

COMPARING THE RISE AND FALL OF THE AUTHORITARIAN DEVELOPMENTAL STATE IN BRAZIL AND SOUTH AFRICA

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Abstract

In both Brazil and South Africa ruling elites assumed that legitimacy could be generated by material performance and thus delay complete democratisation. However, in both, the very conditions nurturing the emergent developmental state also contained the seeds of its own demise. The restructuring of the labour force, prompted by increased dependence on foreign technology and therefore skilled labour, coincided with deteriorating worldwide economic conditions, prompting increased friction with domestic capital, as the latter found themselves not only having to compete with state firms, but frustrated by the limiting growth prospects of low wage economies. Unable to sustain the high-growth performance of the 1960s in South Africa and the 1970s in Brazil, new social forces emerged, challenging the basis of the growth coalition between the state and capital and thus rupturing the embedded autonomy upon which the authoritarian state was built.

Keywords: Developmental state; state-led development; state-capital alliance; South Africa; Brazil.

Slutelwoorde: Ontwikkelingstaat; staatsgedrewe ontwikkeling; staatskapitaal-alliansie; Suid-Afrika; Brasilië.

1. INTRODUCTION

The past decade has seen a resurgent interest in the role of the developmental state. In South Africa, in both policy making and academic discourses, the literature on the prospects, promises and problems facing the construction of a developmental state in a democratic order has grown exponentially (Edigheji 2010; Bond 2008; Maserumule 2012). Whereas the focus of the authoritarian developmental state of the twentieth century was industrialisation and accumulation, in the twenty-first century, for Peter Evans – a leading scholar of the “classic” developmental state – what sets the democratic developmental state apart from its predecessor, is state capacity to deliver higher levels of human resource development indicators, rather than the close collaboration between capital and state (Sandbrook

et al. 2007; Evans and Heller 2013). Given the current popularity of recasting the developmental state, both internationally, as well as in South Africa, as a democratic developmental state capable of delivering on higher levels of human resource development indicators, rather than the close collaboration between capital and the state which characterised the original conception of a more authoritarian developmental state (Sandbrook *et al.* 2007; Evans and Heller 2013), this article focusses on South Africa and Brazil in the specific historical context of being Cold War, semi-peripheral, United States (US)-aligned developmental state models. Broadly similar conjunctures that initially contributed to a brief period of rapid growth and industrialization during the 1960s and early 1970s – political exclusion, a close alliance between the state and capital, and the framing possibilities provided by the Cold War – also triggered processes that would unravel the growth trajectory by the 1980s: growing divergence between the state and business, the emergence of labour and social movement unionism in support of democratisation, and declining regime legitimacy both at home and abroad. Restricting the analysis to the period from the 1960s onwards, does not negate the fact that the statist developmental impetus in both Brazil and South Africa well precedes this period. In fact, if the 1960s constitutes the zenith of these two states' industrial prowess, it also marks the beginning of the end of their evolution as authoritarian developmental states. Whereas the onset of import-substituting industrialisation in the 1930s, and the Estado Novo led by Vargas and Kubitschek's Target Plans for industrialisation laid the foundations for Brazil in the 1940s and 1950s; in South Africa it was the introduction of tariffs and infrastructure in the 1920s and 1930s, and the rapid industrialisation trajectory of the minerals-energy complex in the 1940s and 1950s (Fine and Rustomjee 1996). This article is divided into two parts. The first part highlights the extent to which the state and capital collaborated in Brazil and South Africa and the factors which facilitated this closeness. The second part illustrates how the very conditions which facilitated the state-capital alliance also made this relationship unsustainable, leading to its collapse that ushered in the period of democratisation.

2. THE RISE OF THE AUTHORITARIAN DEVELOPMENTAL STATE

Rapid industrialization requires dense ties between the state and capital to ensure that political and economic power reinforce each other in support of common developmental objectives. This relationship stands at the heart of Peter Evans' (1995:59) concept of embedded autonomy as, "a concrete set of connections that link the state intimately and aggressively to particular social groups with whom the state shares a joint project of transformation". These dynamics are highlighted in the cases of Brazil and South Africa with reference to three aspects, namely political exclusion and the role of labour, the degree of state intervention in the

form of state-led corporations and, finally, the significance of the military/Cold War nexus.

2.1 Political exclusion and the role of labour

South Africa and Brazil could be called limited democracies, given that both were effectively oligarchic states with access to land – and hence the continued skewed distribution of land and income in both countries – being the basis for the emergence of a ruling class. Brazil's electorate was initially limited to the literate and excluded more than half the population, especially large segments of the rural poor in the North and Northeast. The urban middle classes were politically fragmented, supporting a large variety of political positions, whilst the landed classes' political power continued with increasing industrialisation, although neither mass suffrage for rural illiterates, nor land redistribution was seriously contemplated; thus suggesting that their entrenched interests were also not directly threatened. However, as labour began to emerge as a political force and demanded more extended socio-economic benefits, the Vargas government decreed a period of harsh repression of labour organizations and the consolidation of authoritarian rule through the *Estado Novo* (lasting until 1945), setting the stage for a new era of relations between the state and the workforce, "in which the 'labour problem' became a matter of national security" (Colistete 2007:99). The result of this authoritarian-corporatist system of industrial relations meant that wages in Brazil, as in apartheid South Africa, were highly "competitive"; for most of the 1945-1962 period, "labour productivity exceeded real wages in Brazil's manufacturing industry" (Colistete 2007:96). Slackening of the government's grip on trade unions by the 1950s, triggered the resurgence of organised labour.

By the mid-1960s, large segments of the business class, the military and the Church – fearing the growing assertiveness of the Left and rising populism amidst worsening economic conditions – prompted the military to stage a *coup d'état* which ended Brazil's democratic interlude from 1945 to 1964, and delayed full democratisation until 1985.

In 1910, black South Africans' hope that the nonracial franchise which prevailed in the Cape Province would be extended to all parts of the Union were dashed as the franchise was removed entirely. Responding to the demands of the mining industry for cheap labour, the first post-Union government made it a criminal offense in terms of the Native Labour Regulation Act for Africans to break their employment contract and they were excluded from skilled industrial jobs. A dualistic structure of industrial relations characterized South Africa, with a legalistic, formal guarantee of certain industrial rights to white, coloured and Indian workers, and a repressive labour regime for African workers who were prohibited from joining officially recognized trade unions and engaging in formal collective bargaining (Adler and Webster 1999:136). Whilst "cheap labour"

initially created an economic boom as long as mining and agriculture dominated the economy, it proved incapable of sustaining productivity growth, given the need for skilled labour, as South Africa embarked on a process of industrial deepening from the late 1960s onward (Feinstein 2005).

2.2 State intervention and the significance of state-led corporations

Although 1948 set the stage for the culmination of apartheid, South Africa embarked on an industrialisation drive similar to that of Brazil. As in Brazil, this process was marked by the development and concentration of heavy industry, the significant role played by foreign, domestic, as well as state capital, and the relevance of a very racially stratified market. Public works programmes were employed to alleviate the plight of the unemployed after the Depression – financed by relatively buoyant gold, rather than the volatile coffee prices of Brazil – especially in the construction of a new national road and rail network. By the late 1950s more than 110 000 unskilled and semi-skilled whites worked on the railways. Indeed, just as developmentalism in Brazil underpinned the significance of the state in economic policy, its echo in South Africa was of course coloured by racial ideology. As in Brazil, industrialisation was stimulated by state-created corporations. The Iron and Steel Corporation (ISCOR) – South Africa's answer to Brazil's Volta Redonda – and Industrial Development Corporation (IDC) were established prior to 1948, but under the National Party (NP) state corporations multiplied exponentially. Apart from the various agricultural control boards, no fewer than 22 public corporations were established, like the Electricity Supply Commission (ESCOM, now one of the largest electricity providers in Africa), the Armaments Corporation of South Africa (ARMSCOR, which had not only made South Africa self-sufficient in numerous armaments, but has even become a formidable arms exporter central to the country's military-industrial complex), the Nuclear Fuels Corporation of South Africa (NUFCOR, uranium enrichment), the Southern Oil Exploration Corporation (SOEKOR, oil exploration), and the South Africa Synthetic Oil Liquid (SASOL, the production of petrol from coal and South Africa's smaller equivalent of Brazil's PETROBRAS). These enterprises contributed toward the expansion of secondary industry, making the country less reliant on the gold-mining industry and prompting active investment in a number of new industries. As in Brazil, the overall share of the public sector in the economy nearly doubled under successive National Party (NP) governments.

Sustaining the developmentalist ethos pursued by Vargas and Kubitschek, although now for the first time in Brazilian history as an explicitly military government, the new incumbency under General Castello Branco (1964-1967) justified the 1964 *coup* in relation to the military's superior capacity to restore order and facilitate rapid development; thus directly tying its legitimacy to

economic performance. As Roberto Campos, the economic czar under Castello Branco noted, “We need the maintenance of social discipline to go on with the urgent business of growth” (Kholi 2004:195). Accordingly, a relatively technocratic outlook facilitated a close alliance with both technocratic policy makers in the bureaucracy, as well as domestic and international capital.

Close institutional ties with business were maintained, both formally and informally, with networks of businessmen and mid-level bureaucrats aimed at facilitating implementation of foreign exchange policy, licences, tariffs and credit availability being widespread. As manufacturing increased, state capital and foreign firms overtook local capital. Amongst the largest 300 firms, those belonging to private Brazilian firms declined from 156 to 139 between 1966 and 1972. A few months after the 1964 *coup*, the military government repealed a 10% ceiling on profit remittances, encouraging further investment (Kholi 2004:212). Overall, state enterprises grew at an average of 25,4% between 1964 and 1970, with nearly half of the 231 firms created between 1966 and 1975 being in the public sector and a third in industry, construction or armaments. State companies were also involved in the metal products, mining, chemicals and utilities industries and by 1974, state-run industries controlled over 39% of the assets belonging to Brazil’s 5 113 largest incorporated firms. The state engaged directly in these sectors, because of the reluctance to do so on the part of private investors and given the ideological context of the Cold War and the predominance of the developmentalist paradigm, considered too strategically important to be left to foreign ownership. Whilst a similar pattern occurred in South Africa – in the period 1946-1973, the share of the private sector declined from 63,5% to 53%, whilst the annual expenditure of the public sector, as a percentage of gross domestic fixed investment, increased from 36,5% in 1946 to 47% in 1973 and 53% in 1976 (Giliomee 1979:164-165) – local capital played a much more important role, if only politically, given the state’s role in the promotion of Afrikaner-led conglomerates like Sanlam and Rembrandt, whilst local capital also became more significant in 1961 following the exodus of foreign capital after Sharpeville. The significance of Afrikaner nationalism as the ideological foundation for a programme of ethnic redistribution with growth stands in sharp contrast to Brazil, where a relatively shallow nationalism may explain why the Brazilian state did not do more to promote indigenous capitalism. Rather, “the state’s motivation in promoting rapid economic growth in Brazil was more to enhance elite incomes than to promote nation building in the sense of creating a powerful, autonomous political economy” (Kohli 2004:212).

2.3 The Cold War/military nexus

In South Africa, the military has never played the kind of interventionist role it had so often in Brazil, most likely because of the country’s history of one party dominance in a parliamentary (versus Brazil’s presidential) system. However, it

came closest to Brazil's military dictatorship of the late 1960s under PW Botha's "imperial presidency" in the 1980s.¹ In both countries, the Cold War featured prominently as a basis for justifying the political order. However, whereas Brasilia succeeded in getting Washington not only to diplomatically support the 1964 *coup*, but even to provide military assistance, if necessary, Pretoria never fully convinced the US of its significance to Western defence interests to the same degree (except much later during the Angolan War in the 1980s). Both countries saw themselves as extensions of Western civilizations – even if diplomatic relations between Brasilia and Pretoria remained somewhat cold and distant – exacerbated by the fact that Brazil quickly recognised the *Movimento Popular de Libertação de Angola* (MPLA) much to the chagrin of Lisbon and which South Africa fought militarily through support to its rival, *União Nacional para a Independência Total de Angola* (UNITA) (Van der Westhuizen 2016). In both, the state also sponsored an initially buoyant domestic arms manufacturing industry which not only tied the state and capital closer, but also highlighted a technocratic nationalist discourse, notably in the computer and nuclear industries (Conca 1998; Edwards and Hecht 2010).

These conditions – the significance of the Cold War/military nexus, the state's interventionist role and creation of state-led enterprises, and the level of political exclusion in both countries, especially the labour movement, provided fertile ground for the development of an informal alliance between the state and capital, where capitalists and top government officials (most explicitly in South Africa under Botha²) came together to form an elite, "moulded through social associations, common educational background and personal ties", whereby this elite became, "embedded into a set of social ties binding state and society and provided institutionalised channels for the articulation of goals and policies" (Freund 2013:5). In the case of South Africa, three factors were particularly important. Firstly, capital was extraordinarily concentrated around the mining industry, and the gold industry in particular. Secondly, political power was unusually concentrated in the hands of the Afrikaner minority which

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- 1 Writing in the early 1980s, Frankel (1984:90) noted, "In a sheer physical sense the number of white South Africans exposed to military roles and values is now greater than at any time in previous South African history. The civil elite is today in the process of being directly and rather bluntly incorporated into the military realm, into the world of military norms, institutions and principles of social behaviour in an historically unprecedented fashion – arguably with more intensity and reinforcement than during the two occasions in the twentieth century when the country has entered a world war."
 - 2 As Frankel (1984:80) argued, "[I]t is an undeniable and clearly visible fact that the tentative organisation of the South African economy on a permanent or semi-permanent war footing has stimulated a greater degree of political mingling between economic, military (and governmental) elites than at any previous time in South African history. The South African military today is not only an army of soldiers [...] but an army of industrialists, financiers, economists and other business personnel".

was at least initially relatively impermeable to direct infiltration by capital. And finally, the working class was highly divided, not only in terms of race, but also urban-rural divides and levels of skill (Yudelman 1983:7). In short, “unlike the early situations of the advanced industrial states, neither the state nor capital could effectively dominate the other in South Africa. It also meant that neither peasants nor proletarians presented a serious threat to the state and capital, provided the latter two elements collaborated” (Yudelman 1983:7). Similarly, in Brazil the state sector grew in partnership with both foreign and local capital, the military’s developmental ideology being the prime moving force and supported by a multitude of both formal and informal networks between policymakers and businessmen, aimed at enhancing policy coordination in relation to foreign exchange, licenses, tariffs and credit (Kohli 2004:198).

These conditions and the high level of collaboration between the state and capital generated impressive economic returns. In Brazil, between 1968 and 1974, manufacturing grew at a rate of 13%, and at nearly 7% between 1975 and 1980, with one-third of the Brazilian GNP originating in manufacturing and relatively diverse (Kholi 2004:210). Whilst annual growth rates in GDP averaged only 3,7% between 1962 and 1967; between 1968 and 1974 annual growth in real GDP averaged 11,3% (Seidman 1994:54). Paradoxically, it was during the most repressive years of the military dictatorship that Brazil boasted double-digit growth and became known as the “miracle economy”. Similarly, in South Africa, from 1963 to 1972, the rate of return on invested capital, “was the highest in the world and of the capitalist economies only Japan expanded more significantly than South Africa” (Lieberman 2001:520). Indeed, by 1970 at nearly US \$70 000 (in 1996 dollars), South Africa’s GDP per capita was almost twice Brazil’s, and compared favourably to developed industrial nations like the United Kingdom (UK, US \$12 000); France (US \$12 200) and Japan (US\$ 11 400). Kosack (2003:5) argues that it was not unreasonable to expect in 1961 that, if contemporary trends were to have continued, by the year 2000 South Africa would have had an average standard of living for its entire population (that is, for all races) equal to that of Great Britain in 1960.

3. THE FALL OF THE AUTHORITARIAN DEVELOPMENTAL STATE

Peter Evans (1997) contends that conditions which account for the successful emergence of developmental states also contain the seeds for their demise. Most notably, the very business class fostered by the interventionist state ultimately becomes increasingly more independent of the state and subsequently clamours for less, rather than more intervention. As the business class effectively outgrows the political project in which it was initially conceived, the embedded autonomy within which the developmental state emerged is also ruptured and, over time,

disintegrates. As this process unfolds, new social forces emerge, challenging the basis of the growth coalition between the state and capital, thereby setting in motion the search for new modes of interest articulation amongst a larger and often more complex conglomeration of political actors. In both Brazil and South Africa, the very conditions accounting for their ascendance as late industrialisers also generated a number of contradictions heralding the demise of these authoritarian developmental states. Three intersecting dimensions eroded the foundations of this authoritarian development: the growing organisational capacity and demand for skilled labour, global economic shifts, the declining coherence between the state and labour and, finally, dwindling legitimacy.

3.1 Labour

Given the massive industrialisation drive, it was inevitable that Brazil would experience a profound restructuring of the labour force, most notably a growth in the country's industrial work force. The reliance on foreign capital and, with it, more capital intensive manufacturing had three notable consequences. Firstly, given the degree of capital intensity, overall employment levels did not increase as much as the state had hoped. Secondly, the geographic concentration of industry meant that by 1976 Brazil's southeast accounted for 77% per cent of total value added and for 70,4% of all industrial employment. By 1970, Sao Paulo alone was responsible for 49% of secondary employment. Automobile construction, in particular, drove the growth of the so-called ABC or ABCD municipalities in Sao Paulo's periphery: Santo André, São Bernardo, São Caetano do Sul and Diadema, which would become a hotbed for labour mobilisation as industrial production in this region increased dramatically from 741 factories in 1950 to 3 394 factories in 1978 (Seidman 1994:87). In South Africa, the geographic concentration of manufacturing was even more concentrated than in Brazil, with the Pretoria/Witwatersrand/Vereeniging area (now Gauteng) producing nearly 53% of national output in 1972, mostly capital and skill intensive manufacturing (Seidman 1994:66). The use of imported technology, prompted by the state's historic openness toward foreign capital, also meant that the demand for skilled labour increased. Crucially important, capital's dependence upon skilled labour meant that manufacturers were less likely to "hire and fire" workers, as may have been the case in the 1950s and early 1960s. Similarly, in South Africa increased foreign investment and, with it, capital intensive manufacturing both heightened the need for greater numbers of skilled workers and exacerbated unemployment amongst the unskilled.

These conditions prompted the rapid growth of labour movements in both Brazil and South Africa. In Brazil, 2,7 million union members in 1973 increased to over 12 million in 1983 and in South Africa, 12% of the work force (of all races) were unionised, increasing to 35% by 1990 (Barrett and Mullins 1990). In both countries, recession created fertile ground for growing levels of

industrial action. In Brazil strikes increased from 142 in 1982 to 364 strikes in 1984 (Seidman 1994:166). It was not merely the emergence of a less pliable, more strident and independent labour movement that was unprecedented, but the extent to which activist shop-floor organisation began extending beyond the factory to include social actors, such as the Catholic Church and a host of community groups. The growing salience of labour activism in Brazil culminated in the emergence of two labour federations in the early 1980s: the CONCLAT and the CUT.³ Gradually, it would be the “new unionism” of the CUT that overshadow the CONCLAT, from which “loins” the *Partido dos Trabalhadores* (PT or Worker’s Party) emanated (Seidman 1994:169). In South Africa, increasing black alienation, coinciding with the steady growth of trade union activism, a class-based (beside a race-based) discourse enhanced the conditions for popular mobilisation and the wide-scale formation of community movements. Whereas the organization of these wide-spread community organizations in South Africa manifested in the formation of the United Democratic Front (UDF) in 1983 with over 600 affiliated social organizations, including the Congress of South African Trade Unions (COSATU), its Brazilian equivalent was the Brazilian Democratic Movement. However, whilst the UDF had been been disbanded in 1991 and many of its constituent groups subsumed into broader African National Congress (ANC)-aligned structures, the Brazilian Democratic Movement transformed into a formal political party, the PMDB, consistently one of the most powerful political parties in Brazil.

In conjunction with the rising role of labour, both countries faced an economic crisis. In the wake of the 1973 oil crisis, growth in Brazil declined – from 14% to 9% in 1974, while debt increased: between 1972 and 1974 Brazil’s foreign debt more than doubled and the government increasingly relied on high-interest loans to fund industrialisation. By late 1978, Brazil owed nearly US \$44 billion. Similarly, by 1977 South Africa was only able to raise an amount equal to 3% of the 1976 total and, with it, a diminishing credit rating at a much higher price. In fact, in the aftermath of the 1976 Soweto protests, South Africa no longer attracted private or official private investment to compensate for the current account deficits (Feinstein 2005:226). Moreover, business found itself frustrated by the low-wage economy limiting the growth of a domestic market, especially for the high-cost goods that were being manufactured. The years of rapid growth not only transformed labour, but business too.

3 The CONCLAT (*Coordenação Nacional da Classe Trabalhadora* or National Working Class Coordination) was supported by members of the Brazilian Communist Party and other smaller left wing groups who believed in working within the existing state-approved labour relations system, underscoring the need to differentiate and support national capital against foreign capital. The CUT (*Central Unica dos Trabalhadores* or Unified Workers Central) emphasised the need to operate independently from existing political parties and supported the creation of shop-floor unionisation, citing the fact that both employers and the state exploited workers.

3.2 Growing distance between business and the state

The military's persistent deepening of Brazilian industry along the lines of import-substituting industrialisation led to increasing conflict with business. The priority given to national security programs often meant that the state underwrote unprofitable public firms, notably in the energy and arms industries. Ironically, after the 1973 oil crisis had revealed Brazilian vulnerability to global economic forces, the military sought to strengthen the national arms industry and to develop a nuclear power industry, similar to the South African state. Yet, as domestic capital expanded, these businesses not only found themselves having to compete with state firms, but large parastatals were seen to "soak up resources" for decades before showing any returns. By the early 1960s, Brazil's 17 largest non-financial firms were state-owned; by 1979 it increased to 28 (Seidman 1994:105). As Brazilian entrepreneurs diversified beyond primary products and merged into industry, different sectors' capital led to differentiated interests, with some sectors demanding greater openness. In Brazil, a key historic moment emerged in mid-1978 when, after 14 years of military rule, eight leading industrialists in Sao Paulo issued a manifesto claiming that, "only democracy absorbs social tensions" (Seidman 1994:99).

In South Africa, after Sharpeville, new investment opportunities, arising in the wake of foreign capital's departure, meant that Afrikaner capital was increasingly moving into industry, becoming less tied to the original Nationalist coalition from which it was born. At the same time, business became increasingly critical of influx control and restrictions on the availability of labour, whilst blacks were complaining that they were regularly asked to do skilled work, yet were paid unskilled rates. By 1970, even conservative Afrikaans business groups called for a more flexible application of the job reservation system. In fact, in manufacturing black workers were increasingly replacing whites: between 1960 and 1976 the ratio of black to white workers increased and, between 1969 and 1981, white semi-skilled and skilled workers declined from 173 150 to 154 896, while the number of semi-skilled and skilled African workers rose from 847 444 to 1 300 173, with similar percentage increases for Asian and Coloured workers (Seidman 1994:85). However, amongst lesser skilled black workers (with less than nine years of education) unemployment continued to rise. While national output grew 5,9% annually, unemployment and underemployment was around 19%; between 1969 and 1976 output grew at 3,9% and unemployment rose to 22%. Stated differently, until the late 1960s, as long as the economy did not exceed its supply of skilled labour, the apartheid policy proved economically successful. However, "as soon as there were no more whites to fill skilled positions, the entire system began to unravel: wages rose, productivity fell, conditions worsened for blacks, and unrest grew" (Kosack 2003:35). Not unlike Brazil, more foreign investment meant more capital intensive manufacturing and, therefore, the need for more skilled labour. The shift towards manufacturing output exacerbated conditions for a more militant labour force to emerge and, in

coordination with growing popular black resistance, continued to erode the state-capital alliance which forged the embedded autonomy upon which the cohesive-capitalist state of Afrikaner nationalism rested.

Botha's much publicised Carlton and Good Hope conferences signalled an attempt to "re-embed" the developmental autonomy between state and business eroded by the Sharpeville and Soweto crises. The Carlton Conference in 1979 sought to win business support for the "total strategy" that operated on the belief that the war in the country was only 20% military and 80% socio-economic and political (Philip 1989:202). Indeed, the National Security Management System (NSMS) – which provided a framework for private sector cooperation – was driven by the assumption that the source of black protest was simply manipulated by the (then banned) ANC and only related to material grievances. Generating legitimacy through material performance, rather than political rights – a similar assumption which motivated the Brazilian military to stage the 1964 *coup* – was clearly being echoed here. Involving the private sector in the provision of housing was seen as crucially significant in the creation of a black middle class and to "protect" capitalism. The Urban Foundation – created largely on the initiative of Oppenheimer of Anglo-American and Rupert from Rembrandt (now better known as Richemont) – had already sought to do so after the Soweto crisis of 1976, but the need to address these material shortcomings now became all the more urgent as business involvement in social responsibility programmes mushroomed. However, by the late 1980s business had become increasingly disappointed with Botha, as his promises to "reform" apartheid failed to address the structural economic deficiencies that triggered the three spirals of decline, namely the crises triggered by the Sharpeville (1960), Soweto (1976) and, finally, the mid-1980s insurrection, in which investments and capital were withdrawn, unemployment and subsequent political instability increased, and growing international isolation blocked access to capital and technology. Between 1984 and 1987, the South African economy lost over \$4 billion in loan repayments without recourse to counterbalancing new lending. Capital loss from all sources over the same period amounted to R25,5 billion at 1989 exchange rates (Price 1991:231-232). By 1987, more than 250 foreign companies withdrew from the country. The honeymoon with business was over and towards the end of 1985 both English and Afrikaner capital met the banned ANC in Lusaka for talks hosted by President Kenneth Kaunda of Zambia.

Whereas the economic contradiction which triggered the demise of the Brazilian military-led regime involved increased dependence on foreign loans, rolling over its enormous debt and an overall *deeper* integration into the global political economy, the demise of the apartheid state in South Africa involved the reverse: not only *less* foreign direct investment, but, especially, reduced access to international financing, signalled the country's growing isolation and restricted integration into the global political economy.

3.3 Declining moral legitimacy

Besides these materialist pressures – declining coherence between the state and capital, the growing organisational capacity and changing nature of labour, and the effects of global economic shifts – normative considerations also corroded the supremacy of these authoritarian developmental states.

The most significant of these related to the quest for political legitimacy, with both internal and external dimensions. Whereas the military initially couched its authority within the rationale of superior economic performance *vis-à-vis* the economic stagnation that marked the democratic intermezzo (1945-1964), its failed sustainability created new problems. Morally, these were exacerbated when – in the aftermath of the guerrilla movement in 1968 – it was through the military's torture of some of the Brazilian elite's youths who supported the movement, that awareness of both the extent and severity of torture and human rights abuses would add to the elite's eventual disillusionment with the military, with the Catholic Church and the legal fraternity in particular, raising awareness of these atrocities (Skidmore 1999:175). In South Africa, similar processes of disillusionment and shock amongst some of the white elite transpired through, for example the End Conscription Campaign (ECC) of young men refusing to do military service. Whereas South Africa's Truth and Reconciliation Commission (TRC) revealed many of these human rights atrocities as central to the democratization process, the equivalent process in Brazil was only announced in 2011, more than 25 years after the end of military rule. It also took longer for the moral basis upon which the authoritarian developmental state in South Africa was based to come undone. Unlike the Brazilian junta whose claim to legitimacy was primarily based on improved economic performance and social stabilization, the apartheid state was – at least initially – rooted in the more fundamentalist Afrikaner nationalist aspiration and, therefore, constituted a much narrower coalition subject to preferential benefits.

Externally, on the Brazilian side, the legitimacy provided by framing the Brazilian and South African authoritarian regimes within the geopolitics of the Cold War eroded with the ascendance of a new generation of army officers (the largest of the armed forces), less convinced of the "red scare" than their predecessors and more concerned about their image amongst fellow Brazilians, especially after the ubiquitous reports about torture. Secondly, though not facing the same kind of international opprobrium as the South African state, the elite – always aware of Brazil's image abroad – identified with the West, but increasingly found it incompatible and untenable that their country, having been the only Latin American state to have fought with the Allies against Hitler; was now condemned by the Vatican and intellectuals in Europe and the US for the use of torture and other abuses of human rights, with added pressures to return to democracy, aggravated by the Carter administration's pro-human rights position (Skidmore 1999:185). Likewise, South Africa's self-conception as the

“last Western outpost” in Africa became increasingly untenable in the face of the much more internationalized condemnation of the apartheid state through the anti-apartheid movement, the growing impetus of the sanctions and divestment campaign (especially after passage of the US Anti-Apartheid Act in 1986) and, finally, the effects of a much deeper exile culture than its Brazilian equivalent.

4. CONCLUSION

Industrialisation in both Brazil and South Africa, beginning in the 1930s, were considerably boosted by the 1940s war drive, marking the consolidation of the state-capital alliance with a significant role played by foreign capital. With these webs of influences shaped by a developmental discourse and a strong role for the military, particularly in Brazil, ruling elites in both countries assumed that legitimacy could be generated by material performance, and thus delay complete democratisation. However, in both countries the very conditions nurturing the emergent developmental state also contained the seeds of its own demise. The restructuring of the labour force, prompted by increased dependence on foreign technology and, therefore, skilled labour, coincided with deteriorating worldwide economic conditions, prompting increased friction with domestic capital as the latter found themselves not only having to compete with state firms, but frustrated by the limiting growth prospects of low wage economies. Unable to sustain the high-growth performance of the 1960s in South Africa and the 1970s in Brazil, new social forces emerged, challenging the basis of the growth coalition between the state and capital, and thus rupturing the embedded autonomy upon which the developmental state was built. Despite the similarity between the coalitions and conditions upon which the authoritarian developmental state had been constructed in Brazil under military rule, and the apartheid state in South Africa from the 1960s to its subsequent unravelling by the mid to late 1980s, these transformation processes had produced, on both sides of the Atlantic, an aspiration toward democratic developmental states, but with highly differentiated levels of democratic dynamism. Drawing on these two countries' histories, the issues for future research should analyse, is the reasons for these very different levels of democratic dynamism, as shaped by the nature of their political systems, comparing the histories and nature of the ANC and PT, and determining which factors make either case more responsive to the human resource based requirements of twenty-first century developmental states.

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