Introduction

The Wellsprings of Consumption and Debt in South Africa

AS APARTHEID CAME to an end in 1994, the world watched and rejoiced at the dramatic death of a brutal regime. Work had already begun to reverse its worst effects. The Truth and Reconciliation Commission sought to uncover the horrors and brutality wrought by the security forces, and the land reform program aimed to restore the ownership rights of the black majority. At the same time, a surprise in the eyes of many, a neoliberal-style economy was being created. This was unexpected given the Marxist orientation of the African National Congress (ANC) and its Moscow-aligned emphasis on the nationalization of assets, but it was deemed important in order to secure investor confidence and to smooth the transition. The novel economic policy, however, had unforeseen consequences, one of which was what appeared to be significant rates of indebtedness in the population. Statistics showed that many people were getting in over their heads. This had its roots not only in the changes that had taken place—the creation of a new black middle class seemed difficult to achieve without recourse to credit—but also in the historical legacy of apartheid itself. Policy makers soon recognized that issues of credit and indebtedness, in turn, would require new legislation: "consumer" rights had never seemed as pressing as the "human" ones denied during apartheid, but they were now in need of urgent attention.

As consumers' new aspirations were unleashed, it began to appear that the freedom to exercise political choice was being paralleled—even outstripped—by the freedom to engage in conspicuous consumption. "I didn't join the revolution to be poor," said one prominent government spokesperson. The media reported that he and his ilk were consuming glitzy and even kitschy goods and branded products, and they criticized the allegedly shallow values of the newly upwardly mobile. The superficiality of consumerism did not seem to fit with the seriousness of the egalitarian aspirations that originally motivated South Africa's transition.

Particularly worrying to those in the policy world was the fact that the pursuit of such new forms of consumption often seemed to be attended by stress and suffering. The moment of freedom was accompanied, and made possible, by something with the appearance of its opposite: that is, indebtedness, often described as the modern equivalent of slavery or peonage. The offering and taking up of credit was expanded and "democratized" in an unprecedented way in South Africa after 1994, and there has been much decrying of the unsustainable levels of consumer borrowing that have resulted.

Seen from one perspective, this simply sounds like the local version of a worldwide story: the expansion of credit to the "subprime" parts of society and the resulting global financial crisis. But the angry criticisms in the South African press of the banking and credit sector did not echo the clamor of those being leveled at the global financial system. They *preceded* them by several years, as this book will clarify. The content of the criticisms chimes, though, with remarkable resonance. Graeber's coruscating analysis of the way the newly financialized credit system acted with impunity to create money from nothing, all the while confident that victims would be forced to bail the system out when it collapsed like a giant Ponzi scheme (2011, 373), might well have been written about South Africa in the 1990s rather than the United States in the 2000s.

Besides the time lag, there are other differences that mark off the South African case. In South Africa, it is the borrowers rather than the lenders upon whom the spotlight, in the end, has fallen. And within that borrower community, those upon whom concern is mainly focused, and those who are the intended object of state regulatory measures, are blacks rather than whites.[1] They are also earners rather than the under- or unemployed. Concerning the first of these criteria: surveys and statistics do not reveal race to be an important correlative of indebtedness. Analyses that give attention to racial categories show, on the contrary, that white consumers have owed more than black ones through the postdemocracy period. But those whose borrowing has been of greatest concern are the people mostly previously excluded, by a "dual economy of credit" or "credit apartheid,"[2] from borrowing of any kind.

Concerning the second criterion, surveys reveal that those with the greatest levels of debt after 1994 were not the unemployed or the poorest of the poor but were salary and wage earners in the middle of the scale. Echoing what happens in many other settings where stable pay packets are subjected to less-than-stable pressures (see Parry 2012), the fact that people earn a regular salary means that they qualify for credit, but the obligations and expenditures they incur by virtue of their position in the workforce "places pressure on them to borrow at a level that is unsustainable" (Daniels 2004, 842).

It was, then, largely borrowers, and those belonging to the burgeoning new and aspirant black middle class, who were put under the microscope. This group in its present guise was largely brought into being, or substantially expanded, as a result of processes set in motion after the dawn of the new democracy, especially under President Thabo Mbeki's government, and their cares and concerns carried considerable weight. They continued to do so during the period of office of his successor, Jacob Zuma, although his populist "man of the people" stance gave the middle class less overt prominence.

Whatever the president and whatever his approach, the political clout of the black middle class since the advent of democracy in South Africa has thus been of great significance. One reason for this is the key role of the trade union federation Congress of South African Trade Unions (COSATU) in the governing tripartite alliance. This federation traditionally represented workers in the commercial sector, but workers in the public service now outnumber them. And the public service too has changed: it is now largely staffed by black employees, whereas whites formerly predominated. The ranks of salaried workers, especially recipients of state salaries (e.g., nurses, teachers, police officers), alongside lower- to middle-level employees in councils, municipalities, and parastatals (enterprises in which the state, if no longer an owner, is a majority shareholder), are admittedly smaller in number and thus electorally less influential than the vast majority of poorer people and the unemployed.[3] But it is this group whose spending and borrowing habits have been a cause of particular concern to the government.

The words used here—*plight*, *problem*, *stress*, *suffering*—indicate a negative view of debt and indebtedness. This view has been highlighted, and questioned, by Gustav Peebles, in a 2010 review of anthropological writings on debt. The idea that "debt is bad" is widespread. It is often accompanied by the assumption that "credit is good" (Peebles 2010, 226), without much thought about the way the two are intrinsically connected. His point prompts one to question whether the new consumerism of South Africa's post-1994 social order might be viewed from a vantage point that celebrates the benefits rather than condemns the disadvantages of borrowing, thus viewing debt "in the 'positive' light of an enabling condition" (Shneiderman 2011, 9).[4] Attending to this kind of perspective, the way new opportunities for credit were suddenly made available after 1994 to those who had been denied them beforehand, arguably offered considerable advantage. Having access to loans helped to unleash the inventively hybrid novelty and creativity of a new generation of consumers, thus facilitating that generation's "transformative social potentials" (Nuttall 2004, 451; see also Mbembe 2004). The things people bought, less easily quantifiable than the money they borrowed, were believed to be necessary: debt was thus justified. Such ideas of worth contested the assumption that one single measure—that is, money—be used to measure value and demand repayment.

Furthermore, credit could be seen as having enabled the expansion of that very same middle class, laying the grounds for its present and future political and economic role. That expansion in turn made possible South Africa's negotiated settlement, postponing (though perhaps not indefinitely) whatever more populist and revolutionary tendencies might be waiting in the wings. The money householders were able to borrow was thus of crucial importance in the story of South Africa's transition, perhaps much more than what anyone expected or realized.[5]

Whether we take the negative or the positive view, whether we focus on the repayment obligations incurred later or the material possibilities afforded in the here and now, two anecdotal examples give us an idea of the character and wide spread of the phenomenon. Both were reported in newspapers in December 2012. One, carried by the national weekly *Mail and Guardian*, is a story about the ruling elite: the other, in the *Wall Street Journal*, focuses on an earner with a humbler income. The first concerns President Jacob Zuma, a man loyally supported by poorer sectors of the electorate but often derided by the more cosmopolitan for his tendency to live beyond his means. Responding to heated speculation about whether state resources were used to fund the rebuilding of his luxury home, Zuma initially maintained that he had paid for it himself by taking out a mortgage. But the newspaper leaked a secret auditors' report, revealing that he had received money from a variety of sources. These ranged from businesspeople wishing to buy influence or seeking government contracts to large commercial banks that had "bent over backwards to accommodate Zuma because of his political position . . . despite the fact that [he] had a terrible credit profile and defaulted regularly."[6]

The second story concerns the insurance salesman Gerald Mopelong, described as a "working class South African." Up to a third of his salary, he says, goes toward paying for "basics like gas and food as well as relative luxuries like new clothes for his teenage children." Although he is "always squeezed" to repay his bills, "lenders ranging from curbside loan sharks to South Africa's biggest banks want him to borrow even more." The article goes on to describe the extent of unsecured lending—personal loans, unsecured debt, and overdrafts that are not backed by assets such as houses—that "has allowed many . . . to bridge their earnings and the lifestyles they aspire to have."[7]

These examples demonstrate the wide spectrum of earners affected by the indebtedness epidemic (or enabled by the credit bonanza). They also point to the fact that, for people at either end of the spectrum, loans from commercial banks coexist with those that come from beyond the official financial sector. In the first newspaper report, on Jacob Zuma, the nonbank providers were businesspeople seeking political influence; in the second, they were loan sharks charging high rates of interest. The big banks and other formal financial institutions have certainly been more dominant in the South African economy than they are in the economies of other African countries. Adding to its influence, the financial sector "deepened" considerably between 1995 and 2000, when efforts were made to "bank the unbanked" and when a number of new and smaller lenders joined those banks in offering loans.[8] But this deepening did not displace the unofficial counterpart of the banks. Rather, that counterpart—sometimes dubbed "informal"—grew larger, deepened, and became more financialized in turn.

How did this curious interweaving of economic formality and informality come into being? To answer this question, it is necessary to say something about the setting in which attempts to control credit apartheid took root, as well as the nature of the regime that originally allowed lending to flourish and later tried to curb it. While some have characterized postapartheid South Africa as "neoliberal" (Marais 2011, 139), others have debated the usefulness of that term. Ideologies privileging free-market capitalism were certainly widespread, and aspects of "millennial" capitalism became prevalent after the rapid liberalization of the 1990s (Comaroff and Comaroff 2000), but the actual extent and influence of market models was limited. The attempted privileging of the market as a harbinger of change was, indeed, made possible only through state-initiated planning and regulatory frameworks, such as black economic empowerment. Government intervention was also necessary to effect redistribution. Many have become dependent on pensions, disability, or child support grants, further evidence of the role of the state in what at first appears a thoroughgoing market economy. Although some maintain that state regulation—especially since the financial crisis—has become increasingly integral to the neoliberal project,[9] others claim that the existence of considerable state spending means that South Africa cannot easily be described as a classic case in which market models have free reign; the country, rather, has been characterized as possessing a "distributional regime" (Seekings and Nattrass 2005, 314). Or, as I have written elsewhere, "neoliberal means serve to ensure the ever wider spread of redistribution" (James 2012, 37).[10]

At the same time that the economy was rapidly liberalizing, it was also, in the late 1990s and early 2000s, becoming extensively financialized: something that, in the absence of investment in manufacturing and production, has been seen as accounting for South Africa's "jobless growth" during that period.[11] Black consumers of all kinds began to take advantage of the credit opportunities they had previously been denied, and particular sectors of the white community started microlending businesses to cater to and exploit this new market. This was accompanied by, and often necessitated, the opening of bank accounts and the associated registering of clients' personal details by retailers (i.e., "banking the unbanked"), often with ready access to earlier records as captured during the apartheid regime (Breckenridge 2005, 2010). Shortly thereafter, demonstrating what was to become its characteristic combination of market-driven and regulatory tendencies, the state—whose policies, during the 1990s, had initially enabled such developments by opening up the economy and the provision of credit in one fell swoop—then sought, during the 2000s, to regulate the negative effects of this borrowing by passing new legislation to outlaw "reckless lending."[12]

Resulting from these impulses that followed each other in short order, and exhibiting varying degrees of legal formality, three distinct lending sectors were in evidence by the late 2000s. Each one, supplementing or plugging gaps left by the other two, supplied this new market in its own way. Reflecting the ethnic and racial divisions of South Africa's past and of its new dispensation, each has a linguistic-ethnic specificity. First, and by far the biggest, is the mainstream or formal financial sector, historically dominated by an "oligopoly" of British-owned banks and rooted in the English-speaking capitalist sector (Verhoef 2009, 157, 181). Here, the "big four" banks—Absa, First National, Nedbank, Standard—have been predominant. Alongside the credit cards, housing loans, and vehicle finance it offers, the sector also provides store cards for clothing and food, loans for furniture and appliances, and the like. Blacks, having had very restricted access to such loans before the 1990s under credit apartheid, were offered them in profusion thereafter. Second is the new microlending sector, which offers mostly smaller and short-term loans. It grew exponentially in the 1990s and was mostly run by Afrikaans-speaking former civil servants who invested their redundancy (severance) packages in these businesses. They did so after leaving state employ when the ANC became the ruling party. Initially free to charge "uncapped" interest rates, and engaging in practices that were later prohibited—such as the confiscation and use of borrowers' ATM cards by way of loan security—many of these subsequently registered as microlenders under the National Credit Act, which obliged them to charge monthly interest of no more than 44 percent. Third, more difficult to quantify, are the *mashonisas*, or neighborhood moneylenders.[13] The sector, growing proportionately to its formal microlending counterpart, came to be defined by its difference to that counterpart: its protagonists were defined as loan sharks because they remained unregistered under the act. (Since borrowers are often ignorant of the regulations, some use the term *mashonisa*, however, to refer to both registered and unregistered lenders). The biggest operators among them use customers' ATM cards to withdraw the money owed to them at month's end before returning the cards to their owners, and they typically charge monthly interest of 50 percent, in excess of the new cap on the interest rate imposed by the act. In this classically financialized manner, taking advantage of efforts that had been made to bank the unbanked, some community moneylenders were ensuring repayment by continuing to use the techniques earlier deployed, but now outlawed for use, by those who were now registered (and hence considered "formal" and "regulated").

There will be more about the close relationships between formal and informal arrangements (Guyer 2004; Hart 1973, 2010) as the book progresses. For the moment, let us return to the "revolution" that the government spokesperson cited earlier "didn't join to be poor." South Africa did not, in fact, have a revolution as many expected it would. Instead, it experienced what radical critics have called an "elite transition," or at least one with "limits," leaving the power of capitalism largely intact but under a novel guise.[14] The terms established by that negotiated settlement meant that whatever revolution South Africa did experience was one of a different kind. It was one that opened up the possibility of borrowing to many who were formerly denied it, who aimed—like both President Zuma and Gerald Mopelong at opposite ends of the scale—to be able to bridge the gap between their earnings and the lifestyles to which they aspired. There was, though, something specific about South Africa's credit-debt revolution. Coming on top of the credit apartheid that preceded this period of reckless lending, the sudden unleashing of loans was bound to have effects that were racially skewed. This book explores how the long-term obligations entailed in debt are connected to the long-term expectations (and hoped-for consequences) of upward mobility. If the repayments are left to be made in the future, the lifestyles they are intended to procure likewise remain, in many cases, looked forward to rather than achieved in the here and now.

As it turns out, the precipitous onset of borrowing possibilities that were unleashed by this credit-debt revolution did not—as might have been thought inevitable—uniformly intensify the character of South African capitalism. Instead, it mediated that capitalism in a number of ways. The book aims to illuminate some of the underpinnings and contradictory aspects of this situation. It illustrates how difficult it is to separate "bad" from "good" protagonists; "perpetrators" from "victims," and "benefactors" from "beneficiaries." Many of those who lend money borrow it as well; conversely, borrowers are also lenders. Challenging the idea that we are in the presence of a total change, the book also shows how householders, savings club members, intermediaries, repossession agents, debt collectors, and debt counselors all play roles premised on older arrangements.

Seen over the long term, the situation resulting from these interrelated roles, positions, and interests may turn out to be transitional, but for the time being it seems entrenched. Whether the situation is of long or short duration, the book shows how forces of state and market intertwine to create a redistributive neoliberalism in which people at all levels attempt to make "money from nothing." As the banks did with the poor housing purchasers in the subprime mortgage market in the United States, so a far wider spectrum of lenders does to a wider spectrum of borrowers in South Africa. In both cases, gaining access to the money—however small the amount—of the widest possible range of people is essential to generate profit in a system based more on consumption than production.

Researching Debt and Credit

My awareness that this was a topic demanding attention was prompted during a field trip to South Africa in 2006, well before issues of debt had hit the headlines elsewhere. At that point, critical attention was being directed at the creditors rather than the debtors. Reports in the newspapers, and discussion and phone-in shows on the radio, were resonant with talk of a crisis of indebtedness, largely caused, it was claimed, by reckless lending. There was talk, too, of the effects—hoped for, if not yet experienced—of the National Credit Act that had recently been passed. Interested in investigating the realities of indebtedness, but convinced that this needed to be done in context, a team of researchers of which I was part proposed to explore a range of "popular economies," in which getting into debt would be considered alongside a series of related activities such as investing, saving, owning property, and engaging in enterprise. My own research, conducted during 2007 and 2008, took debt as its particular focus in this broader field.

Debt was a topic that posed particular challenges. The reluctance of people to discuss their personal finances, especially where these showed them up as owing money they were ashamed of being unable to repay, was a key problem. A second concerned people's unwillingness to discuss illegal moneylending (or borrowing), especially given that this had just been legislated against by the government. Even registered or formal lenders and retailers, wary of being found responsible for recklessness and of facing sanction under the new legislation, were—not surprisingly—cautious about admitting whatever role they might have played in creating the situation. Faced with such understandable circumspection, I in turn found circumspection to be the best remedy. Tales offered up, in the abstract, about well-known moneylenders, and stories recounted, in general terms, about the "scams" practiced by furniture store repossession agents, proved easier to gather and discuss than did firsthand accounts from those subjected to the dealings of such lenders and agents, or from the agents themselves. People were more willing to give insights into their own and their families' histories of banking or saving money, and of buying items "on tick," than to recount the details of their current financial situation. They were also often more ready to comment on others' habits of profligacy or frugality than on their own. Topics eliciting positive attitudes, like savings clubs and funeral societies, were readily discussed, although their darker underside of unpayable subscriptions and unmet contributions was less available for commentary. Cross-checked against other sources, this information proved useful despite the awkwardness of the subject matter.

The nature of the topic also made it necessary to record examples from different settings rather than being deeply acquainted with particular locales, and to analyze practices in a variety of socioeconomic settings rather than sticking to one or two. Researching this topic thus meant exploring diverse contexts, places, and types of actors. Given that the ranks of those who aspire to join the new middle class, in both rural and urban contexts, far outnumber those who have succeeded in doing so, I undertook interview-based research and participant observation across a range of settings. My existing research base in South Africa, however, allowed me to locate specific ethnographic case studies and examples in a wider context, as with the extended case method (see Evens and Handelman 2006, 27). My informants included medium- to well-paid employees of the government based in Pretoria (Gauteng Province); low- to middle-income wage earners in Sunview, a neighborhood of Soweto, and Tembisa (Gauteng Province); and villagers in Impalahoek, a village formerly zoned in one of South Africa's homelands (now in Mpumalanga Province), where civil servants like teachers and nurses are neighbors of those who hold lower-wage jobs.[15] In all these settings, earners live cheek by jowl with large numbers of the unemployed, who often depend on them. While some informants sought anonymity, others were keen to be cited, and I have respected their wishes.

Issues in South African life are extensively commented upon, discussed, and engaged with by political actors and activists, and matters are widely reported in the press and narrated in fictional representations. This wider set of discussions formed an important backdrop to the case study material. Attending to this wider context, I moved beyond specific field locales to direct attention to policy discourses and the pronouncements of agents within the state, the corporate sector, and the world of charitable and nongovernmental organizations. I also spoke to employees in the banking sector and the owners of microlending businesses. Being attentive to those who seek to regulate or curb the activities of lenders, and those charged with advising borrowers, I talked to debt counselors and sat in on sessions they held with their clients, in Pretoria and Midrand (Gauteng Province) and in Cape Town and Knysna (Western Cape Province). To gain insight into the more subjective experiences of debt and aspiration, I read novels, written in South Africa's equivalent of nineteenth-century realism, like Mehlaleng Mosotho's *The Tikieline Yuppie* (1998) and Miriam Tlali's *Muriel at Metropolitan* (1988),[16] and I consulted works of investigative journalism like David Cohen's *People Who Have Stolen from Me* (2004) and Jonny Steinberg's *Thin Blue: The Unwritten Rules of Policing South Africa* (2008).