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15 *Who owns South Africa: an analysis of state and private ownership patterns*

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> When the whites came we had the land and they had the Bible. They asked us to close our eyes and pray. When we opened them again, we had the Bible and they had the land.
> *Xhosa proverb*

Introduction

Discussion of ownership, particularly of land, stirs up all sorts of emotions in South Africa: above all, memories of great wrongs wrought, resentment at theft on a grand scale, and insult on a pettier but no less wounding level. Twisted into a sense of identity and politics, these emotions are probably not unique. The violence of dispossession ripples from history into the present in many lands, Ireland and Israel being just two that flicker on television screens into our daily awareness.

Both arthritic tyrants and unsullied revolutionaries can deftly tap the force of that emotion for political skullduggery. State-sponsored and clumsily inept farm invasions across the border in Zimbabwe certainly underline the phenomenon, and have, in recent years, conjured up the magic somehow forgotten by its arch-proponent, the Pan Africanist Congress (PAC), of the call of the land.

Ten years ago 'ownership' in South Africa called to mind something different. Yes, informal settlements unsettled the descendants of the settlers, and the PAC's rhetoric about *Boers* caused concern in farm communities, but the big question was how the African National Congress (ANC) would approach the 'commanding heights' of an economy owned by whites, and controlled by conglomerates and state-owned entities or parastatals.

The issue of who owns whom had, since the late 1980s, underlined the growing control of companies on the Johannesburg Stock Exchange (JSE, later

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renamed the JSE Securities Exchange), as disinvestment threw prized companies into its lap and the laps of other conglomerates with their roots in mining. At one stage, the average white South African could barely escape consuming products associated with the Anglo American Corporation, from fruit juice and cereal at breakfast, through the Ford or Mazda car he or she drove to work, to the glass of wine with supper.

Why control rather than ownership? Control of companies has always been as important, if not more important, than ownership. Witness the late Harry Oppenheimer's ability to direct the fortunes of the Anglo American monolith – and benefit from those fortunes – while owning legendarily only 8 per cent of the shares.

Ten years ago, Anglo, a still dominant conglomerate, controlled 43 per cent of the JSE's market capitalisation (the worth of all the shares). The top five groups – Anglo American, Afrikaans firm, Rembrandt, and life assurers, Sanlam, Old Mutual and Liberty Life – controlled 84 per cent of the JSE (McGregor 2004).

In 1994, the ANC government inherited a country whose commanding heights were controlled by a few big companies, no matter what the nominal ownership. Where the private sector did not dominate, parastatals of one sort or another did. For instance, the South African Broadcasting Corporation owned all the really freely viewable TV stations and all radio stations, with one or two exceptions which had slipped in under the cover of the homeland system, such as Radio 702. Eskom and Telkom had legal monopolies, and Transnet ran all the rail and owned the dominant national airline.

Moreover, and more to the point, the ANC found itself at the helm of a country famous for inequality and little else beside, to paraphrase poet Roy Campbell. The apartheid state was, after all, well designed to keep economic and political power in the grasp of whites, no matter what hole it had blown in the hull of the ship of state.

Building on colonial exploitation and exclusion, the systemised oppression and expropriation of property under apartheid left a racially skewed economy in South Africa, if not unparalleled then certainly among the most unequal in the world. South Africa shares with Brazil, among other things, a sense of rhythm, great natural beauty and enormous income inequality.

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The income inequality present at the dawn of democracy grimly persists. It may have improved slightly from the apartheid years, but not dramatically so. South Africa's Gini coefficient, the main measure of inequality of income, stands around 0.6, where 1 would be complete inequality and zero complete equality. Moreover, the divide has grown within racial groups, as a small group of black people has become exceedingly rich.

Traditionally, though, the real measure of wealth has been property in one form or another, from cattle or precious metals and gems, through tracts of land, and ownership of shares in companies. By that measure too, the country was somewhat unsurprisingly, a playing field tilted 45 degrees in favour of whites, so much so that no one had ever really made much of an attempt to measure this form of inequality.

President Thabo Mbeki's largely uncontroversial and backward-looking 'State of the Nation' address in 2004 focused on his government's self-imposed approach to combating inherited imbalances, that of delivery of basic needs to the masses of poor, such as housing, water, sanitation, electricity and telecommunications. He spent almost no time on the bolder and more difficult part of government's drive to put right inherited imbalances, black economic empowerment (BEE). Land reform, for restitution of property expropriated under apartheid, redistribution and land tenure, an essential component of empowerment, was not mentioned at all.

How black economic empowerment was born

The very question of who owns South Africa leads to another: who should own the economy?

The Freedom Charter, the poetically phrased ANC policy document which inspired generations of ANC cadres, frames the response in terms which could be associated with British socialism of that era:

> The national wealth of our country, the heritage of South Africans, shall be restored to the people; the mineral wealth beneath the soil, the banks and monopoly industry shall be transferred to the ownership of the people as a whole; all other industry and trade shall be controlled to assist the wellbeing of the people; all people shall have equal rights to trade where

> they choose, to manufacture and to enter all trades, crafts and professions.[1]

In government, the ANC has abjured nationalisation of the banking industry, though 'the mineral wealth beneath the soil', has, along with water, indeed been nationalised. The Minerals Act that accomplished this is linked to another national intervention to redress imbalances, BEE – BEE and nationalisation have more than a coincidental link.

Nationalisation, for redistribution or for state control, still lurks in the shadows as an unarticulated and unfashionable rejoinder to growing liberal economic policies that emphasise private ownership of property. Indeed, African countries, such as Mozambique, reversed previous socialist policy to the extent of privatising state assets. But there is reluctance to ditch national ownership of land immediately. This is ostensibly because of the politically unpalatable consequences of large parts of very cheap real estate ending up in foreign hands, once more an emotive issue. Zimbabwe has, in a sense, skipped the phase of nationalising land before redistributing it.

Aside from mineral rights and water, the South African government has shown no great taste for nationalisation. But that does not mean enthusiasm for letting go of the reins of state-owned enterprises (SOEs) that, in pure economic terms, contribute little to the economy, but are nonetheless at the heart of the economy.

SOEs have been both a major resource for the government as well as powerful symbols of nationhood. A lot is now expected of SOEs. They have come under pressure from all angles – on the one hand, to supply basic services and implement government strategies such as the New Partnership for Africa's Development (Nepad), the grand plan for Africa's economic leap into the twenty-first century, and on the other, through privatisation, to broaden ownership and enhance economic efficiency.

As Centre for Policy Studies analyst Steven Friedman has noted, the ANC in government's embrace of privatisation, even in a cautious manner, came with an explicit understanding that BEE would fill the gap left by the party's abandonment of nationalisation as an option for creating greater equality.

One of the first real BEE companies – in the sense that the emphasis was on the conscious creation of black owners of shares as well as a black-managed

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company – was the privatisation of the state's sorghum or traditional beer interests in 1990, in National Sorghum Breweries (NSB). It was also the first – though not the last BEE company created by privatisation – to come a cropper.

BEE appears as a concept in 1994, in the Reconstruction and Development Programme (RDP). Around the same time, the ANC started to accept privatisation as one option for SOEs, as part of a general acceptance that, at the end of the twentieth century, aspects of a free market economy were unavoidable at best, and might even open new avenues for racial equality. Afrikaner capital, in the form of the visionary Marinus Daling, had by 1993 already started the process of trying to get black capitalists to mimic the growth of Afrikaner capital, through the sale of 10 per cent of Metropolitan Life to a consortium led by Dr Nthato Motlana, to plant the seed of what would become New Africa Investments Ltd.

Importantly, BEE presented another inspired trade-off by Anglo American Corporation and the other conglomerates. Support for BEE can be seen as a way of buying political credibility to make, for instance, government look more kindly on allowing Anglo American Corporation to move its head office to London. It could also be seen as a move to help create a black 'buffer' middle class to protect the interests of the capitalists.

State ownership of South Africa

Free market fundamentalist and founder of the Free Market Foundation, Leon Louw (1996) argued, 'Regrettably, the ruling African National Congress has failed to use several tools at its disposal to effect a massive, virtually cost-free and instant black empowerment. It can redistribute to blacks some of the vast amounts of land now under state ownership.'

The state's ownership of the economy starts, but by no means ends, with land. The state owns around 20 per cent of South Africa's land, excluding land owned by parastatals and 'tribal' land. Including the tribal, 'coloured' rural trust land and *Ingonyama* trust land, the percentage rises to around 25 per cent, though 4 per cent of this 25 per cent is marked for land reform.

However, the state does own – for example, through parastatal land ownership – even more than this. As Spoornet real estate arm Intersite has shown, excess state and parastatal land can be put to good use. However, state land cannot answer whatever demand there is for land.

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Firstly, demand would be for land suitable for farming, or for residential accommodation. By no means all the available state land can be suitable for the intended purposes, since under 13 per cent of South African land is arable. The former residents of the Lohatla army training ground are claiming back their land under the government's policy of restitution. The South African army has a point in arguing that residents should tread lightly – figuratively and literally – in claiming land rife with unexploded munitions. Moreover, demand for land for housing is predominantly in or near urban areas, close to work opportunities, not necessarily in the homeland available.

Secondly, some state land ownership is legitimate. US federal and state ownership of land exceeds South Africa's, at around 40 per cent.

Privatisation problems and prospects

Since Louw's suggestion, privatisation of land is barely mentioned, though in a real sense, giving people tenure of the land on which they live and should have title, is privatisation of a far-reaching sort. Most of the debate, for or against, has focused on privatisation of the SOEs themselves.

According to the BusinessMap Foundation, SOEs (wholly owned or partially privatised) in South Africa have around R312 billion in assets.

The state and public corporations together still have 44 per cent of the country's fixed capital stock. While the state's share of the economy has shrunk significantly since 1988, the public corporation share of fixed capital stock has grown.

Three SOEs have been, and continue to be, at the heart of the economy, despite either being partly privatised or due for part-privatisation: the transport and energy utilities are state-owned, and the state has a sizeable chunk of the former state fixed-line monopoly, Telkom.

For a group ranging from neo-liberals to libertarians, privatisation of state assets for redistribution to create more equal ownership in South Africa is an obvious solution. However, unlike in Eastern Europe or other former socialist states, the state in South Africa was never so extensive as to be able to give all citizens anything but a small piece of the action. The private sector is where the real wealth is, as is attested most sharply by the regular defection of

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public servants to the private sector. Ditching the prestigious title of director general for plain board director is an enriching experience, it would seem, judging by the roll-call of those who have done so; to name but a few, pioneers Khetso Gordhan and Mac Maharaj from the Transport Department, and former Communications Director General Andile Ngcaba.

It is clear, sometimes dramatically so, that privatisation can dramatically exacerbate inequality. The new class of oligarchs in the former Soviet Union is the most searing example, and a warning to South Africa. Socialism in the old days at least offered the prospect of equality of poverty.

Privatisation has not, despite its critics, really been pursued with any vigour in South Africa, so there is not much chance of that happening here. But how has privatisation contributed to redistribution of assets for BEE so far?

The answer is that the only major, high-profile privatisation to date has not led to new black ownership of assets, or even much wider ownership of assets. Smaller privatisations have achieved more in themselves, but alone will not do much for BEE.

The 'retail offering' of shares in Telkom to the public was accompanied by the so-called Khulisa scheme. The Khulisa scheme was designed specifically to put shares in the hands of new black owners. It resulted in less than 1 per cent of Telkom's shareholding being black.

The total retail offering, Khulisa and non-Khulisa, comprises around 2 per cent of Telkom's total number of issued shares – most of Telkom remains in state or corporate hands. As an exercise in empowerment of the broader populace, the Iscor privatisation of the 1980s did a better job, even though it was confined to the white population.

On top of this, the other Telkom gesture at empowerment – the 3 per cent of shares held by small empowerment consortium Ucingo, set aside from the initial privatisation – vanished after the listing. The Ucingo stake reverted to financiers because of Ucingo's inability to finance the shares, in a manner uncomfortably common for the first wave of empowerment deals, built as they were on the assumption of a surging share price. The net result is that Telkom has no significant block of empowerment shareholding. To date, nothing has come of the plan to reserve 5 per cent of Telkom shares for transfer to the National Empowerment Fund for financing of BEE.

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Opportunities for using privatisation for BEE to broaden ownership of the economy appear limited, to say the least. Simply put, privatisation is on the back burner, though there is no actual policy change. Most tellingly, government betrays a new hesitance about privatising its core assets, making a fuss of dividends received from Eskom, for instance, rather than privatisation proceeds.[2]

Liberalisation, or restructuring in the sense of reshaping the economy to be more competitive, also seems to have stalled in 2003. True, the listing and further sale of Telkom shares went ahead in calendar 2003, but the state is still heavily involved in telecommunications through the Eskom and Transnet shares of the proposed competition for Telkom, the second national operator. Through its continued holding in Telkom, the state is involved in cellular telephony through Vodacom, 50 per cent owned by Telkom.

Privatisation of Eskom electricity generation itself is understandably being handled gingerly, though the first small steps have been taken to introduce competition in electricity generation through the privatisation of, for example, the former Kelvin Power Station outside Johannesburg. But Eskom Enterprises, Eskom's private sector arm, continues to be state-owned. State information technology (IT) firm Arivia.kom, which competes with other IT firms in the private sector, has not even been mentioned as a candidate for privatisation.

After ten years, the state has loosened its grip slightly on central areas of the economy but it has by no means let go.

This might not be important, but for the peculiar fondness South Africa – birthplace of one of the longest-lasting global cartels, De Beers – has for monopolies and market dominance. Robin McGregor has inherited from his crusading father, Who Owns Whom founder Robin McGregor, the task of monitoring monopolistic tendencies. In the 2004 edition of *Who owns whom,* he notes that the market control by the top five companies, referred to earlier, has dropped from around 83 per cent ten years ago to 44 per cent today. The big conglomerates have unbundled, simplifying their structures and letting companies loose to be bought by others or survive on their own.

Yet McGregor (2004:67) remarks that, 'concentration of control in sectors of the South African economy is still unacceptably high'. 'In 1977', he writes, 'the

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Mouton Commission found that in 37 sectors, three or fewer producers shared more than 75% of the sector's market.' Disturbingly, McGregor notes that a recent study by Who Owns Whom finds the degree of sectoral concentration has increased. 'It is now hard to find sectors where there are not three or fewer dominant players.' In this situation, Rand strength is important to allow imported competition, since limited local competition gives local producers far too much leeway.

The nub of private ownership

In 1994, visitors to South Africa could be shown the stark reality behind the statistics of inequality simply by driving from Sandton to nearby Alexandria township. It is not that simple now. True, Alexandria is still there, and informal settlements still jostle the formal housing in what remains a ghetto. Residential property ownership is still highly stratified in South Africa, ranging from informal ownership of congested shack settlements through modest suburbs of single-story houses to faux-Tuscan mansions in gated golf estates where property prices run into the millions.

The focus since 1994 has not been on ownership so much as housing, with the President able to boast of substantial improvements. A decade ago, 'Estimates of the housing backlog ranged from 1.4 million to 3 million units and people living in shacks were between 5 million to 7.7 million.' By February 2004, 'About 1.9 million housing subsidies have been provided and 1.6 million houses built for the poor of our country'.[3] Whatever targets the ANC may have had, building almost two million houses for the poor is no mean feat.

Even the boom in informal settlements means that black people living there have a form of wealth, since they probably have some form of tradeable value.

Apartheid laws mostly cramped black economic activity in the homeland areas, and black ownership of property in most of South Africa was prohibited for decades. This, combined with persistent poverty, should mean that whites own most of the housing in traditional residential areas. In 1994 it was expected that a rapid influx of black buyers would boost housing prices massively. The house price boom did not come. Instead, a housing market recession plunged prices to levels so low it was joked that either South Africa had the cheapest

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houses in the world, or the most expensive cars. What happened to the expected flow of black buyers from the townships?

Racial ownership patterns did change after 1994. Even before 1990, some areas had rapidly become mixed or changed their racial nature entirely, becoming *de facto* black suburbs with a sprinkling of white people. But the creation of an African middle class able to afford to leave the townships did not happen overnight. Even the wealthier Indian communities needed some time to say goodbye to the apartheid-designated areas such as Lenasia and poorer, 'mixed' suburbs such as Mayfair, which were a transition from Lenasia, before helping to boost house prices in formerly genteel middle-class white areas like Greenside to unheard-of levels.

The influx of the new black middle class, including Africans, has happened, though the evidence is largely anecdotal – except for the surge in house prices. According to ResearchWorldwide.com, South African house prices rose by 22.7 per cent year-on-year, the highest among the countries monitored, including star performers like Australia and the UK. ResearchWorldwide.com puts this down to, 'Low interest rates, the emergence of a rapidly growing black middle class and the longest period of uninterrupted economic growth in half a century.'[4]

There is no obvious way of quantifying the exact value of this new black ownership of residential property, since property records do not require racial classification. At the other end of the scale, there is little information available now on the value of the low-cost housing programme that the President boasted created many new homeowners in the first decade of freedom. And the value of housing in the 'mixed' or newly black suburbs decreased sharply, as a result of a banking reluctance to lend in what were perceived as risky suburbs, together with problems of non-payment by new tenants.

What statistical surveys do show is that African ownership of residential property is not insubstantial. Around half of South African households own a housing asset; 63 per cent of those households are urban, and 67 per cent are black. Half of these households have a mean household income of R2 300, and so fall into the category of low income.

Ownership for poorer people has not translated easily into a stepping-stone into the middle class. As Ros Gordon and Matthew Nel of Shisaka Development

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Management Services noted in BusinessMap's review of empowerment (Reddy et al. 2003b), low-income households cannot use their housing units to raise capital.

Real estate with capital-raising value exists in the residential suburbs, and with pressure being put on banks not to red-line newly black suburbs, owners may not be trapped with the 'dead capital' Peruvian economist Hernando de Soto (2000) reckons is the drag on the urban poor converting their property into working capital.

Gordon and Nel argue that home ownership among the poor represents an opportunity for them to improve their financial circumstances, but a secondary market for low-income housing has not materialised, and lenders see low-income areas as high risk. They conclude that while government has done a wonderful job of delivering housing, 'it is now necessary to turn the attention to making such housing a recognizable and economically useful asset for its owners. Only then will housing begin to contribute properly towards alleviating poverty in SA' (Reddy et al. 2003b:37).

The burning issue that isn't such a burning issue

Land dispossession lies at the heart of the country's history, and its heritage of inequity may well curse the land well into the future. Though focusing on the land alone now will not necessarily put matters right, land reform is acknowledged as a necessity, even by staunch proponents of property rights like Leon Louw. Property rights and land reform are seen as complementary. Land reform has three important parts: land restitution of land taken away under apartheid; land redistribution to create more equal ownership of land; and land tenure reform to give people ownership of land they live on under tribal systems.

When the ANC came to power ten years ago, South Africa had one of the most skewed patterns of land distribution in the world, with some 87 per cent of land owned by a minority of the five million whites and only 13 per cent of it owned by blacks.

As former Surplus People's Project head Stephen Hulbert (2002) has pointed out, black people not only held *less* land, the land they did hold was generally of inferior productive quality. More than 12 million black people inhabited

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only 17 million hectares of land: less than 60 000 almost exclusively white-owned farms occupied 86 million hectares, including most of the limited high-potential arable land.

To make matters worse, around 15 per cent, or about 2.6 million hectares of the 17 million hectares held by blacks, was potentially arable. Most was classified as being of low to medium potential. By contrast, white-owned farms included over six times that amount, or some 16 million hectares of potentially arable land, of which nearly two-thirds was of medium to high potential (Hulbert 2002).

Yet land reform, in the sense of redistribution, has been low on the agenda, and what has been undertaken since 1994 has been concentrated in the area of land restitution.

In February 2004, the *Financial Mail* could say that the Department of Land Affairs has to date settled around 43 000 or more than half the claims lodged with government before a cut-off date for applications in 1998, at a cost of R1.9 billion. In the process, around 477 000ha has been given back to victims of apartheid's forced removals (*Financial Mail* 20.02.04).

In 2000, the *Financial Mail* noted, government undertook to make good on the RDP promise of redistributing a third of South Africa's 85 million hectares of agricultural land within 15 years. Compared to this, the million or so hectares of land demanded for restitution will be a drop in the ocean.

That ownership of agricultural land does not play a bigger role in South African politics may be due to the relatively high urbanisation of the country, and to the decline of the political party whose rallying cry was traditionally the return of the land to the pre-colonial inhabitants – along with the slogan 'One settler one bullet'. That the ANC in government has been able to put a number of other spending items higher up the priority list – including arms – is testimony to the lack of influence of the PAC. Also, the ANC has been pragmatic in recognising the economic importance of agriculture, as did the Zimbabwean government for many years until the fruit of economic mismanagement led the Zimbabwe African National Union-Patriotic Front President to use populist measures to shore up his support.

Another reason for government not rushing into land redistribution is that it has been persuaded of the economic importance of farming. Primary

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agriculture, according to a Department of Agriculture Strategic Plan produced in 2001, contributes 4.5 per cent of South Africa's gross domestic product, while the larger agro-food complex accounts for another 9 per cent. The 50 000 mostly, but not exclusively, white, large, commercial farming operations exported about R16 billion worth of products, or nearly 10 per cent of South Africa's total exports.

Undoubtedly, this thinking has contributed to what could be construed as 'excruciatingly slow' delivery on land reform. But some of the slow pace could be explained by low level of resources, reinforced by the inability to spend the money.

Some may have been due to the Department of Land Affairs (DLA) shifting its focus from trying simply to hand over land to black communities without ensuring the necessary 'aftercare' to ensure their success. The present Minister of Land Affairs prefers to concentrate on creating a class of black commercial farmers, a way of thinking more in line with developments in BEE.

Whatever the case, land reform has been given new impetus by the chaos next door surrounding 'fast-tracked land reform', the Zimbabwean government's euphemism for illegal land expropriation later given force by law. The spectre of land invasions effectively ending certainty on property rights has hung over South Africa ever since President Robert Mugabe gave the nod to illegal occupations by 'war veterans' of farmland in neighbouring Zimbabwe.

And because of the violent Zimbabwe farm occupations and what they represent, at least for white South Africans and the West, the Bredell land invasions in Kempton Park in July 2001 started to bring land issues back into the headlines in the South African and foreign media. The South African government was quick to point out that the invasions, apparently sponsored by the PAC, were driven by the need for accommodation, not by land hunger. But this misses the point somewhat.

As University of the Witwatersrand political studies professor Tom Lodge (2003:7) pointed out in October last year, 'Arguably with two-thirds of the population living in towns and with a relatively efficient agricultural system, the minor significance assigned to land reform may seem justified.' He quite rightly goes on to point out the political dangers of ignoring land, 'If we want

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a democracy in ten years' time we need to spend more, much more, on land reform directed at poor people now. Otherwise, in the year before the ANC's fifth-term election, state-sponsored illegal land seizures will make perfectly good sense to government leaders whose first priority, as with politicians anywhere, is retaining office.'

Growing discontent about the speed of land redistribution, if not land restitution, led to the ascendancy of the Landless People's Movement (LPM) as the main voice, according to HSRC senior research specialist Michael Aliber, writing in BusinessMap's annual review, 'for black people wanting to see a completely different version of land reform', one not only speeded up, but concentrating on the poor rather than the 'well-resourced and capable local elites', as the DLA's land redistribution for agricultural development does, in Aliber's view (Reddy et al. 2003b:38–39).

Whether the land redistribution for agricultural development approach, which is essentially BEE, is the correct approach, needs further examination.

Finance Minister Trevor Manuel's latest Budget seemed to acknowledge that government is listening, at least with half an ear, upping the amount devoted to land reform by R700 million. Money devoted to land reform and restitution rises over the three-year budgeting process, even after the 2005 deadline for settling all restitution claims. Moreover, the government has amended legislation to give itself even more power to expropriate, bypassing the 'willing seller, willing buyer' route that has, it is argued, in some cases delayed and made more expensive the land redistribution process.

Clearly land redistribution will increase in importance, though there are doubts whether political pressures have retarded land tenure reform, alluded to by Leon Louw (1996) in calling for increased emphasis on private ownership of land: 'The Mandela administration also could call for the summary conversion of all forms of apartheid title into full ownership.'

Black economic empowerment: to BEE or not to BEE?

Lodge has contrasted the importance of land reform with that of BEE as it is more generally understood:

> Generally the very visible inequities in land ownership are politically dangerous, more so, probably, than the racial inequalities in

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> share ownership on the stock exchange, the current focus of government empowerment policies. Poor people's resentment of white wealth is much more likely to be triggered into violent retribution by a racial land monopoly than the less visually obvious racial configurations of company ownership. (2003:7)

Racial ownership of the JSE Securities Exchange is a proxy for ownership of the economy in general, especially in the absence of other indicators. A glance at the glossy pictures of the boards of most companies on the JSE will show mostly middle-aged – and mostly male – white faces. The new black multi-millionaires are very much visible, clutching cellphones to do deals while driving a range of luxury cars, or paying high prices for cigars and liquor at ultra-modern venues glittering with glass and blonde wood paneling in Rosebank's Hyatt hotel or Melrose Arch.

So what is the racial ownership of the JSE? Do the new black millionaires and billionaires – the Tokyo Sexwales, Patrice Motsepes and Mzi Khumalos – signal a seismic shift in ownership, the new black face of capitalism in South Africa? Not quite.

BusinessMap Foundation research estimated that, at the end of September 2002, 12 per cent to 15 per cent of the value of shares listed on the JSE Securities Exchange was held, directly and indirectly by black people (Reddy et al. 2003a).

This far from reflects demographics, with the white population only representing around 10 per cent of the population. But it may be misleading, because that 15 per cent is a percentage of the entire ownership of the JSE's share capital.

Foreigners hold a large proportion of the shares on the JSE. According to the study, foreign ownership of the JSE stood at 32 per cent at the end of 2002. Since foreign investors cannot be expected to bear the burden of a policy designed to correct historical imbalances they had no role in creating, this leaves 68 per cent for BEE. Direct foreign investment is long term by nature and can, in many cases, help South African firms tap into foreign networks for exports, as well as access new skills and technology. No one disputes that it should be encouraged. Yet a policy that amounts to ownership 'indigenisation' – such as the 25 per cent sale of mostly foreign-owned oil companies by the Liquid Fuels Charter – automatically does just that.

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Some of the unintended consequences can be laid at the door of the nature of BEE. It was not a carefully prepared policy. BEE has evolved from a voluntary and ad hoc initiative by the private sector in the years before and after 1994, to a programme driven by the state's buying and licensing power and more clearly guided by state policy. Much of the focus in the early years of BEE was on 'direct empowerment stakes'.

However, in most of the developed world, ownership of shares directly by individuals, firms, or consortia is small compared to investment through institutions such as life assurance companies. BusinessMap has tracked direct investment since 1996, specifically the listed black-controlled companies' share of JSE's market capitalisation. This has hovered around 3 to 4 per cent in recent years.

Institutional investors own 35 per cent of the JSE, and the Government Pension Fund owns at least 10 per cent. Unsurprisingly, this is where most black ownership is concentrated, rather than in direct shareholding, specifically that of ordinary black people.

Lodge is incorrect in thinking that BEE concerns only equity transfers in listed companies (though this will continue to be an important part of BEE). Government's Broad-Based Black Empowerment Act, and its attending broad-based BEE strategy, aims to de-emphasise equity transfers and dramatically increase the racial transformation of business by buttressing other legislation aimed at affirmative action ('employment equity' in South Africa), skills training, and procurement of goods and services from black people.

It is true that in the popular imagination BEE is still associated with the high-profile deals involving listed companies of the mid-90s. The 'art of the deal', to use the title of American wheeler-dealer Donald Trump's book, was highly prized. These deals often fell apart because of faulty financial engineering assembled to transfer equity from those who had money to those who did not. Some deals put together recently to satisfy government demands for transformation in industries such as mining – that have been subjected to 'charters' where companies have agreed to targets on equity transfer over a certain time – bear features suspiciously similar to past deal structures, and sometimes with new structures whose sustainability is open to question.

Nonetheless, the equity deals that have passed and those still to pass cannot be dismissed out of hand as not contributing to transformation. Those deals

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contribute to a process where ordinary black people own, as white people do, a stake in the economy through retirement funds, endowments, unit trusts and – it is to be hoped now that government is introducing legislation to make such schemes more tax-friendly – employee share-ownership schemes.

It is true that overall measures of black equity as a proxy for transformation are better than the direct measures that have possibly misled commentators in the past – the 3 or 4 per cent of the JSE now held by black individuals, black companies or the 'broad-based' consortia that at times evaporate, leaving the shares in the hands of black individuals.

As direct black ownership increases, this will help the process of entrenching employment equity and black skills development. This, in turn, will mean indirect ownership will increase, as more of those newly employed black people take out pension policies and invest their earnings in insurance and life assurance policies.

Along with other interventions to bring more black people into the mainstream of the economy through spreading ownership, by creating a real property market for the newly housed, and by land reform to create new viable black-owned farms, BEE holds out the hope of normalisation of the economy if it is pursued carefully. But while BEE will naturally seduce the newly empowered with the charms of fly-fishing and single malt whiskies, it cannot stop there.

It is disappointing that the idea of employee share-ownership schemes and other broader incentives to give ordinary people a stake in the economy float to the top of public debate occasionally, are mentioned in official documents, and then disappear again from consciousness. True, the first two schemes to try to broaden black ownership – Johnnic's Ikageng scheme and M-Net's Phuthuma scheme – were badly timed, but the concept was correct. In Eastern Europe, schemes to give workers and the public shares in newly privatised companies were notorious for their failure, as the new shareholders sold on their shares immediately. But in South Africa, the Khulisa scheme, as we have seen, did not even attempt much in the way of broad-based ownership.

Conclusion

Ownership is a broad and complex topic, and one chapter is not enough to even begin to find hard solutions. But we can get an overview of the road travelled and the road ahead.

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Ten years after the first democratic elections, ownership patterns have changed, dramatically in some areas and little in others. And in some areas it is hard to judge how far we have come because the measurement is recent. How much of the JSE was owned indirectly by black people in 1994, for instance? A lack of measurement also underlines some deeper political issues. One is gender. Though government has gone out of its way to ensure gender representation at the highest levels – in Cabinet, for example – and the parastatals have a good record of promoting women, this has not leaked into the private sector, where women chief executive officers are notable by their absence. And in BEE, complaints about the first draft of the Broad-Based BEE Bill led to the specific inclusion of black women as candidates for empowerment. White women, however, are now explicitly excluded in terms of the provisions of the Broad-Based BEE Act.

This points to a problem for the grand project that is BEE. Why the continual emphasis on direct equity, on black groupings and already empowered individuals, despite government's scorecard approach that demands a range of changes along with equity? Could this be because of pressure from vested interests, the black middle class whom the President's brother, Moeletsi Mbeki, believes need no empowering, but who are being aided and abetted in enrichment by BEE?

With government's broad-based BEE strategy finally having officially defined BEE, it may be thought that the intellectual contest over the content of this aspect of 'transformation' is finally over. Government has had to sail between the Scylla and Charibdis of too broad or too narrow a definition, neither of which would be much used. It defines BEE as: 'an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the numbers of black people that manage, own and control the country's economy, as well as significant decreases in income inequalities' (DTI 2003).

It seems to me urgent that BEE be rethought, not in relation to transformation in the broad sense, but in relation to ownership patterns. I believe land reform, land tenure, creating a market for RDP houses and boosting the market for township housing, are all as much a part of BEE as changing ownership of Anglo American Corporation, and likely to be more successful in enlarging the middle class in South Africa. The government strategy

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document acknowledges this, but even its scorecard approach has not managed to deflect the political pressure for direct equity to be transferred, mainly to a relatively small number of black people who have the drive, knowledge or political connections. The question is: will this achieve even the wealth owned by white South Africans, never mind the economic growth necessary for re-distribution of wealth through spending on social services and the like?

The wealth of most white South Africans does not lie in having shares in specific companies on the JSE. Successive cycles of boom and bust tend to dissuade most people from putting hard-earned savings in stocks. They own houses, or are in the process of paying bonds on houses. What money white South Africans have put away is usually in the form of contractual savings, amounts taken from bank accounts through debit order or by their employers to be funnelled into life assurers to invest on their behalf.

Beyond the scope of this paper is the other thing that white South Africans own – though not to the extent that Europeans or Americans do – skills, and disparities are still racially based. The South African Institute of Race Relations (SAIRR 2002) has noted that nearly 15 per cent of working-age whites hold a higher degree, whereas only 1.5 per cent of Africans have such a qualification, though SAIRR notes that the divide will narrow as African enrolment now exceeds that of whites at both universities and technikons. That educational edge will have to be used by whites to stay within the middle class. Anecdotally, the thought is that the shutting off of easy options for employment is causing young white males either to emigrate or to become entrepreneurs. There is some evidence that entrepreneurship has surged among whites, coloureds and especially Indians. What this attests to is the importance of not neglecting education as a tool for equality as well as for economic growth, as the export thrust of the economy demands skilled workers.

Related to that is the precious new jewel that is intellectual property. President Robert Mugabe has attempted to return many of his countrymen to a hard life of subsistence agriculture through parcelling out farms confiscated haphazardly and illegally, under the guise of finally putting right an old wrong. Many, mainly black people, both in Zimbabwe and, significantly, in South Africa, refuse to acknowledge the moral and financial damage done – and the not coincidental human rights abuses that accompanied this last gamble – and the economic mismanagement that preceded the desperate move.

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Mugabe, with a world view formed by the last part of the nineteenth century, never mind the twenty-first, had not grasped or did not care that in the modern world of cash economies and information zipping around the world in seconds, a piece of land is not the prize it used to be.

Microsoft founder Bill Gates has become one of the wealthiest men in the world through ownership, initially, of little more than closely guarded computer software code. Ownership of intellectual property, and the ability to use modern technology to advantage, is a source of wealth often neglected in discussions on ownership, mired in past visions of Satanic mills or vast estates from which to seek rents. In that sense, only recently has there been some glimmer of the importance attached to open-source software, the bane of Bill Gates' corporation because of the threat it contains to intellectual property in the world of computerisation. Ironically, now backing that movement is 'Afronaut' Mark Shuttleworth, who became a billionaire by selling software developed in South Africa to US-based Verisign some years ago.

The final point for changing ownership patterns is the South African obsession with race, which has obscured the increasing foreign ownership of the economy and increasing concentration of ownership within sectors. For better or worse, our biggest firms have their headquarters overseas and foreigners own much more than they used to. Foreign ownership of property in wine farms – even President Bongo bought one – and beachfront homes in Cape Town has soared, though this pales in comparison with the substantial ownership foreigners have of the JSE Securities Exchange. And while opening up the economy has brought imported competition, which in times of Rand strength helps combat inflation, it has also implied that local industries have become more concentrated to fight off foreign competition. This may be temporary, and was unavoidable, but it does point to a need to throw a lot of political weight behind our newly reformed competition authorities to offset the unintended consequences of what seemed like a good idea at the time.

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Notes

1 The Freedom Charter was adopted by the Congress of the People in June 1955 at Kliptown. Available at <http://www.anc.org.za/ancdocs/history/charter.html>.

2 Presentation of Eskom's annual financial statement, speech by shareholder representative of Eskom Holdings Limited, Mr Jeff Radebe, 10.03.03. Available at <http://www.dpe.gov.za>.

3 Quoted in the *Address of the President Of South Africa, Thabo Mbeki, to the First Joint Sitting of The Third Democratic Parliament,* Cape Town, 21.05.04. Available at <http://www.gov.za>.

4 According to 'Worldwide house price indices', compiled by ResearchWorldwide.com.

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