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## Red Alert

# The struggle on two fronts—Against state capture and Against neoliberal austerity

Cde Jeremy Cronin

For the present conjuncture the SACP has advanced the strategic perspective of a struggle on two fronts—the struggle against state capture and the struggle against neo-liberal austerity. This strategic positioning seeks to identify the key tasks of the SACP and left forces in South Africa in the face of a capitalist-driven economic, social, environmental and political crisis in the midst of the Covid-19 pandemic.

However, the characterisation of a two-front struggle is sometimes over-simplified and even vulgarised in our ranks. In some quarters this two-front struggle is reduced to little more than a struggle against “two factions” in the ANC—the state capture, self-styled RET faction on the one hand, and a “New Dawn” grouping on the other. This quickly leads to an overly subjective personification of the struggle, leaving the SACP with a supposed choice between a Zuma or a Ramaphosa, between a Magashule or a Mboweni. And this in turn, in some quarters, then leads to an attitude of “a curse on both their houses” and the view that the Party must “go it alone”.

These simplifications contain SOME grains of truth, but in vulgarising the challenges we are confronting we run the risk of seriously weakening the Party’s ability to act effectively and coherently. The Party must certainly avoid cults of the personality (whether to hero-worship or demonise this or that leading figure). Instead, the SACP has a responsibility to effectively analyse the key objective factors at play within our broad movement, and more widely, nationally and globally. This does not mean, of course, that we should neglect the way in which these objective factors impact on and interact with subjective inclinations, on the assumptions and attitudes of leadership

collectives, for instance. But we must avoid a naïve psychologising of our reality “—X is a nice guy, so we can work with him”, “Y less so”, etc.

It would also be a serious mistake for the Party to adopt a “go it alone” stance. The Party must guard its independence, and its relative unity. The Party must retain its ability to determine its own line of march. But that does not mean marching alone!

What follows, in order to take these perspectives further, are four theses:

**Thesis One: State-capture and neo-liberal austerity are not simple opposites, the one is not the simple negation of the other**—However, this is precisely how key protagonists from within these two tendencies are inclined to present themselves.

Leading RET personalities hypocritically present their parasitic, self-enriching agenda as “a struggle against neo-liberal austerity”. When their crimes and other misdemeanours are exposed, they portray themselves as “victims of white monopoly capital” and its “political surrogates”.

For their part, leading personalities within national Treasury often present their agenda of “fiscal consolidation” (an alibi for what is, in effect, an anti-people, crippling austerity approach) as the cutting edge of “a moral crusade against state capture and corruption”. In much of the business-aligned media this latter perspective is continuously amplified.

This placing of an equal sign between state capture and neoliberal austerity and simply adding a minus sign (“neo-liberal austerity = the negation of state capture”, or the other way around) is flawed in many ways. State capture and neo-liberal austerity are not of the same order, they do not have equal weight and complexity.

While there are family resemblances elsewhere, the phenomenon we refer to as state capture in South Africa is essentially a home-grown reality. True, the leading Gupta characters were recent arrivals in our country (with dodgy and fast-tracked South African citizenship), but it was here that they worked their evil magic and amassed their ill-gotten fortunes. State capture had its head-office in Saxonwold, its major subsidiary in Nkandla, and an external mission in Doha.

The local punitive neo-liberal austerity is obviously of a quite different order in scope and character. Its leading agencies are elsewhere, in the Washington-based IMF, in the New York-based ratings agencies, in the bourses of New York, London and Frankfurt. From the side of Treasury we are often told that unless heavy-handed austerity measures are applied by government, the IMF will step in and apply worse austerity. In effect this is an admission that they are doing someone else’s bidding for them.

Quite different, then, is the local phenomenon of state capture. It has involved a specific alignment of local forces. It was a partially successful coup d’etat with, at its apex, a Gupta family network capturing an incumbent (and willing) state president and repurposing key state institutions to siphon off billions of Rands of public money while keeping the president out of jail. At its height, this state capture project incorporated, and orchestrated, formally and informally, a wide web of networks operating within national, provincial and local spheres. It involved state institutions, state-owned

enterprises, regulatory authorities, the ANC, other non-state structures, the public broadcaster and parts of the commercial media, plus private corporations, including major multi-nationals. It is important to note that, even at its high-point, there was never a complete capture of the state, and there was opposition, of varying intensity, to the state-capture agenda across all of these locations, including (and this is important to understand) from monopoly capital itself.

Individual capitalist enterprises (or parts thereof), ranging from a local Bosasa through pillars of the global capitalist order like KPMG to Chinese state-owned rail companies engaged with, facilitated and benefited from the state-capture project. But capital in general opposed it. To some degree this was because for every bribed-for, winning corporate bid in a multi-billion contract with, say, a captured Eskom or Transnet, there were three or four disappointed losers, and perhaps even some disappointed Eskom or Transnet senior managers who had been sponsored by the losers. Sooner or later these disappointments would become one of the sources for leaks, whistle-blowing and opposition.

But, more importantly, while in these corrupted deals there would typically be corporate winners and losers, capital in general needs a functioning electricity supply, a working logistics system, and a predictable regulatory regime. State capture seriously compromised all of these. South Africans as a whole, especially the working class, the poor and the great majority of middle strata in our country have been serious victims of state capture, but capital in general has also been negatively impacted.

This is why it has been possible (and necessary) to forge broad fronts that include big business in defence of democracy, the rule of law, constitutionality, the Zondo commission, etc. The SACP has aligned itself with, and at times played a leading role in, these anti-state capture broad fronts. Mostly recently the SACP has correctly supported the Defend our Democracy initiative, even though some of the leading convenors are hardly progressive, anti-neoliberals.

In short, in the struggle against state capture networks and the struggle against neoliberal austerity, we need to recognise that these are not two inverted mirror images of each other, where the only option we have is to side with one or the other. The struggle against state capture and the struggle against neoliberal austerity must be conducted simultaneously, but the strategy, tactics and the potential alignment of forces will be considerably different in both cases. However, unless the SACP and the progressive left more generally are actively involved in both fronts of struggle and, as much as possible, actually provide strategic leadership to these struggles, then the NDR will be defeated.

**Thesis Two—State Capture is the most immediate threat to the NDR, while neoliberalism (i.e., the global capitalist assault on the working class and broad popular strata) is the principal strategic enemy over the long-haul.** This does not mean that the struggle against neo-liberal austerity must be temporarily set aside or abandoned, but the state capture project is an aggressive and objectively counter-revolutionary project and it weakens rather than strengthens the anti-neoliberal struggle. State capture has gravely compromised the emancipatory capacity of our national liberation movement, undermined the democratic sovereignty of our state, and given ideological ammunition

to those who call for the privatisation of strategic state-owned enterprises. Yet, our movement, our democratic state and our strategic SOEs are precisely the key potential assets to advance national democracy in the face of the neoliberal agenda of globalised monopoly capital.

Over the past three years, the state capture agenda has certainly been weakened and partially disrupted, especially with the forced resignation of Zuma as state president and the flight to Dubai of the now fugitive Guptas (along with a Zuma son and a Magashule son). But precisely because the net is beginning to close around some of the leading personalities, the levels of desperation and the preparedness to undertake reckless moves must not be discounted. The state capture networks still control substantial war chests. These networks possess reach (however diminishing) into the media (see the blatant and scurrilous positioning taken by Iqbal Surve's Independent media publications), and parts of the criminal justice system. But it is particularly from within the ANC, its Leagues and the renegade MKVA that the fight-back is being waged and resourced with ill-gotten loot.

The ANC is currently the preferred theatre of operation for the state capture forces. Their post-Nasrec conference control over the critical secretary general's office (itself the result of a disputed and dubious election at that conference) has been a major asset. At the same time the broader opposition to these forces within the ANC is often much less coherently organised. This is partly because they are a less cohesive group, or at least lacking the desperado unity, the back-to-the-wall venom of those facing long prison terms. And partly because (with some individual exceptions) they are less inclined to (or less capable of) the hyped-up demagogic populist mobilisation characteristic of the state capture network and of their EFF friends for the day.

Recently progressive forces from within the ANC, among them comrade Zamani Saul (in an important intervention "The ANC's RET grouping is a precursor to a new party", <https://ewn.co.za/2021/04/07>), have argued that the RET faction is seeking to launch a break-away party, in particular pointing to some of the extremely factional behaviour of Carl Niehaus and associates. While a breakaway might well be Plan B, it is a mistake to assume that this is now the major intention of these forces. The RET faction's main strategic ambition remains the "winning back" of the ANC, using their well-rehearsed practice of buying up branches, excluding progressive comrades through gate-keeping, inflating membership numbers, building on key foot-holds in certain provinces and regions. They have been quite open about this. And, indeed, from their point of view this makes sense. Hiving off into a breakaway with little prospect of major electoral success will not give them the high road into key positions in the state which, in turn, is what they desperately need to pervert justice, to stay out of jail, and to continue pillaging public resources.

We should not underestimate their capacity to subvert the ANC or large parts of it, and we should not mistake their recent failure to mobilise massive destabilising actions on the ground as an indication of weakness within the structures of the ANC. Their strength does not lie in the streets, but rather in their ability to capture key parts of the ANC and use this to entrench themselves back in executive power. Their main terrain of struggle is within the ANC.

All of this places a special responsibility on the SACP and its 320,000 members in the battles being waged, and the battles still to come, within the ANC-led movement. In the run-up to the ANC's Nasrec conference, provincial and district-level SACP and YCL structures were often the only organised formations able to pierce the no-go barriers erected against the Ramaphosa CR17 campaign by mercenary Zuma supporters. On the ground in many localities this remains a reality.

This special responsibility placed on the SACP extends to the complex question of how the SACP positions itself in the forthcoming (but possibly delayed) local government elections. This is a tactical question with strategic implications. How do we prevent state-capture forces from dominating ANC electoral lists? If the SACP contests some local government elections in its own right, how will this impact on the internal ANC battles? Will state-capture forces use this to drive a wedge within the ANC between SACP and non-SACP ANC members, and in this way strengthen their own malignant hold over the ANC? There are no simple answers to these questions and it is not the purpose of this intervention to pronounce one way or another. It is, however, absolutely critical that the SACP's tactical positioning in the forthcoming local government elections is not abstracted from the decisive battle of this conjuncture – the defeat of the state capture, counter-revolutionary agenda.

### **Thesis Three—the “New Dawn” project is not a simple repeat of the 1996 GEAR class project**

The SACP characterised the neo-liberal rupture with the ANC's historical strategic perspectives as the “1996 class project”. This neo-liberal turn was engineered under the leadership of Thabo Mbeki, then deputy president of the country. The rupture was marked most dramatically by the 1996 GEAR macro-economic policy package.

An important reality to bear in mind when assessing the impact of neoliberal thinking within the ANC is to note that it has never been full-blooded neoliberalism. It would be wrong to portray Mbeki or Manuel as simply right-wing Thatcher or Reagan clones, for instance. Quite apart from whatever their personal convictions were, both Mbeki and Manuel were reliant on the ANC's mass-based electoral support. Even at the height of the GEAR macro-economic strangle-hold there were major “social wage” advances, supported across the spectrum within the ANC-led alliance. Without these the ANC would not have won and sustained overwhelming electoral support.

This local and important deviation from full-blooded neoliberalism was (and still is) especially evident in the continued (if threatened) massive roll-out of social security measures, including child support grants. Key ANC figures under the sway of neoliberal ideas have argued that it was their macro-economic stabilisation of the economy that created the space for this major (and relatively unprecedented in the developing South) social security roll-out. However, the GEAR policy package failed to address the real social crisis in our country, world record levels of unemployment and wealth inequality.

Rather, it was the commodity boom, propelled by China and to some extent India, that created the resource base for South Africa's post-apartheid social security expansion—and NOT neoliberal macro policy. When this commodity boom slowed

and then crashed, following the 2008 global financial crisis, pressure mounted on these social wage issues. The Covid-19 pandemic has now worsened this reality as evidenced by the current budget failing even to provide for inflation linked social security increases.

There is obviously a significant continuity between that earlier period and the present in macro-economic policy and in the key institutional space. It is most notably personified in the current minister of finance and his SA Reserve Bank (SARB) governor counterpart. Minister of Finance, Tito Mboweni was moved to the SARB as an understudy to the SARB governor Chris Stals in 1998. Stals, by the way, was the last apartheid-era SARB governor and stayed on in that post until 1999 when Mboweni took over. As governor and at the height of the 1996 class project agenda, Mboweni introduced our current neo-liberal inflation targeting fixation. For his part, the current Reserve Bank governor, Letsetja Kganyago, was a senior official in the Treasury through most of the 1996 class project period. He was promoted to DG in the Treasury in 2005 and served in that position until 2011 (that is, spanning both the Mbeki and parts of the Zuma presidency). Both Mboweni and Kganyago, by the way, also did stints in New York with the notorious Goldman Sachs global investment banking house. (Goldman Sachs was once famously described, in a line often repeated in both academic and mainstream media, as “a great vampire squid wrapped around the face of humanity, relentlessly jamming its blood funnel into anything that smells of money”).

Mboweni and Kganyago are the most obvious neoliberal, hard-line, true-believers, in the state. But, once again, we must guard against over-personalisation. It is not just this or that personality, but the institutional culture of both Treasury and the SARB that remains steeped in neoliberal hyper-orthodoxy (ironically at a time when in much of the developed world more heterodox ideas are making some inroads). Moreover, the fact that there are clearly tensions within cabinet over austerity measures and, at times, between perspectives developed by, for instance, the Presidency’s economic advisors and Treasury, does not exempt cabinet or the Presidency.

When Ramaphosa publicly states that Mboweni has his “full backing”, whether this is said from deep-seated conviction or simply to reassure the markets is perhaps, at the end of the day, neither entirely here nor there. However, tactically we should continue to endeavour to drive a wedge between neoliberal true-believers and the institutional cultures within which these are housed, and those (probably the majority of cabinet) who, without being true believers, probably think reluctantly that there are no alternatives to austerity.

However, a key reason for asserting that the “New Dawn” project is not a simple repeat of the 1996 class project (Thesis Three) lies elsewhere—it lies on the terrain of the political. The Mbeki project had a great deal of coherence, at least on paper. It was driven actively and with determination. Mbeki sought to convert the ANC from a movement into a Third Way “social democratic-lite” electoral party, implementing neoliberalism with a “social conscience”. To carry through this project he needed to liquidate, or at the very least, marginalise the SACP and expunge the Party’s influence and presence within the ANC. COSATU also needed to be de-fanged and converted into a “normal” trade union movement, narrowly representing formally-employed

workers and their work-place interests, while not straying too far into the domain of politics. Moreover, just as the apartheid regime in its declining years desperately sought to promote a buffer black middle-class between it and the ANC, so Mbeki through BEE set about actively creating what was assumed to be a stand-alone “black capitalist class”, that would be the new key motive force within the ANC and further dilute left influence within the movement.

The inappropriateness of this overall strategy to the South African post-apartheid reality and the project’s unleashing of dozens of combustible contradictions led to Mbeki’s ultimate ouster as ANC president in 2007 and his early recall as state president a year later. Whatever the subjective differences in attitude to the SACP among the core New Dawn leadership compared to Mbeki’s inner leadership core (and there are good reasons to believe that there are real differences), OBJECTIVELY, as argued above, the Ramaphosa leadership core needs the SACP and COSATU, not least in an existential struggle over who controls the ANC-led movement.

“Ah...”, the cynics will say, “but didn’t Zuma also need the SACP and COSATU back in 2007? And look where that ended—nine wasted years in which the SACP and COSATU, tailing behind Zuma, were taken for a ride.”

**Thesis Four**—the “nine wasted years” narrative must be challenged. There should be no doubt whatsoever that the Zuma presidency years ended with the massive draining of public resources into private pockets and the crippling of key state and parastatal institutions. But the “nine wasted years” narrative too easily becomes a self-serving story-line for those who imagine that all we need to do is to get back to the “good years” before 2009. In fact, the “nine wasted years” narrative fits neatly with the line of argument noted above under Thesis One—namely that neoliberal austerity is in the front-line of struggle against state capture.

The nine years of Zuma’s presidency can, somewhat schematically, be divided into two. For most of his first term (2009-14), Zuma’s priority was to stay out of jail. His focus was on suborning the key criminal justice system, the intelligence services and SARS. Once this objective was partially achieved, the full-on pillaging through the Gupta corporate network of state-owned enterprises, in particular, got underway.

Emerging victorious from the ANC’s Polokwane 2007, Zuma had sought to advance his own project from within the ANC and the state on the basis of an unstable unity of at least three different currents within the alliance—a populist right-wing represented by the ANCYL and strongholds in certain provinces; the left axis around the SACP and Cosatu; and a core of Mbeki-ite centrists who remained on within the ANC’s NEC. The first two of these currents were sometimes portrayed, or even thought of themselves as, the “walking wounded”, victims of the Mbeki 1996 class project.

On the right-wing (although already advancing a rhetorically “left radical” populism) were the aspirant and parasitic bourgeois strata who felt they had been excluded from Mbeki’s (and established capital’s) inner circle of BEE beneficiaries. This included prominent forces within the ANCYL (including Malema). There were also those who had been bottom-feeders in the so-called “secondary contracts” of the arms deal, like Tony Yengeni who went to jail as a useful distraction from the larger corruption that

went unpunished. (Zuma was also a relatively minor player in the arms deal). Then, critically, there were various provincial rent-seeking empires and an ANC provincial “premier” league that now sought to move more substantially onto the national stage.

On the left, the SACP-Cosatu axis that had been marginalised under Mbeki, saw the Zuma presidency as an opportunity to advance a more effective anti-neoliberal agenda, with a particular focus on ending privatisation and advancing state-led industrialisation, a major state-led infrastructure programme, and introducing more effective state planning. Ending the near-genocidal AIDS denialism under Mbeki was also a key objective, certainly from the left, in supporting Zuma, or, at the very least, dumping Mbeki.

In the beginning, Zuma did not tamper unduly with Treasury or with macro-economic policy. Those Mbeki-ites who did not walk away were given key cabinet positions, including Trevor Manuel who lost the finance ministry but was deployed to head the newly established national planning commission. This deployment was a typically canny, divide-and-rule move by Zuma. On paper, the left got a planning commission, but it was headed by a centrist with neoliberal credentials and the wider commission was largely composed of academics and business people—a far cry from the envisaged state planning capacity promoted by the left.

This unstable balance of forces upon which Zuma attempted to build his project fairly quickly began to unravel. The first lurch was marked by growing tensions between the left and elements from within the right-populist grouping (the Party labelled this grouping the “new tendency”, although it was not really new at all). Zuma tried to hold the different parts together, playing the centrists off against both left and right. But when the antics of the right-populists, particularly Malema, began to seriously destabilise the ANC and provoke the concern of the centrists, the latter came off their perch and condemned the right and this resulted in Malema’s belated disciplining and, eventually, to the EFF split.

Despite this instability, there were important progressive advances during the first Zuma administration. In particular, there was a sharp reversal of AIDS denialism and the largest roll-out of ARV’s in the world. There was a very rapid increase in life-expectancy as a result. There were other gains as well. A massive infrastructure build programme under the discipline of a newly created Presidential Infrastructure Coordinating Council, while plagued by problems, at least acted as a major contra-cyclical state-led investment injection into the economy. Progress was made on industrial policy and there was a large expansion of higher education student numbers, of TVET colleges, and the introduction of a new NSFAS bursary scheme for working class and the poor. During Zuma’s presidency South Africa also sustained and expanded one of the largest public employment programmes in the world.

It is for these reasons that it is important to challenge a simplistic “nine wasted years” narrative. For the same reason, since SACP leaders in government and the SACP collectively were often at the centre of these advances, it is simply wrong to present the Party as a passive and ultimately duped passenger during the Zuma presidency years.

However, challenging the “nine wasted years” narrative must not be misunderstood to suggest that the positives of the Zuma administration outweighed the negatives. The Zuma years were a grave setback. Most of the progressive interventions were themselves curtailed by the factional checks and balances deliberately deployed by Zuma - the industrialisation and public employment programmes never met their full potential, owing to persisting neo-liberal macro-economic constraints. Many positive perspectives developed within the National Development Plan were, likewise, compromised by the macro-economic scaffolding within which they were encased. The SOEs were key to driving the infrastructure-build programme. As Eskom and Transnet, in particular, were increasingly plundered and destabilised, so the PICC-led programme lost momentum.

Nonetheless, a blanket “nine wasted years” narrative, deliberately or otherwise, pre-empts an effective understanding of what has gone terribly wrong and, above all, what needs to be done.

- We need a massive, state-led infrastructure programme, even Biden is rolling out one.
- We need effective, well-governed, dynamic SOEs, not privatisation.
- Instead of government, egged on by the IMF and the local commentariat, going to war against public sector unions, we need to ensure that we have productive, public-service oriented health-care workers, teachers, policemen and police-woman. Instead of what we will now become bitter annual (and even half-yearly) public sector wage negotiations, perhaps we need to consider having automatic, inflation-indexed, public sector wage increases. We do not have a bloated public service, but we do have inappropriate structures with professional skills underrated where they are most required.
- We need state-led (re-)industrialisation that is green, job-creating, inclusive and builds beyond our national borders.
- Instead of cutting the real value of pensions and child support grants, we need to expand them and move to the implementation of a basic income grant.
- We need to massively expand public employment programmes and advance the goal of a “right of all to work”.

Above all, what we don’t need is simply hitting the re-wind button to take us back to the mythical pre-2009 “good years”. Failure to push back austerity will create a breeding ground on which parasitic, self-styled RET forces will mobilise popular discontent. Failure to uproot state capture forces will weaken our ability to reverse crippling austerity measures. A determined and intelligent struggle on two fronts is the key watch-word for our present conjuncture.

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