

The article below written by the late Oupa Lehulere, who was often a speaker at LALIT events, links the theme of “corruption” with vying sections of the capitalist class, and puts it in the context of the theft, or expropriation that, in general, the capitalist class carries out. It was written in March 2017.

### **The Corruption of a Dream**

The SASSA scandal currently unfolding is probably the most dramatic expression of how far the African National Congress (ANC) has travelled. Under apartheid, its activists were associated with laying down their lives in defending and advancing the interests of the mass of the people. Today, it is associated with stealing from the mass of the people. Even in the ANC itself it is accepted that the corruption and theft of public resources is not just an isolated problem in the party, but is deep and systemic.

Against this background the SASSA scandal would seem to be just another scandal among many. However the SASSA scandal, on the contrary, is important in one respect: it allows us the opportunity to develop an understanding of the nature of corruption in South Africa. As a result of the SASSA debacle and its potential for catastrophe we are forced to look into the multifaceted nature of the ANC’s corruption – a view that the mainstream and middle class press shies away from. This crisis allows us to look at the legalised corruption of the ANC and the crude kleptocracy of the current leadership of the party.

#### *Distribution of wealth*

The wealth of any society is distributed among its various social classes through a range of mechanisms. In capitalist society, the processes of the distribution society’s wealth include the division of wealth between wages and profits; and the markets in which goods are bought and sold. For example, in the agricultural commodities market the wealth is extracted away from the small farmers towards financiers who control the world’s global markets in agricultural commodities. The system of taxation in a country also serves to distribute wealth between the classes; and the way the government (in any country a key economic actor) produces, buys and supplies goods and services to the mass of the population also serves to distribute wealth between the classes. The entire capitalist economy is organised around making profit for the capitalist. The entire system, therefore, is essentially about the way the wealth that is produced is distributed among the capitalists, the middle class, and the working class or poor people in a country.

#### *Theft vs corruption*

In any society there are people who steal something from others. Corruption, however, is not just theft, but involves an illegal, hidden and unethical use of access to resources and power to transfer wealth to the benefit of oneself or one’s associates. Corruption can be for personal enrichment, enrichment of friends or relatives, and/or facilitating access to resources and power. In the history of capitalism and in the formation of the capitalist class, corruption constitutes the most important way of creating wealth for a new capitalist class. In addition, as a result of the constant threat to the wealth of the capitalist resulting from competition and the instability of capitalism, capitalists must periodically engage in corruption to maintain their wealth.

#### *Legalisation of corruption*

In South Africa, the wealth of all the rich white capitalists is founded on the theft of the land, the minerals beneath the land and other resources of the country. Also, it was founded on the exclusion from power of all social classes from the black majority. During the process of the formation of the South African state in the early 1900s, the black middle class of the time – led by the ANC – attempted to get themselves included in the new power arrangements of the Union of South Africa, but this was rejected by the white capitalists and their colonial government in Britain.

An important step in the development of any capitalist class is reached when this class transforms the wealth they acquired by theft, corrupt and illegal means into legal wealth; when they write and

rewrite laws to legalise their wealth. For example, the land that was stolen by white settler capitalists over many years in South Africa was legalised with the Land Act of 1913. The initial legalisation of corrupt wealth requires that the capitalist class creates a range of laws that maintain this ill-gotten wealth. These laws include property laws and by-laws (in cities and municipalities), laws around setting up businesses, the organisation of state policies and taxes that favour the reproduction and maintenance of that wealth, and so on. Meetings between individuals and corporations to organise this corruption are sometimes legalised – and are called “lobby-groups” and so on. In many countries ‘lobbyists’ get paid a lot of money and spend a lot of money (legalised bribery) to persuade those in power to act in the interests of certain power groups.

### *Power and corruption*

Once a capitalist class or section of a capitalist class has legalised its corruption, it has an interest in ensuring that the corruption of competitors is not legalised. By keeping them illegal, the ruling capitalist group can obstruct, weaken, or punish at will its competitors. At times, it may ‘turn a blind eye’ to this corruption as long as it does not threaten its rule. It can also periodically use this dark side of capitalism to strengthen its position without running a large risk of becoming illegal – in other words the established capitalists can “outsource” corruption.

Because of their power these groups have created their own system of justice, in which they all agree to pay “traffic fines” for their corruption. In South Africa recently, a number of banks agreed to pay “fines” for manipulating the Rand. This parallel system of justice, which include legal institutions like the Competitions Commission, white-washes corruption and allows powerful groups in society to evade the normal process of criminal justice.

### *Distribution of wealth and corruption*

Corrupt groups in society draw the wealth they transfer to themselves from different parts of society. There are four main sources of wealth from which the corrupt groups can steal from. The first is from the capitalist class itself. There are many cases of this corruption in the financial markets, and daily we hear reports of “insider trading”, which is corruption between and among financial market traders to steal from the capitalist class itself. The second is from the state. The third is to steal directly from the middle class, and fourthly, they can steal directly from the working class. Corrupt groups focus on the lines along which wealth is distributed in society, where they “intercept” this wealth behind the scenes and direct it to themselves and friends. Corrupt groups do not create wealth, they redirect it and consume it once it is produced. Only when corrupt groups transform themselves from consuming to producing groups can they become really rich.

The line of distribution on which corrupt groups focus depends on the power this group enjoys in society. Groups like investment banks are able to redirect wealth that is circulating in the financial sector by corrupt means. Weaker groups of emerging capitalists are forced to focus their corruption on less powerful groups in society – such as the working class. In order for corrupt groups to intercept wealth from the capitalist classes and the middle classes, they need to control important institutions like banks and large corporations. In order for them to intercept resources within the state they need access to political office. Political office also allows these groups to intercept transfers from the state to other classes, and in particular to the working class.

### *The 1994 transition blocks black capitalists*

A number of key legal agreements made during negotiations have blocked the formation of a new class of capitalists. These include, firstly, the transformation of South Africa into a constitutional state. Secondly, the negotiators adopted the concept or doctrine of ‘legal continuity’, which meant that all laws and agreements that were passed or entered into during apartheid and colonialism remained valid and could only be changed through the legal process. This process, however, was subject to the new constitution. Thirdly, the new dispensation made it unconstitutional to punish anyone for any offence committed in the past if no law said it was an offence at the time. Lastly, the capitalist corporations continued to enjoy the rights of normal persons, and this meant that all the

rights conferred by the new constitution to protect human rights also protected capitalist organisations.

White monopoly capital did not trust the new black political elite. For monopoly capital, it was not always clear if the black political elite now in government would resist the pressure of their constituency to redistribute wealth. The capitalist class, through a range of means, intervened to create a second line of defence. Determined efforts were made to capture the ANC as an organisation, and these efforts were already successful by 1992. In that year, the Mail & Guardian organised a retreat at Mont Fleurs outside Cape Town, where the consensus about a free market capitalist road emerged. Some of the people present were to be key in the adoption of free market economics or neoliberalism, in post apartheid South Africa. They included Trevor Manuel, Tito Mboweni, Rob Davies, Saki Macozoma, Jayendra Naidoo, and some of the biggest capitalists; Christo Wiese, Derek Keys and so on. It was these series of engagements that ended in the capture of the ANC by monopoly capital, and resulted in the adoption of Gear policy by the ANC in 1996.

The third wall or line of defence put up by (white) monopoly capital was to ensure that the key capitalist organisations are protected against the South African state by foreign governments. Following the ascent of Trevor Manuel to the Treasury, five of SA's large corporations were granted permission to become "foreign companies" by shifting their "home" addresses to London and New York. This move allowed these companies to move their wealth overseas. By 2001 the companies were exporting more than R7 billion in profits made in South Africa overseas. The 'flags of convenience' of these companies meant that they were now protected against South African people by their new-found "parents" – the UK and US governments. From being South African companies, they now became foreign investors in South Africa!

Yet this was not enough. Wall number four was also put up, and this mainly involved pressure on the new South African state to privatise the key assets of the state. If privatisation was not possible, the state allowed these assets to fall into neglect so as to allow the big capitalists to create 'new industries' to substitute the state industries. One such example is the decline of state health which has led to the rise of private health.

These four lines of defence created a fortress around capitalist organisations and the privileged white middle class, and ensured that their wealth would be preserved. This ensured that any new group of black capitalists that wanted to become rich could only be rich if they were sponsored by monopoly capital. This is how many ANC cadres like Cyril Ramaphosa, Tokyo Sexwale and Patrice Motsepe became rich.

### *Corruption and the battle for the ANC*

The policies implemented by the government of Thabo Mbeki and Trevor Manuel blocked the emergence of a class of big black capitalists that could challenge white monopoly capital. The few rich blacks they produced were too dependent on white monopoly capital. Their policies also began to have a negative effect on the working class and the small and fragile black middle class. As unemployment rose and the black middle class struggled to survive, the tide turned against Thabo Mbeki's leadership in the ANC, and he was overthrown at Polokwane in 2007 and recalled in September 2008.

The Polokwane bloc had breached an important wall of defence set up by capital – they had recaptured the ANC. The new ANC leadership could not however break through the remaining three lines of defence put up by white monopoly capital. Their economic situation had been deteriorating and their indebtedness had been rising since 1994. This new middle class, now dependent on their position in the state, had only one option to survive – through tenders and doing business with the state that employed them.

Their first victory, however, opened up possibilities of extracting resources meant for the poor working class communities. At all levels of the state, but particularly at the local state, the new black elite has been extracting wealth for its consumption from resources meant for the working class and

the poor.. We can see this corrupt extraction from broken RDP houses, unfinished school buildings, non-delivery of text books, and the list goes on without end. The SASSA crisis currently unfolding represents a particularly ugly version of how this group is intercepting resources meant for the working class, but it is only the most visible one because it is now unfolding around a single date, April 1.

The control of the ANC by this group, however, did not bring with it the power to breach the three other lines of defence set up by monopoly capital. The constitutional and legal defences are still intact, and litigation against the Zuma state has intensified at all levels. Also, massive capital flight and export continues, and various means are implemented to accelerate this.

The arrival of the Guptas on the scene (initially introduced by the Mbeki bloc), and their linking up with the Zuma bloc, has led to an intensification of hostilities in the struggle for the extraction of resources from the state. Big capital and its allies are putting up fierce resistance, and this threatens to break up the ANC completely. The battle for the Treasury expresses this issue most acutely, but the battle is equally acute across all the big state enterprises. The importance of the Guptas in this battle cannot be understated. The Guptas are providing three key elements that have been lacking in the Zuma bloc. Firstly, the Guptas are a producing capitalist group and not just a group of consuming individuals. Secondly, the Guptas have financial resources that can 'take on' big capital in South Africa. Thirdly, the Guptas have the organisational skills that come with the organisation of production, and they have had to 'organise' the whole bloc, even to the extent of dishing out cabinet posts!

At the heart of the Gupta versus Pravin battle is a battle between two kinds of corruption. On the one side is a corruption that has not yet been able to legalise itself, a corruption of excluded sections of the black middle class and those who aspire to be rich capitalists. This corruption steals directly from the poor. On the other side stand the front troops of legalised corruption – the corruption of white monopoly capital. Behind their appeal to the 'rule of law', to 'clean government', to 'anti-corruption' stand the defence of privilege that has not only excluded aspiring black capital, but has produced a deep, structural and enduring poverty of millions of working class South Africans. In this whole battle for the Treasury between Zuma and Gordhan, the real elephant in the room is this: how did it come to pass that almost 40 million South Africans are dependent on meagre grants handed out by the state? This is the real inheritance of Mbeki, Manuel, and the big capitalist groups they represent. Both groups – Zuma and Gordhan – have corrupted something very precious in South Africa's history – they have corrupted its dream of a free nation.