

**Elite Interactions for  
Economic Development:  
The Case Study of  
Durban**

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## **Declaration**

This dissertation represents original work by the author and has not been previously submitted in any other form to any other university. Where use has been made of the work of others, this has been duly acknowledged and referenced in the text.

The financial assistance of the National Research Foundation (NRF) towards this research is hereby acknowledged. Opinions expressed and conclusions arrived at, are those of the author and not necessarily to be attributed to the National Research Foundation.

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## ABSTRACT

Much debate has been raging in development discourse about the role of the state in development economics. Neo liberal theorists call for the state to remove itself from the process and leave markets to determine the direction of economic development. The challenge to this theory was reinforced by the success of the East Asian counties in encouraging economic development through a process which involved extensive state intervention. The process of globalisation has added a new dimension to this debate where states are increasingly feeling the need to take steps to protect their economies from the negative impacts of globalisation and take other steps so that the positive rewards can be reaped.

The debate of this interaction between the state and economic forces is evident on all levels of governance, from the national to the local. Theorists such as Stone, Molotch, Logan and Stoker have researched this question on the local level in cities in the United States. They found that there is extensive interaction between political and economic bodies for the economic development of urban spaces. Specifically, these two major groups are represented by an elite grouping of individuals who play an important role in the planning and implementing of development initiatives.

This study attempts to examine this relationship of the economic elite and political elite in the city of Durban. This is particularly relevant in the context of the critical need for economic development in the city and the mandate that the city is given by national legislation to promote such development. The study furthermore examines the extent to which the role players in this interaction are part of the post-Apartheid 'new' elite, or if the interactive process is still dominated by the 'old' white elite.

The interactions were found to be limited to a 'project' basis which did not reflect a coalition in terms of the sharing of strategic decision making and planning. Furthermore, this process is dominated by the traditional white, corporate elite, although non-white individuals do have key roles in this process. There is however, a stark absence of a new non-white elite in the city who could emerge as an important force in encouraging development initiatives which will contribute to the economic development of the city. However, projects are being implemented that are being driven by individuals who are members of a economic or political elite grouping. These projects are based on a trickle down approach where the growth is presumed to filter down and positively affect the poorer members of Durban. There is a real possibility however, as various theorist have warned, that such projects currently being implemented by the elite in the city, might have limited positive benefits for the poor in the city, and could in fact have long term detrimental implications.

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## Abbreviations

AA	Affirmative Action
ABE	Affirmative Business Enterprise
ANC	African National Congress
BMF	Black Management Forum
CEF	Central Energy Fund
COSATU	Congress of South African Trade Unions
DA	Democratic Alliance
DCC	Durban Chamber of Commerce
DIPA	Durban Investment Promotions Agency
FASIC	First Asian Investment Company
GDMA	Greater Durban Marketing Authority
GEAR	Growth, Employment & Redistribution
ICC	International Convention Centre
INYANDA	National African Federated Chamber of Commerce & Industry
IFP	Inkhata Freedom Party
KZN	KwaZulu-Natal
MF	Minority Front
OJ	Operation Jumpstart
PPP	Public-private-partnership
RDP	Reconstruction & Development Programme
SACP	South African Communist Party
UDM	United Democratic Movement
WOE	Women Owned Enterprise
WPLG	White Paper on Local Government

## CHAPTER 1

### Introduction and Methodology

#### 1.1 Introduction

In his opening address to the 2001 Durban Growth Summit Mr. Mike Mabuyakhulu, the KwaZulu-Natal Minister of Economic Development and Tourism, welcomes the 'partners of the growth coalition'. The immediate question this raises is whether there is in fact a "growth coalition" ; that is to say, whether there is a political and economic elite in the urban area of Durban working together for the economic development of the city.

There is little doubt that the port city of Durban's economy is in serious need of restructuring and economic development. In 1999, The Durban Unicity commissioned the international consultancy company, the Monitor Group to conduct research into Durban's economy with a view to developing a long-term development strategy for the city.<sup>1</sup> Their findings show that a new development path will have to be forged in the city. Continuing with the current growth path would mean: a slide to real economic crisis within the next 10-15 years, a significant drop in per capita income, unemployment increasing by an additional 350 000, and the emigration of skilled persons out of the city.

The Monitor Group argue that the economic development of the city is as important for the businesses based in the city as it is for the city itself. The researchers project that the current economic path will result in a significant decrease in revenue to the city, which will at the same time have to deal with increasing demands for services. (Monitor Report, 2000:20) With the city council being heavily reliant on rates generated from business for its operating income, the folding or relocation of business and industry will negatively impact on the city's ability to finance its responsibilities. Therefore, for the local state and for businesses tied in to the local economy, the state of the city's

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<sup>1</sup> Following the 2000 local government elections, the various metro councils in Durban were united into a single metro council, termed a Unicity. The same process occurred in various other cities in the country. A map of Durban can be found at Appendix B.

economy is an important determinant of their own successes. Clearly, therefore, some kind of urban developmental strategy is urgently required.

The foundation for greater business and political elite interaction on the local level has been laid at the national level of government. Growth coalitions usually employ a more business oriented economic strategy whereby growth is presumed to trickle down and positively effect all segments of society. The South African government has largely abandoned its Reconstruction and Development Programme in favour of Growth, Employment and Redistribution (GEAR). As the name suggests, this strategy is in line with global trends towards the emphasis on growth oriented, export emphasised, economic development.

The South African government is also opening up the trade borders of the country, by lifting trade barriers and tariffs. This is placing pressure on businesses in the country in that they are now having to compete with companies from all over the world without their previous protection. South African cities are also having to ensure that their economies are structured in such a way to ensure that increasingly mobile capital is invested (and stays) in the city. The 1998 White Paper on Local Government (WPLG) reinforces this local government responsibility, stating that cities must attract investment by promoting comparative advantages in industries and other enterprises.

“Extreme rapid changes at the global, regional, national and local levels are forcing local communities to rethink the way they are organised and governed. All over the world, communities must find new ways to sustain their economies, build their societies, protect their environments, improve personal safety.... and eliminate poverty” (South Africa WPLG 1998:24)

Cities like Durban are thus required to be internationally competitive so as to ward off the possible negative effects of globalisation and reap the benefits by developing their comparative advantage.

The effects of these changing global and national trends is felt by both business and local government, and is laying the ground for greater co-operation between these two elite. National government in South African is in fact explicitly encouraging greater co-operation in the local sphere in encouraging public-private partnerships (PPP).

Municipalities are encouraged to actively develop ways to leverage resources and investment from the private as well as public sectors. (South Africa, WPLG 1998:23)

“Substantial benefits can be derived from public-public partnerships, and municipalities are encouraged to explore the options as individual organisations and through organised local government associations.” (South Africa, WPLG, 1998:71)

While this approach is emphasised in terms of service provision and infrastructure building, this is not exclusively the case.

The other important contextual change that is opening up space for greater local development initiatives is the significant taking place at the legislative level of government. Local government is now a sphere of government in its own right and is no longer merely a function of the national or provincial government. It is an integral component of the democratic state of the country and local government is afforded, at least in principle, equal ranking with national and provincial government tiers. (South Africa, WPLG, 1998:35) Thus, through national policy prescriptions, the local government of Durban has been mandated with and given the responsibility to act relatively autonomously to aid economic development within the city boundaries. A key factor in this new system of governance is that it is mandated to be developmental, with local government having responsibilities such as poverty alleviation, local economic development and empowerment of previously disadvantaged individuals. In particular, the political elite is encouraged to actively engage with the economic elite in achieving these goals.

So who are the economic and political elite who co-operate to achieve economic development? This is a complicated question, and this paper will concentrate on the main actors emerging from coalition theories; i.e. the local political elite and the business elite. This study does not include traditional leadership as part of the political elite. While political leaders in their own right, the role of this indigenous local government in the Unicity is still being contested on a national level.<sup>1</sup> For this reason,

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<sup>1</sup> The extension of the Unicity boundaries by 68% has meant that 16 traditional authority areas are incorporated. The WPLG does not give these traditional authorities any direct decision making power on development issues. The powers and roles of the traditional leaders are still being defined under consultation. (Khan & Lootvoet, 2001:10)

this study concentrates only on those members of the political elite who are elected through a democratic process. The focus on the political elite is thus around the city council.<sup>1</sup> The focus on the economic elite will be on those individuals who are reputed to be leaders and have important decision-making powers in the city. Both the managers of large businesses and entrepreneurs will therefore be examined.

The post-Apartheid South Africa presents an interesting dynamic to this study as it has seen the emergence of new political and economic role players. Previously excluded individuals are now being given opportunities and actively encouraged through policies such as Affirmative Action (AA) to become leaders in the economic and political worlds. This new emerging elite is filling the roles previously reserved for the white elite. Durban is a particularly interesting location of study because it is home to the largest concentration of people who originate from India. While not excluded to the extent of the black race group, they too were limited in economic and political aspirations. Although not exclusively so, this research concentrates on this 'new' elite.

Does the traditional white elite still dominate this Durban coalition, or has the new black elite come to the fore to become prominent players in the drive for economic development of the city? Who is driving this process, - the political elite or the economic elite? These are some of the questions that this research aims to answer with a view to highlighting the implications that this holds for development within the city boundaries. A substantial body of literature exists, both historical and contemporary, elite theory. A lot of research has also been conducted on elite interaction in the context of economic development. Indeed, studies have been made on the elite interaction during the history of Durban's establishment. However, elite interaction has not been examined in the specific context that Durban currently finds itself. This paper sets out to address this.

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<sup>1</sup> The municipal election of the fifth of December 2000 brought in the first truly democratic local government. Until then, local government was subjected to provisions overseeing a transformation process.



The paper therefore aims to consider the following questions;

- ◆ Who is the elite in Durban?
- ◆ On what levels are they interacting?
- ◆ What are the forums for this interaction?
- ◆ Who drives this process for economic development, the economic elite or the political elite?
- ◆ To what extent are the 'new' elite major players or do the traditional white elite still hold the dominant influencing powers?

This chapter ends with an explanation of the methodology employed in this study. This is followed in Chapter Two by an examination of the coalition theories and the elite theories that frame this research. The current situation in Durban is determined largely by historical circumstances. Chapter Three gives a brief examination of these circumstances, with particular reference to the history of elite interaction in Durban, and the emergence of a new elite. Chapter Four gives an analysis of the current interactions of the elite for economic development in the city. This paper ends with Chapter Five, with a summary of the findings and an examination of the possible implications that arise from this.

#### Limitations of the study

By the very nature of elites, they are busy individuals with great responsibilities. For this reason access to all of the elite was not possible. Furthermore, time and space constraints meant that not all of the elite in the city could be interviewed. Furthermore, the province of Kwa-Zulu Natal has been home to large-scale political violence which still flares up periodically. Much of the antagonism was along party lines, between the African National Congress (ANC) aligned United Democratic Movement (UDM) and the Inkhata Freedom Party (IFP). Furthermore, the issue of racial discrimination is still very real for all race groups. These two factors could have contributed to bias in responses, or refusals to answer particular questions.

The author therefore acknowledges that there are possible gaps in this paper. Furthermore, because of the ease of identification and access, the paper could be slanted

towards an examination of those elite members who are actively involved in the process of economic development. Conversely, individuals who by circumstances, choice or omission, could have been excluded from this process. However, this study is not meant to create a comprehensive theory regarding elite interaction in the city in this time frame. Rather, it is exploratory in nature, and hopefully provides a snapshot view of some of the issues and interactions that occur. It is therefore hoped that this study raises more questions than it answers and creates a backdrop for future research to investigate in more detail some of the issues that are raised.

## 1.2 Methodology

This research utilises both primary and secondary research methods.

### Primary Sources

Numerous interviews were conducted with the economic and political elites in Durban. A third category of elite was identified which fits between these two categories, that of the parastatal elite. One interview was therefore conducted with the CEO of the Port of Natal. The political elite were selected using Pareto's simple definition of elite being the 'top' group (Parry, 1969:35). Thus, the political elite selected were considered as the ten members of the executive committee of the Unicity Council. Of the nine approached, five elite individuals, from various political parties and backgrounds, agreed to be interviewed.

Selection of the economic elite proved to be more complex. It is difficult to ascertain what constitutes 'top' when it comes to business. An examination of individual annual income would make this selection process much easier, but is clearly not practical and constitutes an invasion of privacy. A variety of methods were therefore employed to target the new economic elite. Two important theorists in this regard are Robert A Dahl, who uses the 'decision making approach' and Floyd Hunter, who makes use of a 'reputational approach' to identify the elite. Dahl, (1961) looking at the city of New Haven, examined certain key issues in the city in order to ascertain how decisions are made and who actually has the power to influence these decisions. Those who held the major decision-making powers, he identified as the economic, social and political elite. Hunter (1953) sees that the reputation of having power as being essential for decision making and for policy execution. (Hunter 1953:2) He found the people in power by looking at people in prominent positions in business, government, civic associations and society activities. Hunter asked the other people on his list how well they knew the others on the list, ranging from, "know well" to "not known". He thus concluded that "the professional persons who carry out the decisions of the policy-making group are definitely differentiated from the top leaders in rates of interaction and in degree of acquaintance with the top leaders." (Hunter 1953:73) He further found that the same people were named as influential and consequently able to 'move things' in the city.

(Hunter 1953:73) Thus, he isolated a group of men who were the most powerful in the city. The methodology of this research is a combination of these above two methods; i.e. the elite are those who have important decision making power and/or those reputed to have that power.

While this research concentrates on the 'new' emerging elite, it was decided not to make this as exclusive criteria. This is because of the possibility that members of the old established elite might still being important role players in the city or, at the very least, might make important contributions to make to this study.

### Elite Selections

1. Top businesses in Durban were examined to establish which individuals held important decision making power. In particular, the Board of Directors of these companies were examined. No data exists for Durban in terms of annual turnover, however the Durban Chamber of Commerce has compiled a list for top businesses in KZN for the year 2000 in terms of number of employees. This might not be a true reflection of economic power in the city as labour intensive companies might outrank capital intensive companies. However, it does serve as a good starting point for the analysis. Durban-based business and businesses with their headquarters in Durban were taken from this list, and lists of the boards of directors were obtained from these companies. Key members of the board were highlighted as possible holders of significant decision-making power and approached for interviews. This fits in with Dahl's decision making approach where those who hold significant decision making power are members of the elite.
2. Local newspapers from the past five years were examined to determine which businessmen or women featured prominently. Those featured were approached for interviews. This process was done mostly through internet searches.
3. Forums for business interaction, both amongst different businesses and between the local state and business arena, were examined to discover who features prominently and should therefore be targeted. Some of these forums include the Durban Chamber of Commerce (DCC), the Board of the Durban Investment Promotion Agency (DIPA) and those attending the various Durban Growth Summits. The author is aware that this targeting method will provide a skewed result as it clearly

highlights those individuals who play an active role around issues of economic development. However, it is hoped that the remaining two targeting mechanisms counterbalance this weighting.

4. Utilising Hunter's reputational approach, respondents were asked during the interview process to name the most important economic role players in the city. The focus here was on new and emerging elite individuals. The reputational approach, as well as contributing to contributing to answering the question 'who are the elite', proved useful as a "snowball" method to obtain names of other potential elite to interview.
5. The council has implemented an Affirmative Procurement Policy for tenders emerging from the city. This policy of preferential opportunities to previously disadvantaged groups by giving preferential access to tender contracts, aims to give a large number of high value tenders to a new group of businessmen. The study therefore looked at the owners of companies who received the highest accumulated value of tenders in a one-year period from January 2000 to December 2000. A selection of these businessmen and women were also approached for interviews.
6. All members of the Unicity's Executive Council were approached for interviews.

As well as the political and economic elite, two observers to the process of economic development in the city were interviewed as well as a bureaucrat from the tenders office. A list of the respondents can be found at Appendix A.

As a further primary source, an examination was made of local, provincial and national government documents relevant to this research.

### Secondary Sources

This research intends to fill a gap in the academic discourse around this particular subject. Thus, no literature was available on this specific subject. Research was first undertaken to situate this study in a theoretical framework around various particular issues. Literature of a theoretical nature was consulted around the issues of:-

1. Urban elites and their interactions
2. Economic development in urban areas
3. The role players in urban economic development.

The second major part of the secondary research was to examine the context that frames this case study. Literature about global and national changes was referred to. An investigation was made into the current economic development environment in which Durban finds itself and the future implications of this. The Monitor Report, a study done on Durban's economy, local government policies emanating from that report, and media reports concerning relevant issues were examined.

Developments impacting on the economic development of the city such as the ICC, Point Waterfront, the Port and the development of the Northern Corridor of the city were examined, primarily through media articles of the local newspapers.

Finally, an examination was made of the historical background to the study. Literature concerning issues related to the initial colonisation of the city to the beginning of the 1990's was examined. Here, literature around elites and their contribution to the development of the city was given particular attention, as was literature related to the creation of a non-white elite. Included in this secondary list-were more contemporary writings on related topics.

### Interviews

A total of 12 formal interviews and one informal interview were conducted. A list of interviewees can be found at Appendix A. All interviews were conducted by the author except for one that was conducted in conjunction with Bill Freund, and one conducted by Bill Freund alone. The interviews lasted from between 30 minutes to one hour. They were recorded and later transcribed.

The sensitive nature of some of the questions presented a methodological challenge to the research. For this reason a semi-structured interview methodology was used. The benefit of such methodology is that "the interviewed subjects' viewpoints are more likely to be expressed in a relatively openly designed interview situation than in a standardised interview". (Flick 1998:76) Furthermore, the interviewer could avoid certain questions at inappropriate times and return to them at later stages in the interview process. Alternatively, the question can be probed in various ways to overcome this

potential reluctance to answer direct questions. To encourage this process, an open-ended question methodology was used.

### Analysis of the Data

Because of the unstructured nature of the interviews, the transcriptions had to be reordered around the major themes of this research. The responses were then analysed using conventional content analysis techniques. The content of the interviews, once reordered around the specific questions of the research, were summarised. Once this had been done, the interviews were compared to establish important themes and interactions.

### Issues of Confidentiality

All respondents were briefed on the purpose of the study. All agreed to their responses and quotes being used in this paper. However, one respondent requested that certain sections of the interviews remain anonymous. Therefore, references are made to individuals throughout the paper, but where anonymity was requested the references are framed as general sentiments.

## CHAPTER TWO

### Elite and Elite Interaction in the Local Arena

The purpose of this chapter is to outline some theories around the issues to be investigated in this research. This literature review is based largely on analyses done in the cities of the USA. In stark contrast to the South African context, there has been a significant amount of research into elite formation in the USA. What this research has found is that in the USA, local government has a large degree of autonomy when compared to, say the UK. The level of autonomy of the local government *vis a vis* the national governing body is an important determinant of the direction of local government policy initiatives. (Swilling 1997:5) Furthermore, the fragmented nature of USA local structures has resulted in economic competition between areas in order to attract investment so that local tax bases can be maintained or improved. In the UK, on the other hand, because resources are distributed centrally to richer or poorer areas, there is less incentive to compete. (Judge et al 1998:12) Since the onset of democracy, cities in South Africa have enjoyed far greater levels of autonomy, and development initiatives are partly centred around attracting investment in competition with other cities in the country. For these reasons, this paper relies heavily on research coming out of the US.

The chapter begins with an examination of general elite theory. This is followed by a brief review of some of the changing contexts that are affecting urban governance. These contexts, coalition theorists argue, are resulting in greater interaction and co-operation between the elite to aid urban governance. The paper then moves on to examine the two main urban coalition theories; Clarence Stone's Regime Theory and Harvey Molotch's Growth Machine theory. Specifically, it will examine the following questions: Why are the elite interacting? From where does the impetus for this interaction come? And finally, who is excluded in such a process? Both of these theories argue that the most important actors in a coalition of interests for urban development, are the political elite and the business elite. This chapter therefore ends with a brief examination of theories around the questions of 'who make up a political and business elite'.




## 2.1 Elite theory

The empirical focus of this study is the new economic and political elites in the city of Durban. However, it is necessary to look briefly at broader elite theories. Pareto defined the elite as being the 'top' people in their chosen activity, whether it be in governing, thieving, or in a professional sense. (Parry, 1969:35) These 'top' people as a group therefore constitutes an 'elite'. Other theorists have narrowed this definition down. Classical Elitists see the elite as being a group who have certain qualities and social opportunities that grant them a position above others. (Parry 1969:35) In opposition to these elite theories are Marxist theories which state that no matter what class leaders come from, they are representative of the dominant economic class. (Parry, 1969:28) Between these two extremes are theorists who try to find a synthesis between elitist and Marxist thinking. Such theorists hold that leadership needs to be placed in wider contexts.

On the one side of the argument, are pluralists such as Dahl and Wolfinger. Pluralists argue that power is fragmented and decentralised. In rejecting elite theory concepts of a core elite group, Pluralists emphasise that decision-makers are still subject to popular control that assures the permeable nature of the political system. (Cummings, 1988:15) It is precisely because of the interaction of these interests, that a legitimate authority is created. (Cummings, 1998:14) Here democratic principles can be seen to form the core to the theory. However, pluralists do not presume that the fragmented nature of power means that everyone has equal access to the system. They see that some interest groups, by virtue of their resources and abilities, are better able to put forward their cases and hold greater influence. However, pluralists argue that all groups do have some kind of access.

Dahl, a leading pluralist, set out to examine this question in the American City of New Haven. He examined different groups of leaders to see what kind of overlap and interaction occurred around different issue areas of urban governance. The major questions that Dahl (1961) examines are; whether or not people who have access to resources automatically gain access to other types of resources. He also asks how decisions are made and who actually has the power to influence these decisions. What

kind of coherence is there within the decision making structures? Is it oligarchic or pluralistic? (Dahl, 1961:8) Specifically, he examined the interaction between 'economic notables', the 'social notables' and those who hold political power. He found that there is no main power group that governs the society. Because of the pluralist nature of society, different people were involved in different 'issue areas'. Dahl found that society in New Haven was stratified in that some groups were more active in politics than others. The issue areas that he examined were the local elections, urban renewal and education, finding; that with very few exceptions, there was very little overlap between the different issues by the different leaders. (Parry 1969:67) Different elites made different decisions in different issue areas. (Judge 1998:20) Judge however highlights that a major criticism of Dahl's methodology and chosen issue areas is that they would lead to the discovery of a pluralist process. (Judge, 1998:18) Importantly for this study however, he found that economic notables participated more than other groups in public affairs, but largely only around the issue of urban redevelopment. (Dahl 1961:69) This was to be expected because "urban redevelopment bore a comparatively direct and self evident relationship to the personal or corporate prosperity of the economic notables." (Dahl :71) Since this study is centred around issues of economic development, this finding is particularly relevant. A further important criticism of Dahl's findings is based largely on the view that he downplays the very important role of business, by relegating them to a mere interest group. "Certain interest – especially business interests – have such a crucial role in society that no government, local or central can afford to ignore their interest." (Judge 1998:30, quoting Stoker, 1991)

 On the opposite side of the urban governance theoretical spectrum, lie elite theorists. Elite theory posits that urban governments are ruled by a small number of like-minded people who are usually linked to business interests. As such it is a reflection of the hierarchical makeup of society. (Harding 1998:36) Mills (1956), put forward the view that the 'power elite' are a group that represent the leaders in various hierarchies, such as social, economic, or military. Mills saw that "with growing bureaucratisation, power became concentrated within large business corporations, the central executive machinery of government and the military establishment." (Harding 1998:37) Mills thus suggests that the question of who the elite are, needs to be examined in both an economic, political and social context. Floyd Hunter, a further prominent elite theorist, in his study of Atlanta, USA, found that the city decision makers had a core group of elite policy

makers. These were identified by a reputational approach whereby he perceived those who had the greatest power where those who were perceived to have that power. He found the men in power by looking at people in prominent positions in business, government, civic associations and society activities. (Hunter 1953:11) Hunter asked the other people on his list how well they knew the others on the list, ranging from, “know well” to “not known.” He found that of the group in the upper tier of society, all 35 people interviewed knew each other. On the other hand, the professional group below this upper tier knew, on average, only 7 other people on this list ‘well’ or better”. (Hunter 1953:73) He thus concluded that “the professional persons who carry out the decisions of the policy-making group are definitely differentiated from the top leaders in rates of interaction and in degree of acquaintance with the top leaders.” (Hunter 1953:73) He further found that the same people were named as influential and consequently able to ‘move things’ in the city. (Hunter 1953:73) Thus, he isolated a group of men who were the most powerful in the city. They interact among themselves and chose each other as leaders. (Hunter 1953:74) Here, policy formulation was done in accordance with personal interest, and not through a process of translating electorate desires into policy. Furthermore, he found that business interests dominated this core policy making group. (Harding 1998:39) “Local representative democracy in the US was just a smokescreen for dominant economic interests.” (Harding 1998:39)

Both pluralist and elite theories agree, however, on the fact that there are unequal interests within society. Most prominent amongst the privileged vis-à-vis decision-making power and influence, are the political elite and the business elite. A major criticism, however, of both these theories is that they concentrate too heavily on urban geographic areas and largely ignore the importance of non-local influences on local policy making. (Harding 1998:41) Examples of such influences are the non-local ownership of productive forces, the new international division of labour, and the influences of higher levels of government. It is such influences that have led to the development of middle ground theories, which recognise these external forces and see the result as being co-operative policy making in urban areas to overcome the challenges presented to urban areas from such forces. These theories lie between the two extremities of the debate and argue that a kind of co-operation exists, primarily between the business elite and the political elite in order to effect urban governance. Notable theories in this school are the growth machine theories of, for example, Molotch and

Logan, and the regime theory of, for example, Stone and Stoker. In line with pluralists and elitists, machine and regime theorists also recognise the dominance of business and local government interests in such co-operation. Before going on to a discussion of these theories, this paper will briefly examine the contexts which are resulting in the necessity for greater co-ordination and co-operation in urban areas between various players.

Globalisation is having a major impact on all aspects of civil, political and economic life. Numerous debates rage around the impact that this is having on the ability of the nation state to legislate to achieve national agendas.<sup>1</sup> Of concern to this paper is the implication of globalisation on the state and the economy at a local level. Some of the ways that the world economy is restructuring are that production and service functions are decentralising on an international level, as are global financial and commodity markets, while the control of these functions is being centralised within the large corporations. (Tomlinson 1994:10) This has important implications for cities. Cities are having to plan and legislate so as to attract investment, build on their comparative advantages, and ensure that they are not marginalised by the nature of the globalised market to seek out locations which will maximise their profits and minimise their costs. The traditional roles of cities revolved around issues of the provision of services and infrastructure. These roles are now expanding to incorporate moves to stimulate the economy, create new jobs, attract investment, and ultimately ensure a greater contribution to the tax base of the city. Partnerships between the economic and political elite are one of the methods utilised to achieve these aims. The interaction of political role players and economic role players has received extensive attention in the debates of the past few decades surrounding the neo-liberal policies of the 'rolling back of the state' and the 'leaving economics to the markets'. The success of the 'Asian Tiger' countries specifically due to state intervention in the economy has further increased the intensity of these debates. The World Bank sees neo-liberal change as positive, allowing for a "shift in the role of central government from direct providers of urban services and infrastructure...to creating a regulatory and financial environment in which enterprises,

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<sup>1</sup> This paper does not wish to involve itself around these debates. For further reading on the economic and political implications, consult the following articles; Martin, R., *Stateless Monies, Global Financial Integration and National Economic Autonomy: The End of Geography?* In S. Corbridge, R. Martin and N. Thrift (eds), *Money, Power and Space*, Oxford, 1994, & Amin, A & Malmberg, A., *Competing Structural and Institutional Influences on the Geography of Production in Europe*, in A. Amin, (ed) *Post Fordism: A Reader*, Oxford, 1994.

households and community groups can play an increasing role in meeting their own needs.” (World Bank, 1991:8) The rationale behind this is that the lack of government capacity and inefficiency is seen to result in a drain on resources. This is expected to be counteracted by greater private sector involvement in service delivery, resulting in greater productivity levels. (Tomlinson 1994:41) This phenomenon emerged strongly in the US under Reagan where many urban services, traditionally under the authority of local government, were placed in private hands. (Cummings 1988:4) This paper does not aim to examine the merits of these shifts, but rather to examine these interactions between economic and political role players on the local level where local government is having to intervene with local economies to ensure development. Coalition theories do not suggest that such changes in the mode of production can be controlled, but that strategies can be formulated with various actors to allow for making the most of such circumstances. (Molotch 1988:34) Together with this, an important contextual determinant is the international phenomenon for decentralisation of state control to more local levels of government.

Under these circumstances, what are the reasons for the economic elite involvement in coalitions with the political elites? Business can achieve more in partnership with local government than it can alone because it gains access to public authority and public revenue. (Stone 1989:233) What reasons exist for the involvement of the political elite in economic issues? One view, such as that of Hunter, concerns the suggestion that coalitions are formed with interest groups, including business leaders, to secure election to office. (Parry, 1969:66) Another convincing argument promotes the idea that the public bodies, being reliant on the income to be raised by taxing the businesses, have a vested interests in promoting business success and advancement. (Dowding, 1994, Stone, 1989) Collaboration of local government with the business elite could give them access to resources that could improve their capacity to govern. (Stone 1989:234) Traditionally, concessions were granted by the state towards certain industries. New trends see the local state itself acting as an entrepreneur. Where the public sector identifies potential growth industries, they either invest in the industry or loan money for such investment. (Tomlinson 1994:58)

It is these changing contexts which have resulted in theories being developed that recognise the degree of interaction that is occurring between actors and interests in local

government levels. This paper will now focus on the two major theories vis-à-vis interactions of elite in the arena of local governance; - namely growth machine, and urban regime theories.

## 2.2 Theories of Elite Interaction

Growth machine theory of Logan and Molotch focuses on the interaction between local government and the private sector, but the emphasis here is on the more active role and power of business. The growth machine is thus a push of local business leaders for policies that attends to their needs which will financially benefit them. While the local government is responsible for the “formulation and implementation (of) growth enhancing public development policies” it’s dependence on the health and tax base of its own local economy....has placed business elites in a privileged position” through their control of the availability and flow of capital and credit. (Maharaj & Rambali 1996:163 quoting Leitner, 1990:157) The private sector commits itself to the economic growth of the urban space because, by attracting investment, it will increase the profits of its immobile land. Government support for such developments are required often because of the control that they hold over land use decisions. (Harding 1998:43.) “ Virtually all US cities are dominated by a small, parochial elite whose members have business or professional interests that are linked to local development and growth. These elites use public authority and private power as a means to stimulate economic development and thus enhance their own local business interests.” (Molotch 1988:25) As such, machine theory sits closer to the elite theory side of the spectrum than to pluralist theory. Molotch argues that government officials who show a strong commitment to local growth initiative are mobilised by the business elite for their own purpose. (Molotch 1988:36)

<sup>1</sup>Molotch is particularly critical of the ‘parochial’ business elite using public institutions to get rich. (Molotch, 1988:13) Why then is local government willing to engage as a secondary partner in such machines? Government is willing to give their support for such growth initiatives because of their reliance on the improved tax base that economic development will generate. Furthermore, the neo-liberal assumption underlying this is that growth will trickle down to positively affect all segments of society. Criticisms of

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<sup>1</sup> A further important method of gaining support of government official for business in the US is through contributions to political campaigns. “Campaign contributions remain the mother’s mild of US politics.” (Molotch 1988:36)

this abound. Elite theorists see that growth will enhance the position of the powerful at the detriment of the least powerful. (Harding 1998:45)

A particularly relevant component of growth machine theory is that the business community involved in the coalition needs to be tied to a particular place so that the growth of that place is of particular concern to them. "Logan & Molotch's (1987) notion of place boundedness...is central to analysing why certain sections of the business community are committed to the prosperity of particular places and prepared to become actors in redevelopment." (Harding: 1998:49) <sup>1</sup> Furthermore, Molotch argues that such property entrepreneurs are more likely to have an interest in local intensification, whereas finance, industry and commerce, while being important actors, could be components of corporate capital which is less likely to show such interest. (Molotch 1988:27) In Keil's study of the city of Wilkes-Barre in Pennsylvania, the growth agenda there was significantly weakened by their dependence on national capital. (Keil 1988:270) Although Logan and Molotch emphasise the importance of local capital, they are criticised for ignoring the influence that non-local capital has. While their theory is based on the importance of the property division of business, other factors, many of which are not locally bounded are important. (Harding 1998:44) Molotch (1988) adapts his original theory to accommodate these contextual constraints on elite action. How does a growth machine accommodate the often conflicting interests between business into a unified group? Molotch's answer is based on the view that real estate investors are core to a growth machine. Although these property entrepreneurs are in competition with each other, they all stand to benefit with the increase in value of a locality as a whole. This applies especially with regards economic development concentrated around the revitalisation of a CBD. (Molotch 1998:26)

Stone's Regime Theory, on the other hand, emphasises the role of the local government in mobilising and co-ordinating resources to affect economic development. The two important actors in a regime are the local government and the business sector, where government co-operates and mobilises those who hold the resources, so that they can achieve their goals. "Urban regimes emphasise the role of the local governing coalitions

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<sup>1</sup> See Keil (1988) for an analysis of the failure of a growth coalition in Wilkes-Barre in Pennsylvania due to the dependence on national capital and the influence of national and international patterns of accumulation.



in shaping patterns of urban development.” (Maharaj & Rambali 1996:164) Urban regimes are seen to be the push of the public sector. An urban regime is defined as “the informal arrangements by which public bodies and private interests function together in order to be able to make and carry out governing decisions.” (Stone, 1989:6) As such, regime theory is more similar to pluralist theories than to elite theories because of its recognition of a number of different interest groups. However, like growth machine theory, it recognises that the coalition is dominated by local government and by private business. This lack of focus on wider social groups distinguishes regime theory from pluralist theory. (Stoker 1998:61) Local government is seen in regime theory as it is in pluralist theory, to be subject to some form of popular sanction or approval. As such, Stone's emphasis is not so much a question of who rules but rather an examination of how co-ordination is achieved and what kind of network operates.

Stone's (1989) analysis of Atlanta from 1946-1988 gives a valuable understanding to the relationships of numerous actors to achieve certain goals. “What makes governance in Atlanta effective is not the formal machinery of government, but, rather the informal partnership between city hall and the downtown business elite. This informal partnership and the way it operates constitute the city's regime; it is the means through which major policy decisions are made.” (Stone 1989:3) Here, the emphasis of Stone on the nature of this relationship, is that it is informal in nature and based on co-operation through solidarity and trust rather than on a hierarchical system or through bargaining. (Stoker 1998:59) The importance of this is that it is more a question of co-operation rather than control. Here, his concept of the interactions being of a type of social production rather than one of social control, emerges. “This leadership control, is not achieved through ideological consideration...rather it is a result of a group of interests being able to solve substantial collective action problems to put together a structure capable of performing the needed function. (Stoker 1998:65) An obvious requirement here is that coalition members have similar goals, which are not necessarily based on a similar ideology. Stone sets out two conditions for a effective regime that can mobilise resources to achieve a shared policy agenda : the first is knowledge of social transactions and the capacity to act on that knowledge ; the second is that there must be *de facto* control of resources. (Stoker, 1998:60) *De facto* control would suggest that control could be affected on the local level, rather than through a non-local corporate structure. Stoker however emphasises that access to non-local resources can influence regime direction.



Policy outcomes are thus shaped by three factors, the composition of the governing coalition, the nature of the relationship between the members of the coalition, and the resources that the different members bring to the coalition. (Stoker 1998:61)

Stone's analysis is particularly significant for Durban because during the period under study, the make-up of the coalition changed to be a biracial one made up of a primarily white business elite and a primarily black political elite. From the 1960's onwards, a shift in political power occurred in Atlanta due to an increasing black electorate and a diminishing white electorate. This presented an important challenge to the governing coalition that had been established. A major focus of the study undertaken by Stone was how the coming together of coalition members is accomplished. In particular, the study shows how co-operation was achieved across racial lines in a largely segregationist society at the time. The black community in Atlanta in the beginning of the period under study, was quite well organised and it was the black middle class in Atlanta that played an important role in the regime. "Thwarted in its effort to gain (suburban) white voters and restore the earlier electoral coalition, white business executives had to develop a working relationship with black political leaders whose influence lay in having the votes to control city government. (Stone 1989:164) By ensuring co-operation with this black middle class, the highly organised and highly resource white business elite were able to ensure the continuance of the regime through a variety of incentives. Incentives offered by the growth agenda were, for example, high quality housing, small business opportunity and employment. (Stoker 1998:63) Stone emphasises the role that this provision of 'small opportunities' played in co-opting support for the growth agenda in Atlanta; black business (who would benefit financially from planned development initiatives) and political leaders helped to push through development that in fact caused large scale relocation of black communities. (Stone, 1989:40) Importantly therefore, Stone found that through this alliance with white business, the black mayors were able to initiate development plans for the benefit of the upper strata groups even though it meant neglecting the needs of the poor black communities. (Stone 1989:166-168)

### **2.3 Who is excluded in this process?**

Coalition forming, primarily between the business elite and the political elite, is generally around issues of local economic development. According to classical

economic theory, growth is presumed to trickle down and positively affect all segments of the society. Cummings (1988) argues that coalitions are formed mostly over issues of urban renewal. It is here where the property interest of the business elite are usually strongest as relocation of upper and middle class people will mean money lost from their investments. However, urban renewal is often characterised by the removal of the lower class from the areas coalitions want to renew. This means that coalition economic interventions are for the benefit, and, at the expense, of the poor. Actually, the poor, with their unequal access to coalition policy making, are largely excluded from affecting policy.<sup>1</sup> As Stone has showed, this is often to the detriment of the poorer segments of the community. Stone's criticism of the coalition in Atlanta was that it was "skilled at building physical structures but not very proficient at launching and carrying out ambitious programmes of human development." (Stone 1989:213) Policy is determined by the wants of coalition partners rather than by economic determinants of community social composition (Stone 1989:160) However, neither of these two theories exclude the potential influence of other interests such as community organisations. They can influence development by preventing highways being built or by forcing the city to build parks. But, as Molotch argues, they cannot change the basic course of city growth. (Molotch 1988:37) The inclusion of various other interests in a coalition could in fact weaken its growth agenda if it reduces cohesion, emphasised in both regime and machine theory as being important.<sup>2</sup> In the city of Wilkes-Barre, community representatives and trade union leaders were included in committees. However, it was partly the active and influential nature of the trade unions that prevented significant investment in the city. (Keil 1988:292)

Ferman (1996) is critical of machine and regime theories because they underestimate the important influence of other interest such as CBO's. She found in a comparative study between Chicago and Pittsburgh that in Pittsburgh, change was influenced strongly by neighbourhood groups, while in Chicago, such interest were strongly resisted.

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<sup>1</sup> The emphasis on such growth initiatives at the local government level is not without its critics. Such an emphasis is seen to be at the expense of redistributive policies, helping the rich, not the poor. Swannstrom's (1988) analysis of Cleveland highlights this fact.

<sup>2</sup> Bennett et al *year* show how fragmentation hindered development of the Chicago north Loop Redevelopment project. This fragmentation was both between the political elite and the business elite and within the business elite themselves.

“The examination of Chicago and Pittsburgh has highlighted the critical role of urban arenas and the institutional frameworks of political cultures they house in influencing the opportunities for political participation by ‘non-elite interest’”. (Ferman 1996:135)

While acknowledging possible influences of other actors in Durban, this study limits itself to the roles of the political and economic elite. Who then are the business elite and the political elite?

## 2.4 The Business and Political Elite

From pluralists to elite theorists, including machine and regime theories, there is an acknowledgement of a “top group of people” who wield greater influence than other members of society. This “top group of people” is not merely the business or political interest groups *per se*, but rather the core group of people within such groups who wield greater influence than other group members. Where theorists diverge from one another is the extent to which the influence of the elite is open to challenge, and the ability of this elite to affect real change.

What remains to be examined in this chapter are some of the theories on the constitution of this top group or elite. A simple dictionary definition of the elite is “a group of people regarded as superior and therefore favoured.” (Oxford Dictionary, 1994) Such a definition is along the lines of Hunter’s (1953) reputational approach where the basic data to prove the power of the individual is seen to be the reputation for having that power. (Harding, 1998:38) Dahl (1961) however, based his elite grouping on those who hold the major decision making power in the city. In terms of the political elite, these theories are relatively easy to apply. The top echelons of the political elite will be those individuals who are in control of major decision making capacities and are reputed to be so. However, when it comes to the economic elite, this is more difficult to determine. Questions such as ‘what constitutes major decisions making powers?’, and ‘who are the real decision makers in business?’ need to be answered.

In his book, ‘The Managerial Revolution’, James Burnham (1948) put forward his theory that the nature of the economic elite is undergoing a fundamental shift. In this shift, Burnham theorises that a managerial or strategic elite is replacing a capitalist or

entrepreneurial elite and that this new ruling elite has political, administrative and economic domination. (Parry 1969:77) His theory is based on the view that control of the forces of production would shift. The increasingly technical nature of business has meant that capitalists are no longer suitable or able to sufficiently direct business to an optimal level. The task of direction and co-ordination is a highly specified function and managers are becoming increasingly important. (Burnham 1942:75) The other feature of business emerging at the time of his writing was that larger businesses were increasingly becoming owned by numerous shareholders rather than by individuals. It is the role of the managers to therefore manage these shares and the businesses. Thus, capitalists are no longer managers of their enterprises and they now concentrate on financing, which is seen to be removed from the productive process. (Parry 1969:51)

Why does Burnham consider these managers to be an elite grouping?

“In developed capitalist society it is evident that the position of greatest social power and privilege was occupied by the capitalists, the bourgeoisie. The instruments of economic production are, simply, the means whereby men live. In any society, the group of persons controlling these means is by that very fact socially dominant.” (Burnham, 1942:27)

Burnham, in other words, sees the managerial elite as more important than the capitalist elite. Many companies are in fact controlled by managers tied in a corporate structure and capital is supplied by a large number of shareholders. These businesses tend to be bigger and will tend to have more economic clout than the smaller businesses by virtue of their size.

On the city level however, in terms of this study, the corporate or managerial elite are less significant. While according to economies of scale, the larger companies will have greater decision making powers, to what extent do these managers have real decision making power in the national and global company? Real decision making power would only apply to the top echelons of a corporate elite and not to the managers of the smaller businesses. In national corporate structures, a significant amount of real decision making is made in head offices, often in other localities, and only implemented by the managers of that satellite business. This would be significant for those cities housing few head offices. On the other hand, Burnham's predictions have not fully materialised and the entrepreneurial elite is still significant. As discussed previously, growth coalition

success relies heavily on the business elite having ties to the locality where urban development is to be undertaken. A managerial elite is likely to be part of a large corporate structure which might not be controlled or tied to that locality. A capitalist elite on the other hand, where the instruments of production are more likely to be controlled by and owned by an individual is likely to be smaller and tied to a specific place. Without large corporate backing, such smaller companies are likely to be less able to move the business where profit maximisation will be greatest. In terms of coalition theory therefore, the entrepreneurial elite is more likely to be significant than the managerial elite.

The hypotheses emerging therefore from this is that the political elite in Durban are the individuals who are 'top' in terms of decision making power and reputation. The economic elite are those individuals with decision making powers and the reputation of having such power. Here the economic elite is comprised of both the managerial and the entrepreneurial elite, with the managerial elite holding higher positions in the elite grouping by virtue of the size of the companies that they represent and the greater decision making power this confers on them. However, in terms of coalition forming, the entrepreneurial elite could be more significant in that they have greater vested interests in the success of the city.

## **2.5 Conclusion**

The various coalition theories revolve around a few central themes. Firstly, it represents a partnership between local government and local business communities. Here there must be a level of cohesion between members of the coalition who have similar goals. The primary reason for this is their relationship with the success of the local economy and the cities tax base. (Dowding 2001:12) Also, crucially, the coalitions need to be independent of specific leaders because "they are persuaded by economic and political realities of the necessity for dealing with and aligning themselves for the good of the city. (Dowding 2001:12) Stone's research reinforces this, finding that despite several mayors in Atlanta, the characteristics of the development coalition remained the same. (Stone, 1989) An important point to make here is that not all coalitions have been successful. This can be attributed to a variety of reasons. Molotch (1988) lists determinants to coalition success as being : geographical situation of the city, the degree

of civic leader unity, patterns of investment of outside capital, the skills of political leaders and urban social movements. (Molotch 1988:29) Dowding (2001) suggests criteria that are required to identify a local government coalition. The major of these conditions are that there must exist a distinctive policy agenda that is relatively long-term, and that it is sustained by a coalition of interests that are not institutional often with cross-sectoral or institutional boundaries. This coalition should also be able to survive despite changes of political leadership, and should mobilise external resources such as public-private partnerships. (Dowding 2001:14) It is these features which this paper argues exist in a coalition type interaction between the economic elite and political elite in Durban.

## CHAPTER 3

### **The Historical Context**

Understanding elite group formation and behaviour can be properly advanced through a brief examination of its historical context. This chapter therefore seeks to analyse the history of elite interaction in the city of Durban, and specifically focuses on the make-up of the coalition in Durban in terms of the old white elite and the new emerging new non-white elite. The second part of this chapter concentrates on the emergence of this new elite.

### **3.1 History of Elite Interaction in Durban**

Business and government interaction for economic development in Durban is not a new occurrence and there has in fact been a long history of such interactions in the city. Pillay (1996) highlights the fact that since the middle of the nineteenth century, the local government in Durban had played an important role in the growth in Durban, particularly in terms of commerce and industry (Pillay, 1996:46). In fact, as Bjornvig (1994) discovered, in the very early days of Durban's development, "local business leaders readily established an intimate connection between economic and political power. Many of them used their position on the Durban Town Council...to wield preponderant civic influence and became the driving force in the development of the town." (Bjornvig, 1994:iv). The dominant economic elite were largely involved in local politics, to the extent that many of the mayors and councillors of the time were from the economic elite class. This economic elite engaged primarily in commercial activities, owing to Durban's establishment as a trading centre. The strong relationship between the economic elite and political elite was reinforced by the fact that qualification to become a councillor was based on property ownership. (Bjornvig, 1994:47). Thus entrenched in positions of political power, the commercial elite were tasked with the development of the city, often serving their own interests. Bjornvig provides the example of Mayor Hartley, a leading merchant and economic elite who macadamised Berea road, important to the markets inland, which had obvious positive implications for this business (1994:156). This is but one of the numerous such examples of economic elites in the city using their political power to advance their own vested interests through targeted development initiatives. However, vested interests cannot be said to underlie

all their development initiatives, and personal interests aside, this elite power group did contribute significantly to the development of the city. Whether such interaction can be termed a “coalition” is debatable because of the extreme cohesiveness of the elite grouping to the extent that the political and economic elite were often represented in single individuals.

As Durban continued to develop into the twentieth century, the old elite groupings were challenged by a new emerging elite. Politically, the old power group was broken up by the James Commission of 1964, which was set up to investigate corruption in the council. Purcell (1974) sees the significance of this event as promoting a change from patronage style of decision-making to a more bureaucratic style of local governance. (Purcell 1974:236). Purcell concludes that the bureaucracy became a very powerful force in forging Durban’s development. These changing power relations in the city opened the way for greater participation of business and other interest groups with the political elites without the stigma or rent seeking association, of corruption or patronage attached. However, Purcell found that such interactions in the late 1960’s between groups such as the Chamber of Commerce were negative in nature, for their involvement was limited to trying to restrict proposals considered harmful to their businesses. (Purcell, 1974:172). Significantly, local business had important connections to provincial government, and were often able to exert pressure through these connections rather than through its connections with local government. (Purcell, 1974:4).

However, in the later part of the twentieth century, there have been numerous examples of local government and business coalition activities in Durban. An important feature of local government in Durban which was to impact significantly on economic development initiatives and the interactions between the council and business, was the city’s speculation in land. “The city authorities became increasingly expert at purchasing, selling and leasing land in order to provide attractive conditions for industry and thus bring employment to the city.” (Freund, forthcoming). Here, a degree of negotiations were required between the business and political elite. Land was favourably allocated to some industries which fulfilled the criteria set out by the council, for example, job creation. (Freund, forthcoming). Another significant factor in the local government’s involvement in the economic development of the city was the



establishment of the Capital Fund, generated from moderate rate increases. In addition to debt reduction, this capital fund was used for significant investment initiatives. These investments in turn generated funds that allowed for rates to be kept low, a further attraction for investment. (Freund, forthcoming).

Freund found that the nature of the relationship between business and the local government in Durban began to change during the 1980's. Whereas previously the city had prescribed the (favourable) conditions under which business was given access to cheap land, a new relationship developed based more on a public-private partnership. Freund cites the example of the city's partnership with Anglo American for the industrial development of the Springfield Flats (Freund, forthcoming).

Why the changing nature of this relationship in the 1980's and early 1990's? Pillay attributes the increasing coalition-forming initiatives to a number of factors. The first is that the economy was ailing and required constructive intervention by both government and business to arrest the impending economic crisis. In the case of Durban, this decline was evinced by the marked decline in key manufacturing sectors. (Pillay, 1996:74). The second reason is that the country was undergoing a major political transition. "Local actors intervened in order to re-assert and secure their influential role in local political processes at a time in which they held there was much uncertainty over a future political dispensation for the country." (Pillay, 1996:73) Against this background, Pillay argues that such initiatives – ie. those that reflected the greater co-operation between actors – were meant to both promote economic growth and to restructure the political order on a non-racial basis. The best researched of such initiatives was 'Operation Jumpstart'.

Operation Jumpstart was a city-led initiative of public and private role players with the primary aims being the promotion of the economy of Durban and job creation. It was a stated objective of Operation Jumpstart that the initiatives would include all stakeholders and that a compromise of interests would be sought rather than Operation Jumpstart being representative of any single players. (Pillay 1996:76). The changing nature of the coalition, and the more inclusive emphasis of Operation Jumpstart, were evident in the development of an international conference facility in the city. Important players here were not only the business community and local government, but also the ANC and various community organisations. Robinson & Baldogh found that behind-the-scenes

negotiations and compromises by business and local government resulted in left wing forces being incorporated into planning processes, while the left wing found themselves compromising in that they were moving with a process dominated by more conservative state and business interests (1994:196).

Out of Operation Jumpstart came projects such as those centred around the development of Cato Manor, and importantly, the conference centre.<sup>1</sup> For many years, various actors had suggested the building of a convention centre to stimulate the economy. Through the forums for co-operation that were established during Operation Jumpstart, the idea began to grow and take shape. Through its careful managing of its resources, the city was in a position to fund such a project. However, achieving consensus in the building of the centre was crucial to realisation of the plan. While such a large investment by the city for such a project was contentious because there were many other more politically correct spending areas, the ANC gave its support to this growth vision and the building of the city-funded, 7000 seater International Convention Centre (ICC) began in November, 1994. Importantly for the study around growth coalitions, the Construction Protocol of the ICC was based on Affirmative Action principles, and work to the value of R31.1 million was given to 204 previously disadvantaged subcontractors and suppliers. (ICC Supplement, 1997:8)<sup>2</sup> The ICC continues to bring large amounts of money to the economy of the city through its hosting of major international conventions.<sup>3</sup>

Despite the success of the ICC initiative, Operation Jumpstart did have its limitations. Pillay (1994) lists these problems as being that it essentially followed a corporatist growth path ; it was not representative of all interest groups despite its stated intention to be so; and that it had limited strategies for growth. (Pillay, 1994:78). In reality, according to Robinson & Baldogh (1994), Operation Jumpstart was more about business interaction within a framework that existed to co-opt other players into the 'coalition'

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<sup>1</sup> The emphasis on the development of a conference centre follows the most recent form of urban renewal around tourism and conventions. There are however major objections to such trends as they are seen to be directed almost exclusively towards the affluent. (Whitt 1988:65)

<sup>2</sup> Stone (1989) emphasises that the importance of the success of the biracial coalition in Atlanta was the 'opportunities' given to the black middle class.

<sup>3</sup> The continuing success of the ICC is currently being challenged by the recent opening of large convention centres in Johannesburg and Cape Town.

that would allow for better realisation of their own business interests (Robinson & Baldogh, 1994:210). For despite apparent consensus between various players, business interests still dominated. The lack of real commitment on the part of the city to the established 'coalition' was shown by the 1992 exclusive Council–Transnet plan for the development of the Point.

Transnet is the parastatal which owns the Port of Durban. As such, Transnet own vast tracts of land that the Point development project had targeted for development. They were therefore an important role player in development discussions. Planning discussions, however, were held outside of the forums established by Operation Jumpstart for such precisely such planning (Robinson & Baldogh, 1994:205). As Pillay contends, the primary success of Operation Jumpstart was in that it was "one of the first attempts at co-operative problem-solving in the locality of Durban... [and] ...it represented a bold and imaginative step towards the beginning to redress the seemingly insurmountable development problem facing this metropolitan region" (Pillay, 1994:78). Swilling points to the importance of such forums : "Local forums became the school of the new South African democracy. This is where networks and relationships were built, mutual learning took place and a new culture of governance and consensus building developed." (Swilling, 2001:219) Importantly, other initiatives emerged from the Operation Jumpstart process. One such initiative was the Durban Functional Region (DFR) Development Forum, which included participants from a wide range of political parties, government bodies, civic grouping, business associations and other groups, (Pillay, 1994:80), and later, the Greater Durban Marketing Authority (GDMA). These were both forums which encouraged coalition type consensus building in the city of Durban.

The dominance of the business sector in these processes needs to be further analysed to better identify the economic elite in this process of collaboration for economic development. The chairperson of Operation Jumpstart was the McCarthy Group Chairperson, Terry Rosenberg. Gordon Hibbert, from the Tongaat Hulett Group, was chairperson of the business group of Operation Jumpstart. Bruce Formsman, from the property group RMS Syfrets, was tasked with attracting international investors. All of these individuals are representative of companies important in Durban's economy. Tongaat Hulett, and more recently, their property development division, Morelands,

have played a major role in the forums for economic development of the city of Durban. Morelands are important role players in the development of the land along the north coast of the city, initially in partnership with the (old) Mt Edgecombe Local Authority.

“The relationship between Morelands and the local authority was innovative and dynamic – a member of the company’s planning division, for example, doubles as the Town Planner for some time...Tongaat provided (from its own sources) the bridging finance to the local authority to build up the infrastructure. These loans were repaid annually from the rapidly escalating rateable income of the local authority, as development followed the laying down of infrastructures. The company laid out R150m in four years for such infrastructural development.... Morelands have been involved in many residential developments as well as being involved in various industrial and commercial developments....These Tongaat-Hulett-led developments have already radically altered working and living patterns in the city, by halting and then slowly reversing the concentration of economic activity in the southern Durban industrial basin.” (Padayachee, forthcoming)

Freund (forthcoming) found that Rosenberg and key players from Tongaat Hulett have continued to play important roles in the growth coalition since democracy to “bring together an array of interests and to establish links to key new political actors that will promote issues central to the growth of the city.”

However, any development initiative is largely reliant on access to finance for such a project. While the local government has a capital fund that it can draw on, and a good credit rating, the private sector also needs to gain access to finance for development initiatives. Padayachee contends that access to finance in the city is dependent on links to the larger corporate structure in South Africa. Companies that are locked into that structure, such as Tongaat Hulett with its strong links to Anglo American, have easier access to finance than those companies outside of the conglomerate structure. (Padayachee, forthcoming)

However, access to the finance to initiate development projects does not guarantee a will or the decision making power to do so. Thus Padayachee further suggests that while some companies have an interest in Durban’s development, others do not. “Companies such as Rennie and Grinrod, given their connections to the shipping industry have

tended to be very concerned about the future economic prospects of the city of Durban. Others such as Tongaat-Hulett's and McCarthy's have acted in ways which have demonstrated their interest in the wider development of the city, but their interests are also provincial and national in character. Yet others such as Metal Box.....have tended not to devote much of their energies into city developments." (Padayachee forthcoming)

Quite simply, then, Durban-based companies with easiest access to finance for development tend to be corporate in nature, which effectively means that they are further from the powerful decision-making processes of their head offices further afield. Furthermore, according to the Monitor Report, only seven companies listed on the Johannesburg Securities Exchange have their head offices in Durban. (Monitor Report, page unspecified) As growth coalition shows, access to finance and real decisions making power as well as a commitment to the specific urban locality are essential elements in cohesive and successful coalition forming. The nature of Durban's economy suggests that although there have been significant planning and consensus achieved around some development initiatives for the city, much of these have emerged from local government and business, largely composed of mostly white dominated, large, national companies. However, while it is clear that the emergence of a new elite in the city presents complications to coalition forming, it is the hypotheses of this paper that this new elite also offers possibilities of overcoming problems inherited from old development forums.

### **3.2 The emergence of a new elite**

Before this paper can move on to examine the new elite in Durban a greater understanding is needed of the process through which they emerged as an elite grouping. The democratisation of South Africa, inaugurated by the country's first multiracial elections in 1994, has put in place programmes for the upliftment of previously disadvantaged people. Such programmes have contributed to the creation of a new, non-white elite. However, while Apartheid policy sought to suppress non-white members of society from developing socially, politically and economically, various commentators have shown that the Apartheid policy in fact encouraged the creation of a non-white elite that acted according to their own agendas. This process in fact predates Apartheid where in the 1850's the Cape Governor at the time, Sir George Grey, built schools to educate

the sons of chiefs. This, it was hoped, would ensure the alliance of later chiefs to the colonial rulers (Macozoma, 2000:14). The creation of Bantustans by the Apartheid government further provided opportunities for the consolidation of non-white elite creation. In order for the system to work, the leaders of the Bantustans needed to collaborate with the Apartheid regime. This they did in exchange for various rights and privileges (Macozoma, 2000:14). Through this process, a non-white economic and political elite was established and reinforced.

The incorporation of African traditional leaders into the Apartheid system underpinned the government's policy of separate development in rural areas. Real challenges were presented, however, with increasing migration to non-traditional, essentially white, urban areas. Here government policy centred around "attempts at creating a 'privileged' working class and a stable, affluent and collaborative urban petty bourgeoisie", (Nzimande, 1991:69). This petty bourgeoisie was created in the form of a bureaucratic, trading, civil, and from the late 1960's onwards, a corporate bourgeoisie. The creation of a civil and bureaucratic bourgeoisie was primarily for the management of Bantustans and other non-white areas. The trading bourgeoisie began to take advantages of the relaxing of the restrictions on trade in African areas, most of which were gone by 1987. Nzimande found that there were strong links between the trading and the bureaucratic bourgeoisie who used their positions to promote their own commercial businesses. However, as state initiatives, the creation of the civil, trading and bureaucratic bourgeoisie were designed not according to the principle of equality, but rather for the purpose of reinforcing Apartheid policies. As Nzimande reminds us, this bourgeoisie, although a elite group, was still subjugated and dependant, and existed to service the designs of the Apartheid policy (Nzimande 1991:70).

The corporate bourgeoisie, however, were a product of capital initiatives rather than initiatives from the state. Here, traditional white capital attempted to create a black middle class, although, at the same time, being mindful not to place their own positions under threat. In the context of increasing industrialisation, and especially during times of labour unrest, capital came to identify with the benefits of having black labour under the control of 'their own kind'. Thus began the 'Induna' system whereby blacks were placed in managerial positions over black labour. This made it easier for capital to keep in touch with labour and allowed for the better selection, training and control of African

labour. Most of the new corporate bourgeoisie were therefore to be found in personnel departments of business. Such moves were not altogether well received, and capital and state on such business practices as it contravened legislation such as job reservation (Nzimande 1991:115). Importantly, though, Nzimande points out that these moves had little to do with black advancement and had more to do with white capital interests (1991:194).

However, some individuals were able to overcome significant obstacles to achieve elite status. A prime example here is 'J.B.' Magwaza who is currently a Director of the Tongaat Hulett's Group. In line with Nzimande's assertions, 'J.B.' joined Tongaat Hulett's as an industrial relations consultant (Mail & Guardian 29/09/2001). As the chair of the group's empowerment committee his purpose was to produce a new black commercial farming elite. The strategy of creating this elite is clearly beneficial to the group itself as it adds new suppliers to the group's mills. Other large groups have similar programmes. The reasons for both business and government moves to encourage the growth of a non-white elite aside, the emergence of a corporate, bureaucratic, trading and civil non-white elite had begun.

The question of the emergence of a non-white elite is complicated by the long history of Indian elite presence in the city. Durban is distinct from other South African cities in that it is home to a very large Indian population. Some of the local Indian families attained elite economic status well before the onset of democracy in the country. This can partly be attributed to the fact that while most Durban Indians originally arriving in South Africa as indentured labourers, amongst them were a group of passenger Indians, who were mostly Muslim merchants. Some of them already had international connections, which was to help them develop their merchant businesses (Hart & Padayachee, 2000:692). Hart & Padayachee give the example of the Moosa family as falling into this category. There is therefore stratification amongst the Indian community from the early inception of Indian businesses in Durban. Many of the indentured labourers chose to stay in Durban after their terms of contract were completed, and opened up shops, despite severe restrictions on trading. Thus a class of shopkeepers emerged, who were supplied by the wholesaler 'passenger Indians'. (Hart & Padayachee, 2000:687).



Despite the fact that Indians, like the African populations, were actively hindered in their development, some managed to develop thriving businesses (Hart & Padayachee, 2000). Indeed, prominent Indian businesses began to flourish in the post-war area, thanks partly to the import substitution policies of the South African government, and because of their shift from trade into industry. This was especially true in the clothing and textiles industries. (Hart & Padayachee, 2000:693). Thus, an Indian commercial and industrial elite began to emerge in Durban. While Hart & Padayachee found that some of these businesses benefited from close political relations with the Apartheid government (Hart & Padayachee, 2000:689), some Indian businesses who once relied on such links are now coming under pressure in the post-Apartheid era. Increasingly, these businesses are under pressure due to the removal of protectionist measures in the government's trade policies.

Different sectors in the Indian elite are encountering different fortunes. Hart & Padayachee conclude their study by observing the various factors which have led to the differing fortunes of some of the KwaZulu-Natal Indian businesses. Vivian Reddy, the owner of Edison Power had links with, and consequently work for, the Apartheid government. He has since diversified his business into various sectors and has cultivated links with foreign investors, particularly those from Malaysia. He has also cultivated strong links with both the ANC and IFP leadership (Hart & Padayachee 2000:706). In contrast, other Indian businessmen are finding it difficult to break with the closed corporate community that was encouraged by the National Party in South Africa. (Hart & Padayachee, p684). In an interview with businessman Rajen Pillay, he emphasises the need for Indian business in Natal to break with the micro-economy outlook that was tied to Apartheid in order to continue its success stories. (Hart & Padayachee 2000:697) Thus, the most successful of the surviving Indian elite are those who "have responded with extraordinary successes to the new opportunities of the post-Apartheid era, forming alliances with old white money, black political power, foreign Asian capital, and Diaspora connections throughout the world to dominate the home market and more aggressively in foreign markets as well" (Hart & Padayachee, 2000:684).

While the Indian community were faced with pressures preventing their economic advancement, the Black community were under even greater pressures to advance as successful businessmen. This has changed under new democratic government where



programmes, such as Affirmative Action, procurement policies targetting the previously disadvantaged individuals, and other Black Economic Empowerment initiatives are actively encouraging the creation of a new non-white economic elite in the country.

The change in the political dispensation had obvious implications for the creation of new political elite. Individuals who were once marginalised from formal governing structures are now given ready access to those structures. Individuals from the old traditional governing structures, labour leaders, leaders returning from exile, and prison and community leaders are filling the political positions once reserved exclusively for whites. While IFP and MF members of the Durban legislature will possibly have had urban governance experience, the ANC political leaders are more likely to be from trade unions, community based organisations, and extra state liberation movements. (Swilling 1997:227) On the local level, the notable change was in 1996 where local government moved from its transitional phase to being wholly democratic and the new political elite was voted into power.

## CHAPTER 4

### New Elite Interaction for Economic Development in Durban? An Analysis

#### 4.1 Who are the Elite?

Despite government commitment to rectify the racially one-sided composition of corporate business management, there appears to be very little progress towards black empowerment in terms of decision-making power in Durban. The top management of most of the companies on the Durban Chamber of Commerce's Top 100 list remain dominated by the white elite. A notable exception to this is 'JB' Magwaza, from Tongaat Hulett's and the other is a coloured man, P C September, from Rainbow Chickens. It is in the positions of non-executive directors where we find more of the non-white elite. However, in terms of the transformation of efficacious decision-making power, the balance is clearly in the hands of the white executives. Two other important exceptions to this are Lion Match Company, which is owned by First Asian Investment Company (FASIC), and A M Moolla. Both of these companies appear on the Financial Mail Top Black-Controlled Firms, 2000, and are 100% controlled by members of the Indian Elite. We can deduce from this, therefore, that in terms of the corporate elite, non-white individuals have made very little headway, despite strong government initiatives and legislation to challenge this situation.

In terms of the entrepreneurial elite, government procurement policies are expected to aid the emergence of a new elite, particularly in local areas through preferences given to previously disadvantaged individuals in terms of tendering. The council spends about R1m a day for basic services procurement. (Interview Glen Robbins) In light of the fact that preferences in targeting are given towards Affirmable Business Enterprises (ABE) and Women Owned Enterprises (WOE), we should expect to find that such preferential tendering is aiding the emergence of a new elite. However, my research found that this was not the case in Durban. Of the top 20 companies achieving the highest cumulative value tenders in a one-year period, only six were of ABE status. Furthermore, none of these companies were women owned. None of the directors of these 6 companies agreed to be interviewed or to provide any information for this research. While this prevents any conclusive remarks; it does open the doors for some speculation.

The top ABE company, in terms of total amount awarded, is Stedone Emerging Civils. When trying to contact Mr Dube, the person in charge of this company, it was found that his offices are based at the Head Office of Stedone Construction, a non-ABE company. The possibility exists that some of these companies are in fact established to by-pass the affirmative action requirements of the council. One interview respondent affirmed this view with reference to Sivukile Construction, a ABE company owned by Cyril Gwala which has been involved in various construction projects in Durban.

“He is just there to add respectability. He is actually part of the Grinaker LGA syndicate. One of his companies will be awarded a contract for the development of the Point Marine Park but I don’t know how much he is getting himself.”

(Interview Don Mkwanazi)

While Sivukile does not feature as an applicant or awardee of the City Council’s council’s tendering process in the year under study, it does suggest that there is a degree of “fronting” of traditional white-owned companies by ABE companies in Durban. This is a possible reason why some of the tender-awarded companies are reluctant to be interviewed. The third highest ABE beneficiary of tenders in terms of cumulative value from the city, was Nascon Projects. They had received some high profile contracts such as the R104-million Durban International Airport renovation contract. However, in the middle of the project, the company had ‘gone bust’. (Daily News, 28/2/2001) While this company would not agree to an interview, Ian Bell, of the Tenders Office of the Unicity, attributes this sort of failure to some of the ABE companies overextending themselves and taking on more contracts than they have the capacity to fulfil.

Clearly therefore, the absence of effective ABE companies emerging out of the tender process hinders new elite creation. This is compounded by the fact that there is a lack of capacity to use the contracts awarded to become elite entrepreneurial businessmen, as in the case of Nascon Projects. If it is the case, as I have speculated, that some of the ABE companies are mere fronts for traditional white businesses, the ‘owners’ of such companies cannot be seen to have real decision-making power in terms of Dahl’s qualification for elite status. This lack of new elite status is further underlined by the fact that none of the directors or owners of these companies were listed by the interviewees as having the reputation of elite status. If such individuals cannot therefore be

considered elite (according to Hunter's reputational approach), who then can be accorded elite status in the city of Durban ?

Using Hunter's reputational approach of elite identification it emerged that there is no cohesive new elite grouping in the city. In fact, the 'new' elite emerging from this process actually pre-date the 1994 transformation. Three of the interviewees were not prepared to state who, in their opinion, the elite in Durban were. (Interview McCarthy, Brink, Robbins) Others expressed various reservations about naming who they thought the new economic elite were. However, five respondents gave their opinions of who they perceived the economic elite in Durban to be. While this analysis runs the danger of being skewed due to the small number of respondents in this regard, it does serve to highlight a few issues around who the reputed economic leaders in the city are.

Firstly, there is clearly no cohesive elite grouping in the city. Five respondents named a total of 31 economic elite members. Of these, 25 were mentioned by only one respondent. Three names were mentioned twice and one name mentioned three times. The only two exceptions to this were Don Mkwazazi and Vivian Reddy, who were mentioned by all respondents as being important economic role-players in the city. This can be attributed to a number of reasons. The first is that neither of these two businessmen are 'new' elite figures in that both have been important players in the business environment for many years. Vivian Reddy, of Edison Power, has been making a name for himself in business for the past 15 years. He has built his company up and in that time has acquired contracts to the value of R1 billion. (Hart et al :705) He is majority owner in SAM Sisonke, a Malaysian and South African Joint Venture, and is also involved in the Sugar Mill Casino outside of Durban. (Hart et al :706) Similarly, Don Mkwazazi has been working in business, especially in areas of Black Empowerment for as many years. His reputation as a business leader can largely be attributed to his reputation as such, rather than his business activities. He has been involved in the National African Federated Chamber of Commerce and Industry (INYANDA), the IFP business outfit, has been an advisor to the DCC since the 1980's, and was a senior economic advisor to the ANC. Furthermore, he was the manager of the Black Management Forum for many years. (Interview Don Mkwazazi) His reputation might not only come from positive business involvement. Mkwazazi gained large-scale media coverage for his allegedly corrupt practices while in the position of chair of the

Central Energy Fund, and for his subsequent suing of the Mail and Guardian Newspaper for articles relating to this scandal. (Mail and Guardian 19/02/2001) The reputation of these two as Business leaders is also bolstered by their involvement in business initiatives such as the Durban Investment Promotions Agency (DIPA). (This subject will be returned to shortly). Hart & Padayachee noted that the ability to form alliances with the new regime is an important determinant of the success businesses. "Besides being well connected to the highest echelons of the ANC, Vivian Reddy makes sure that the Zulu King and Chief M. Buthelezi, the Inkatha leader are prominently associated with his businesses." (2000:706) Mkwanazi also acknowledges the importance of such links. With strong links to the ANC leadership, he also has links to Inkatha, important in a business environment in KZN. "I also happen to be very close to the King of Zululand". (Interview Mkwanazi)

Neither of these two new economic elite, Vivian Reddy or Don Mkwanazi are products of affirmative action. This, as the interviews showed, is an important reason for them being regarded as elite representative. There appears to be, amongst the respondents surveyed, a sense of disdain towards elite status achieved through affirmative action. Conversely, there is great admiration towards elite status achieved despite barriers placed by the Apartheid government. Clear evidence of this is the fact that only two respondents suggested JB Magwaza as a member of the economic elite - despite his extensive business involvement and black economic empowerment initiatives, the wide media coverage that he receives for his programmes, and the fact that he is an executive member of a very powerful corporate business, Tongaat Hulets. Comments from other respondents further back up the positive reputational value of non-black empowerment success:

"What we like about them is that they have worked. These names that I have just mentioned, they are not a product of empowerment. They have just worked for whatever they have got. This thing of affirmative action is a thing for yesterday. They have already been there, they were already there before affirmative action took place" (Interview Johannes Mile)

Who then are the real important economic role players in the city? There is very little argument among the respondents that although there is an emergence of a new elite, the real power still lies with the traditional white elite.

“The white elite have been in control all along” (Interview Don Mkwanazi)

“I just think that their size and the importance of their role means that they are a voice that does have an impact” (Interview Lyn Ploost van Amstel)

In the light of this, the Durban business community is seen to be relatively untransformed. (Interview Glen Robbins) Robbins attributes this to the satellite nature of the Durban companies. While restructuring occurs at the head offices in Johannesburg, he feels that it has not significantly filtered down to the satellite offices in various parts of the country. This results in the major corporate entities exerting powerful influence in the city by virtue of their size and their backing, while the control of these companies remain in the hands of the white elite. In particular, Mondi and Tongaat Hulett are seen to be the important players in this regard. However, most respondents do not feel that this is necessarily a bad thing.

“It is still dominated by the white males in particular by virtue of them being in business for quite some time. There is no short way to buy experience. The only way to buy experience is by being exposed.....we still remain dominated by it will take time, a 40 year forecast building the individuals, but, we will get there.” (Interview Nozipho Sithole)

Other respondents emphasised the important experience that the white elite could offer, saying that if this were lost, it would negatively impact on the economy of Durban. (Interviews with Johannes Mile, Nozipho Sithole) However, some respondents, in acknowledging the continued dominance of the white elite, highlighted the potential negative implications of this fact.

“This has been one of the issues of conflict between the ANC and the business community; there hasn’t really been a sense that Durban traditional businesses have taken the lead in transforming themselves to become the new vehicles of empowerment, which is what the ANC would have looked for” (Robbins)

This lack of transformation is most clearly shown by the lack of females emerging during the examination of the tendering process and through the decision-making process. National and local government are committed to the empowerment of previously disadvantaged groups, especially women, through preferential treatment in tendering and job promotions. However, no women-owned company emerged as having received a high cumulative total of tenders. Furthermore, no respondents listed a woman as having elite status – despite the role held by Nozipho Sithole. As CEO of Portnet’s

Port Authority Nozipho Sithole holds a very important decision-making position in a parastatal which is key to Durban's economy. Furthermore, she is actively involved in economic development programmes such as the Point Waterfront Development and DIPA. Despite this, no respondents listed her as an elite figure.

"I do not get a sense that there is a commitment towards the development of women to higher levels in this Durban environment. Black empowerment is creating a male black elite and the females are being neglected. All that we have done is push race in favour of the black male. We have not taken a conscious effort to push the gender perspective as well. This makes my job more difficult. People do not give me the respect they would if I was a man." (Interview, Nozipho Sithole)

Ploos van Amstel agrees with these sentiments, though she observes that that the problem is not exclusively in the business sector:

"I don't ever see the same emphasis being placed on the gender issue as you get on the racial issue.....You don't see the same push for gender equity in employment practices for the council as you do for racial equality." (Interview Lyn Ploos van Amstel)

Another important body in the workings of local governance and development is the bureaucracy. While not included in the focus of this study, it is important to discuss briefly their role in the economic development of the city. Purcell (1974) outlined how influential the bureaucracy was during the 1960's in effecting economic development in the city. However, it appears as if the bureaucracy has lost much of its autonomous power since the new political dispensation. This is evinced by two main characteristics in Durban's local government: the tendering process, and the process through which plans are accepted. The Tender Board which decides on tender applications used to consist primarily of individuals drawn from the bureaucracy, with political and business representatives included to aid the process. However, this has changed to a process whereby the entire board is composed of council members, and chaired by a political elite, Executive Council member, Visven Reddy. The tender office staff have therefore been removed from the decision-making process altogether and their roles are confined to administrative ones. This is causing considerable frustration to these staff members. (Interview Ian Bell) In terms of the process through which plans are implemented in the

council, there appears to also be a centralisation in decision-making away from the bureaucracy.

“Lets say the issue comes from whoever, the community or from an individual from the council. The process is from the committee level and then it goes to Exco. At that level I am involved because before we make a decision we need to be clear about whether it is worth it and also with the advice of the technical official that are there.” (Interview Mina Lesoma)

Again, the bureaucrats seem to be losing autonomous decision-making power. This is potentially harmful to coalition-forming activity because of the significant experience and technical expertise that they have.

This lack of cohesiveness between the still prominent white elite and the black political elite presents a significant stumbling block for coalition-forming for the economic development of the city. This could be further limited by the marginalisation of the bureaucracy in the planning and decision-making process. However, the city of Durban does have a history of big, white business collaborating for the development of the city. Furthermore, it is also not devoid of interactions between the black elite, both political and economic. This analysis now moves on to examine these interactions.

## 4.2 Elite Interactions

There is a clear historical and cultural background that lays the basis for black economic and political elite interaction.

“Largely, we come from the same background of being educated in the townships and gone to varsity together. Some are fellow church members and there is a certain level of interaction on those different levels. But, then again, I think that the Durban business community is a small one so every black businessman has a pretty good idea of who does what in other spheres of business. Therefore, there is a growing business brotherhood out there.” (Interview Cyril Gwala)

Despite the particularly brutal violence that occurred in the latter days of Apartheid, this interaction seems to cross party lines. Mile attributes this to the fact that the new black elite come largely from the same areas, and are, in a sense, family. Such ‘brotherhood’



sentiments could lay the basis for greater elite interaction and co-operation based on trust, an important determinant in coalition success. The extent of this cohesion, however, is questionable, for economic leaders were largely nominated along racial and party political lines. In addition, as Robbins maintains, black elite interaction appears to be based more on economic and 'power in numbers' principles than on a common heritage.

"Black entrepreneurs feel that they need to co-operate to access opportunities that are there. They often feel that they are the small brothers and sisters of the bigger black empowerment initiatives in Johannesburg. For example, Tongaat Hulett is in the process of unbundling, and no-one locally has the finance to purchase that interest. So, they have to go to Johannesburg to hunt the finance, they have to go to the bigger empowerment consortiums in order to reach critical mass to play these critical roles." (Interview Glen Robbins)

He goes on to assert that the coalition of black business in Durban is relatively weak. As other interviewees agree, this coalition is particularly weak in the context of the persistent dominance of the white controlled big business in Durban.

However, the political make-up of the Executive Council of the Unicity does to a degree facilitate greater co-operation between the new elites in the city. The Executive Council is ANC dominated, and further strengthened by an informal alliance with the IFP and the MF. The key positions of the Mayor, the Deputy Mayor and the Speaker, are filled by ANC personnel. The strong representation of the 'new' elite in the powerful top echelons of the political structure is important for interaction between the new economic elite and the local government. This confers a degree of power to the black elite which is largely beyond the reach of the white economic elite. Importantly, access to the city is made easier. (Interviews Glen Robbins, Jeff McCarthy)

"This depends what we are talking about. If we are talking about accessing government and government programmes and thinking, the black elite will obviously have more influence. However, if we are talking about the access to finance and investment internally, then the old elite will have more influence. From a political base, if you need something to get economic benefit, the new elite will have strong influence., but in terms of knowledge and investment, the old elite still has that strong hold." (Interview Noziph Sithole)

Clearly, therefore, the old and the new economic elite have potential benefits which can be brought to a coalition with the political elite for the economic development of the city.

This paper now moves on to examine in more detail this relationship between the economic elite and the political elite, specifically, in terms of the economic development of the city. The integrated and pervasive powers of the traditional white economic elite have been examined above. So too, has the emerging influence of the new elite, although of a different nature. The examination that follows seeks to determine the nature of these relationships. To this end, we need to understand why the political elite are extending their traditional roles of service and infrastructure provision to one where they are interacting more with business to encourage economic growth.

There is little doubt that economically the city of Durban is in dire need of attention. All respondents agreed on this reality, which was clearly expressed by the Monitor Report. For city planners, this is a serious issue, and increasingly political elites are becoming involved in economic processes. Glen Robbins from the Economic Development Department of Durban, cites two reasons for this. The first is the national and regional emphasis on achieving growth and the explicit calls for this to be encouraged through local government. In particular, this is necessary for employment creation to address the needs of the historically disempowered electorate. The second reason put forward by Robbins is the need for local government to maintain its sustainability. Most of local government income is generated through taxing businesses.

“About 68% of all income generated by local government comes from industrial or commercial sources, either through the rates on their properties or through a special business levy, or through the profits we make on supplying them with water and electricity.” (Interview Glen Robbins)

This has not been a particularly difficult task in the past, considering it was within the financial scope of the city to do this. However, as part of the mandate from national and regional government, the city is now required to extend its services to previously disadvantaged people in a much wider geographic region in terms of the new city boundaries.

“For example, in the last seven years, the council has escalated its expenditure programme by about 300 to 400%. That means that we’ve had to generate an

additional 300-400% income. It is thus imperative to then get the growth that will then fund that expenditure.” (Interview Glen Robbins)

This has contributed to the local government playing an increasingly active role in stimulating the economy of the city.

What forms are these interactions taking? The most significant of these is the Durban Investment Promotion Agency (DIPA). The primary goal of this agency is to try and promote investment in the city. This process emerged from the recommendations of the Durban Best Practice City Commission. This commission was set up at the behest of the city to come up with recommendations about what interventions were required to make Durban a preferred investor destination. Neels Brink of Morelands, Cyril Gwala of Sivukile Construction and Themba Ncgobo, a lawyer, were the commissioners. The rationale behind the Agency is that the treatment of investors in the city was not very good, and thus did little to encourage them to invest. Robbins considers this initiative to be an important private-public initiative between council, white business and black business. (Interview Robbins) The board and CEO of DIPA has just been elected and they should be up and running by the beginning of January. The new Chairperson is Don Govender, formally of Eskom, who has been working in their International Business Development Department. The rest of the board is made up of two members of the political elite, (Mlaba, Naidoo,), one representative of a Parastatal (Sithole) with the other members representing business (Mkwanazi, Reddy, Hibbert, Clarke, Ngcobo, Rosenberg and Siwendu). Other observers, however, question the capacity of the people on the board to achieve the aims, saying that the appointments are more political in nature than anything else. (Interview Mick Hyatt)

The other important and very recent initiative which involves both the private and the public sectors is the imminent development of the Point Waterfront which is to be known as Shaka Island. The development of this valuable land has been on the cards for many years but has continuously been stalled. Despite these delays, the concept and plans were finally launched on the 17 October 2001. In the planning and negotiating stage, Neels Brink played the key role and Cyril Gwala, was the deputy director of the project team. The council has allocated R350m of its equity funding for this project, with the remainder of the R650m being sourced from other funders. The city thus remains the major stakeholder. (Interview Neels Brink) Brink considers this project as

an important three way partnership; “Public, local government, parastatals, (the Development Bank and the Industrial Development Corporation) and then Private Banks” (Interview Neels Brink)

Clearly, there is therefore a growing interaction between the economic and political elite in the city of Durban. What remains to be done in this research is to investigate further the extent of this interaction. Do we have a growth coalition in the city? There are numerous references in the media to the ‘Durban Growth Coalition’. The opening address to the Second Durban Economic Growth Summit, welcomes the members of the growth coalition. But, do these interactions occurring in Durban constitute a growth coalition according to the theoretical frameworks established earlier in this thesis. To recap, the conditions for a growth coalition are a distinctive policy agenda that is relatively long term, which is sustained by a coalition of interests that is not institutional, often with cross-sectoral or institutional boundaries. Furthermore, it should be able to survive despite changes in political leadership and should mobilise external resources such as Public-Private Partnerships. (Dowding 2001:14)

There is no doubt from the evidence gathered that there is a large degree of interaction between the political and economic leadership in the city. While there are clearly limits to the extent of this interaction, the basis has been laid for further interaction. The most prominent of the various forums that are being developed or expanded upon are the Durban Business Vision, the DIPA and the Durban Economic Growth Summits. Interactions around these initiatives are involving business, both black and white, local government, provincial government and other stakeholders. Furthermore, interactions continue through well established structures such as the Durban Chamber of Commerce. Dahl discusses a coalition of interests that are not institutional. The forums mentioned above are institutional, and the policies emerging from this are consequently institutional as well. What matters to Dahl are the non-institutional policy agendas. Here Stone emphasises a common agenda which relies on networks of trust and co-operation rather than formal structures. Thus, we can surmise that a strategic agenda moving in the same direction is required of both private and public bodies for a coalition in Durban to be effective.

In terms of the political elites, the general focus is similar to that of business. Both are looking for a growth-oriented strategy for economic development. Or, as Mkwanazi puts it, “sustainable economic growth to increase the cake, if you don't increase the cake, equitable participation of all the citizens of Durban will not happen.” (Interview Don Mkwanazi) The two key political elites in this process, the Mayor Obed Mlaba and the Deputy Mayor and chair of the Economic Development Committee of the city, Logie Naidoo, are strong proponents of such growth strategies. There is therefore a general consensus about the direction to be followed in planning strategies.

Robbins however, denies the existence of a growth coalition in Durban saying;

“I don't think that there is sufficient actual co-operation and alignment between the work of local government and key businesses at the moment to say that they are a coalition. There are a few projects that have emerged that have their origins before that process began and some of them are from that process. But, projects do not constitute a coalition. They could be the building blocks for something in the future, but there is still not a sense that government has given up or begun to share strategic power with the business community in that sense which is what a growth coalition is about, a kind of strategic power sharing arrangement where commitments are made around budgets, projects and points of focus and objectives, where parties agree and contribute to the process. So far, it has been business, both black and white saying that this is what we want, what can we help to get council to give us what we want rather than trying to share the programme, and commit business to it in terms of their own resources and commitments.” (Interview Glen Robbins)

This sentiment was strongly agreed to by Hyatt. (Interview, Mick Hyatt)

So while the general direction of development planning in the city is similar between the political elite and the economic elite, it is in the policy-making around this common agenda where a coalition activity is limited. However it is important to note that the fact that the political elite are following this long-term, growth-oriented strategy is not without its potential problems which has the potential to upset the political leadership in the city. (Interviews Lyn Ploos van Amstel, Don Mkwanazi) Ploos van Amstel explains that the mayor and the deputy mayor in particular are strong supporters of the approach that is currently been taken towards economic growth. They are both from a business

background and many of their policy directions are based on concerns raised in the Monitor report. Another factor mentioned during the interview process as being a hindrance to continued coalition activity is the lack of political capacity to direct coalition building. (Interviews Mick Hyatt, Jeff McCarthy, Don Mkwana, Glen Robbins) Furthermore, as Ploos van Amstel goes on to explain, these policy choices are not free from major challenges from within the ANC caucus. The budget prioritisation for this year is tipped towards long-term economic growth.

“But, there was a lot of resistance, particularly from the ANC caucus, but from a whole range of political parties to the emphasis on investment in economic infrastructure. They may have got away with it this year but I don't think that he will be able to in future years. There is certainly a very vocal group within his party saying that they do not like what he is doing.” (Interview Lyn Ploos van Amstel)

While Ploos van Amstel could, as leader of the opposition in the council, have vested interests in being sceptical about ANC support within the council, it is entirely feasible that councillors who represent poorer communities are not happy with financing that concentrates on large development projects. While business on the whole, and the official opposition party is very happy about the direction that the mayoral policies have taken, the citizens, or more importantly the voters, might not share these views. The implication of this is that the growth-oriented political elite might not survive challenges that might emanate from such emphases on economic growth.<sup>1</sup> However, in Stone's analysis of Atlanta, the new political elite were able to ensure continued support of the black electorate through the provision of 'small opportunities' to the black middle class, even though growth strategies were detrimental to the black poor. The extent to which such small opportunities have been given to black businessmen in Durban is debatable given the flaws in the tendering process and the lack of a clear and strong black elite emerging in the city. This brings us back to the requirements of Dahl for a growth coalition - that it survives changes in leadership. It remains to be seen if a change in leadership will allow the coalition, if indeed there is one, to proceed. This is particularly relevant because of the important role that the Mayor, Obed Mlaba is playing in bringing together elite actors for the 'Unicity vision'.

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<sup>1</sup> It is interesting to note that on a national level, there are increasing cracks in the Congress of South African Trade Union, South African Congress Party and ANC alliance over the growth orientated and privatisation strategies of the government.

While there is clearly interaction between the political and economic elite in Durban for a vision that is structured around economic growth in the city, there is as yet no strategic joint decision-making. Such interaction cannot therefore be termed a growth coalition, despite numerous references to this effect in the forums around economic development. What then is the potential for the groundwork to become a coalition in a more power sharing way?

The first hindrance must be the fact that the important economic players in the city are still those from the white-owned and white-controlled businesses. While not explicitly stated by any of the respondents, the continuing lack of consensus between white business and local government must be considered to be a hindrance to this process. The other reason, albeit one having less impact, is the lack of a cohesive black economic elite grouping, as discussed earlier in this paper. Robbins states that the groupings that exists are inadequate in terms of cohesion, and lack a dynamic leadership to drive the process forward. However, both of these factors have potentially positive implications for the future. As Robbins explains, while coalition-forming is, to some a degree, hindered by the nature of big, white business, this can be overcome by the successful emergence of the smaller, locally based, non-white businesses.

“We have many huge challenges, both social and economic. This could have very significant benefits in creating a period of alignment. What we have in terms of the most powerful business interests are people with a profile of business activities in traditional sectors of the economy. But, the economy is rapidly changing. Our important players around the table are Anglo American players in terms of Mondi and Tongaat Hulett, both commodity centred businesses, which in ten years time, the world is going to change very much. If you look at some of the coalitions that have been successful elsewhere, they have not had their foundations on the ‘biggest is best approach’. It has often been those businesses that are on the cusp of growth opportunity who show more innovation and have a sustained interest in the growth of a particular place and a commitment to that place. One of the things that needs to be confronted is that you need a leadership team who are going to be very important in the economy in the future. They are the most important right now. You need to catch them at the right time.” (Interview Glen Robbins)



## CHAPTER 5

### Conclusion

This paper set out to examine the elite interactions for economic development in the city of Durban within the contexts of changing local government responsibilities and global and national pressures. Furthermore, it aimed to examine the nature of these relationships in the light of the emergence of a new political and economic elite. As such it required an examination of theories pertaining to the elite, as well as an analysis of how they interact on local levels, specifically around issues of economic development. The study also required that the socio-economic and political conditions obtaining in Durban be placed in their historical contexts. Consequently, an examination was made of how the elite has interacted throughout Durban's development. It was furthermore necessary to examine the background to the elite creation in post-Apartheid South Africa.

What has emerged is that there is little progress being made in the city in terms of a strong new elite grouping being created. Using both a reputational and decision-making process to identify the elite in the city, the limited success of government policy for the empowerment of previously disadvantaged individuals became visible. In the case of the entrepreneurs - some of whom appear to act as fronts for other businesses - this group was seen to hold limited real decision-making power. In terms of the corporate elite, there has been limited transformation, and the city of Durban still appears to lack a new non-white, corporate elite who could harness the vast resources of the corporate companies for development initiatives. This failure to find a significant new elite could however be attributed to the limits of the targetting methodology employed. However, and perhaps more importantly, it is clear that there is no definite new economic elite grouping in the city. While some individuals are coming to the fore as business leaders, they are divided, and are not recognised as such by the other elite in the city.

This can partly be attributed to the continued domination of the white elite in the business sector. This is not necessarily seen to be a bad thing, but it does have implications for successful coalition-forming in the city. Informal networks of elite individuals, based on trust, are emphasised by Stone as being essential for successful growth coalitions. These networks are less prominent between the white business elite



and the black political elite, limiting real coalition creation. A further limiting factor to successful coalition-type economic development initiatives is the fact that many of the companies currently involved in development projects are part of a national corporate structure. The various coalition theories examined here emphasise the significance of locally bounded companies who have a real interest in the future of the city's economy. This study has shown that some of the companies currently involved in coalition type economic development projects are not locally bounded. Therefore, Stone and Logan and Molotch's versions of growth coalitions do not exist in Durban despite various references thereto.

This is not to say that a possibility does not exist for future growth coalition establishment. Clearly the groundwork has been laid for co-operation for economic development initiatives. Furthermore, the elite appear to have a common agenda - that of a long-term strategy for a growth-orientated development framework. This common agenda is essential for coalition forming. Furthermore, there are close ties between the emerging new economic elite and the political elite. This historical background could lay the foundations for the informal networks essential for successful coalition initiatives. Furthermore, these new emerging businesses are more likely to be locally bounded with the economic future of the city. Only then can a powerful elite network be established that will co-operate to implement a common agenda for the economic development of the city. However, the city continues to engage with the traditional elite and the limited new elite. Until such time as the visions and commitment of the new entrepreneurs are included in projects to aid the economic development of the city, a 'growth coalition' will not be established according to theoretical models.

The express intention of this paper was to raise a number of questions as to elite formation in the city of Durban. One such question is whether growth coalition around economic development have aided the rich at the expense of Durban's poor. Theorists such as Stone and Ferman have highlighted this trend - it needs to be asked whether this is the case in Durban. Also, what are the potential political and economic implications of deepening poverty and marginalisation within the city? While Durban is clearly in need of development strategies to attract investment, improve growth and create jobs, such economic development strategies based on a "trickle down" principle could be to the detriment of the many poor in the city. Durban's high poverty levels, low levels of

housing and infrastructure, low employment and high AIDS infection rates warn of a real danger in focusing on strategies that serve the rich at the detriment of the poor. Economic development cannot be done at the expense of the many people who might be negatively effected while at the same time creating a new class of elite. Rather, strategies need to be found that will aid economic development **and** development in the wider sense of the word. What the long term effects of the current growth strategies of the city role players will be on both the rich **and** the poor will be a true reflection of the success of the city's development agenda. This will require the commitment and vision as well as involve the capacity of all role players. Clearly, Durban has far to go before such goals are reached.

**Appendix A****List of Respondents**

Neels Brink	Morelands
Don Mkwanazi	DIPA
Cyril Gwala	Sivukile Construction
Ahmed Sadek Vahed	AM Moolla
Mike Hyatt	Marriot Merchant Banking
Johannes Mile	IFP Representative – Council Exco
Lyn Ploos van Amstel	DA Representative – Council Exco
Mina Lesoma	ANC Representative – Council Exco
Gladwin Ndlela	IFP Representative – Council Exco
Glen Robbins	Unicity Economic Development Department
Jeff McCarthy	Highroad Editor
Nozipho Sithole	CEO Port Authority
Ian Bell	Unicity Tenders Office

**Appendix B**

**Map of the Unicity of Durban**

**Appendix C**

**Table showing Businesses who achieved the top 20 cumulative value Durban City tenders for one year period, Jan. 2000 – Dec. 2000**

Company Name	Total Amts in R	No. of Contracts	ABE Status
ABB (Install. Powertech &Transmission)	30,576,157.00	7	Non-ABE
Alston (Various Departments)	20,629,594.00	10	Non-ABE
Profour Projects	14,522,722.00	4	Non-ABE
Inisa Power & ABB Transmission & Dist.	10,933,813.00	1	Non-ABE
African Cables	10,279,071.00	3	Non-ABE
Sasol Chemical Industries	10,260,000.00	1	Non-ABE
Stedone Emerging Civils	9,708,951.00	9	ABE
W K Construction	9,614,000.00	5	Non-ABE
Roadcon Construction	7,350,000.00	4	Non-ABE
Ubunye Plant Hire	6,950,000.00	1	ABE
Fuhri & Sons	6,409,000.00	6	ABE
North Coast Mining & Civils	5,622,666.00	2	ABE
Nascon Projects	4,988,565.00	3	ABE
Durant Civils	4,899,789.00	2	Non-ABE
Kaldrys Construction	4,671,900.00	1	ABE
Beka Lighting	4,545,772.00	1	Non-ABE
Durban Civils	4,448,000.00	4	ABE
Indiana Projects	4,071,000.00	1	Non-ABE
Citi Guard Cash	3,985,440.00	2	Non-ABE
Revenue & Metering Solutions	3,923,000.00	1	Non-ABE

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Don Mkwanazi

Michael Mabuyakhulu

Sbu Ndebele

David Wightman

Jon Barton