

2 Cape Town as Capitalist City

The previous chapter made a case for defining Cape Town as a world city, albeit a peripheral one. But as useful as the world city literature is as a descriptor of contemporary urbanization in South Africa, it does not provide us with the analytical tools necessary for understanding the extent of urban inequalities or the role that capital accumulation plays in sustaining and redefining unstable patterns of urban development.

The current chapter discusses this critique of the world city hypothesis, looking in particular at the world city literature's vague conceptualization of 'globalization'. In its place, I argue, we need to insert a much more critical interpretation of the internationalization of economic production and how this has manifested itself in urban South Africa; a perspective that sees major urban centres such as Cape Town as *necessarily* global in their orientation, *inherently* unequal in their make-up, and *intrinsically* unstable in their social, political and infrastructural constitution.

The Marxist analytical tradition I draw on here does not explain everything we might want to know about post-apartheid Cape Town, but it does help us better orient the city in relation to contemporary capitalism than the world city literature does, and helps to determine the extent to which 'going global' is a positive or negative development strategy for the city.

It is only when we see Cape Town as a capitalist city, and not just as a world city, that we understand more fully the nature of its inequalities and the limits and contradictions of market-based post-apartheid reforms. Rather than providing opportunities for poverty alleviation and just, sustainable growth, Cape Town's reinsertion into the global market economy has trapped it in an unequal pattern of crisis-ridden urban development, entrenching rather than mitigating the enormous inequalities and instabilities of the past.

The chapter begins with a review of the conceptual weakness of the world city literature's interpretation of globalization. I then invoke a more radical thesis on uneven urban development and discuss how this both parallels and differs from the world city hypothesis. The chapter concludes with a review of how this alternative analytical framework applies to urbanization in South Africa in general and Cape Town in particular, preparing the

ground for a discussion in Chapter 3 of why Cape Town must, ultimately, be seen as a neoliberal city.

WEAKNESSES IN THE WORLD CITY HYPOTHESIS

Sometimes referred to as “economic globalization”, sometimes “internationalization”, and sometimes “global processes” (Sassen 2001, 4), the concept of “globalization” lies at the heart of the mainstream analysis of world cities. Once again I will use Saskia Sassen as my reference point, starting with her argument that, “with globalization come [the] conditions for the ascendance of ... cities and regions... I locate the emergence of global cities in this context” (Sassen 2001, xviii–xix). Her global city thesis is fundamentally grounded in the argument that globalization “is a key factor feeding the growth and importance of central corporate functions.... In order to understand why major cities with different histories and cultures have undergone parallel economic and social changes we need to examine transformations in the world economy” (Sassen 2001, xix, 4).

But despite the centrality of the concept, we are never offered a detailed explanation of what these “transformations” are. Sassen (2001, 4) argues that “global processes” are “important to my theoretical framework” but also states that they are “not examined at length in my study”. What we are offered instead is an interesting, but undertheorized, list of “geographical areas, industries and institutional arrangements that are central to the current process of globalization” (Sassen 2001, 23). The two chapters in her *Global City* book describing “The Geography and Composition of Globalization” provide a useful discussion of the “global dispersal of manufacturing” as it has been facilitated by technological developments in transport and telecommunications, but there is no overarching theoretical framework, nothing to pull together an otherwise disparate set of useful descriptive factors offered up as conceptual model.

This is not a problem unique to Sassen. Much of the world city literature falls into the same nontheoretical trap, assuming, it would appear, that globalization is such a well-known concept that there is no need to explain it. Indexes of books on world cities and keyword references in journal articles invariably contain the term “globalization” but seldom explicitly define it (e.g. Felbinger and Robey 2001, Chernotsky 2001, Clark et al. 2001, Boshken 2003, Clammer 2003, Marcotullio 2003; notable exceptions include Marcuse and van Kempen 2000, Short 2004b, Taylor 2004).

Nor is this a problem restricted to the world cities literature. As a number of ‘globaloney’ critics have pointed out, the term is uncritically used in a wide range of popular and academic discourses—on both the left and the right—with insufficient attempt to define or problematize its conceptual foundations. As Hay and Marsh (2000, 100) note: “The concept of globalization may give the impression of explanation, but it cannot in itself

explain anything. It is in fact merely to redescribe, and to redescribe in the most imprecise and obscurantist terms at that, the object of our attentions. It is, in short, a redescription masquerading as an explanation. As such, our critical hackles should rise whenever globalization is appealed to as a causal factor”. Strange (1995, 293) is equally scathing, arguing that it is “a term used by a lot of woolly thinkers who lump together all sorts of superficially converging trends ... and call it globalization without trying to distinguish what is important from what is trivial, either in causes or in consequences (see also Harvey 2000, 53–73; Petras and Veltmeyer 2001).

This lack of critical perspective is understandable in some respects. Despite differences of opinion on the pros and cons of globalization there is at least a general (if under-articulated) consensus as to what it constitutes: the global spread of capitalist production and market ideology; the deregulation of the economy (particularly the finance sector); a heightened international movement of capital and labour (and culture); and rapid technological changes in production, transport and communications that have facilitated and speeded up these changes (see, for example, Held and McGrew 2000).

But all too often conceptualizations of globalization stop here. We are told what globalization is in descriptive terms—and sometimes told that it is a ‘good’ or ‘bad’ thing—but are often left in the dark as to how this descriptive/normative assessment fits into a broader world view.

In Sassen’s case this conceptual fuzziness leaves her in a sort of theoretical limbo, with ambiguous conclusions as to the role and impact of globalization on urbanization. For example, she argues on the one hand that globalization clearly has “its own specific impacts in producing [inequalities in world cities]”, but then immediately qualifies this by saying: “I would agree with my critics that it is not the sole cause and that it is very difficult to establish for how much it accounts” (Sassen 2001, 362).

Might there, then, be more to be gleaned from Sassen’s focused discussion of “the basic traits of contemporary capitalism”? Here there would appear to be more promise, with a commitment at the start of *The Global City* to providing “a theoretical elaboration of the concept of capital mobility” and “capital-labor relations” and how these fit within the “broader organization and control of the economy in the current phase of the world economy” (Sassen 2001, 23–24).

Unfortunately, we are once again provided with a list of facts and variables but no overarching theoretical framework. Classic locational theory forms part of the analysis (i.e. the argument that firms tend to (re)locate where the cost of production is lowest: “the movement of manufacturing jobs from highly developed areas to less developed, low-wage areas”). Sassen also insists that there are “other components of importance”, including efforts to “maximize the use of low-wage labor and to minimize the effectiveness of mechanisms that empower labor vis-à-vis capital”; increases in the “transnationalization of ownership and control of major corporations”;

shifting patterns in the organization of office work; “the entry of large corporations into the retailing of consumer services”; the “development of export processing zones”; “several changes in the financial industry”; the “onset of the so-called Third World debt crisis”; and the “formation of international labor markets” (Sassen 2001, 23–34).

But how these concepts of capital mobility and capital/labour relations fit into a larger theoretical whole is again unclear. Sassen moves (albeit eloquently) from one conceptual point to another without pulling them into a discernable theoretical interpretation of globalization. Even her references to the “dismantling of Fordism” fail to draw any theoretical links to the vast literature on post-Fordist economies and what this dismantling means for globalization.

Three additional points in Sassen’s work further illustrate my point. The first has to do with the concept of “crisis” in the global capitalist economy. Sassen plays with the idea but does not develop it beyond a series of questions. She asks about the “durability of an economic system dominated by management, servicing and financing activities” but fails to tell us if this system is sustainable, preferring instead to say that there is “considerable debate” on the matter (Sassen 2001, 334, 336). Similarly, when talking about the sustainability of socioeconomic inequalities in cities, Sassen (2001, 335) can only ask questions: “At what point do these tensions become unbearable? At what point is the fact of homelessness a cost for the leading growth sectors? How many times do high-income executives have to step over the bodies of homeless people till this becomes an unacceptable fact or discomfort?” We are not told whether these inequalities are inherent to globalization (and therefore intrinsically unstable), or whether they have the potential for resolution within the current system.

A similar, and related, theoretical ambiguity arises in Sassen’s discussion of the built environment. Arguing that “[t]he place-ness of the global city is a crucial theoretical and methodological issue in my work”, Sassen (2001, 350) agrees with Harvey’s notion of capital fixity as necessary for hypermobility—i.e. the Marxist argument about a “spatio-temporal fix” that we will develop in more detail below.¹ But rather than adopting the Marxist position that spatial fixes play a “vital role in crisis formation and resolution [inherent to] the internal contradictions of capitalism”, as Harvey (1982, 350) has argued in his seminal work on the subject, Sassen makes no reference to crisis. She speaks rather of “instances where the leading growth trends have ... made possible totally new land uses or sociospatial forms” (Sassen 2001, 257). Spatial fixes are not “rendered necessary” by capitalism, as they are in the Marxist literature, but rather “made possible” by amorphous “growth trends”. Are these “trends” merely accidental? Are there underlying characteristics or dynamics that help us understand their formation and/or outcomes? Sassen does not provide us with the conceptual tools to pursue these questions.

And finally, what of the class tensions implicit in Sassen’s discussion of “capital-labor relations”? Here too we find no discernable theoretical reference point. There is the “upper class” (those who own sufficient capital to “make them into important investors”), the “high income workforce” (that well-paid stratum of “professionals and managers” who make decisions about capital investments but are not significant owners of capital themselves) and a diverse group belonging to the “working class” (composed of a shrinking “labour aristocracy”, a growing “offshore proletariat” of women and migrants, and a vast pool of “low-wage” labourers), but we are given no indication as to the ontological status of these class categories or the nature of (potential) class conflicts (Sassen 2001, 286, 322).

Are these objective economic actors operating independently of the capitalist “traits” around them, or are they subjected somehow to the demands of a market system (or some combination thereof)? Are highly paid professionals inclined in some way to ally with the working class because of their own vulnerability in an ever-quicken boom-and-bust economy, or do their allegiances lie with the “upper class”? And who are the “upper class” exactly; what role do they play in contemporary capitalism and how does one define ‘ownership’ in today’s world of publicly traded multinational corporations? Sassen (2001, 323) asks some important questions (e.g. Do growing class inequalities in world cities “represent changes in magnitude along an upward or downward gradient, or are they ruptures and discontinuities in the social fabric of these cities?”) but once again there are no theoretical reference points to orient us in this regard.

The world city literature grounded in “world-systems” analysis comes closer to theorizing these questions (e.g. Knox and Friedman 1995, Taylor 2004) but this writing also leaves us with an indeterminate conceptualization of a global market economy. To illustrate, Taylor (2004, 199–200), one of the leading proponents of the “world cities in a world-systems” theorem, points to the cyclical nature of “over-production and under-demand” in the global economy and comments on how these trends “favour capital over labour”, but there is no sense that the system may be inherently unstable or unequal. Just the opposite in fact: “I will assume”, he argues, “that the world city network as part of globalization processes is not inherently regressive in nature. The world city network can do more than service global capital”. Taylor also argues that there are many different types of globalization—a useful acknowledgement of the diversity of global forces at play and their different social, geographic and economic manifestations—but does not tell us what might tie these different globalizations together and what (if any) core characteristics they may share.

Short (2004b) makes a more concerted effort to date to draw links between globalization and world cities but the analysis falls short of the book’s promising subtitle (“Globalizing Cities in a Capitalist World”), plagued as it is by vague and underconceptualized concepts of capitalism

and often conflating descriptive features (e.g. "global urban networks") with explanatory theory.

In the end, we are left with a useful but analytically limited conceptualization of globalization in the world city literature. We can agree with its main descriptive parameters—the global dispersal of manufacturing, the rise of an outsourced producer services economy subject to agglomeration economies, the concentration of these command and control centres in key world cities and the related growth in the networking of these world cities as a result—but the hypothesis does not adequately tell us how capitalism shapes and determines these dynamics or whether it is possible to mitigate or reverse their negative impacts in a market system. For this we must turn to Marxist literature on cities.

UNEVEN DEVELOPMENT AND URBAN THEORY

It is useful to note at the outset of this discussion that the Marxist urban literature is in general agreement with the basic descriptive features of the world city literature and with the "global processes" that it says shape cities today. Likewise, few Marxist writers would deny the broad quantitative changes to the global economy that Sassen highlights in her world city hypothesis or the centrality of these dynamics in understanding cities.

Where the analytical divergence occurs is in the *qualitative* interpretation of these changes—i.e. whether they represent a 'new' set of political, social and economic processes (as the world city literature explicitly or implicitly argues) or whether they are a continuation of older dynamics. Here is where radical theory is critical to our understanding of world cities, and where, to quote Harvey (2000, 68), a "shift of language from 'globalization' to 'uneven geographical development' has most to offer".

The Marxist argument, in essence, is that world cities are but the most recent manifestation of a long-term capitalist trend toward the valorization of finance capital and an increasing concentration of wealth (and poverty) in urban centres. As firms are continually forced to scour the earth in search of cheaper ways to produce their goods, sell their stock and invest their capital, urban networks of command and control have emerged as a 'natural' progression of this accumulation dynamic. The spatial configuration and infrastructural fixity of cities are a manifestation of these global market processes, concretely expressed in the form of transportation networks, residential layouts and other infrastructural, institutional and ideological formations. This accumulation and investment process is inherently unequal and unstable, however, making it prone to crisis and bound to change. The same capitalist dynamics that lead to world city formation, in other words, invariably lead to their change or demise.

It is worth looking at these dynamics in some detail, in part because there has not been a systematic review of this literature as it relates to the

world city hypothesis, despite the apparent similarities between the world city literature and the more radical writing on uneven development, and in part because it helps us better situate Cape Town's emergence as a global urban centre.

What follows is by no means a comprehensive review of theories of uneven development. I have simply identified key conceptual points as they relate to world city formation and to my own interpretation of urban developments in South Africa. I have also attempted to highlight elements of this radical thesis that capture what I deem to be the universal, constituent elements of capitalist cities, while at the same time highlighting the need (and the theoretical possibility) for conceptual flexibility—i.e. a theoretical framework that reflects the variations of the global urban experience while at the same time capturing what Marx referred to as the "absolute general laws of capital accumulation".

Crises of Overaccumulation

The first of these "absolute general laws" is that capitalist firms must make a profit if they are to survive. One strategy for this is to invest in labour-saving technologies, but since competition compels all firms to invest in the same way, labour-saving technology negates individual profit increases in the longer run, driving down the overall rate of profits and leading to what Marx called the "tendency" or "law" of a "falling rate of profit". The irony—or, more appropriately, the inherent contradiction—of this process is that in trying to maximize their profits through the introduction of technology, capitalists end up doing the exact opposite: "[T]he capacity to produce surplus value ... is diminished over time by the very technological revolutions that individual capitalists institute in their pursuit of surplus value" (Harvey 1982, 180).

This tendency toward decreasing profits can be countered in various ways: through a higher intensity of exploitation of workers (e.g. sweatshops), by a lowering of the social wage (e.g. reducing benefits), by accessing cheaper sources of constant capital (e.g. environmental exploitation), by slowing down the pace of technological change (e.g. patent laws) and by an increase in the 'industrial reserve army' of unemployed labour (e.g. by tapping into new pools of wage labour such as China). All of these counter-trends have been employed at various times over the years—in South Africa as well, some of which we will have cause to return to in this book—but none can stave off the general tendency toward falling rates of profit forever. Heightened competition and new technological innovations inevitably bring firms back to the same profit pressures to invest in cost-saving plants and equipment.

Capitalist firms are also compelled to continuously search for cheaper ways of producing and of finding new consumers if they are to remain profitable. One of the most common strategies has been to relocate to another

country (or outsource production) where social wages are lower and/or environmental laws more lax.

Here we see the first, and most fundamental, point of departure from the world city hypothesis. Rather than a mysterious and unexplained dynamic driving the “global dispersal of manufacturing”, we see a clear, structural set of forces that impel capitalist firms to internationalize their operations. The intensity and timing of this imperative differ from sector to sector, and region to region, but the underlying structural necessity of profit seeking compels all capitalist firms to globalize in some way or other.

Equally important is the fact that this incessant and excessive investment in profit-seeking strategies inevitably results in a crisis of ‘overaccumulation’ (in the form of commodity, money or productive capital) which, when combined with a growing pool of displaced labour, creates a situation where it is no longer possible to bring all goods produced to the market profitably. This overaccumulation typically takes place in subsectors of the economy, creating bottlenecks and disruptions here and there, but slowly spreads to the broader national/international economy, creating a more general accumulation crisis (with the Depression of the 1930s being the most significant and expansive thus far).

This is not a problem of “underconsumption”, notably, but one where underconsumption is a consequence of overaccumulation. As a result, efforts to increase consumption through Keynesian welfare mechanisms can only have ameliorative effects. Though these welfare reforms can have important—even lifesaving—impacts in the short run, they are inherently limited and transitory. The real crisis lies with the creation of idle productive capacity and pools of unemployed labour.

How does capital overcome these general crisis tendencies (as it regularly has in the past)? The answer is complex and involves a series of potential strategies and developments. The most spectacular—and often catastrophic—response has been massive devaluations of assets in what Marx called the “primary circuit of capital”. In this case, large swaths of hitherto productive assets can become worthless (in monetary terms) due to overcapacity in the system. In some cases, firms are able to move or reconfigure their assets to become profitable again (refitting a textile plant to become a high-end clothing manufacturer, for example) but these shifts can be difficult if not impossible in practical terms and often take place in periods of general recession where the incentive for reinvestment, and the potential for profitable returns, are diminished. The long, painful process of deindustrialization in cities in the United States over the past three decades exemplifies this devaluation dynamic.

A second, and related, response to overaccumulation crisis has been for the state to invest in secondary (e.g. roads, communications infrastructure) and tertiary (e.g. education, health care) circuits of capital, with the aim of rebuilding and/or reformulating the base upon which new primary circuits of capital accumulation can be built. In other words, investing in the

medium- to long-term reconfiguration of a place—or network of places—to prepare the ground for a renewed period of profit making. The reinvention of cities such as Baltimore into postindustrial centres of services investment are illustrative of the kinds of efforts that have gone into reestablishing the conditions for capitalist growth in urban areas (Fee et al. 1991, Wallace 2004), as is Cape Town’s reconstitution of itself as a service-oriented, internationally connected city.

Spatiotemporal Fix

This investment in different circuits of capital is what Marx originally coined the “spatial fix”, a concept that Marxist analysts have fruitfully expanded on more recently (Harvey 1982, 1989b, 2003; Smith 1984). Here we see investments in the built environment that are, quite literally, fixed into the ground, without which new rounds of capital accumulation would be impossible. Airports, conference centres, universities and water and electricity systems are crucial to the redevelopment of cities, which would be unable otherwise to host competitive, profit-seeking capitalist firms.

But as permanent as these fixed investments may seem, they are also perpetually unstable. Overinvestments in secondary and tertiary circuits of capital can exacerbate periods of devaluation (as happened with overcapacity in electricity generation in South Africa in the 1980s and with education in the United States in the 1970s), putting investments in the primary circuit at additional risk of becoming obsolete or devalued.

As a result, spatial fixes are necessarily temporary, unpredictable and unstable, potentially resetting the equilibrium required for another cycle of capital accumulation but then exposing capitalist firms to the same general tendencies of a falling rate of profit in the longer run. The spatial fix is therefore a transitory and partial solution to accumulation crises, staving off one disaster and laying the ground for the next (though it may take years or even decades for the cycle to run its course). The aggregate effect, argue Brenner and Theodore (2002, 354), is that capitalism “continually renders obsolete the very geographical landscapes it creates and upon which its own reproduction and expansion hinges”.

The analytical differences with the world city hypothesis could not be more stark. Although Sassen notes the importance of fixing *in* space the infrastructure required to work *across* space, her world city hypothesis has none of the structural features described here: profit-seeking crises incessantly leading to new forms of built environments, creating a situation of perpetual change and instability.

Nor does Sassen discuss the ways in which this cycle of boom and bust leads to infighting amongst ruling elites keen to minimize their own losses and maximize their potential future gains. Theories of uneven development, on the other hand, tell us that different factions of capital are forced to fight it out over the downward, devaluation stage of crisis as well as

over strategies for renewed capital accumulation. Manufacturing, agrarian, rentier and finance capital can have very different investment interests and time horizons, creating major conflicts over investment priorities and policies.

The outcomes of these struggles, and the resultant shapes of the urban built environment, depend in part on the relevant strengths and historical positionality of the different players as well as the mediating role of the state. What was once an "operating fraternity of the capitalist class" during boom times can become a "fight amongst hostile brothers" during a bust, as capitalists within the same sector, and across sectors, slug it out for survival (Marx, as quoted in Harvey 1982, 202).

This leads to another key point of difference with the world city literature: How is it that finance capital increasingly plays the role of kingmaker in managing periods of accumulation crisis? For Marxists, the answer is built into the very nature of the crisis itself. As overaccumulation begins to set in, as structural bottlenecks emerge, and as "profit rates fall in the productive sectors of the economy, capitalists begin to shift their investable funds out of reinvestment in plant, equipment and labour power and instead seek refuge in financial assets" (Bond 1999b, 11). In other words, finance capital enriches itself at the expense of other forms of capital during periods of devaluation crisis, setting in train a long-term (and accelerating) cycle of strengthening its position vis-à-vis other factions of capital *because* of the boom-and-bust process.

Here, then, is the real source of ongoing valorization and strengthening of finance capital. Sassen, for her part, can only point to this phenomenon in empirical terms, missing out on a crucial conceptual point about the inevitable shift toward finance-dominated decision-making structures and criteria in cities. Without this understanding we cannot fully appreciate the shifting trends in urban investment and policy priorities.

So too must we understand the mediating role of the state as part of the structural makeup of accumulation crises. Accumulation can happen without a state or with a weak state, and so too can recovery from an overaccumulation crisis, but "the preferred condition for capitalist activity is a bourgeois state in which market institutions and rules of contract (including those of labour) are legally guaranteed, and where frameworks of regulation are constructed to contain class conflicts and to arbitrate between the claims of different factions of capital" (Harvey 2003, 91).

We will return to the role of the state—and its shifting ideological and scalar composition—in greater detail in Chapter 3. What I want to emphasize here is that the state continues to play a strong role in dealing with capitalist crises (this is not a state that is 'withering away'), and it is essential to see this role as inextricably bound up with the larger structural changes of capitalism—yet another point missing from the world city hypothesis.

Inherently Unequal

A final, critical difference between theories of uneven development and the world city hypothesis relates to interpretations of inequality. As noted above, the world city literature is quick to point to a pattern of extreme sociospatial inequalities in world cities but fails to provide a consistent or structured explanation of it. Sassen tells us about homelessness in the streets and sweatshops in the back alleys of New York but she cannot tell us if this is an intractable problem of capitalist cities or just another anomaly of 'globalization', ready for resolution.

Marxism tells us that this kind of inequality is inherent to the capitalist system, that profit seeking and surplus extraction inevitably lead to uneven development and that any efforts to ameliorate the situation through Keynesian welfare mechanisms will only push the problem elsewhere and/or be temporary in its resolution (though 'temporary' can last for several decades, as the postwar welfare states of Europe and North America have shown).

In this respect, there is little to be optimistic about when it comes to 'globalization'. We can, along with Harvey (2000, chapter twelve), be hopeful about the potential of a more rational harnessing of technologies and a universalization of certain human rights, but we can reject the possibility of sustainable, equalized development under capitalism. While recognizing that market systems are different throughout the world (American capitalism differs in important ways from Swedish and South African capitalism, for example) we can nonetheless point to a core set of profit dynamics that will always be unequal and unstable.

From this perspective, the world cities of today are but a new manifestation of a much older capitalist dynamic. They are not, as Sassen (2001, 34–36) asserts, a response to the "new economic logic" of globalization. In making this mistake Sassen conflates the outcomes of world city formation with the practices that drive it, assuming that new *forms* of space economy represent new *logics* of a space economy. The Marxist position is fundamentally different, arguing that the logic of capitalism remains essentially the same but the spatial form and sociopolitical shape that it takes on are always changing.

Harvey (2000, 54, 68) makes the point as follows: "If the word 'globalization' signifies anything about our recent historical geography, it is most likely to a new phase of exactly this same underlying process of the capitalist production of space.... [T]here has not been any fundamental revolution in the mode of production and its associated social relations and if there is any real qualitative trend it is toward the reassertion of early nineteenth-century capitalist values coupled with a twenty-first century penchant for pulling everyone (and everything that can be exchanged) into the orbit of capital while rendering large segments of the world's population permanently redundant in relation to the basic dynamics of capital accumulation".

CAPITALIST CRISES IN SA

What can be gleaned from this analysis in the South African context? The following sections use this analytical framework to outline key developments in the crisis of capital accumulation during apartheid and illustrate how this led to a major reconfiguration of urban development policymaking and investments, and to the eventual dismantling of the apartheid system in favour of a liberal democracy.

This brief historical review is followed by an outline of the major institutional, ideological and infrastructural trends in South African cities since the fall of apartheid in the early 1990s. The analysis here is also brief, in preparation for the more detailed empirical discussion of these developments in later chapters. My objective at this point is to highlight the extent to which Cape Town and other South African cities have been, and continue to be, fundamentally shaped by the same capitalist dynamics that affect other world cities.

Racial Capitalism's Collapse

Since the 1880s when gold and diamonds were first discovered in South Africa, capital accumulation in the country has been based on access to cheap black labour (made artificially available through colonial and then apartheid labour and land policies) and on the availability of heavily subsidized, state-run energy and water supplies. As the economy expanded beyond mineral extraction and agriculture to manufacturing—particularly with the onset of the Second World War—the accumulation strategies and systems to support this growth necessarily became more complex, but the fundamental features of access to cheap pools of black labour and subsidized infrastructures remained key to the economy's expansion (Saul and Gelb 1981, Fine and Rustomjee 1996, Bond 2000, Marais 2001).

The industrialization of South Africa did, however, threaten the viability of Afrikaner-dominated farming and English-dominated mining in the first half of the twentieth century and it is here that we see the earliest signs of crisis arise. Mine and farm owners petitioned for legislation to stem the flow of African labour to better-paying factory jobs in towns and cities, and pre-apartheid governments acceded to these requests by enacting a series of labour influx control measures—most notably the Natives (Urban Areas) Act of 1923 (Bonner et al. 1993).

It was not until the late 1940s, though, that social, economic and administrative conditions were ripe for full-blown racial segregation. The rapid economic expansion of the war years had heightened the tensions around African labour migration and further threatened the livelihoods of undercapitalized Afrikaner farmers and the white, urban working class (who were experiencing an erosion of real wages due to the influx of cheap black labour). Campaigning on a ticket of Afrikaner nationalism and racist ideol-

ogy the National Party was able to attract sufficient votes from the most economically threatened elements of white South Africa (white workers, white farmers and petty bourgeois Afrikaners) to win the national election of 1948 and implement its grand vision of "separate development".

These racial policies had their desired economic effects. Pools of cheap labour were maintained in the rural areas and the jobs and wages of white workers were protected in the cities. But serious tensions remained in the system. Urban capitalists wanted unfettered access to cheap black labour and the apartheid state could not turn its back on the labour needs of the most economically vibrant sectors of the nation's economy simply to enforce the racial principles of 'pure' apartheid.

The state was therefore faced with the difficult task of balancing the flow of labour between rural and urban areas. This balancing act proved relatively easy in the 1950s and 1960s: the South African economy was booming; black resistance movements had been all but silenced; and the central and local states had the managerial, financial, and military capabilities to adequately control the movement of people. Although urban-based capital did complain that migrant labour costs were still artificially inflated by influx laws, protest was muted. There were, after all, enormous profits still to be made from relatively cheap black labour. Significant also was the fact that the costs of maintaining the township/homeland system were still manageable.

The real economic contradictions of what Saul and Gelb (1981) referred to as "racial capitalism" were to surface in the 1970s with the development of numerous structural barriers to continued capital accumulation. The first, and arguably most important, of these was the heavy, capital-intensive growth path of the previous decades (due in part to the subsidy and incentive policies of the apartheid state), which made it impossible to absorb adequate numbers of the growing ranks of unemployed black South Africans. This overcapacity was particularly acute in manufacturing, creating large pools of underutilized stock and capital. This rising organic composition of capital—central, we should recall, to all overaccumulation crises—led to growing unemployment, falling rates of productivity throughout the economy (GDP growth fell from an annual average of 6% in the 1960s to about 1.7% from 1973 to 1990 (Marais 2001, 30)), falling rates of profit (from 40% during the 1950s to less than 15% during the 1980s) and a virtual collapse in net fixed capital investment by the early 1990s (Bond 1999b, 21).

This particular overaccumulation crisis was exacerbated by the peculiarities of the apartheid economy. Import-substitution strategies had provided a base for much of the growth in manufacturing during the 1950s and 1960s but by the 1970s the white consumer market had been effectively saturated. Moreover, there were not enough black consumers to buy the goods being produced due to insufficient (or nonexistent) disposable incomes, high rates of un(der)employment and weak or nonexistent infrastructure, particularly

in the heavily populated rural areas (i.e. the 'consumption fund' necessary for mass consumption did not exist).

International sanctions—though having little effect on the export of key commodities such as gold—played a role here as well, making it difficult for South African manufacturing firms to sell their goods internationally. Sanctions also made it difficult to access international capital for additional growth and/or to export capital for growth options outside of the country. South Africa's reliance on a few export commodities (especially gold) made the economy particularly vulnerable to currency fluctuations, contributing to a chronic balance of payments deficit from the late 1970s.

Making matters worse for capital was a growing anti-apartheid protest movement—renewed from the mid-1970s. The management and maintenance of the apartheid system became increasingly expensive to maintain. Strategies of 'ungovernability' and boycotts against the payment of rates and housing bonds, coupled with an increase in military resistance by the armed wing of the ANC, saw a dramatic increase in the cost of the security apparatus required to sustain apartheid's institutions (including the by-now bankrupt Black Local Authorities, the puppet administrations set up by the neo-apartheid state to give a semblance of self-governance in the townships).

A revived (black) labour movement intensified the crisis, with dramatic increases in industrial action from the early 1980s (Fine and Davis 1991, Kraak 1993). The impact of this unionization was also felt in the civic arena, as highly organized 'political unionism' had knock-on effects on activist discipline and organizational capacity amongst community-based groups, with organizations such as the United Democratic Front benefiting from the solidarity and assistance of union-based cadre (Seekings 2000).

By the mid-1980s the South African economy was mired in crisis, with massive overcapacity and very few ways of relieving these accumulation pressures.

Calls for a New Accumulation Strategy

The looming crisis did not go unnoticed by capitalists. As early as the mid-1970s big capital in South Africa began to realize that the accumulation strategy of apartheid was bumping up against barriers. There had been some half-hearted reforms introduced by the state to try and address these problems in the early 1970s but capital's frustration with the lack of more substantive government reform, particularly after the Soweto uprisings of 1976, led to the formation of a pro-business think tank to address the problem—the Urban Foundation. Founded in 1977 and funded by Anglo American (English capital) and the Rembrant Group (Afrikaner capital), the Urban Foundation operated with the expressed intent of trying to resuscitate the South African urban economy by improving the material living

conditions of urban blacks and influencing urban policymaking (McCarthy 1991).

The Urban Foundation was openly critical of attempts by the apartheid state to create ever more bureaucratic versions of apartheid, arguing that more serious reform in the townships was necessary to "spearhead economic growth and demonstrate the opportunities of an expanding domestic market" (Bernstein 1991, 329), articulating corporate South Africa's newfound interest in upgrading urban areas to create more black consumers and healthy, skilled workers for better workplace productivity. In the words of Mr Justice Steyn (Executive Director of the Urban Foundation in the early 1980s): "If people want the free-enterprise system to continue [in this country], they are going to have to get off their butts and make contributions towards housing" (as quoted in Soni 1992, 45).

Equally important was the corresponding "transformation of both the ideology and the class basis of Afrikaner Nationalism" by the end of the 1970's, leading to a definitive split within the National Party on whether more substantial reform should be adopted (O'Meara 1983, 254). A new "class of Afrikaner financial, industrial and commercial capitalists" had emerged from decades of state assistance for Afrikaner business and had become the "dominant faction" within the National Party. Under this new leadership the National Party began gradually to "cut itself away from its old constituency ... leav[ing] the cause of defending fully institutionalized racism to strata more immediately vulnerable to black advance—the marginalized white farmers of the platteland and the remnants of the white working-class" (Saul 1993, 94–95). No longer the poor cousins of English enterprise, the elites of Afrikanerdom had transcended their dependence on a racist election ticket and allied themselves with corporate South Africa in an "attempt to secure the political and economic conditions for renewed capitalist prosperity and stability" in the country (O'Meara 1983, 254–55).

By the mid-1980s, "thinking within the National Party and senior civil service circles to a large extent reflected the liberal paradigm" of English capital (Hendler 1991, 201), and with its 1986 White Paper on Urbanization the apartheid state had officially acknowledged that black urbanization was not only inevitable but economically desirable. Rather than spending billions of rand to try and keep blacks out of cities, "the urbanization of the African population was to be turned from problem to solution, with the processes of industrialization and cultural change expected to transform a discontented and threatening people into more compliant members of a mass-consumption society" (Smith 1992, 2).

Realizing that renewed economic growth and profitability in a market economy depended on a dramatic change in the racial policies of the day, large-scale capital and its allies were anxious to establish a new political order, a "new national consent" involving the adjustment and eventual

overturn of "the political and ideological bases of apartheid rule" (Maraais 2001, 41). To this end, executives from Anglo American and other large firms began talking openly with ANC officials in exile in Lusaka, Zambia, from the mid-1980s, and the National Party began secret negotiations with Nelson Mandela (while he was still in prison in South Africa) in 1986. The election, in 1989, of F.W. De Klerk to head the National Party signalled the end of an era in the party and a triumph of (neo)liberal reformers within the apartheid state, leading to the unbanning of anti-apartheid organizations and calls for multiparty negotiations for a new constitution in early 1990 (Murray 1994, O'Meara 1996).

The nature of these negotiations, and the neoliberal dispensation that emerged from them, are the subject of later chapters. The point to emphasize here is that the transition out of apartheid was driven in large part by a crisis in capitalist accumulation and by efforts on the part of a ruling elite to preserve the market and rekindle economic growth.

This interpretation stands in stark contrast to the liberal assessment of apartheid's demise as a failure of a morally corrupt system of racial oppression and an awakening on the part of the ruling National Party to these wrongs (e.g. Sparks 1995). Although there are undeniably moral aspects to the post-apartheid transition—the heart-wrenching testimonials and apologies of the Truth and Reconciliation Commission being sufficient evidence of the complexity of the situation—the demise of apartheid was largely the result of a concerted effort on the part of a new, liberal ruling elite to reconstitute a revised capital accumulation strategy.

A New (Urban) Accumulation Regime

Of particular interest is the extent to which cities factor into this new accumulation strategy. In short, South African cities are essential to capital growth: opening the doors to new investment opportunities in producer services domestically; creating a platform for outward-oriented growth and for foreign direct investment in South Africa; creating new and expanded patterns of elite consumption and the facilities necessary for the attraction and retention of a transnational capitalist class; and unleashing the potential for mass black consumption.

To accomplish these goals a new spatial fix was required (though many of the spatial legacies of apartheid would offer a good start), with massive investments in secondary and tertiary circuits of capital. Most important has been the hard infrastructure of the city—airports, seaports, telecommunications systems, etc.—to better link South African cities with the rest of the world. Also necessary has been expanding and strengthening the business nodes of cities to allow them to host sophisticated agglomerated service economies (smart buildings, conferences centres, etc.).

Elite spaces of consumption have been a major investment focus as well, with massive growth in high-end shopping malls, leisure areas and residen-

tial developments, often overlapping into one, integrated gated community (such as the Waterfront and Century City developments in Cape Town).

Expanding and improving basic infrastructure in urban townships has been important too. Billions of rand have been spent since the mid-1990s on the provision of water, roads, electricity, schools and health clinics (amongst other things) and many millions of low-income South Africans have received new or improved service delivery (though these investments pale in comparison to those in upper-income areas and are tempered by policies of cost recovery, as we shall see in later chapters).

Part of the rationale for these township investments has been the moral and humanitarian commitment to addressing the wrongs of apartheid. But the state and big business have also made it clear from the outset that improving township services is required to boost economic growth (McDonald 1998). This interest is confirmed in part by the enthusiastic support of the Reconstruction and Development Programme (RDP) by big business, as illustrated by the full-page newspaper advertisements taken out by organizations such as Anglo American and Old Mutual when the RDP was first introduced and by the financing of government publications on the RDP (such as the glossy 20-page review published by the Office of the President on the first anniversary of the new government, financed by BMW, Iscor, Land Rover, SA Finance, Liberty Life, Siemens and Standard Bank (RSA 1995b, 21)).

The RDP White Paper (RSA 1994b, 23–24) puts this accumulation rationale front and centre in the government's justification of the program:

Investments that follow the logic of the RDP offer tremendous opportunities for the South African industry. In particular, major investments will be made in electricity, health, housing, education, telecommunications and the information infrastructure, transport, and public works such as roads, water and sanitation.... In this respect ... [t]he RDP creates a large local market for industry which allows it to design and develop products with a stable home base. This also provides the predictability to allow the extensive restructuring that is needed to make the country's industries more efficient and effective. For instance, the domestic appliance industry expects its local market to increase by millions of new consumers, and is thus restructuring itself and designing new products.

With more than 80% of South Africa's GDP produced in urban areas, the need to create competitive investment and production environments is critical, as highlighted in an early post-apartheid Discussion Document on Urban Development Strategy (RSA 1997b, 13): "Better working towns and cities are crucial ... to restoring and speeding up economic growth, and to enhancing the global competitiveness of the national economy.... South

Africa's cities are more than ever strategic sites in a transnationalised production system".

This transition to a new accumulation regime did not happen overnight. It was a contested and uncertain struggle, with competing visions of what a post-apartheid urban economy could look like and what kind of spatial fix would be required. There have also been major struggles over the ideological and institutional character of urban reform.

There was no guarantee of the direction that these reforms would take, either, but the resulting 'rationalization' of local government has had a decidedly neoliberal tone, creating municipal authorities that are more responsive to the demands of domestic and international capital than to the needs of the urban poor. In this respect the ANC is no different than any other bourgeois government in actively intervening to manage the accumulation process.

CONCLUSION

The specifics of how these respatializing initiatives have played themselves out in Cape Town are the subject of Chapters 4 and 5. What I hope to have established here are the general conceptual principles around capitalist crisis, how it manifests itself in cities and the kinds of strategies employed to establish new patterns of accumulation.

With this theoretical lens we can see beyond the mere descriptive features of world cities to understand Cape Town as a capitalist city, prone to the same patterns of instability and sociospatial reconstitution as other capitalist urban centres. While retaining the descriptive insights of the world city hypotheses we can leave behind its optimistic—even boosterish—position on the positive impacts of 'globalization', adopting a much more critical perspective on both the motivations and the outcomes of contemporary urban reform.

But this is not the end of the analytical story. Just as important to understanding Cape Town as a capitalist city is understanding it as a 'neoliberal city', and it is to this subject that we turn next to investigate the role, scale, ideology and institutional makeup of state involvement in the new urban accumulation strategies of South Africa.

3 Cape Town as Neoliberal City

Having established that world cities are a new manifestation of a much older capitalist dynamic, the challenge in this chapter is to determine the specific ideological and institutional character of this urban capitalism. What are the reforms that capitalist cities have adopted to make themselves into world cities and how do these patterns apply in Cape Town?

I will argue here that policies being adopted in world cities are largely *neoliberal* in character—intended to attract and retain service-oriented transnational capital and to induce the kinds of sociospatial restructuring required to (re)establish new regimes of capital accumulation—and that Cape Town is no different in this respect. The specific forms of neoliberalism that have been adopted in Cape Town since 1996 are, of course, specific to its social, political and economic past, but the city's overall approach to urban development is remarkably similar to that of urban neoliberalism elsewhere in the world.

More importantly, it is the *process* of neoliberalization that makes Cape Town's experience so universal—i.e. the dynamic by which neoliberal policies and institutions emerge and then adjust to their own internal contradictions. Mapping out this process and its outcomes is an important conceptual task.

The purpose of this chapter is to define neoliberalism (what it is and what it is not) and the process of neoliberalization. I start with a review of national-level neoliberalism and then look at how it manifests itself locally. In both cases I compare the international experience of "actually existing neoliberalisms" with that of South Africa and argue that the national government and Cape Town's local government are neoliberal regimes (though much more robust and dynamic than is often argued in writings on the subject).

This conceptual discussion prepares the ground for an empirical review of neoliberalism in Cape Town in later chapters, looking at decentralization, privatization, cost recovery, and other neoliberal policy developments, as well as the impacts of these institutional and policy reforms on equity in the city. This theoretical discussion helps to explain the shifting nature of neoliberalism and how it is that apparently progressive policy reforms