TOWNSHIP HOUSING AND SOUTH AFRICA'S 'FINANCIAL EXPLOSION'

The Theory and Practice of Financial Capital in Alexandra

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Arising from South Africa's decade-and-a-half-long economic stagnation, the recent spectacular dynamism of the country's financial sector could not but have profoundly affected the post-Riekert Commission urban transformation of apartheid townships into free market investment arenas. This transformation represents a gruelling challenge for the many poor and working people who are likely to be displaced in the process (see Swilling's article in this issue, p. 15). But consider two other risks: the unsustainability of financial speculation (including real estate speculation) in the larger economic environment; and the township tensions created by the uneven allocation of housing finance. Housing finance is becoming probably the single most important component in the development of townships at precisely the same time that financial capital is, ironically, both propping up and undercutting the rest of the economy. These phenomena are not unrelated, and are not fundamentally different from processes under way in most countries, from America (Bond 1989, 1990a, 1990b) to Zimbabwe (Bond 1990c).

This article begins by outlining the dramatic shift from productive to financial assets under way in the South African economy, a shift that for stagnant economies (of which even Japan appears now to fit the model) has been aptly characterised by Magdoff and Sweezy (1987) as 'the financial explosion' (Section I). There is a particular set of urban correlates to the financial explosion, and to review these also calls attention to the complex role of housing finance in uneven urban – particularly residential – development (Section II), for which Alexandra Township offers a useful case study (Section III). The conclusion reiterates a central theme: the unfettered freedom of market mechanisms in townships, given the broader processes of the South African economy, will constrain rather than catalyse sustainable, popular development.
Speculation and Debt
If there is a single fundamental barrier to the COSATU/ANC programme of 'growth through redistribution', or to the state's pre-De Klerk 'inward industrialisation' strategy, or to the current push for manufacturing export-based accumulation, it must be the overwhelming attractiveness of speculative financial assets in comparison to reinvestment in production. Even South African Reserve Bank Deputy Governor Jan Lombard – considered among those most responsible for infusing free market values into apartheid planning (McCarthy 1986) - has decried South Africa's financial explosion in no uncertain terms (Lombard 1988:9):

As is typical of a stagnating economy, employment has hardly increased over the past decade except in government and in finance, where job opportunities for people with the appropriate skills in law, accounting, economics, public administration and so on, rose rapidly. Young upward mobile professionals (yuppies), able and interested in making money out of restructuring existing financial empires, are in great demand. But blue collar work has been expanding very little. For long periods the yields available from investing in existing stocks and shares remained more attractive than the expectations about new real capital formation. According to Reserve Bank calculations the profitability ratio in practically all industries (including primary and tertiary industries) showed a markedly declining trend over the past 12 years. In the sector "finance, insurance, real estate and business services," however, the ratio fully recovered its lost ground since 1981. (Emphasis added)

This passage outlines the broad economic trajectory represented by South Africa's financial explosion. The trend, as Lombard sees it, is that South African corporate management is 'chiefly interested in maintaining net profits by replacing labour, avoiding taxation and financing lucrative investment opportunities in other countries in so far as exchange control does not prevent it' (1988:8). In fact, forex fraud has become endemic in the financial sector, running at R100 million a month and involving dozens of highly placed bankers (Business Day 22 May 1990; Financial Mail 1 June 1990) – and tax avoidance schemes involving "respectable" and large companies and financial institutions' capture hundreds of millions of rand as well (Financial Mail 21 April 1989). But where exchange controls and tougher enforcement do stifle capital's geographic mobility, liquid funds have flowed rapidly into several local speculative outlets – real estate, art, the stock market, and new financial instruments – while leaving the productive base of the economy (Black and Stanwix 1987) to wither.

Consider as one example the Johannesburg Stock Exchange (JSE), the nominal value of which (in terms of total shares represented) rose by a factor