLC. One of the indicators of financialization of non-financial corporations often used is the increasing importance of the financial arms (see for example Crotty 2002, Epstein 2005 and Froud et al 2007). Table 4.3 shows that the net assets of Anglo American Capital PLC, which is wholly owned by the Anglo American Corporation, is over 25% of the size of the net assets of the Anglo American Corporation.

Table 4:3. Comparing assets and liabilities of Anglo American Corporation and Anglo American Capital

2012	AA Corporation	AA Capital	AA Capital	AA Cap as
	US\$ millions	Pound millions	US\$ millions	% of AA Corp.
Total Assets	79369	25445	38702	48.8%
Total Liabilities	35582	17550	26694	75.0%
Net Assets	43787	7895	12008	27.4%

Note: AA Corp.'s financial statements are reported in US\$ and AA Capital's are reported in British Pounds. An average exchange rate for 2012 of 1B Pound = US\$1.521 was used to convert AA Capitals assets and liabilities into US\$.

Source: AAC 2012 Annual Report and AA Capital's 2012 Annual financial statements.

An examination of Anglo's only non-MEC manufacturing segment paper and packaging, before its disposal, showed that it had increased its European holding in paper and packaging. Almost all the turnover from paper and packaging in Europe was from value added products. The restructuring of their paper business shifted value-added production to its European operations and after the restructuring only one-third of the graphic papers and packaging papers was

produced in South Africa while the less value-added products like lumber, wood chips and mining timber were produced only in South Africa. Thus, before unloading its paper and pulp interests, Anglo shifted the high value-added and higher technology parts of the business to Europe leaving South Africa with low value-added production and exports and more reliant on importing higher value-added manufactured products that had been produced in the country. This sector, as with the technical capacity in the mining capital goods sectors, illustrates the impact of the restructuring of Anglo on South Africa as withdrawal of value-added sectors from the South African economy.

One important development that is related to the financialisation of commodities markets is that the trend in share prices of mining companies does not reflect changes in commodities prices (PWC 2012). PWC reports that “2011 was a year of a growing disconnect for the mining industry. Mining company stocks significantly underperformed the broader markets and lost value despite record profits, and the disconnect between share values and many commodity prices widened (PWC, 2012, p. 1).” Their report on global mining in 2012 shows even more problems, lower profits and lower share prices for the global mining industry (PWC, 2013).

An important development related to financialisation is the demands by shareholders and institutional investors for higher short-term returns. PWC reports, “In 2011 shareholders became more vocal that the Top 40 should give more profits back, either by way of dividends or shareholder buybacks. While the industry paid out a record \$32 billion in dividends and bought back \$26 billion in shares, shareholders have said they want more (PWC, 2012, p.2).” The subject of our case study, Anglo American, provides a good example of the response of a large mining corporation to the pressure to increase dividends to shareholders. Anglo’s underlying operating profits dropped to US\$6.2 bn in 2012 from US\$ 11.1 bn in 2011; they had reduced income from platinum in South Africa because of industrial action and had to write down US\$4 bn because of problems in their Minas Rios iron ore project in Brazil. The company reported a loss attributable to equity shareholders of US\$1.5 bn. Notwithstanding, these troubles and overall poor performance, they increased their dividend to US\$0.85 in 2012 from US\$0.74 in 2011 when the profit attributable to equity shareholders was US\$ 6.6 bn. They did not report any share buybacks after 2009. An article on MiningMX.com, Michael Coulson says, “Over the past four years [David] Shapiro reckons Anglo spent US\$10,5bn on repurchasing 212m shares. They're now worth around \$3bn. That's a cool \$7bn wiped off its asset base, plus whatever it's lost on Anglo Platinum/AngloGold transactions”. This article may explain the reason for no recent share buybacks but it also shows that AAC, as with the refocus on core business, was trying to appease the shareholder value movement by increasing its share price in the short-term through share buybacks.

In conclusion, the restructuring and relisting of Anglo American has been one of the most important changes in the South African economy. While Anglo does still hold substantial assets in South Africa, the shedding of almost all manufacturing businesses implies an important withdrawal of the most important and influential conglomerate from downstream value added production in South Africa.

financialization of mining companies and commodities markets have consequences for the prices of commodities and the allocation of capital.

5. The Impact of Financialization on Labour and Employment

This section argues that the growth of finance and financialization has had negative consequences for South African labour in terms of conditions of employment, types of employment, and overall levels of employment. The finance-induced focus on short term high returns, combined with trade liberalization, has led to de-industrialization and changing employment patterns, both to the detriment of labour. Services have grown under the impact of debt driven consumption but employment in these sectors is frequently outsourced and casualized, trends in employment we also see in mining and manufacturing.

Again, the impacts of financialization have to be considered in the context of the particular history and institutions that developed in South Africa. The central place of workers' struggles in the liberation movement meant that the demands for labour relations reform were high on the agenda throughout the negotiations period and during the ANC's early years in office. The black trade union movement had already won significant ground during the 1980s and had forced significant change to workplace organization by challenging apartheid workplace forms of control and discipline (Von Holdt 2003; Omar and Webster 2004). Labour relations reforms were passed very quickly. On the one hand the ANC government implemented neo-liberal economic policies as set out in GEAR (the Growth, Employment and Redistribution programme adopted by government in 1996), such as inflation targeting, deficit cutting and trade and further financial liberalization. On the other hand, they implemented a progressive new labour relations regime. A number of statutes were adopted once the ANC took power:

- The National Economic Development and Labor Council (NEDLAC) Act of 1994
- The Labor Relations Act of 1995 (LRA)
- The Basic Conditions of Employment Act of 1997 (BCEA)
- The Skills Development Act of 1998
- The Employment Equity Act of 1998
- The Social Plan Act of 1998

The new legislation indicated that the relationship between the state and business would be different in a democratic South Africa and that pressure by the trade unions, the majority of the electorate (who are black) and democratic standards would shape institutions in the workplace and labour markets. Unfortunately, the shift to neo-liberal economic thinking within the state created a situation where macroeconomic and financial policies favoured big business. Labour may have won the battle for progressive legislation but they lost the war for progressive economic policies.

And so combined with global factors, we see South African capital responding to the specific national context, to changes in labour relations, and to what (at first, at least) appeared to be their relative loss of power. There has been restructuring of the workplace and improvements for black workers in the largest enterprises. However, strategies such as moving production offshore, limiting new investment in the economy, overseas listings and general capital flight, have led to job losses being combined with the use of capital intensive production methods.

Business has resisted unions' attempts to democratize firm level decision-making. Instead, many have worked to undermine central bargaining and to bypass the national industry bargaining councils. They increasingly entered into agreements at enterprise level and introduced individualized performance management and reward systems.

Importantly, there has been a significant increase in the contracting out of services and 'non-core' activities by businesses and the casualization of jobs that were once full-time. Increasing outsourcing of manufacturing and mining jobs has left many more workers with precarious employment, harsher and less safe working conditions, lower wages and reduced benefits. In mining, for example, the response to cost pressures has been to increase outsourcing and subcontracting of processes linked to core and non-core mining activities. Labour costs are reduced as companies reduce their responsibilities to their workforce. Workers employed by contractors are usually not unionized and do not have to be paid wages agreed to in centralized bargaining agreements. These workers do not benefit from health insurance and pension funds and they are usually not trained by the mining company. The pressure for quicker and high returns from shareholders as a result of financialization increases the pressure on mining companies to reduce labour costs. The announcements by South African gold and platinum companies that they were going to drastically reduce employment during 2013 were a response to cost and shareholder pressure.

Informalization of work is also a feature of employment in other sectors such as business services, retail services, transport services, and footwear and clothing.¹³ Outsourcing has been a major strategy for South African big business to address their changing power relationship with both labour and the state. Services have been a major contributor to economic growth in South Africa. The shares of finance & business services, trade, catering & accommodation, and transport, storage & communication services have all increased over the past fifteen years. This predominance of services has been interpreted by some commentators in a positive light – as a sign of the maturing of the South African economy and its move to a post industrial development phase. It is also noted that services tend to be more labour absorbing and thus provide a better answer to the high levels of unemployment than an industry oriented development path. But the rise in employment in services have been in extremely low wage activities such as security and cleaning services, meaning average remuneration has fallen as employment has increased (Mohamed and Roberts 2007). They argue that “some

¹³ Omar and Webster (2003) examine the responses of management to changes in labour markets. They draw their conclusions from sociological studies of workplace and managerial changes in the mining industry, footwear manufacturers and call centre operators.

of these jobs are a result of the change in classification as such activities are outsourced by, for example, manufacturing firms to independent businesses and are now classified under services.” (Mohamed and Roberts 2007:9) They argue that the increasing role of services in the South African economy is not a sign of economic maturation but is due to the withdrawal of capital from the economy and the misallocation of capital towards financial speculation, housing price booms and luxury consumption instead of productive investment.

Mohamed and Roberts (2007) show that a large proportion of employment in South Africa over the past decade has been in business services. The Business Services sector includes a very wide and diverse range of activities, from security and cleaning to legal and accounting services. They explain that the increase in jobs has been in extremely low wage activities such as security and cleaning services, meaning average remuneration has fallen as employment has increased. Their main conclusion is that employment created in services are either not in fact additional jobs, or are very low wage (and largely insecure) jobs in areas such as security services. Similarly Tregenna (2008:33) argues:

The analysis confirms that significant intersectoral outsourcing has taken place in South Africa over the last decade. The focus here is on the outsourcing of cleaners and security guards, away from manufacturing and from the public sector and towards private services. Employment in these two occupations has become increasingly concentrated in the ‘other business services’ subsector of services in particular, which is where companies that provide services such as cleaning and security to firms across the economy are generally classified.

The discussion above of de-industrialization in Europe, particularly Britain during the 1980s, is relevant for thinking about the impact of the response of employers to both political change in South Africa and global changes associated with financialization. South Africa entered the democratic period with high and growing levels of unemployment and increasing casualization and outsourcing. There was also a shift away from Government repression of labour. The relationship between productivity and wages and productivity and skills are complex given this particular history. However, the experience in manufacturing during the 1990s with increased trade liberalization during has mirrored that of Britain. Manufacturing declined not because of lower productivity but because of lower manufacturing output. The relationship between management and workers was tense and the increased power of trade unions and the political changes would have increased this tension. The level of productivity would be affected not only by the skills of management and workers but also by the relationship and tensions between managers and workers. The efforts to decrease employment and to outsource and casualise jobs would further increase tensions and negatively affect productivity. At the same time, the increased casualisation and outsourcing would seem to have a negative impact on productivity in the long run because the opportunities for on the job training associated with length of time in a job would be reduced as are overall efforts to train workers.

In sum then, there has been deindustrialization, withdrawal from value-added sectors and more reliance on mining and minerals sectors. The impact on employment has been negative and the changes have led to increasingly precarious employment, including in non-productive services. There has been

lower productivity as a result not of poor training and skills but because of poor pay, casualization and outsourcing, less training and increasing unemployment. These factors then interweave with the general allocation of capital across the economy under the impact of financialization which reduces long term investment. We argue then that the impact of financialization on employment levels in South Africa can be seen through a number of distinct but interconnected channels (Diagram 5.1).

Insert diagram here

6 Conclusions

This paper has looked at how the South African economy has become increasingly financialized since 1994. We have argued that financialization amounts to change in the capitalist accumulation which has shifted the relations and processes between households, corporations and financial institutions. Financial institutions have become much more important regulators of firm and household behaviour, and macroeconomic trajectory as a whole. Financialization has affected different countries in specific ways, through the interaction between a variety of what we have called different channels of financialization. In South Africa's case, financialization has been situated within the context of the changing minerals-energy complex or MEC. Since 1994 major MEC corporations have simultaneously internationalized and financialized their operations – though as we argued, this has not reduced the overall levels of concentration across the economy - and domestic financial markets have become further liberalized. Financialization has directed capital away from the long term investment necessary to diversify the industrial base. Instead capital has flowed to finance and consumption and the sectors with strong linkages to these activities. With high levels of capital flight, the economy has become dependent upon short-term capital inflows to finance the large current account deficit and to maintain the overall balance of payments. The financial sector attracts these short-term and speculative flows rather than long-term productive capital. Moreover the gap between gross savings and gross capital formation has widened since 1994 because an increasing share of savings has been channelled towards financial investment and because of the shifting patterns of investment by non-financial corporations. The restructuring of the South African corporate landscape during the 1990s has increased South Africa's dependence on mining and minerals resources while strengthening the financial sector but left manufacturing industry weakened. We argue that these changes have had strong and negative effects on labour and employment. The impact of corporate restructuring and financialization on employment has been negative and changes have led to increasingly precarious employment.

7. References

Aglietta, Michel and Robert Breton (2001), "Financial systems, corporate control and capital accumulation. *Economy and Society*, 30(4): 433-466.

Ashman, Samantha and Ben Fine (2013) “Neo-liberalism, varieties of capitalism, and the shifting contours of South Africa’s financial system”, *Transformation*, forthcoming.

Ashman, Samantha (2012) ‘The Impact of Financialisation on the South African Industrialization Model’ presented to the XVIth World Economic History Congress, University of Stellenbosch, South Africa, 9-13 July

Ashman, Samantha and Susan Newman (2012) “Finance, financialization and accumulation in South Africa”, *paper presented at the third international conference of IESE*, Maputo, 4 – 5 September 2012

Ashman, Samantha, Ben Fine, and Susan Newman (2011) “Amnesty International? The Nature, Scale and Impact of Capital Flight from South Africa”, *Journal of Southern African Studies*, 37 (1), pp. 7-25.

Bank for International Settlements (2013), *Statistical release: OTC derivatives statistics at end-December 2012*. Available from www.bis.org

Competition Commission (2009), *Unleashing Rivalry: Ten years of enforcement by the South African competition authorities, 1999 – 2009*, Competition Commission and Competition Tribunal, Pretoria.

Council of the European Union (2011), “Conclusions on tackling the challenges on raw materials and in commodity markets” 3074th COMPETITIVENESS (Internal Market, Industry, Research and Space) Council meeting Brussels, 10 March 2011.

Press release:

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/intm/119744.pdf

Crotty, James (2002), “The Effects of Increased Product Market Competition and Changes in Financial Markets on the Performance of Nonfinancial Corporations in the Neo-liberal Era”, Working Paper no. 44, Political Economy Research Institute, University of Massachusetts, Amherst.

Daniels, R. C., Finn, A. & S. Musundwa (2012) “Wealth in the National Income Dynamics Study Wave 2”, *NIDS Discussion Paper, 2012/6*

Demirgüç-Kunt, Asli & Ross Levine (eds) (2004), *Financial Structure and Economic Growth: A Cross-Country Comparison of Banks, Markets and Development*, MIT Press, Cambridge, MA.

Duménil, Gerard and Dominique Lévy (2004), *Capital Resurgent*, Harvard University Press, Cambridge, MA.

Epstein, Gerald (2005), “Introduction: Financialization and the World Economy”, in Epstein, Gerald (ed.), *Financialization and the World Economy*, Edward Elgar, Cheltenham and Northampton.

Ernst and Young (2002), *Mergers and Acquisitions: A Review of Activity for the Year 2001*, Ernst & Young South Africa (available online at <http://www.ey.com/ZA/en/Home>).

Ernst and Young (2006), *Mergers and Acquisitions: A Review of Activity for the Year 2005*, Ernst & Young South Africa (available online at <http://www.ey.com/ZA/en/Home>).

Fine, Ben and Zavareh Rustomjee (1996), *The Political Economy of South Africa: From Minerals-Energy Complex to Industrialization*. Westview Press, Boulder, CO.

Finn, A, Leibbrandt, M. and J. Levinsohn (2012) “Income Mobility in South Africa: Evidence from the First Two Waves of the Income Dynamics Study”, *NIDS Discussion Paper*, 2012/5

Froud, [Julie](#), [Sukhdev Johal](#), [Adam Leaver](#) and [Karel Williams](#) (2000), “Shareholder value and financialization: consultancy promises, management moves.” *Economy and Society*, Vol. 29, No 1, pp. 80-110.

Froud, [Julie](#), [Sukhdev Johal](#), [Adam Leaver](#) and [Karel Williams](#) (2007), *Financialization and Strategy: Narrative and Numbers*. Routledge, New York, NY.

Goldstein, Andrea. (2001), “Business governance in Brazil and South Africa: How much convergence to the Anglo-Saxon model?” *Revista Brasileira de Economia Politica*, Vol. 21, No 2, June to April 2001, pp. 3-23.

Lazonick, William and Mary O'Sullivan (2000), “Maximizing shareholder value: a new ideology for corporate governance” in *Economy and Society*, Volume 29, Issue 1 February 2000 , pp 13 - 35

Leibbrandt, Murray and J. Levinsohn (2011) “Fifteen Years On: Household Incomes in South Africa”, *NBER Working Papers*, no. 16661

Michie, Jonathan and Frank Wilkinson, “The Growth of Unemployment in the 1980s,” in J.Michie and J. Grieve Smith eds., *Unemployment in Europe*, Academic Press, London. pp. 11-31.

Machaka, Johannes and Simon (2003), “The DTT's new integrated manufacturing strategy? Comparative industrial performance, linkages and technolog”, *South African Journal of Economics*, 71(4): 1-26.

Milberg, William (2008), “Shifting Sources and Uses of Profits: Sustaining U.S. Financialization with Global Value Chains”. Paper presented at CEPN/SCEPA conference

University of Paris – 13, Jan. 17th-18th, 2008.

http://www.univ-paris13.fr/CEPN/IMG/pdf/col_milberg.pdf

Mohamed, Seeraj and Simon Roberts (2007), “Questions of growth, questions of development”. *New Agenda: South African Journal of Social and Economic Issues*, No. 28, pp 37–46.

Mohamed, Seeraj (2010), “The State of the South African Economy,” R. Southall, D. Pillay, P. Naidoo and J. Daniel, **New South African Review 1: Development or Decline**, Wits University Press, Johannesburg.

www.MoneyMetal.org

Nolan, Peter (2003), “Industrial Policy in the early 21st century: The challenge of the global business revolution.” In Chang, Ha-Joon (ed.), *Rethinking Development Economics*, Anthem Press, London.

Omar, Rahmat and Edward Webster (2003), “Work restructuring in post-apartheid South Africa.” *Work and Occupations*, Vol. 30, No 2, May 2003, pp. 194-213.

Orhangazi, Ozgur (2007), “Financialization and capital accumulation in the non-financial corporate sector: A Theoretical and Empirical Investigation”. Working Paper 149, Political Economy Research Institute, University of Massachusetts, Amherst.

Palma, J.Gabriel (2009) ‘The revenge of the market on rentiers. Why neo-liberal reports of the end of history turned out premature’, *Cambridge Journal of Economics*, 33, pp.829-869

Price, Waterhouse Coopers (2012), *Mine: The Growing Disconnect*, PWC, London.

<http://www.pwc.com/gx/en/mining/publications/mining/mine-the-growing-disconnect.jhtml>

Price, Waterhouse Coopers (2013), *Mine: A Confidence Crisis*, PWC, London.

<http://www.pwc.com/gx/en/mining/publications/mining/mine-a-confidence-crisis.jhtml>

Ramaswamy, Srichander (2011), “Market structures and systemic risks of exchange-traded funds”, BIS Working Papers No 343.(<http://www.bis.org/publ/work343.pdf>)

Stockhammer, Engelbert (2004), “Financialization and the Slowdown of Accumulation.” *Cambridge Journal of Economics*, Vol. 28, No 5, pp. 719-741.

Stout, Lynn (2012), *The Shareholder Value Myth: How Putting Shareholders First Harms Investors, Corporations, and the Public*, Berrett-Koehler Publishers, San Francisco

Tang, Ke and Wei Xiong (2012), “Index Investment and the Financialization of Commodities”, *Financial Analysts Journal*, Volume 68, Number 6

Tett, Gillian (2011) “Why ETFs give an uneasy sense of déjà vu”, *Financial Times*, 23 May 2011. <http://www.ft.com/intl/cms/s/0/d7558992-7730-11e0-aed6-00144feabdc0.html>

Unctad (2012), “Don’t blame the physical markets: Financialization is the root cause of oil and commodity price volatility”, Unctad Policy Brief Number 25, September 2012.

Terreblanche, Sampie (2002), *A History of Inequality in South Africa: 1652 – 2002*. Pietermaritzburg: University of Natal Press.

Tregenna, Fiona. 2008. "[Sectoral engines of growth in South Africa: An analysis of services and manufacturing](#)," [Working Papers](#) RP2008/98, World Institute for Development Economic Research (UNU-WIDER).

Who Owns Whom in South Africa (2013), 33rd Edition, McGregors Publishers, Johannesburg