Section 4. The political economy of crisis and transition

Comparative analysis of European welfare states "suggests that three factors are critical to enabling society to bring about sustainable redistributive change. …[first] the emergence of well-defined class interests especially those of the poor ….[second] class pacting, or the creation of alliances between the poor and in particular the middle class…through institutionalised mechanisms of political negotiation ….[and third] electoral and party systems that produce politically responsible and organisationally disciplined parties that act as institutional mediators of social interests" (World Bank, 2003, 243).[19] If this argument is correct, South Africa's political transition to democracy in 1994 should have presented excellent prospects for 'sustainable redistributive change': the interests of the poor were clearly defined as increased employment and access to services to close the gap between blacks and whites, while the nationalist political movement coming into government represented an encompassing cross-class alliance including the poor and (some) middle class sectors. Furthermore, the political transition was one of those moments of social fluidity which come every few decades, and allow unusually wide participation in economic policy debate and discussion on a wider array of issues and options than is otherwise the case. Re-constituting group interests via policy debate to establish a new growth model for redistributive change seemed an attainable objective in South Africa in the early 1990s.

Yet the expectation that South Africa would move onto a path of equalising growth have remained unfulfilled. Most attempts to explain this outcome have focussed on the inadequacies of the ANC's leadership – for some analysts, the leadership's lack of commitment to a progressive outcome led them to 'sell out' and focus on accumulating

[19] 'Sustainable change' is understood in the present paper to mean the incorporation of poor and middle class interests into a 'growth model' which simultaneously addresses (re-)distribution so that growth and redistribution to the poor reinforce each other, rather than a process where redistribution to the poor is distinct from, and consequent upon, growth, and thus contingent on successful growth. A 'growth model' is a policy framework which synthesizes the interests of different groups to achieve growth, with the synthesis reflecting a distribution 'bargain' sharing the gains from growth amongst the groups incorporated the model's framework, not necessarily all groups in society. For example, Keynesianism used aggregate demand management policies to support domestic market growth, raising profits for firms and wages and living standards for workers together, and emphasising the co-operative dimension of the two groups interaction. In a different framework, the interests of the same groups could conflict, as for example in the fixed exchange rate gold standard system where relations between firms and workers were conflictual. Implicit in this approach is the idea that economic policy debate is a political process in which groups' interests are (re-)constituted (Hall, 1997; Gourevitch, 1989).

wealth and power for themselves and a few cronies, while for others, the problem was the leadership's inability to hold together an effective political coalition and impose progressive policies on reluctant democrats in the white and business communities (Bond, 2000; Marais, 1997; Terreblanche, 2003). Leaving aside the simplistic and often moralistic readings of political leaders' behaviour and interests implied in these 'agency-focussed' approaches, they nonetheless over-emphasise the lack of political will and skill and ignore structural features of the society, in particular the nature and distribution of economic and political power in South Africa at the point of transition, and the structural problems – crisis – which beset the economy for two decades prior to the transition. For all that it provided (black) interest groups with new political resources which shifted the terms of their engagement in the policy debate, the transition was not a *tabula rasa* in which all options were equally likely or possible. Instead, certain political and economic imperatives ruled out some options and weighted social choices towards others.

This section focusses upon these issues, arguing that the origins of post-apartheid policies – which have been unable to fully resolve the problems of employment, poverty and inequality which were the legacy of the apartheid era – lie in the economic crisis and in the transition to democracy. The section begins by outlining the crisis which characterised South Africa from the mid-1970s, which increased class differentiation and transformed social organisation, thereby shaping the actual possibilities for class alliances which would determine post-apartheid outcomes. I then turn to examine the emergence of the dominant class alliance in South Africa today.

(i) Crisis.

From the mid-1970s, South Africa entered a period of crisis as economic and political problems reinforced each other and ultimately led to the transition to democracy. In 1973, the Bretton Woods monetary system collapsed and the `oil shock' triggered a global recession, while spontaneous wage strikes erupted in South Africa in response to rising inflation. The South African economy went into recession in 1974, worsened by capital flight following student uprisings in 1976. It soon became clear that the decline in economic growth was structural rather than temporary, as the production problems in manufacturing (low productivity and import dependence) were made more serious by increasing volatility of mineral exports and of capital flows, limiting the capacity to adapt to macroeconomic instability and restore investment and growth.

In response to the crisis, and supported by a growing commonality of interests within big business (white-owned, but divided culturally until the 1970s between English and Afrikaans-speakers), the state introduced limited political and economic liberalisation for urban Africans from the late 1970s. The aim was to raise aggregate domestic demand, labour productivity and skill levels, while achieving political stability (Saul & Gelb, 1981). Restrictions were relaxed on Africans' rights to live in the cities, to own houses and businesses, to elect local representatives and to organise trade unions. Social spending on Africans began to increase (Table 9). Coloureds and Indians gained restricted representation in the national legislature in 1983. Liberalisation led not to political quiescence but to increased conflict in the first half of the 1980s, which was heightened by further economic problems after global interest rates rose and the gold price collapsed in 1981. Responding to risk, international creditors in 1985 precipitated a foreign debt crisis, forcing capital outflows for debt repayment and thus contractionary macroeconomic policies to ensure a current account surplus. As the crisis played out, GDP growth declined, from 5.5% per annum in the 1960s to 3.3% in the 1970s and 1.2% in the 1980s. Fixed investment dropped from above 25% of GDP in the 1970s to about 18% in the mid-1980s. Total factor productivity growth in manufacturing dropped from 2.3% per annum in the 1960s to 0.5% in the 1970s and a disastrous -2.9% during the first half of the 1980s. (Gelb, 1991, 1997).

The sectoral impact of the crisis was very uneven. Despite the problems in manufacturing, the most capital-intensive sub-sectors – chemicals and basic metals – continued to expand their capital stock until the early 1980s, driven mostly by public sector investments to enable self-sufficiency in strategic commodities including oil. Interest and exchange rate policy through the 1980s favoured mining exports over manufacturing imports, further raising manufacturing costs and lowering profitability, and producing debt and bankruptcies. Like mining, financial institutions enjoyed a short-term profit boom, as domestic companies sought new equity finance, mergers and acquisitions rose, foreign corporations disinvested, and the international markets expanded rapidly in the wake of the monetarist shock at the start of the decade. Ownership concentration in South Africa increased: in 1990, six conglomerates centred on mining and finance controlled companies with 80% of the market capitalisation on the Johannesburg Stock Exchange.

The overall decline together with the sectoral unevenness of the crisis had a significant distributional impact, transforming the social structure as income distribution deteriorated. The extreme between-race inequality characteristic of 'grand apartheid' was moderated somewhat, while greater class differentiation led to increased inequality *within* race groups between 1975 and 1991, both black and white (Tables 3, 4, 5).

Unemployment was unofficially estimated at 20.8% in 1980 compared with 11.8% in 1970 (Simkins, cited in Standing et al., 1996, p107), and the increase deepened poverty and inequality. The number of Africans in formal employment grew by only 1.9% in the 1970s, and by only 1% in the 1980s, both well below labour force growth. In fact, labour absorption (the proportion of new labour force entrants who actually find jobs) dropped from 74% in the late 1960s – already low though economic growth was at its peak – to 12.5% in the late 1980s. In other words, absorption dropped from 6 in 8 new entrants finding jobs to 1 in 8 entrants. The effect of output growth on employment similarly had a declined, and the production elasticity of employment[20] dropped from 0.64 in the 1970s to 0.46 in the late 1980s.

The 'skills twist' discussed in Section 2 was already evident from the 1970s. Job losses were primarily amongst unskilled workers, especially in manufacturing and construction (the sectors hardest hit by economic decline) but also in the public sector and services. In contrast, Africans and other blacks with education or skills benefited: technical and white-collar occupations increased as a proportion of the proportion of the labour force in all sectors, and the share of employment in the tertiary service sectors increased at the expense of the primary sectors. The number of Africans in 'middle class' occupations

[20] The percentage increase in employment associated with a 1% increase in output.

grew at more than 6% per annum between 1970 and 1987, nearly trebling to about 600 000. Nineteen percent of all employed Africans were in middle class jobs by the latter date, the middle class comprising 37% of the employed workforce. Africans were nearly one-quarter of the middle class, and Coloureds and Indians another 18% (Crankshaw and Hindson,1990; Hindson,1991).[21]

Together with the changes in the social structure, new forms of social and political organisation emerged.[22] A wide range of organisations in black civil society were established from the late 1970s, including powerful trade union and township-based civic movements, mobilising skilled and semi-skilled African workers, but also professional and business bodies, media and cultural organisations and women's and youth organisations.[23] These organisations were crucial in driving the society towards democratic transition, as winning political rights was naturally a major objective, and the exiled nationalist political movement provided political and strategic focus. But at the same time, they engaged in struggles around the narrower concerns and sectional interests of their constituencies. In this latter context they increasingly found themselves in relations of interdependency with elements of both the white power structure, including business and the state, and foreign agencies (private, governmental and multilateral) who provided financial, intellectual and strategic resources. The day-to-day activities, expansion and financial well-being of these organisations, the material interests of their members and the career paths of their leaders came to depend on their relations and linkages with other organisations in their operating environment:

> "The variable autonomy of the leadership of an organisation from the rank and file must be seen together with the necessity of co-operating with other power centres.... elite co-operation and oligarchy are of critical importance to our understanding of the social construction of class interests ….it seems reasonable

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[21] The number for the middle class are based on the official 1987 *Manpower Survey, which* included only formal sector employment and excluded owners of businesses and residents of 'independent' bantustans.

[22] The next four paragraphs are based on the argument in Gelb (1998a).

[23] In 1994, South Africa had about 54 000 non-government organisations and community-based organisations, about one per 740 people (cited in Lodge, 2003, p 169). Of course, not all of these were established after the mid-70s, but a recent survey suggested that the median organisation age was about 19 years, implying half were established after the start of the 1980s.

> to speak of an inherent ambiguity of organised collective action.” (Rueschemeyer et al, 1992, p54)

The trade unions, the largest and most powerful of these organisations, exemplified this ambiguity and the dilemmas it posed. They were torn between two impulses, the first a political focus upon mass action and a broad oppositional politics on one hand, and the other a concern with labour-oriented industrial relations intended to win material gains for their members from employers. The latter required institution-building, of both their own organisations and the regulatory framework within which they bargained with employers. The difficulties of institutionalising political opposition gave rise to many debates within the union movement, for example about links with the nationalist movement or union action over ‘community’ (residential) issues. The common thread in these debates was the need to consolidate and protect unions’ organisational strength by building members’ participation and ensuring the leadership was not eliminated by state repression. This concern for organisational survival meant that support for the industrial relations focus – emphasising the interdependency with employers (business) – was repeatedly reinforced. As two senior union leaders from the 1980s put it: “each successive plateau to which the unions ascended drew them into increasingly powerful and institutionalised relationships with employers and ultimately the state” (Lewis & Naidoo, 1999, p216). A critical moment in the transition was the campaign against the Labour Relations Act in 1989, when the unions entered a tactical alliance with big business at the latter’s initiative. The campaign explicitly recognised the two sides’ interdependency by setting out a framework for basic labour and employer rights, and then successfully pressed the state to establish appropriate regulatory institutions, including the right for both unions and employers to approve proposed labour legislation. This was the start of tripartite processes in South Africa, which became an important feature of the transitional and post-apartheid institutional structure.

The significance of these organisational interdependencies is that they altered the aims and objectives of both sides, broadening their scope and lengthening their time horizons, and thereby impelled the country towards a *negotiated* transition to non-racial democracy. The nationalist movement also employed "frontal assault" strategies aimed at overthrowing the state, including popular demonstrations, insurrection and guerrilla struggle. But though these raised the costs of maintaining power, they did not threaten to achieve their aim.[24] Instead, growing interdependencies forced whites to recognise that black labour and the middle classes could not be incorporated economically unless political rights were extended in an open-ended political process[25], and forced black organisations to accept a future role for whites, implying thereby also acceptance of their property rights, including those of big business, the most significant white interest group.

By 1989, government and business leaders had come to recognise that the logic of economic growth required ending racial authoritarianism. Over and above the political realities within the society, it was clear that until non-racial democracy was assured, South Africa would continue to be excluded from international financial markets, so that the foreign exchange constraint imposing stop-go cycles on the economy would not be relaxed. Facing up to this, government lifted the ban on political organisations in early 1990 and initiated negotiations towards a democratic constitution. Support from big business for these moves was essential, since the government had a new leader with no substantial support base in his own party (O'Meara, 1996).

(ii) Transition.

As noted already, economic difficulties put the need for a new 'growth model' on the agenda, while the political transition enabled a broad debate over the content of the 'model'. The uneven sectoral and social impact of the crisis directly increased inequality, but by shaping economic and political choices in the transition, also influenced the prospects for addressing inequality in the post-apartheid era.

Consistent with its political base, the ANC and allied organisations put forward a pro-poor 'growth model' focussed on basic needs and resting on a cross-class coalition including the poor, working and middle classes (ANC, 1994; see also Harare Workshop, 1990; Gelb, 1990). The model rested on increasing private and public investment to meet basic needs and expand the consumer market. The implicit argument was that as

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[24] Mass demonstrations were common in the mid-80s before being suppressed by martial law from 1985. They enjoyed a brief revival in late 1989 when it was clear that negotiations would start shortly. Unlike in Eastern Europe, they were a symptom rather than a cause of impending political transition.

[25] As late as 1986/7, big business had given explicit support to the continuation of a state of emergency (martial law).

economic activity picked up, investor confidence would be restored, foreign capital inflows and tax revenues rise, and macroeconomic stability improve. Investment programmes in housing and infrastructure would use labour-intensive technologies to create jobs. Also envisaged were the massive expansion of education and training, the creation of a national health service to focus on primary health care, and social welfare delivery totally overhauled. Affirmative action policies were important, and small, especially black-owned, businesses were a major target for redistribution, since they could play a role in both job creation and production of basic wage goods. Participation in economic governance would be broadened via negotiating forums. Macroeconomic and financial policy were seen as facilitative and supportive, not the central focus of policy, with excessive money creation or reliance on capital inflows to be avoided. Possible macroeconomic constraints binding growth from the outset were not addressed.

This approach was expressed in *The Reconstruction and Development Programme,* an ANC election manifesto (ANC, 1994), institutionalised through the establishment of a Ministry for the RDP in the Presidency in 1994, and incorporated into policy through the RDP White Paper in 1994. Yet it survived less than two years – the RDP Ministry was shut in February 1996. In June 1996, the government published a new policy document, *Growth, Employment and Redistribution* or 'GEAR' (South Africa, 1996), which then became the guiding light of economic policy. In contrast to the RDP, the GEAR document was focussed on macroeconomic policy, stating explicitly that "the focus of this document is the overall macroeconomic environment. Social and sectoral policy development cannot be outlined comprehensively here, but [only] a few key linkages between growth, redistribution and a new policy directions." (p 14). Many commentators have seen GEAR as reflecting a triumph of 'neo-liberalism' over the RDP's progressive approach, but this is too simplistic an understanding. It is important to distinguish between the policy documents as written, the policies as implemented and the underlying growth models. Both documents contain significant ambiguities, but particularly the RDP, which includes reference to the need to avoid excessive fiscal expenditure and monetary expansion, and also to the need for export promotion, tariff liberalisation and expansion of mineral beneficiation, hardly a core 'basic need'. The GEAR document on the other hand contains an entire chapter on a 'national social agreement', not generally seen as an element of 'neo-liberalism'. In addition, as elaborated further below, the tough anti-inflation stance, trade liberalisation, and international financial liberalisation expressed in GEAR were put in place while the RDP was 'in force' and well before GEAR was published, and RDP policies for reprioritising public expenditure were explicitly located within a framework of fiscal deficit targets (Gelb, 1998).

The reality is that there were two growth models 'in play' in the early 1990s. In addition to the basic needs approach expressed in the RDP, there was also an export-led growth approach, the main elements of which were included in the RDP as written. This strategy was directly concerned with the production and macroeconomic problems which had characterised the crisis, focussing on raising industrial profitability to boost growth, and export promotion especially for materials-processing industries. Policies aimed to lower government expenditure and cut taxes for corporations and individuals, reduce credit creation to cut inflation, increase competitive pressure on industry by reducing trade protection and strengthening competition policy. Redistribution was a separate process financed by the benefits of growth. Strict limits on wage increases would be offset by 'development' (redistribution), improving the educational and health systems, and eliminating apartheid legacies in housing and transport. This would contribute to growth by eliminating wasteful apartheid spending and improving labour force skills. Support for small businesses and informal sector activities was crucial for job creation.

The political process meant there was no neat resolution of the economic debate before policy measures were implemented. Only one of the two growth models could emerge as dominant in policy terms (to be distinguished from successful in growth terms). But it was already evident at the start of the transition that the export-led model would become dominant in this sense, because unlike the RDP basic needs model, it addressed the nature of the crisis and of the transition directly (Gelb, 1991). The implication was that the nature of the South African crisis ruled out a big business-poor coalition *within the context* of a 'growth model', so that a synthesis of these groups' interests for 'sustainable redistributive change' was not possible.

The focus of the basic needs model on domestic wage goods sectors did not address issues of profitability or import dependence and export promotion. Because the economic crisis was a crisis of production and the supply-side, To be sustainable macroeconomically, a new growth model could not be based simply on the expansion of aggregate demand through income redistribution intended to stimulate unskilled labour-intensive production of wage goods. Instead, a sustainable growth model had to achieve lower production costs, and address manufacturing's vulnerability to external shocks. A supply-side version of the basic needs model did exist, but then "the emphasis would have to be placed on the redistribution of investment, rather than consumption" (Gelb, 1990). But the existing capital stock was large and complex, and in manufacturing it was dominated by capital-intensive materials processing (basic metals and chemicals), not basic needs-producing sectors. A shift to the latter through incremental transformation of the existing capital structure via investment flows would be a long-run process, inevitably subject to balance of payments problems in the short- and medium-runs, given the binding foreign exchange constraint and the need for investment goods imports. A closed capital account and stable nominal exchange rate were needed, rather than capital account liberalisation.

The size and complexity of the capital stock also meant a 'capital reform' would be necessary, so that political sustainability for the basic needs model was just as complex. The need for capital reform (*a la* land reform) arose from the imperative to legitimate the transition by deracialising economic power and promoting affirmative action for the black middle class. This group was certain to be the most distributionally mobile in the transition, obtaining access to power, influence and remuneration previously unavailable, as ownership and management of private corporations and management of public corporations and state institutions were opened to blacks.[26] Capital reform – deracialising capital ownership – and affirmative action policies in management positions implied the earning of *rent*[27] by individuals in the black middle class, a premium as a return on the political asset of being black. The issue of rents impacted fundamentally

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[26] Transition and deracialisation would produce less mobility for the black working classes, since working class occupations were already overwhelmingly black, and the benefits would instead take the form of the removal of discrimination in labour market bargaining and in the workplace.

[27] Rents are returns above the opportunity cost of a good or service, linked to a quality providing the good or service with a competitive advantage.

upon the potential for class coalitions involving the black middle class and the 'poor', on one hand, versus white big business on the other (Gelb, 1992).[28]

The basic needs model, synthesizing the interests of the poor and the black middle classes by shifting production to wage-goods sectors and simultaneously promoting black owners and managers, would require very far-reaching capital reform, at minimum the 'de-conglomeration' of South African business. "With the private sector dominated by a tiny number - five or six - of large conglomerates, the prospects for [the basic needs] accumulation strategy will hinge on the policy adopted towards the latter. For the `redistribution of investment' to be successful, the conglomerates cannot be left in their present form" (Gelb, 1990; also Gelb, 1992). Combined with the break-up of the conglomerates, rent allocation with reciprocity would require a major expansion of the state's role in directing production. But the tiny number of black entrepreneurs especially in manufacturing meant that expanding state production would be necessary. [29] Indeed, the RDP implicitly recognised this since black economic empowerment (BEE) was mentioned for the first time after 93 pages.

The crisis had meant that big business had become more powerful as ownership was concentrated, and the acceptance of its property rights in the context of the negotiated transition meant that any capital reform would require big business' consent and indeed its active participation. South Africa in the early 1990s was a far cry from the colonial abandonment of assets *a la* Korea when the Japanese left or the military state *a la* the Kuomintang in Taiwan, both of which undertook far-reaching land reforms, or from the US occupying force in Japan after 1945, which undertook a far-reaching capital reform.

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[28] The neo-classical view is that rents lead to allocative inefficiencies since returns to factors are not linked to marginal productivity and create incentives for resource shifts to seek easy profits. However, rents can have a growth-enhancing impact by providing incentives for innovation, export promotion and so on. The important issue is whether their principle of allocation rests on grants or on reciprocity, that is, performance standards as a condition for future receipt of rents. Reciprocity requires political as well as administrative capacity since the state must be able to discipline economic agents and withdraw rents if the performance standards are not met (Gelb, 1992; Khan, 2000).

[29] A state role in production on this scale was 'unthinkable' in the context of the shift of 'common sense' in the state versus market debate during the 1980s.

The negotiated nature of the transition meant that capital reform in South Africa would necessarily be an incremental, market-focussed process allocating rents to the black middle class. A capital reform of this nature required an accommodation between the incoming government and the existing owners of capital. It is instructive to look back at the first public meeting inside South Africa between big business and the newly-unbanned ANC, held in May 1990. In spelling out business' position, Gavin Relly (chair of Anglo-American, South Africa's largest conglomerate) pointed to

> "a vision of SA where there is: a growing economy capable of generating the resources to address socio-economic need; a strong diversified economy which creates more wealth by competing successfully in international markets and attracting foreign investment; meaningful productive economic opportunities for all South Africans; a more equitable distribution of resources; the elimination of racial imbalances in the economy through equal opportunity; effective strategies to combat poverty.....we in the corporate sector believe that the retention of domestic and international investor confidence is critical to economic growth....if investors conclude that state intervention and regulation stifle initiative, entrepreneurial activity and the ability to make profit, capital and skills flight will ensure. Renewed foreign capital inflows – in contrast to the capital outflow which is not taking place on a significant scale – are vital to the kind of economic growth that will allow SA to successfully tackle her development agenda." (Relly, 1990)

Relly's prioritisation is noteworthy. For business, opening up to the global economy was the critical payoff from democratisation – the foreign exchange constraint had to be relaxed for growth to resume. Business had already settled on its growth priorities in response to the crisis during the 1980s in the form of the export-led model described above, and in 1989 the new leadership of the apartheid government focussed economic policy on this approach, introducing a firm anti-inflation stance, incentives such as the GEIS (General Export Incentive Scheme implemented in 1990) and moving to liberalise trade policy. Redistribution was separated from growth already in 1990, with the establishment of dedicated free-standing funds by government (the Independent Development Trust) and similar CSR-type investments by private corporations. Capital reform and black business were barely on Relly's agenda, getting only passing mention as respectively the need “to look at ways of broadening and deepening” popular ownership via employee share-ownership plans, pension funds and the like, and the “need for active encouragement of the emerging black business sector, via finance, advice or training…business is discovering scope of contracting out & sub-contracting *on a commercial basis*.”

Capital reform was certainly on the ANC’s agenda, and in recognising big business’ property rights and necessary role in *any* growth coalition, the ANC in response offered a ‘deal’: macroeconomic stability and openness to international trade and finance, in return for support from business for black economic empowerment (BEE), as it came to be labelled:

> it is quite obvious that the economic power relations represented by the excessive concentration of power in a few white hands have to change….one of South Africa’s imperatives is to end white domination in all its forms, to deracialise the exercise of economic power….we are very conscious of the critical importance of the confidence in the future of both the national and the international business communities and investors. We accept that both these sectors are very important to the process of further development of our economy. We can therefore have no desire to go out of our way to bash them and to undermine or weaken their confidence in the safety of their property and the assurance of a fair return on their investments. But we believe that they too must be sensitive to the fact that any democratic government will have to respond to the justified popular concern about the grossly unequal distribution of economic power. …I am sure we are agreed [on] the need to generate significant domestic savings, to attract substantial foreign investment and to keep the rate of inflation reasonably low...”(Mandela, 1990)

And speaking abroad a few months later, the message was the same:

> the SA economy is in decline. Measures must be taken to ensure that it grows. …. investment, growth of the domestic market, … exports of manufactured

> goods, raising of skill levels to increase labour productivity... redistribution of wealth ....and …affirmative action to ensure black empowerment. .... the private sector must and will play the central and decisive role in the struggle to achieve many of these objectives...let me assure you that the ANC is not an enemy of private enterprise...we are aware that the investor will not invest unless he or she is assured of the security of their investment...The rates of economic growth we seek cannot be achieved without important inflows of foreign capital. We are determined to create the necessary climate which the foreign investor will find attractive. (Mandela, 1991)

In sum, notwithstanding the ongoing policy debate including the formulation of the RDP, the broad outline of the dominant policy framework had been clear at the start of the transition. Structural factors meant that the model would rest on the accommodation between the ANC and big business, creating a distributional coalition of white business and emerging black business, resting on policies to promote globalisation and BEE. While the form of BEE was still unclear, it soon began to be spelled out. This outcome can clearly not be characterised as an ANC 'sell-out', since structural and organisational processes had driven the ANC leadership, including internal organisation, towards the negotiated path which implied an accommodation with business. Furthermore, since the 'deal' was acknowledged very early in the transition, even as the RDP model began to be formulated, it is inappropriate to see in it a loss of hegemony by the left in the wake of political struggle during the first half of the 1990s: the struggle and the policy debate took place in the context of an already existing deal. Rather the issue has been the construction of hegemony in the context of non-racial capitalism. Many aspects of policy emerging from the basic needs model were adopted – land reform, social infrastructure and housing, and pre-eminently, labour market reform. But these must be understood in the context of the overall policy orientation, which meant that they were seen not as dimensions of growth promotion, but as attending to redistribution and redress independently of growth.