CRONY CAPITALISM AND STYMIED DEVELOPMENT IN SOUTH AFRICA AND ZIMBABWE: Cry the Beloved Countries

Anis Mahomed Karodia (PhD)
Professor, Senior Academic and Researcher, Regent Business School, Durban, South Africa
akarodia@regent.ac.za

Paresh Soni
Institutional Researcher, Management College of Southern Africa (Mancosa), Durban, South Africa
paresh.Soni@mancosa.co.za

Stanton Thomas
Research Administrator and Post-Graduate Student, Regent Business School, Durban, South Africa
researchadmin@regent.ac.za

ABSTRACT

Crony capitalism is the precursor to many of the woes of any country. It makes the rich richer and lessens the participation of the poor in the economy of any country, and thus automatically makes them poorer. This paper therefore, looks at crony capitalism from a South African viewpoint, in order to place into perspective the issues of development that are seriously compromised. In so doing the paper will attempt to look at some issues that affect development because of the scourge of crony capitalism. It would therefore, discuss the hidden billions of South Africa’s elite, which hampers progress and development, ushers in strikes and thus compromises stability and the economic balance of the country. That the billions of rands earned by chief executives could be used to promote and advance the issues of development, bring about stability in all sectors of the economy and, particularly in the mining sector of South Africa and issues that confront the poor. The paper expands the discussion by asking the question – Is South Africa’s left on the right road to socialism? It therefore explores the allegiance to Marxist – Leninism and statism and argues that that they are out of step with modern democratic practice. The paper also exemplifies the problems that confront Zimbabwe, in terms of its debt crisis due to overt cronyism and shows that Zimbabwe is at the crossroads of development with increasing poverty, unemployment and inequality, and is drowning in debt. It argues that it is crunch time for President Robert Mugabe and his ZANU political party.

Keywords: Crony Capitalism, Government, Emerging Markets, Elite, Liberation, Socialism, Marxist – Leninism, Democracy, Debt, Rhetoric, Redistribution, Industrial Policy

INTRODUCTION

What is the road beyond crony capitalism asks Crotty (2014: 11)? Members of the South African business community she says “who take up the challenge to engage publicly with the government are unlikely to meet the same fate as Russian or Chinese oligarchs such as Mikhail Khodorkovsky or Zhou Yongkang, with the complicated exception of Julius Malema. Khodorkovsky, who became a multibillionaire robber baron during Russia’s transition to crony capitalism, was released in December after serving ten years in jail for fraud and tax evasion. Zhou the latest victim of the Chinese Communist Party’s aggressive campaign against ‘corruption,’ was at the centre of a powerful and wealthy network of business interests that stretched across the oil, mining and security sectors. Both men fell out of favour with their governments.” Is there anything different with this scenario in much of the developing world or for that matter in South Africa and Zimbabwe as examples, in Southern Africa and other countries on the continent? The fact that Russia and China attract so much attention and similarly South Africa, post the apartheid era on matters relating to crony capitalism probably has more to do with their transition to the ‘capitalist’ system and the enormous potential wealth that is up for grabs than with any inherent predisposition to corruption.

South Africa has however, failed unlike the gilded age of 19th century United States, to regulate big business and build a social safety net; because both government and its public sector and institutions, including the private sector has fed into the agenda of rampant capitalism and, has consolidated the neoliberal agenda in all walks of South African life much to the peril of the poor and has stymied development in general.

For well – placed ‘entrepreneur minded’ individuals, the pickings in transitioning economies are probably considerably more attractive that those in the US’s gilded age. When there are more laws and regulations in
place, nothing has to be created from scratch. It is essentially a case of commandeering existing mining or industrial assets in a new system of corrupt government. Much the same can be said of South Africa and other emerging markets. A fundamental change in government brings opportunities and challenges. For the majority of citizens in these economies the biggest challenge is dealing with the outcome of the rent – seeking behaviour that represents the flipside of the opportunities available to the crony capitalists. Crotty (2014) states that in terms of billionaires, “Hong Kong was ranked number one largely because of its property billionaires, followed by Russia, Malaysia, Ukraine and Singapore. The United States came 17th, China 19th and Germany 23, in respect to the number of billionaires. The Economist according to Crotty (2014) attributes China’s strong ranking to the fact that the government continues to own most of the natural resources and banks, which means fewer mining and banking billionaires.”

DISCUSSION
The ‘HIDDEN’ Billions Of South Africa’s Predatory Elite
Thalia Holmes (2014:1) states that sky – high salaries are one thing, but shares and dividends send top incomes far higher and ironically Trade and Industry Minister Rob Davies highlighted the extent of inequality between rich and poor in South Africa. There are super salaries at the top and very meager livelihoods at the bottom.” This is the reality in South Africa and this has occurred in 20 years of so – called democracy in essentially a ‘Third’ world economy, which still is grappling with coming out of the doldrums of an apartheid legacy. In 2012, “the highest – paid chief executive earned 51 000 times what someone earns on the child support programme. That’s the level of inequality we have in South Africa (Holmes, 2014: 1). The disparity highlighted by this figure is astounding, and yet calculations determining the biggest salary, which was R190. 7 million awarded to Graham Mackay, then still chief executive of SABMiller, still does not represent the exorbitant incomes of some of the biggest earners (R15. 6 million). But he took home dividends of S173 million (R1.8 billion). (By any standards and any spurious arguments of justification, this is exorbitant and most vulgar in a poor country like South Africa). Glasenberg is followed by Patrice Motsepe, whose take – home earnings, including salary and dividends were R630 million. He owned large shares in two largely South African companies: African Rainbow minerals and Sanlam. Motsepe also by any standards of justification has been empowered in terms of black empowerment schemes engineered by the government and the private sector, in terms of the Black Economic Empowerment policies in South Africa, at the expense of workers who in reality should be sharing in these schemes.

Rising inequality is coming under rising scrutiny around the globe. This year’s meeting of economic leaders in Davos put the spotlight of an Oxfam report that claimed the world’s richest 85 people controlled the same amount of wealth as its poorest 3.5 billion (Davos Report, 2014 ). Davos is more talk than action; the capitalists rein supreme, live hedonistic lives, exploit workers and again there can be no justification for this type of earnings when the world is a sea of poverty. How can 85 people earn more than 3.5 billion of the world’s population?

Workers are paid R4000 per month, given the drudgery of mining, the unhealthy working and living conditions. In Europe, according to Sarah Bracking (2014) “the same mine worker earns 5 to six times more than what South African miners earn per month.” The South African mine workers call and cry for a living wage of R12 500 per month is justified and to this end it is government responsibility and the responsibility of these very corporate chief executives to address as soon as possible. There can be no justification whatsoever because of the morality and ethics involved, including the Judeo – Christian ethic, in paying mine workers a slave wage.

“If we are to reduce inequality in South Africa, a shift in the balance of opportunity towards those for whom work, regular income, decent shelter and adequate nutrition are all still aspirations,” said Finance Minister Pravin Gordhan (In Holmes, 2014: 1). Again we find such statements as playing to the gallery and the government, it appears is maintaining the status quo and in reality in South Africa is consolidating the capitalist agenda and further cementing the neoliberal agenda.

[ Figure 1 goes here ]

MINERS STARVE BUT BOSSES WREACK IN MILLIONS
In early May 2014, Philip de Wet reported that “Employers sought to circumvent troublesome trade union demands and directly convince workers to end the crippling strike in the platinum belt of South Africa. Anglo American Platinum (Amplats) announced the details of bonus and incentive schemes for its directors. In total the company announced R76. 45 million worth of potential awards to 12 individuals. Workers on strike would have to work for more than 40 years, uninterrupted by strikes to earn the average of the director bonus, if they had achieved the R12 500 a month basic wage that they are demanding. And that is why the breaking of the
platinum strike in South Africa may represent a temporary reprieve rather than a resolution, both for the sector and beyond.” “They don’t pay us enough to live and we can see how they live, the bosses. We know how much money they get and that makes us angry, according to a mine worker (A worker in de Wet, 2014). In 2012 Lonmin workers pointed to opulent executive offices and massive capital expenditure as proof that there was enough money to go around. They said that this was exploitation. Workers state (In de Wet, 2014) that “they have not eaten for months and the executives and middle managers who are paper pushers are not hungry like us, because they get all the money. Why should we work for them?”

Chief Executive of Amplats Chris Griffiths himself potentially a recipient of up to R15 million in bonuses over the next three years, this week came out in defense of such payments and tried to frame the debate in terms of broader measures, such as the number of jobs created. His arguments are nonsensical given the massive unemployment in South Africa. He further said in a press interview which went viral and clearly shows his arrogance and insensitivity to the plight of mine workers, who is in charge of. He said “Am I getting paid on a fair basis for what I have to deal with in this company? Must, I run this company and deal with this nonsense for nothing? I am at work. I am not on strike. I am not demanding to be paid what, I am not worth. This is a huge ego and if he cannot handle the heat and the fact that he is part of the oppression of workers, he must quit.

Figure 2: Workers versus Executive Pay

WAGE GAP THREATENS POLITICAL STABILITY
Economic orthodoxy used to in the past ignore the wage gap on the assumption that markets tend to price jobs accurately, but this is rapidly changing. According to De Wet (2014: 11) “In January of 2014 the IMF, the guardian of pro – growth, but not always pro poor in economic policy released a policy paper on income inequality. It described rising public support for income distribution around the world while the gap between top and bottom earners continued to grow, and recommended that property and energy taxes should be used to reverse the trend in the interests of stability and growth.” Other traditionally conservative groups have raised warnings about different levels of dire consequences, but at the very least agree that political stability is at risk unless inequality is addressed and that political instability serves neither the rich nor poor.

THE ANC, COSATU AND ALL POLITICAL PLAYERS THRIVE ON CAPITALISM IN SOUTH AFRICA AND THE WORLD
From the discussion above, we find today and after 20 years of South African democracy that the African National Congress (ANC) and the Congress of South African Trade Unions (Cosatu), along with all other political parties and trade unions, accept the status quo of capitalism, despite rhetoric to the contrary. For example, Cosatu unions all have investment companies accrued through workers member fees and conniving with the capitalist classes and their economic imperatives. These unions invest in white owned companies and therefore assist in consolidation capitalism and thus securing the neoliberal agenda of capitalist and foreign companies. Thus when it comes to capitalism, the ANC and the Democratic Alliance (DA) is in effect in
alliance and the trade unions follow this well beaten ideological path. The issue has always been managing and constraining capitalist excesses. The battle has been lost globally and now social polarization between rich and poor is intensifying in South Africa and throughout the world.

The fact that there is no convincing left – wing intellectual model in South Africa given the apartheid legacy to substantiate the aspirations and claims of a developmental state that the government and its alliances so passionately speak about, it is vitally important that supporters of an alternative social and economic order do not continue to aspire to some ephemeral substitute system. Firstly, this is not a uniquely South African problem. One of the striking outcomes of the economic recession that began in 2008 is that no convincing paradigms or models that pose alternatives to the mixed economies of rich countries have emerged as serious rivals to the status quo. We see ongoing disputes about the kinds of policy action required for countering the recession. But by no stretch of imagination can these actions aimed at economic stabilization be considered serious rival systems of ideas. The so – called intellectual left in South Africa and Africa and the world has no arrows to quiver. Second, for poor countries, the successful ‘developmental states’ according to Sean Archer (2014: 28), “such as the Asian tigers, seem now to have been one – offs. These were successful because of American aid and protection during the Cold War. South Korea exported all it wanted to into the huge American market.” This will not happen for South Africa. It must be understood that as the economic realities present themselves today, the self – proclaimed left wing countries of the world do not promise much. That is why we find in South Africa that the South African Communist Party (SACP) has lost tremendous ground by supporting the State to consolidate the neoliberal agenda and has highjacked the working class.

Venezuela, for instance, with its large oil resources, could easily afford successful pro – poor policies under Hugo Chavez, but 15v years later that economy is heading for unprecedented inflation, and the ruling regime is ever more authoritarian and repressive when it comes to dissent. Archer (2014) points out that “Cuba, another possible model, offers good education, and healthcare and nothing else. About North Korea nothing needs to be said. So where do we live for guidance both intellectually and practically? Many of us aspire to finding a path to egalitarianism; that is, for a society that treats equality with as much seriousness as it treats material progress.” The first step should be to acknowledge that there is no set of left – wing technical solutions at the level of a nation state that makes for a coherent system.

IS THE LEFT IN SOUTH AFRICA ON THE RIGHT ROAD OR HAS THE SOCIALIST AGENDA SUCCUMBED TO CAPITALISM

The allegiance to Marxist – Leninism and statism is out of step with modern democratic practice. It is pertinent to point out as Devan Pillay states (2014: 25) that “Following the Gandhian principle of be the change you want to see,” the form of struggle has a direct bearing on the outcome. Post 1994 the ANC was given political power, as long as it did not disturb the economic fundamentals; that is, the fundamental interests of the economic elite. Thus we saw all sectors of the capitalist economy, and the massive flight of capital that took place and in the main all remained intact. In exchange the country got affirmative action in the public sector, and the black economic enrichment of a new, but few predatory elite. The working class got some protection, with enough loopholes for greater informalization of work. “The poor received often substandard Reconstruction and Development Programme houses and, eventually, meager social grants to keep them beholden to the state. The ideological discourse of the ANC and its working class allies’ national democratic revolution (NDR) in effect bound all this together. When the poor became impatient, the mythical, ostensibly more radical “‘second phase’ of the National Democratic Revolution (NDR) was invoked, but it was once again talk left but walk right. Meanwhile looting of the state, patronage and government collapse, particularly at provincial and local level continued.” Devan Pillay, 2014). And so did profit maximization, environmental degradation and obscene wealth accumulation by the economic elite. Then along comes the new kid on the block Julius Malema a past protégé of the New Economic Freedom Fighters (EFF) that have just won 25 seats in the recent May, 2014 South African elections, threatening to blow the elite consensus out of the water. But is the EFF’s brand of militant economic nationalism a left alternative, or a heady cocktail of ‘Marxist – Leninist – Fanonian’ symbolism and racialised populism. But an analysis of its policies in its election manifesto, seems more of economic nationalism, appealing to the masses that have been marginalized by the ruling party, and is more authoritarian – statist than democratic – socialist and, goes back to failed 20th century experiments. The Mail and Guardian reports (2014: 25) that “at its special congress in December NUMSA, the largest affiliate of Cosatu, decided to leave the tripartite alliance with the ruling ANC and the South African Communist Party (SACP), opening a new chapter in the history of working – class politics in South Africa. The National Union of Mineworkers of South Africa (NUMSA) will work towards building a broad united front of organizations and groups against “neoliberal policies” and eventually could become a political party.
It also criticizes the National Development Plan (NDP) of the ANC as neoliberal and the suspension of the Cosatu General Secretary, who is an ally. This could broaden the rift and will allow workers to exert their strength and worker control of the unions and of broader society. NUMSA, according to Devan Pillay (2014) is “still embedded in a Marxist – Leninist ideological discourse derived from the SACP and, it will be foolish to be romantic about its ability to lead a 21st century democratic socialist project. Workers control is an educational process which builds autonomous development.” Pillay goes on to articulate that “Statism, as the sociologist Erik Olin Wright argues in Real Utopias, was mistaken for socialism. The Soviet Union disempowered the working class and ordinary citizens by placing full authority in the hands of an unaccountable state bureaucracy and ruling party. This is emerging in South Africa, in spite of the electoral victory of the ANC and the loss of some 3 percent of the votes denying it a two thirds majority in Parliament.”

In the wake of a global crisis that has delegitimized the certainties of neoliberal economics, there is a growing awareness of the need to find alternatives from the ruling alliances policies to disaster capitalism. “According to Bolivian President Evo Morales: It is nothing new to live well. It is simply a matter of recovering the life of our forebears and putting an end to the kind of thinking that encourages individualistic egoism and the thirst of luxury. Living well is not living better at the expense of others” (Devan Pillay, 2014). This has not materialized in South Africa as the elite and those within the government usurp democracy and become richer at the expense of the poor and the working class. Cry the beloved country.

LAND POLICIES: Talk Left Walk Right
The ANC strongly emphasizes land reform, rural development and food security. This claim has been made by the ruling ANC for the past five years. The ANC has committed to dealing with unemployment, poverty and inequality for purposes of transformation. This will be achieved through land reform according to the ANC manifesto. According to Cousins and Hall (2014: 27) “none of the main problems that have dogged land reform will be addressed: poor post – settlement support and dysfunctional extension services are ignored, as are rampant evictions of farm workers. The willing buyer, willing seller approach to land acquisition, for example, will be replaced by ‘just and equitable compensation.” There are a host of other problems that are not being addressed by the ANC. The rural development and land reform policies do not tackle the underlying structure of the rural economy.

Since 2009, the government’s policy documents have been replete with fine sounding phrases on the creation of vibrant, equitable and sustainable rural communities. Smallholder farmers and the rural poor are often named as key beneficiaries. This populist discourse masks the reality that government administration as promulgated by the ANC, that the rural poor and small – scale farmers have not been the main beneficiaries of land redistribution; rather those who are able to comply with the government’s requirement of production discipline are an elite, often urban, who have incomes to invest in commercial farming, rather than farm workers or the some 2, 5 million households farming in the communal areas of the former homelands. The urban poor are becoming angry because of all of this and the governments pandering to capitalist forces inside and outside the country whose main aim is to accrue land and profits by the process of greed and thus consolidate the neoliberal agenda of the state.

**Figure 3: Estimated volumes of agricultural production**

![Crop production struggles to grow estimated volumes of agricultural production](source: Mail and Guardian 2014 January.)
Figure 4 hereunder shows clearly, the politics involved in respect to platinum in South Africa and shows the rise of the new political party, the Economic Freedom Fighters (EFF), led by expelled African National Congress (ANC) youth leader Julius Malema. The EFF has made massive inroads within the troubled platinum belt in the city of Rustenburg, in the North West Province. Given its manifesto, the EFF positions itself as the new left in South Africa. It has to be seen whether its rhetoric of nationalization of mines and other sectors will capture the hearts and minds of the working class. The platinum belt has now seen strikes and workers laying down tools for over 5 months now and negotiations have reached a stalemate in respect of a settlement. Over 5000 workers are now on strike and it is estimated that over 1 million people are affected and are starving. The health conditions of workers and their families have deteriorated and many workers do not have medicines to treat their HIV infections. A number of NGO’s have filled the gap, led by the South African NGO, the Gift of the Givers, who are providing food parcels, medicines and have deployed over twenty medical doctors into the area. The situation has reached catastrophic proportions and, is a humanitarian disaster.

**CAN THERE BE A REAL NEW LEFTIST STORM POST THE MAY ELECTIONS**

**Figure 4:** The politics of Platinum
Survey of EFF and ANC voters in the platinum belt

<table>
<thead>
<tr>
<th>The politics of platinum survey of EFF and ANC in the platinum belt</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IsiXhosa speaker</strong></td>
</tr>
<tr>
<td><strong>Setswana speaker</strong></td>
</tr>
<tr>
<td><strong>Employed Full-time</strong></td>
</tr>
<tr>
<td><strong>Unemployed</strong></td>
</tr>
<tr>
<td><strong>Female</strong></td>
</tr>
<tr>
<td><strong>Male</strong></td>
</tr>
<tr>
<td><strong>GETS A SOCIAL GRANT</strong></td>
</tr>
<tr>
<td><strong>No social grant</strong></td>
</tr>
<tr>
<td><strong>TOOK PART IN A COMMUNITY PROTEST</strong></td>
</tr>
<tr>
<td><strong>Yes</strong></td>
</tr>
<tr>
<td><strong>No</strong></td>
</tr>
<tr>
<td><strong>TOOK PART IN A WORKER’S PROTEST</strong></td>
</tr>
<tr>
<td><strong>Yes</strong></td>
</tr>
<tr>
<td><strong>No</strong></td>
</tr>
</tbody>
</table>

CALM BEFORE THE ECONOMIC FREEDOM FIGHTERS LEFTIST STORM OR JUST TALK

In the 2009 national election in South Africa, the ANC secured nearly three – quarters of the vote in the Rustenburg Municipality (North West Province). This year in the May 7, 2014 elections the ruling party managed only 57 percent. The major beneficiary of the ANC decline was the new kid on the block, the Economic Freedom Fighters, led by expelled former ANC youth president, Julius Malema, which achieved 20 percent of the vote (North West Province) despite being less than a year old. It obtained over 6 percent of the National vote and performed well in other provinces. It would be sending at least 29 members to the National Parliament. A key moment in this political shift was the 2012 strike at Lonmin platinum mine in Marikana, in the North West Province of South Africa, during which 34 mine workers were gunned down by police. The Marikana massacre brought to the fore the close relationship between the government, the mining companies, and trade unions, most notably the National Union of Mineworkers (NUM) and its labour federation, the Congress of South African Trade Unions (Cosatu).

For many residents of the platinum belt, the ANC is the glue that holds the triangle together. Paret et al (2014: 12) indicate that “One mine worker put it that “the ANC is Cosatu. Cosatu is NUM. All those people; they have got a hand in the killing of workers who died at the mountain. Because they are the ones who called government and said we must be killed.” They further report that “another simply concluded that he was voting EFF because, it did not kill us like the ANC.” The EFF is stepping in to fill the vacuum left by the tripartite alliance in the platinum belt. The ANC relies on voters receiving social grants and uses this as its trump draw card. The situation in South Africa does not look good for workers at the moment and, in this regard the situation is worsening. It requires direct intervention by the ruling government that has just won a new mandate to govern South Africa. In this regard the issue boils down to sound economic policies that can deal with the problems of increasing unemployment that has gone out of control, reducing poverty and inequality, dealing with increasing strikes and unrest coupled with solving worker problems within the mining industry and reducing corruption and dealing with it decisively. More importantly reducing the debt burden and looking at modalities that increase growth which stands at a paltry 0.2 percent. If these issues are dealt with decisively by the government, the situation will become bleaker in the years that lie ahead.

ON ZIMBABWE

Zimbabwe is at the crossroads of democracy and this is exemplified by Robert Mugabe’s disastrous policies and the consolidation of overt power. It is drowning in debt and this has continued for over a decade now. The people of Zimbabwe are suffering and crying out for help but the African Union, African leadership and the world, do not intervene but maintain the status quo. Such a situation has negative impact upon the economy of South Africa, given the aid that South Africa provides to Zimbabwe and is further exacerbated by the influx of Zimbabwe refugees that have streamed into South Africa. Cry the Beloved country. It was only last month that Zimbabwe’s Finance Minister apologized to police officers and many government workers in respect of paying them in dubs and drabs, as the state is forced to cut back its spending, given the meager resources that it has, at its disposal. According to Moyo (2014: 23) the Zimbabwe Finance Minister said “Our failure as treasury to meet your needs is mainly due to declining inflow of revenue into the fiscus. Drastic cuts through all departments will have to be effected. The debts are piling up and the revenue is falling as more companies downscale or shut down. Moyo 92014) states that“more data was released that only confirms how deep the debt hole really is. Revenue collection fell by 10 percent in February from the same period last year to $248 million. Consumer sales fell 30 percent, reflecting intensification of the liquidity crisis in the economy, and in February 15 factories had shut down. If you look at revenue collection in terms of developments in the first months of the year, I think our revenue has not been what we had envisaged in the budget, said the secretary of the treasury.”

With company closures depriving the state of earnings and with crony capitalism benefiting the ZANU political party elites, Value Added Tax (VAT) and personal tax account for a combined 57 percent of revenue and, the government is now being forced to default on payments, the effects of which are now being felt across the economy, said the Finance Minister, who added that the temptation is real in respect of a return of the Zimbabwean dollar, because the country had to print money to pay workers and pay off debts, even if this meant fuelling inflation to record levels (In Moyo, 2014). The Zimbabwean government is in such dire straits that it has failed to guarantee a salary increase promised to state workers for April. Simply put it cannot implement these promised increases. Already the government is unable to pay its existing wage bill. The state has also failed to pay off its workers’ credit facilities with major stores, unable to further enhance credit request by state officials. Zimbabwe’s debt is in the region of above US$10 billion dollars. “The Independent Monetary Fund (IMF) wants to see a cut in personnel related spending and it speaks of cutting government jobs. This would be a major political risk because 70 percent of government spending goes on wages. Late last year the government announced it was taking over the $1.35 billion debt the Reserve Bank had racked up when it raided private accounts in recent years to fund government spending, according to Moyo (2014).
Although the government refuses to cut its workforce, a major casualty has been the welfare budget. It can no longer fund school fees in terms of the Basic Education Assistance Module. Under this programme previously 5.4 million children had their school fees paid by the state. Thousands of children are now at risk and. Britain stepped in with $10 million in aid to keep over 250 000 children in school. Cry the beloved country.

DESPERATE ZIMBABWEAN GOVERNMENT

The government is seriously considering bringing back the country’s troubled Zimbabwe dollar, as a move to rescue the embattled government from a funding crisis precipitated by a liquidity crunch, but this could spin the country out of control and trigger a crisis. Zimbabwe abandoned its currency in 2009 after it had reached unmanageable levels of inflation. It has failed to pay into pension funds. Kennedy Maposa (2014: 23) states that “the Zimbabwean dollar will be a quick solution, but the tragedy is that it’s a seriously short term plan. It’s getting desperate” At the moment Zimbabwe uses seven different world currencies within its economy as a legal tender. It uses the American dollar, the South African rand, the Botswana Pula, the Japanese yen, the Chinese Yuan, the British pound and the Australian dollar. Mugabe (In Maposa, 2014), has not closed this option “indicating that gold reserves can be used to back the Zimbabwean dollar, and former Finance Minister Tendai Biti said the government would introduce it this year to avert an economic collapse. The government has been borrowing to pay the wage bill, committing a cardinal sin that, you do not borrow for consumption or recurrent expenditure. To borrow close to $300 million in the space of 100 days is irresponsible.” Cry the beloved country.

THE RETURN OF THE HATED CURRENCY WOULD BE SUICIDAL

The coming back of the Zimbabwean dollar is one of dejection by Zimbabweans because according to many this would be suicidal and it would bring the country to its knees. In 2009 the currency was devalued by the hour. To escape the devastating economic effects, Zimbabweans bought assets, and even consumables such as sugar, cooking oil and salt, as a hedge against the galloping inflation rate. But soon food items were in short supply. According to Kennedy Maposa (2014) “fuel coupons for diesel and petrol became a medium of exchange because it was illegal to hold foreign currency. Everything from food to medication became out of reach or unavailable to most Zimbabweans. Money for - day – to – day transactions had to be carried in backpacks and the Reserve Bank was printing trillion dollar notes. When inflation level reached 231 million percent, the government stopped recording it. This had become a national embarrassment. Unofficial figures said it reached 79 billion percent. The economy ground to a slow, unmanageable and painful halt. Time is ticking and the printing presses may just be clicked on again.”

SMALL BUSINESSES

The Zimbabwean economy is giving way to small businesses. “Everyone in Zimbabwe is looking at earning cash on the side, especially traders and therefore informal shops have become the order of the day. (Kennedy Maposa. 2014). According to the World Bank report released in February (2014), 46v percent of all Zimbabweans run a small or medium – sized enterprise of some sort. In South Africa the figure is 17 percent. Even those in full time employ are relying on side jobs to get by.” Minister Sithembiso Nyoni (In Moyo, 2014) says “as much as $7. 4 billion could be circulating in the informal market. There is no doubt that the informal market is taking over. Although people frown upon this, it is a powerful vehicle for growth and has the lowest default rates.” This is the new reality which has to be accepted for purposes of survival. The old economy is dead. However, it is difficult for government to extract taxes from the informal trading sector. This contributes to falling tax revenues from the shrinking formal economy and hampers government in terms of its development initiatives. Cry the beloved country.

CRUNCH TIME FOR ZIMBABWEAN GOVERNMENT

In the run – up to last year’s elections President Mugabe and ZANU – PF promised milk and honey would flow again in Zimbabwe. The party promised to create $7.3 billion through the indigenization programme, grow the economy by an average of 7. 7 percent a year and garner 2. 2 million jobs by 2018. Social services delivery would also improve, with the nation assured that government would prioritize infrastructure development. Mugabe promised that he would turn the economy around and deliver on his electoral promises. This has not happened and will not happen under his watch because:

- “The economy has slow down to a point of no return.
- The country is in such dire straits that the Zimbabwean dollar will make a comeback to the perils of the population and fuel very high inflation and losses in more jobs than creating them.
- There is a severe liquidity crunch.
- Companies are closing down.
- Job losses are increasing.
- Service delivery is deteriorating even further.
- There are longer hours of urban power shortages.
- There is a lack of running water.
- Local authorities struggle to collect refuse.
- 9617 people lost their jobs and 75 companies closed down.
- 300 workers are being retrenched weekly.
- A host of other issues” (Munyaka, 2014: 25).

The situation can only be turned around through a paradigm shift or any revival will merely be a dream. They are fighting the European Union and others and not engaging. There is no foreign direct investment. Corruption, nepotism and crony capitalism has to be dealt with, as a matter of urgency. There is too much factional fighting and disunity within the ruling party. The battle against unemployment is almost lost. It must relax its indigenization policies and attract investment. Investors will not invest, if they only have a 49 percent stake in what they create and are not prepared to have shareholders imposed on them. Farmers cannot access finance and agriculture is being completely destroyed. Essential parastatals should be partially privatized because they are loss making and a burden on the economy. The government is facing an uphill task to turn the economy around by dealing with policy inconsistencies and must minimize risk. These are the realities that the government must address and stop playing the blame game, whilst the country burns and the cronies get richer. Cry the beloved country.

FACILE JUSTIFICATION FOR ODIOUS PAY HIKES

The media’s role is to reflect critically on business, irrespective of the criticisms advanced against them by chief executives, which has recently increased. The media therefore has to critically on business and the government, rather than powder – puff questions about CEO’s favourite single malt and how smart their teams are. This bluntness is catching. CEO’s are nothing but, in a poor country that has high unemployment figures, increasing poverty and inequality and the widening gap between the rich and poor that, have the audacity or rather the temerity of defending the indefensible, “at a time in South Africa for workers fighting for 0.8 percent of what their CEO gets paid. Their attitudes in the press and the outrageous statements that they make in justification of the perks, shares and salaries that, they earn is unfair to the poor but particularly the mine worker who is crying out for a livable wage. Their attitude is an affront and insult to the dignity of the worker. Some of them with poisoned views should not be running companies dealing with such extraordinarily difficult social and economic problems among its employees. Management, perpetuated the myth to justify higher pay for themselves, whilst the poor exploited working class bear the brunt in spite of the fact that the elite and CEO’s use the capitalist economy to get richer” (Rob Rose, 2014: 11).

The South African public and in Zimbabwe has become desensitized to clubby remuneration committees justifying odious pay hikes by citing the ‘dearth of talent. According to Rob Rose (2014) “one stockbroker shrugged this week: It doesn’t seem to be such a problem when it comes to appointing another member of this club. He was referring to Shoprite, which had no problem appointing Adrian Basson, son of CEO Whitey Basson, a director at the age of 29. Shoprite also appointed Jacob Wiese, son of the chairman Christo Wiese, at age 24. You need to have the correct surname, irrespective of your talent and perhaps executives should broaden their search beyond the country club.” The government stands by impotently and sanctions such nepotism, while the country burns and they fiddle whilst “Rome burns.” Cry the beloved country, whilst the poor get poorer, miners and their families starve, government officials and politicians become fatter and the unions stand by with the government, business and the corporates to cement the capitalist and neoliberal agenda.

CONCLUSION

The objective reality of this paper attempted to address crony capitalism in both South Africa and Zimbabwe. It brought to bear the subtle nuances involved in crony capitalism and, as to how economies collapse and how development is stymied. It brought to the fore the sufferings of the people in these two countries. It showed how the ruling elites vest control and as to how governments are consumed by vulgar capitalism and, as to how they are used to consolidate the neoliberal agenda. It exemplified the pain and suffering of the masses. By the same token, it showed how the mining elite in the form of chief executives hamper and subjugate the workers in terms of salaries and exploit them in the name of creating jobs, but losing the plot in respect of the legitimate demands and aspirations of the working class, that rightfully demand a living wage, in order to restore their dignity and pride. Failure to take cognisance of the validity of these demands can only eventually lead to increased resistance, dissatisfaction, more violence and eventually the collapse of these governments. Winning elections does not guarantee that such governments are guaranteed survival, or could complete their terms of office. Democracy has been trampled upon with impunity by the ruling elites. Cry the beloved countries.
REFERENCES


Figure 1: South Africa’s Top Earners

Some figures are rounded off.
The value of incentive grants made during the 2013 financial year was calculated at their face value on September 30 2013. Dividends for the biggest earners valued at the end of March 2013.