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1990-08
http://hdl.handle.net/10539/8430

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UNIVERSITY OF THE WITWATERSRAND

A F R I C A N S T U D I E S I N S T I T U T E

African Studies Seminar Paper
to be presented in RW
4.00pm AUGUST 1990

Title: Township Housing and South Africa's "Financial Explosion" The Theory and Practice of Financial Capital in Alexandra.

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No. 277

TOWNSHIP HOUSING AND SOUTH AFRICA'S "FINANCIAL EXPLOSION"
The Theory and Practice of Financial Capital in Alexandra

Arising from South Africa's decade and a half long economic stagnation, the recent spectacular dynamism of the country's financial sector could not but have **profoundly** affected the post-Riekert Commission urban transformation of apartheid townships into free market investment arenas. This transformation represents a gruelling challenge for the many poor and working people who are in the process likely to be displaced (Swilling, 1990). But consider two other risks: the unsustainability of financial speculation (including real estate speculation) in the larger economic environment; and the township tensions created by the uneven allocation of housing finance. Housing finance is becoming probably the single most important component in the development of townships, at precisely the same time that financial capital is, ironically, both propping up and undermining the rest of the economy. These phenomena are not unrelated, and are not fundamentally different from processes underway in most countries, from America (Bond, 1989, 1990a, 1990b) to Zimbabwe (Bond, 1990c).

This article begins by outlining the dramatic shift from productive to financial assets underway in the South African economy, a shift that for stagnant economies (of which even Japan appears now to fit the model) has been aptly characterized by Magdoff and Sweezy (1987) as "the financial explosion" (Section I). There is a particular set of urban correlates to the financial explosion, and to review these also calls attention to the complex role of housing finance in uneven urban -- particularly residential -- development (Section II), for which Alexandra Township offers a useful case study (Section III). The conclusion reiterates a central theme: the unfettered freedom of market mechanisms in townships, given the broader processes of the SA economy, will constrain rather than help create, sustainable, popular development.

I. THE SOUTH AFRICAN FINANCIAL EXPLOSION

SPECULATION AND DEBT

If there is a single fundamental barrier to the Cosatu/ANC programme of "growth through redistribution," to the state's pre-De Klerk "inward industrialisation" strategy, or to the current push for manufacturing export-based accumulation, it must be the overwhelming attractiveness of speculative financial assets in comparison to reinvestment in production. Even Reserve Bank Deputy Governor Jan Lombard -- considered among those most responsible for infusing free market values into apartheid planning (McCarthy, 1986) -- has decried SA's financial explosion in no uncertain terms (1988:9):

> "As is typical of a stagnating economy, employment has hardly increased over the past decade except in government and in finance, where job opportunities for people with the appropriate skills in law, accounting, economics, public administration and so on, rose rapidly. Young upward mobile professionals (yuppies), able and interested in making money out of restructuring existing financial empires, are in great demand. But blue collar work has been expanding very little. **For long periods the yields available from investing in existing stocks and shares remained more attractive than the expectations about new real capital formation. According to Reserve Bank calculations the profitability ratio in practically all industries (including primary and tertiary industries) showed a markedly declining trend over the past 12 years. In the sector 'finance, insurance, real estate and business services,' however, the ratio fully recovered its lost ground since 1981.**" (emphasis added)

Within these lines appear the outline of the broad economic trajectory represented by South Africa's financial explosion. The trend, as Lombard sees it, is that South

African corporate management is "chiefly interested in maintaining net profits by replacing labour, avoiding taxation and financing lucrative investment opportunities in other countries in so far as exchange control does not prevent it" (1988:8). In fact, forex fraud has become endemic in the financial sector, running at R100 million a month and involving dozens of highly-placed bankers (Business Day, 22/5/90; Financial Mail, 1/6/90) -- and tax avoidance schemes involving "'respectable' and large companies and financial institutions" capture hundreds of millions of rand as well (Financial Mail, 21/4/89). But where exchange controls and tougher enforcement do stifle capital's geographic mobility, liquid funds have flowed rapidly into several local **speculative** outlets -- real estate, art, the stock market, and new financial instruments -- while leaving the productive base of the economy (Black and Stanwix, 1987) to wither.

Consider as one example the Johannesburg Stock Exchange, the nominal value of which (in terms of total shares represented) rose by a factor of eight from 1982 to 1990 (approximately R400 billion), while reinvestment in plant and equipment stagnated over the period (Bond, 1990d). As Kaplan (1987:526) explains,

> "The booming stock exchange was not an indicator of business confidence but rather the reverse. The rise in share prices was principally a consequence of investors' reluctance to undertake productive investments given their lack of confidence in the longer-term prospects for the economy. Short-term liquid financial investments were preferred, to longer-term fixed investments and resulted in booming financial markets but a diminishing capital stock."

Aside from substantial capital flight, the rise of the JSE, and real estate speculation (the latter will be addressed in Section II), another integral aspect of South Africa's financial explosion is the tendency for **debt** ratios -- of corporations, consumers and the state -- to rise as a consequence of declining internally-generated rates of revenue (ie, real profits, wages and taxes). While political factors ultimately limited the exposure of corporate and state debt to foreign lenders after 1985, domestic debt ratios have risen steadily with only a minor downward blip during the 1985-86 credit crunch). By September 1989, the entire private sector debt held by the "banking sector" (ie, including some consumer debt but not including building societies advances) totalled R109 bn as against annualized GDP of R232 bn -- a ratio of 47%; while a decade earlier, bank credit was R16 bn as against GDP of R61 bn (26%). Indeed, for many years, the domestic private sector debt to banks had hovered in the region of 28-30% of GDP (South African Reserve Bank Quarterly, December 1989). Even the sharp series of interest rate hikes from 12,5% in February 1988 to 21% by October 1989 did not prevent annual bank credit increases of 35% in 1988 and 31% in 1989 (Standard Bank Economic Review, April 1990).

It is not surprising, somehow, that many creditor institutions are already looking over the edge of the debt abyss. Repayment problems are cropping up for farmers, small and some large businesses, and increasing numbers of lower-middle income whites (Financial Mail, 3/11/89). Even traditionally-stable home loans, while issued at a record pace, have created unprecedented risk. As an executive of the Perm building society commented in late 1989, "For the last six or seven years, losses and risk have been a fact of the mortgage lending business. When [interest] rates came off after 1984/85, there was an improvement but we have never returned the risk patterns that existed before" (Business Day, 13/10/89). And TrustBank recently pulled out of another popular line of business, long-dated bonds (in which the bank had lost R30 million in late 1989 due to an options fiasco), since "We came to the conclusion that the potential rewards from an exposure in the market do not justify the risk, especially in view of the unpredictable nature of current market conditions" (Business Day, 22/5/90).

DEREGULATION AND CUT-THROAT COMPETITION

In spite of the clear dangers associated with speculation, rising debt ratios, financial innovation, exploding interest rates, and increased borrower risk during a period of economic stagnation, the response of the Reserve Bank and Finance Ministry authorities has generally been to **deregulate** the financial system further. For example, minimum requirements for financial institutions to invest in government securities were scrapped in late 1989 (Business Day, 11/12/89); sophisticated lending and saving products (some linked to JSE performance) are being made available to wealthy consumers by banks and trust companies (Business Day, 20/9/89, 9/11/89, 22/11/89); new financial instruments -- especially securitised mortgages -- are popping up in investors' portfolios; and a 1989 Financial Markets Control Act helps create futures, options and bond markets, and actually allows the financial industry to self-regulate in these new areas. According to the Friedmanite logic of Reserve Bank Senior Deputy Governor Japie Jacobs, these new markets "obviously do provide opportunities for speculation -- and speculation can actually inject greater stability into a market [sic]" (Financial Mail, 1/9/89). Although a Deposit-taking Institutions Bill tabled in mid-1990 attempts to regulate and to increase disclosure of excessive credit exposures, it does so only because a **quid pro quo** allows concentration of bank ownership to increase dramatically (Financial Mail, 1/6/90).

Even the Reserve Bank's efforts to stem the worrisome R12 billion in banks' and building societies' repurchase agreements -- assets that are kept "off balance sheet" so that the institution can avoid the costs of holding reserves against them -- were weakened by a bond traders' protest last April. And other such off balance sheet items -- widespread use of agency business (brokering other creditors' loans for a commission), cash management accounts, and options and futures -- have seemed to escape notice. Besides, pronounced the Financial Mail (27/4/90), "bank supervision has been so slipshod for so long that conditions were created -- and tacitly acknowledged by Church Square -- which encourage this type of financing."

Deregulation of building societies, begun in 1986, is also likely to continue apace, in order to allow greater flexibility in several areas: a smaller proportion of the societies' assets could consist of relatively stable mortgage loans; a larger amount of their deposits could be short-term (hence violating the fundamental banking rule, "take long-term deposits, make short-term loans"); and the maximum ratio of the value of each mortgage loan to the price of the property could increase from 90% to 100%, thus adding greater risk in the event of a default (Financial Mail, 10/11/89). As Morris and Padayachee (1988:6) note, such deregulatory trends, dating back to the De Kock Commission, were no accident: "In SA, local finance capital appeared to have a lot to do with shaping the local monetarist initiative, including the removal of interest rate ceilings and foreign exchange controls."

With the financial sector increasingly attractive since the early 1980s thanks to deregulation, monetarist Reserve Bank policies, product innovations, and the broad decline in South Africa's productive base, **competition** has heated up dramatically. This has been especially true in the credit markets, and has inexorably led to profit declines in the banking subsector. Rationalisation of the major players is one result, as the already highly concentrated financial system recently lost one large building society and one major bank to mergers. But in the nooks and crannies of high finance, "boutique banking" for the rich is providing new institutions a toehold; thanks to much looser requirements, fifteen new banks were formally or provisionally licensed during the thirty month period that closed the decade of the 1980s (Financial Mail, 2/2/90). That decade had also witnessed a banking invasion of building societies' once sacred residential mortgage bond turf, leading in mid-1989 to "a major counteroffensive" as societies began purchasing estate agent firms, a strategy proven to be of high risk in Britain (Financial Mail, 13/10/89). Also in the early 1980s, relatively unregulated

life insurance companies had begun taking substantial deposit market (ie, savings) shares from both banks and building societies, complained Reserve Bank General Manager for Supervision Chris de Swardt in a Financial Mail interview (1/9/89), "through offering insurance products with a minimal life assurance element." Major insurance firms Old Mutual and Sanlam could also dig into deep pockets to buy huge banks (Nedbank and Trust) that were on the verge of failing during the go-go 1980s. Pension funds, too, made important inroads into personal savings and trusts are increasingly playing the role of the bank through participation mortgage bond schemes.

Under such conditions of deregulation and ruinous competition, redirecting capital flows back to the real, productive sectors of the economy will be no small feat. "To my mind," warns Lombard, "such a trend for an economy in the position of South Africa is not a healthy one" (1988:9). The effects all of this has had on South African urban development will be taken up next.

II. FINANCIAL CAPITAL AND URBAN HOUSING IN SOUTH AFRICA

CITIES, THE FINANCIAL EXPLOSION AND UNEVEN DEVELOPMENT

According to the geographer David Harvey (1985:73),

> "Urbanism has been transformed from an expression of the production needs of the industrialist to an expression of the controlled power of finance capital, backed by the power of the state, over the totality of the production process."

Harvey's words are increasingly true -- in South Africa as well as the advanced industrialised countries -- as the financial explosion that began a decade or more ago runs its course. Cities are more affected by the broad macroeconomic shift from production towards financial speculation than any other space. The result is a diverse set of symptoms of a rather depraved urbanization process during a financial explosion, which include:

* the general flow of funds into ever more expensive real estate, due to its roles as a hedge against inflation or, if the location is optimal, as a speculative investment vehicle;

* the consequent deterioration of the urban small and mid-sized business sector as rent costs become prohibitive;

* the general rise in housing prices, and the simultaneous intensification of processes of uneven urban development -- gentrification of close-in slums on the one hand, and the ghettoization of working class neighbourhoods as a counterbalance -- as the use values of residential real estate are increasingly transformed by financial capital into exchange values;

* the increased concentration of corporate and financial command and control functions in city centres, and the restructuring of regions around financial sector growth poles, concomitant with the broader process of the centralization of capital;

* the transformation of urban space and infrastructure away from industrial forms, and towards meeting the transport, communication and recreational requirements of financial-administrative capital; and

* postmodern urban cultural attributes "irreducibly specific to the reckless overbuilding of commercial space" which arises from the "hypertrophic expansion of the financial service sector" (Davis, 1985:103).

All of these are notable tendencies, and they appear to be the logical outcomes of the 1980s rise of finance in most urban centres across the globe. Traditionally, before the advent of the financial explosion, finance played an accommodating role in development, lubricating the payments system and providing funds for productive investment. Yet housing finance in particular has always contributed substantially to **unevenness** in urban development, and still does in remarkably variegated ways: housing finance can often enhance the stability of the entire financial system, since housing is among its best sources of collateral; it allows the housing market to be used as a site of commodity production and disinvestment, which are both crucial to the profitability of neighbourhood change (Smith, 1979); it contributes to class and community formation by imposing residential differentiation via different qualities of credit (Harvey and Chatterjee, 1974); and it spreads the time horizon of investment significantly, by allowing consumers of housing to service their housing bonds over the long-term (usually 20-30 years). Such factors allow finance to act as a nerve centre for urban capital flows, and this is not necessarily conducive to a rational allocation of housing resources.

HOUSING FINANCE AND RESIDENTIAL DIFFERENTIATION

Consider race, class and community differentiation more closely, for here unfettered housing finance can be particularly pernicious. In the US, what may appear as contingencies of race and ethnicity have become cemented as patterns of geographic maldistribution of credit, patterns observable in most cities. Hundreds of studies of the theory and practice of bank "redlining" (lending discrimination based, in the original formulation, on the 1930s Federal Housing Administration's red lines encircling undesirable residential locations) suggest that housing finance can play a significant role in perpetuating and fostering racism in communities. If, as is the case throughout the US, African-American borrowers are overwhelmingly denied credit for homes in certain areas by financial institutions whose policy-makers are white, this suggests simple institutional race discrimination is at work (Dedman, 1989).

But there's far more to this than the outcome describes. The location of many urban African-American homes coincides with the trajectory of central business district expansion, since for historical reasons relating to labour markets and deindustrialisation, ghettos are located near the CBD core in most North American cities. Financial institutions and developers have a material interest, thus, in **devaluing** the housing capital of African-Americans, since this will enable investor-speculators to purchase their residences -- especially if they are just abandoned shells at that point -- at very low prices; the next step, of course, is transforming block after block of dilapidated buildings into attractive gentrified homes to house the increasing numbers of young urban professional employees of the finance, insurance and real estate industries who wish to reside close to their workplace. The flip side of redlining, hence, is gentrification, and in nearly every US city, the worst slums can be found side-by-side with the newest gentrified neighbourhoods, in a process that is continually and systematically reproduced.

This, of course, is antithetical to the Urban Foundation's (1990:23) naive view that "**the best examples of residential integration and neighbourhood stabilization in the United States have been those in which neighbourhood revitalization and inner city redevelopment have accompanied such integration**" (original emphasis), since it is on just this turf that the most intense community-based struggles have been fought in recent years. Gentrification, largely borne of housing finance penetration after a period of intense redlining (Smith, 1979), is among the leading causes of displacement

and homelessness in the US (Bratt, Hartman and Meyerson, 1986), and it is safe to predict the emergence of such systemic unevenness for deracialized South African central cities if the Urban Foundation programme is successful.

While residential differentiation through differential access to housing finance has been a factor in advanced capitalist urbanization for some time, the particular conditions of the 1980's financial explosion intensified the pace of housing valorization and devalorization considerably (Leitner and Sheppard, 1989:73-74). And again, a resurgence of institutional race discrimination by the landed-financial capital nexus was one result of vast increases in interest rates, beginning in 1979. In addition to redlining and gentrification, there continue the practices of "blockbusting" and "blow-out" by many urban real estate agents who introduce African-American buyers to lily-white working class neighbourhoods, thus prompting massive sales (and hence commissions) and "white flight" (Harvey, 1973). As the Institute for Policy Studies' Working Group on Housing has found (1989:15), "blockbusting tactics enable real estate speculators to buy cheap and sell dear, while banks convert their old, lower-interest mortgages to higher-yield loans made to new minority homebuyers."

Again, contrary to the Urban Foundation's (1990:17,fn11) impression that these processes are not operating in South Africa at present, there are revealing signs of blockbusting in Boksburg's Windmill Park, as well as a few other white lower middle-class semi-urban and suburban neighbourhoods, in the context of struggles over the demise of the Group Areas Act (Financial Mail, 8/12/89). As with gentrification, it is safe to predict that blockbusting will become a much more widespread phenomenon in lower middle-class areas in coming years, and hence the US case offers a likely -- and disturbing -- scenario of how South African neighbourhood development might proceed under a free market regime. And already there are other indications of the impact of finance-driven urban development patterns in contemporary South Africa that shed light on the future of the post-apartheid central city and black townships.

FINANCE AND SOUTH AFRICAN REAL ESTATE

The most significant way in which financial capital is currently shaping South African urban development is through its strategic flooding of real estate markets in a process that looks very much like pure speculation. As the Venter Commission (1984:8,9) noted,

> "The role of the building societies is of decisive importance in determining the effective demand for housing... The building society movement made a mistake in 1979, 1980 and 1981. They overlent money on existing loans and did not increase the financing of new homes substantially. The result was demand inflation. Too much money chasing too few homes. The end result was spiralling home prices in some cases from R30 000 to R90 000 within 12 months."

Today, the amounts of money involved are enormous and rapidly increasing. So far it is paying off, as homebuyers of all races seem content to pay ever greater percentages of their disposable income for housing, under the expectation, of course, that the price (if not value) of their investment will always escalate. With some hot suburban areas seeing price increases of up to 50% in 1989, one leading property developer conveyed shock that "the rise in interest rates has been almost totally ignored. In my 26 years in the property business I have never seen prices rise so steeply while mortgage rates are rising" (Business Day, 21/12/89). Dangerous as the bubble might be, the process has by no means peaked; following consultations with international bankers in late 1989, a building society general manager expressed the expectation that concomitant with political reform, the SA property market would be a leading beneficiary of new foreign investment (Business Day, 21/12/89). For top city

centre office space, prices could easily go much higher. Prime space in Johannesburg in mid-1989 fetched R28 per square metre, which did not even rank in the top fifty cities in the world (Financial Mail, 30/6/89).

Financial capitalists do more than pump money into land, though. They also strive to transform the land into a built environment suitable for further speculation. This is true in places as predictable as the Johannesburg central business district (the eastern half of which, said a city councillor, would attract "thousands of middle and upper income earners into flats east of Eloff Street. They would mostly be employed in the high-rise banking complex taking shape in the west of the city" [Star, 22/4/90]); as obscure as Port Elizabeth's Greenacres shopping mall (the location of SA's most sophisticated post-modern building, which is home to an insurance company); or as portentous as Durban's South Beach area, where the enormous R90 mn "Wheel" shopping and entertainment centre (90% owned by Momentum Life and by First National Bank Pension Fund) will play several functions, according to a booster: "In addition to serving as a tourist attraction, The Wheel will boost the confidence of other investors. The area will be transformed from a seedy, depressed part of town into an up-market area" (Finance Week, 25/10/89).

Such transformation in the value of properties is the key, and the ebb and flow of financial capital is both driven by, and drives, this valorization process. During the 1980s, value increases and rental returns on the basket of 300 properties which make up the influential Richard Ellis Property Index outpaced even the JSE industrial index. The most attractive properties over the entire 1979-88 period, according to the Property Index, were decentralised offices (430% increase), followed by shopping (400%) and city centre (330%) real estate (Financial Mail, 21/4/89). Following a politically-induced downturn in 1984-86, much of the white residential property market has recovered, and there are even signs that gentrification is taking off in Johannesburg for black yuppies (Financial Mail, 20/6/89).

As a result, total sales of real estate, commercial and residential, have increased explosively since late 1986, from around R12 bn per year to R20 bn in 1989 (South African Reserve Bank Quarterly, December 1989). Along with financial capital's (led by insurance companies') equity investments in commercial real estate, the easy accessibility of mortgage bonds -- especially in residential markets -- has also driven property sales. The largest commercial banks began expanding their direct residential bond lending dramatically in 1979, and by late 1988 had over R10 bn of housing loans on their books as a result of a 180% increase that year. Other financial institutions carried another R30 bn in home loans (Business Day, 13/10/89). With all the activity in the bond market, all sorts of new lending products were introduced in the late 1980s and a secondary market for securitised mortgages opened up (Business Day, 9/11/89, 22/11/89, 11/12/89).

The harsh competition and new sophisticated products are harming old-fashioned building societies, especially in the wake of increased interest rates and the nearing of white borrowers' debt threshold. Although the societies granted many more loans than ever before in 1988 and 1989, there were many redemptions by borrowers who switched their debt to banks or other financiers (South African Reserve Bank Quarterly, March 1989). Subsequently, the societies' reflexive move to gain an edge by buying estate agent subsidiaries (Financial Mail, 13/10/89, 20/10/89) has only intensified the competition. On top of that, some major building society clients are shifting their operations: "The growth of the building industry," says John Kane-Berman of the Institute of Race Relations, "now depends largely on home building for blacks" (Financial Mail, 10/11/89). These are some of the reasons that prompted the building societies to play an increasingly aggressive role in providing housing bonds in black townships these last couple of years.

TOWNSHIP HOUSING FINANCE, SOCIAL CONTROL AND GREED

Following the 1975 decision by the Vorster administration to promote leasehold housing in steps, potential black (here, "African") homebuyers finally regained formal legal access to building society bonds in 1978 when the Financial Institutions Act was amended. (Prior to that, a few government housing loans for blacks were granted at a 9,25% interest rate.) Still, by 1982, there were only 1324 bonds registered by societies under the 99 year leasehold system (Hendler, 1986:88). In 1983, the Steyn Committee (1985:27) forecasted,

> "The success of the [council housing] sales campaign will depend on the willingness of building societies and other financial institutions to make the necessary amendments to their policy in respect of the standard of housing which is acceptable as the collateral for bonds as well as the payment of market related interest rates on all bond loans. The Committee therefore charges financial institutions to give their immediate attention to the changing of their existing policy with regard to the granting of loans to more humble homes."

Without those changes, by the end of the 1980s the limits of the private black housing market had nearly been reached. According to an estimate by housing developers at Rabie Investments, the top five percent of township residents could afford R30 000 houses and thus gain access to formal housing finance, and another 20% could afford houses between R25 000 and R30 000, which "leaves 75% for which solutions have to be found" (Finance Week, 25/10/89). Solutions clearly won't be found without massive state investment by a democratic regime (not merely promises of providing all citizens a site and service subsidy far from their place of employment or traditional home), but that doesn't mean that limited strategic deployment of housing resources won't produce results desired by the current state and capital. "When people are housed -- more especially when they are home-owners -- they are not only less likely to be troublesome," comments Zach de Beer (1988), "They are also likely to feel they have a stake in the society and an interest in its stability."

Supplying a young black revolutionary a housing bond through the disciplinarian private market (perhaps with some form of mortgage insurance programme to spread the risk) is one way of tying her or him down to stable labour and community behaviour. (This was certainly proven by the creators of the US Federal Housing Administration loan guarantee programme in the 1930s.) Here is not the place for a comprehensive review of 1980s state urban policies aimed, ultimately, at this sort of result (Mabin, 1989; Sutcliffe et al, 1989; see also Morris and Padayachee, 1988, and Hindson, 1987 for political economic context). But fiscal constraints are real, and so along with the dramatically fluctuating interest rate, it is fair to say that the **decline of central state involvement in housing provision** in favour of the private market must be considered one of the main factors exacerbating the SA housing crisis (as is the case elsewhere across the globe). And the new R2 billion "Steyn Fund" is in its initial formulation so heavily oriented to the private sector -- with its emphasis on loans, not grants; its need to grow, not dissipate; and its leveraging through private financial institutions -- that it cannot seriously play the role of proxy democratic state. Yet through the army's capacity to quell township unrest by brute force; through the development projects of various semi-autonomous agents (eg, the South African Housing Trust and the Development Bank of Southern Africa); and through indirect means -- mainly subsidies on financing schemes -- the state continues to play a particular type of role in township housing.

What should be most evident is the enthusiasm the state has for the township accumulation strategy of financial capital. It took a good few years and plenty of state incentives, but eventually in October 1989 the Perm's influential MD Bob Tucker

and the Urban Foundation fashioned the policy changes in township bond lending Steyn had called for in 1983, and persuaded the bulk of the major housing finance institutions to come aboard. This required amending the Usury Act to allow higher administrative costs for small loans to be passed to borrowers. It also spurred the creation of an insurance scheme -- largely subsidised by foreign governments but with rather high 7,5% premiums charged to borrowers -- designed to reduce lenders' collateral risk to as little as 60%, which "makes it possible, probably desirable, for financial institutions to enter this market" (Finance Week, 18/10/89).

But the key factor in the UF scheme appears to be an innovative and potentially risky downgrading of banks' and building societies' capital ratios (ie, the percentage owners' equity an institution must maintain against assets), a factor Tucker himself designed (Finance Week, 18/10/89) and one which, said an Urban Foundation spokesperson, "We hope will make low-cost housing just as profitable to banks as Hire Purchase business" (Financial Mail, 8/12/89). The downgrade further weakens South Africa's capacity to withstand its financial explosion, and it also contradicts the Bank for International Settlements' efforts to raise banks' capital ratios. South Africa's requirement (around 5% for banks and 4% for building societies) is already far below the 8% international standard, notwithstanding somewhat half-hearted recent moves to strengthen capital requirements (Financial Mail, 1/6/90). In 1989 The Banker magazine (July) noted that South Africa's largest banks -- Standard, FNB, Bankorp, Nedcor, and Volkskas -- ranked 290, 303, 412, 439, and 503 in the world in terms of assets, but their capital ratio rankings ranked a dismal 482, 774, 743, 540 and 451, respectively. And following that survey, South African banks' ratios actually declined (Financial Mail, 2/2/90). While the Reserve Bank's concern that repurchase agreements might threaten capital ratios was well-noted by the financial press in April 1990, the SARB's prior concession that billions of rands worth of township housing bonds could be carried on the books of financial institutions with no capital backing attracted little critical notice (the idea that ten-year debentures which will fund the housing bonds can partially substitute for capital is yet another accounting trick to hide what are in reality "liabilities" in the "owners' equity" accounts [Financial Mail, 8/12/89]).

The costs of insufficient capital ratios will in future very likely be borne by ratepayers or depositors -- "If it comes to a real crunch," the Financial Mail (1/9/89) observes, "the Reserve Bank doubts whether any major [bank] shareholder would rescue a banking affiliate at great cost to its own pocket" -- but that's not the end of it. The UF loan guarantee fund and general rush of capital into township housing finance will produce other victims as well. There will be a significant multiplier effect on black consumer debt as credit histories are established and houses are now used for collateral (Finance Week, 18/10/89), and come a recession, it is this sector that will be hit hardest by a wave of defaults and foreclosures. Worse, the door is now wide open and beckoning for fast-buck lenders; an official of Durban-based Finhouse in early 1990 thus announced a township housing development financing scheme which commands a 2.5% to 20% underwriter's fee:

> "We don't believe affordability has ever been the major constraint in low-cost housing -- getting the finance is... People want houses. Our research has shown an urgent need for a package like ours and if the finance can be attracted, I believe the possible extra costs will be met" (Financial Mail, 18/1/90).

Add to this the UF scheme's presumption of "normal business parameters of profitability and risk" (Tucker, 1989:2), and one can envision all manner of formal and informal racketeering practices emerging. As the Johannesburg Legal Aid Bureau's Brian Leveson insists, "The (UF) scheme will unwittingly expose thousands of people to being taken advantage of by unscrupulous building contractors and credit brokers who will prey on those who desperately seek low cost housing" (Star, 20/10/89). Already, Tucker

has been quoted as blaming the rapidly increasing rate of foreclosures on homeowners (of all races) on "the greed of institutions who lent the money" (Business Day, 31/7/89). He should know, because even the Perm has recently been accused of malfeasance in widespread cases where the entire house of an unwitting borrower is purchased from township councils by an unethical developer. The house is then used by the Perm as collateral when even a small loan for an addition is granted to the resident. In such cases, the addition is constructed by the developer under no-deposit arrangements, and the borrower is not aware that the ownership of the house has changed so that if a default upon the small loan occurs, the entire house is foreclosed upon (Weekly Mail, 7/12/89).

Most of the themes of this section -- from real estate speculation to valorization and devalorization of housing to residential differentiation to credit scams -- are returned to in the Alexandra case study. Note, however, that the guideposts are rather weak -- most of South Africa's urban analysts have subordinated study of the institutional capital accumulation strategies of various fractions of capital in townships to a broader analysis of township development as "the sphere of collective consumption." Based on themes Manuel Castells developed in the 1970s, South African scholars considered housing and the urban question as primarily one of class reproduction (see the debate between Hendler, 1987 and McCarthy, 1987). In contrast, Paul Hendler's pioneering study of capital accumulation in South African townships from 1980-85 drew attention to the theoretical and empirical basis for "connections between official [state] practices and business activities -- links which were not merely conceptual, but were also a lived reality for the personnel of several firms" (1986:15). The most visible and active businesspeople in the townships were employees of construction, retail, and financing firms, many of whom "were at some stage obliged to lobby and exert pressure on personnel in the organs of state regulation of the provision of African housing." It is not difficult to identify these actors in Alexandra Township in the late 1980s, and to trace their recent spectacular success to the repressive power of the state and the subsequent penetration of housing finance into the township.

III. THE PENETRATION OF HOUSING FINANCE IN ALEXANDRA

Alexandra, Johannesburg's closest African township, is undergoing a dramatic change in landscape, as both physical terrain and class relations are being torn asunder by the state, financial capital and their allies. To dig beneath the surface and understand the processes -- and the environment in which they unfold -- requires a certain amount of background contextualizing. Future historians of Alexandra will cite 1979, the year the township won a reprieve from Pretoria's forced removal axe, as the crucial moment in its history. Alexandra at that point represented, as much as any township, the momentous transition in state thinking towards urbanizing capitalist relations. (An earlier version of this process, also influenced profoundly by financial capital, can be traced back half a century, and is worth some initial consideration.) Following the 1979 reprieve, the state encountered severe resistance, as the Alexandra Action Committee played a leading role in the national political unrest of 1984-86 and thereby rendered the state's initial development plans futile. When, in the wake of extremely heavy repression in 1986, capital in various guises saw an opening in Alexandra, its unequivocal entry signalled, to Alexandra activists, a whole new set of problems.

For both historical and contemporary reasons, Alexandra offers a particularly good case study of the penetration of housing finance as a means of institutionalising capitalist social relations and transforming "use-values" into "exchange-values." Alexandra was chosen not because it is typical of South African urbanization, but because it represents the cutting edge of state repression, of capital's strategy, and

of militant, sophisticated, community resistance. Within the township's 1,6 sq kilometers and among its estimated 200 000 residents, it is possible to identify many of the class tensions that will haunt black South Africa in coming decades.

AN HISTORICAL PRECEDENT FOR HOUSING FINANCE PENETRATION

Throughout its history, Alexandra had been a site for various processes of capital accumulation, most bound up with the metropolitan labour market, petty local racial domination and formal apartheid legislation (Tourikis, 1981; Ditshwantsho tsa Rona Study Group, 1983; and Sarakinsky, 1984). What is most striking, though, is how during the two periods of greatest economic dynamism -- the 1940s and 1950s, and the late 1980s -- the rhythm of accumulation in Alexandra was timed according to the local practices of financial capital, especially in the housing market.

> "The greatest weakness of the Township, apart from the poverty of the inhabitants, is the exploitation of many of its standholders by European individuals and organisations, who hold bonds on terms so onerous that they constitute a 'racket' -- and a very profitable one to this kind of bond-holder."

So said Professor Hoernlé, Alexandra's administrator, in 1942 (Tourikis, 1981; most of the following historical citations are drawn from Tourikis' excellent thesis). By then, as many as 85% of the three quarters of Alexandra's stands which had freehold status carried mortgage bonds; by 1952, there were at least four dozen different mortgage lenders operating in Alexandra, both small institutions and individuals. This period is appropriate for comparison to the present day, because it was a time when the early gestations and subsequent maturing of a local housing finance market wrought unmistakable change on the Alexandra built environment. Before underlining the similarities between the urbanization of capital through housing finance in the early 1940s and late 1980s, it is important to first make note of the differences, in order that this limited window on the history of Alexandra be placed in proper context.

Tourikis argues convincingly that in its early years, "the 'global' structure within which Alexandra Township was located -- ie, the form that the capitalist mode of production had taken in South Africa -- had the effect of **uniting** the African petty-bourgeoisie with the working class." In the 1980s, in contrast, the state and enlightened capital developed a much different vision of global processes, since it had become clear to them -- indeed already at the time the current economic crisis set in during the mid-1970s -- that some major social restructuring to split off a black middle class was an absolutely necessary component of the general political-economic fix.

Another crucial "global" difference is that while from 1930 to 1953 there was a fairly steady decline in the real cost of rental housing in South Africa (taken as a whole) (McCarthy and Smit, 1984:92), the more recent spectacular upswing of returns from the real estate market -- indeed, the switch from productive to financial-speculative circuits of capital more generally -- has given financial capital a broader incentive to consider investments in sites like Alexandra. In contrast, major building societies didn't stray far from the white communities in the 1940s; the building societies and individual loan sharks that Hoernl complained of were small and adventurous -- definitely not the major institutions -- and so could get away with lending at an interest rate of close to 10% (as against the 5 1/2% rate charged by major building societies). Indeed, the effective interest rate on housing loans in Alexandra sometimes reached 17% in the 1940s.

But today, major building society prejudices -- on grounds of race, class, geography, or technical barriers (eg, related to foreclosures in the context of the

Group Areas Act) -- have been pretty much **submerged** as larger forces (credit Keynesianism, the limits to SA corporate and white consumer indebtedness, the political pacification programme, the fiscal crisis of the central state and hence housing privatisation) have become overwhelming. What comes through perfectly clearly though, is that the **type** of lender --in a sense, that is, the **quality** of the credit -- was a key variable in Alexandra's development (as it was in the 1974 Harvey-Chatterjee study of Baltimore). In the Alexandra of the 1940s, Professor Hoernlé's administrative duty, in the face of dramatic bus boycotts and increasing ANC organising, was foremost to maintain law and order (and only secondly to ensure health and welfare), a task made near-impossible by the township's extreme residential density and the demoralizing housing conditions. Hoernlé easily recognized the structural impediments responsible for the housing crisis; he bitterly criticized the unscrupulous lenders

> "who get individual standholders into their clutches. A typical method, not to say trick, is, when a standholder finds difficulty in maintaining his payments, to suggest to him an **additional** loan for the purpose of building additional rooms on his property, from the rent of which, so it is represented to him, he will find it easier to pay the interest and redemption charges on the higher loan."

The result included foreclosures and hence uneven urban development: the devalorization of capital that set the stage for its revalorization in the next purchase cycle. This, it was suggested in Section II, is a universal process in capitalist cities, and although there is as yet little evidence of this process in present-day Alexandra, it is only a matter of time before a housing resale market develops and deeds office records begin to unveil charlatan lenders who grant bonds in order to foreclose on unsuspecting borrowers and then resell their property, perhaps in the context of the wider upgrading schemes. The implications for the future of Alexandra are important, for if working class homeowners are overindebted and the unethical lender is well-equipped -- even anxious -- to push the debt ever higher and to then foreclose (rather than giving some forbearance to the struggling debtor), this will hasten considerably the ghetto's class segregation and residential differentiation, its physical dilapidation, and its lower-income residents' displacement.

The historical evidence is revealing, because although the political-economic context is different now, the processes set in motion by low-quality housing finance in the 1940s had much to do with the genesis of the housing squalor which exists in Alexandra still to this day. Added to this legacy, there were also some striking similarities between the two periods (with the historical examples in parentheses):

> * **very high land prices** (£100 per 1/8th acre stand in 1942 -- "higher than in swagger Houghton," according to a shocked legislator -- with some prime Alexandra land even selling at £1500 per acre);
>
> * yet simultaneously, **the age-old difficulty in acquiring relatively small bonds** (Alexandra bonds were typically between 150 and 450 in the early 1940s, as opposed to a minimum bond in a white area -- which, of course, paid for a much higher quality house -- of £1000);
>
> * **pleas for state intervention to lower interest rates** (these had come mainly from the standowners' solicitors);
>
> * **efforts by enlightened capital to end racial restrictions on land ownership** (from the Board of Directors of Johannesburg Building Society in 1942, with reference to lending in Alexandra, "proposals to be laid before [the Interior Minister] will include a suggestion for an alteration of the

law, by which the existing title deeds can be so amended that the Society can take possession of the land and buildings of a defaulting Native or Coloured borrower");

* the fact that **the default rate for blacks was lower than that for whites** ("The African will **treasure** his freehold property in an Urban area more than a European and will use every endeavour to retain such property," said the standowners' solicitors);

* yet simultaneously the unavoidable truth that for many blacks, **"loans are often the first step to losing the property"** (as the Alexandra Medical Officer wrote in 1941); and most importantly,

* the temptation for overindebted homeowners to **transfer interest payment costs to their tenants** through overcrowding, overbuilding and high rental charges ("The whole economic position in the Township would be greatly eased if the burden of debt were to be removed from the standholders," said Professor Hoernlé. "For, then they could reduce the rent of their tenants.").

What the historical evidence suggests, most of all, is that housing **as a commodity** (financed by private bonds) was a key factor in the class configuration of Alexandra. And although Alexandra was relatively unusual in having freehold status (which dated as far back as 1912), it did indeed, then and now, serve as a kind of model for developments elsewhere. As one study of the earlier period found, "Johannesburg property speculators, estate agents, building societies and construction firms had mobilised and were lobbying for a policy of home ownership and massive state financed building programmes" (Wilkinson, 1981, cited in Hendler, 1986:45). Even as the major financial and landed capitalists had feared Alexandra as a site for investment in the 1940s and 1950s (its status was highly uncertain due to Johannesburg Council efforts to have the township removed), they were following their class interests in attempting to construct the conditions there and elsewhere for long-term accumulation via the commodification of township housing.

The efforts of the established building societies to change the underlying legal and environmental conditions in Alexandra failed. Subsequently, the state's decision in 1963 to transform Alexandra into a hostel city for 20 000 male and 5 000 female workers -- and the concomitant mass expropriation of homes -- replaced ownership with rental status, thus deeply affecting the politics of subsequent township protest. Although thousands of Alexandra residents were displaced between the 1960s and 1979 (the population dipped to 40 000 in 1973), urbanization pressures intensified in the Transvaal such that the illegal squatter sector of the population generally increased steadily from the mid-1970s, and shack dwellings sprouted in most backyards. In 1974, with just 950 freehold properties in black hands (down from a peak of 2 500), Rev. Sam Buti founded the Alexandra Township Residents Liaison Committee, which later became the Save Alexandra Party.

Though Buti claimed responsibility for Pretoria's 1979 reprieve -- which allowed Alexandra to maintain itself as a part-family-based, part-migrant labour-based township -- the decision probably had more to do with the problems of building hostels in Alexandra and with the shift in state strategies towards urbanization more generally as signified by the acceptance of the Riekert and Wiehahn Commissions. Buti cooperated in the West Rand Administration Board's development of a master plan for Alexandra in 1980, one which involved large-scale supposedly-temporary displacement of residents. Intense community resistance developed over the next few years -- initially from the Alexandra Residents Association and subsequently from the Alexandra Youth Congress and Alexandra Action Committee (AAC) -- finally forcing then-mayor Buti to resign in 1986.

PREPARING THE GROUND FOR HOUSING FINANCE

Despite the intense community pressure on local administration and the illegitimacy of the central state's strategy, both quite obvious from the early days of Alexandra's redevelopment, certain elements of private capital had begun some tentative steps towards Alexandra in the early 1980s. Their efforts were, it must be said, puny in comparison to the flood of capital that inundated Alexandra at the end of the decade, but ideologically, they were not insignificant. Some initial charitable efforts must have appeared to the donors as merely that (eg, the Star newspaper's Uplift in Alexandra campaign which gathered private and corporate funds for building housing and amenities), while other endeavors were clearly geared to the long-term development of Alexandra as a site for capital accumulation. More serious, in this respect, was the non-profit Alexandra Development Fund, which gathered together companies whose interests in Alexandra ranged from contracting work to new retail markets. Among the ADF's thirty major corporate supporters were the Perm, First National and Nedbank. (The ADF has been a leading force in promoting middle-income housing for sale at cost or through small subsidies, and arranged the construction of 130 homes through a R1 mn revolving fund in its first full year of operation.) Other huge corporations saw the importance of smothering Alexandra with monetary support. The Premier Group donated R100 000, and South African Breweries chipped in R55 000. Barlow Rand founded the Alexandra Enterprise Centre as "a breeding ground for our future black manufacturers and industrialists" (Jochelson, 1988:16). The "Progress, through Employment" programme of the Alexandra administrator and businesses aims for a more realistic audience of future small businesspersons, and has been given support by First National Bank and other big companies. Earlier, FNB (then Barclays) had provided a R500 000 loan for an old age home (Star, 4/8/82). Nedbank offered financing to Alexandra's creches (Financial Mail, 20/5/88). All this was backed firmly by the state, which well understood the need to impose free enterprise values upon its subjects and also to back away from a direct role in housing development.

"In the past years," Nunka Mkhalipe and Buti observed in a 1985 newspaper column,

> "the government has placed an increasing onus for black housing on the private sector. However, there are still many obstacles to be overcome before the private sector can participate meaningfully in this process. The availability of land, 99-year leasehold registration procedures and the surveying of plots have also hindered private sector involvement, but lack of finance is the hub of the problem" (Alexandra Chronicle, December 1985).

It was not until after Buti's forced resignation as Alexandra mayor and after the state had smashed the AAC that private sector housing finance willingly entered the township. Not only had Alexandra been a most vivid example of political investment risk during the 1985-86 Witwatersrand uprisings, even the surrounding white areas were feeling the pinch. At the peak of unrest in April 1986, 80% of neighboring Marlboro's businesses (which employed many Alexandrians) were boarded up, and housing prices in white suburbs nearby began falling by as much as 10% in a matter of weeks (Financial Mail, 11/4/86; Citizen, 8/5/86).

When the state reassembled its Alexandra forces following the May-July 1986 siege under the rubric of a mini-joint management centre (JMC), it decided that alongside repression there must be a more focussed effort to provide funds for upgrading Alexandra's existing legal residential base. The needs had become acute, for 80% of the township was without sewage or electricity, only the main thoroughfare was tarred, and only 10% of the streets were lit. Although two thirds of Alexandra shack dwellers were born in the township or have lived there more than two decades (IDASA Factsheet on Alexandra, circa 1989), a September 1986 plan by Eskom engineers pointed out ways in which services for just 92,000 people (less than half the estimated population) could

be provided. Eskom suggested maintaining the township's existing grid-block layout rather than continuing with the 1980 plan's complete overhaul (Halbig, 1987), and on housing recommended, "Swift movement to private ownership on the basis of permanent title, so that owners can assist local authorities in creating order, promoting cleanliness, limiting crime and preventing squatting." In the words of a military officer on the Alexandra JMC, "We believe that if a person owns his own house, he will not tolerate stone-throwing or petrol-bombing in the vicinity" (Guardian, 1/5/89).

So with AAC leaders in jail on treason charges (which ultimately could not be successfully prosecuted, thanks in part to keen international attention), upgrading began in earnest, with three phases of infrastructure provision slated to cost R139 mn. The new amenities include a post office, clinic, public phones, mast lighting, tarred roads, and some sewage services, with plans for major recreational facilities. According to Steve Burger, who managed the township following the 1986 army occupation,

> "By the end of 1990, Alexandra will boast the completion of full services to the township. The transformation is unbelievable. Old houses are being refurbished and sold off, while brand-new houses are being built in the old Alexandra as well as on the new extension on the east of the Jukskei River. Civic pride is also evident, as residents use the garbage cans that have been provided by the RSC" (Financial Mail, 19/1/90).

For the state, Jochelson (1988:14) contends, "Alexandra's proximity to white areas, its symbolic value as an area of militant people's power, and international attention focused on the treason trials, [made] the township a particular challenge." And from the state's point of view, the new plan and its implementation has been largely successful in meeting the challenge.

The private sector developers who moved in to take advantage of the redevelopment of Alexandra included SM Goldstein, Gough Cooper Homes, Tri-Time Housing, Alex Homes Forever, John Shaw Construction, and Rabie Property Developers. Stocks and Stocks is developing shops, private offices and a municipal office in the town centre of Old Alexandra. New land available on the East Bank of the Jukskei River was quickly sought by Tri-Time, Rabie, LTA Comiat, Schachat Cullum, Basil Read, Habitech, Homes 2000, Minrav International (an Israeli firm), Permanent Development Corporation (of the Perm building society), and the Urban Foundation's FHA Homes. Ultimately, Rabie and its affiliates Murray and Roberts got the lion's share of the East Bank, and did all the infrastructure provision. Murray and Roberts offered a "Learn While You Earn Homebuilding Course" for Alexandra residents. The 250 ha Far East Bank was eyed hungrily by developers in early 1990, with expectations that 6 000 new units would be built by the private sector for low-, middle- and high-income residents (see Figure 1).

Hence the ground had been prepared for the penetration of financial capital in Alexandra Township. The value of residential building plans passed in 1986 was R601 000; R936 000 in 1987; and an extraordinary R19,6 million in 1988. The value of commercial plans went from R625 000 in 1986 to R372 000 in 1987 to R1,1 million in 1988 (Davies, Bristow & Associates, 1989:14). Financial institutions queued up to make loans in once-forbidden Alexandra.

THE PENETRATION OF HOUSING FINANCE

Most of the Alexandra mortgage activity recorded at the Pretoria deeds office through May 1989 (such records begin in early 1988) supported the R40 million housing development in the East Bank. This reflects not only the capacity of developers to transform empty space into housing commodities -- already occupied space requires displacement of existing residents, in many cases -- but also the difficulty in formal

surveying of the Old Alexandra stands. Most surveying of Old Alexandra took place through aerial photography, and this -- plus the added filing costs passed on to buyers -- made it difficult to transfer houses to freehold status. East Bank houses are freehold, while all of the Old Alexandra house sales were leasehold status.

The leading issuer of mortgage bonds in Alexandra through May 1989 was the combination of the Perm, NedPerm, SA Perm, and Nedbank ("Nedperm"), with 262 loans. Allied had 198, nearly all of which were in the East Bank. Figure 2 is a breakdown of the volume of each lender's activity. Of 57 homes that had mortgages of more than R80 000, Nedperm accounted for 41, including the lion's share of residential loans greater than R100 000. But Nedperm also granted many mortgages of around R20 000, and even one as low as R10 000. The South Africa Housing Trust's Khayalethu Home Loan's loans were consistently in the R30 000 range, while most other lenders averaged R40 - R50 000.

Of about 15 000 dwellings in Old Alexandra, the Council still owned 9000 or so in mid-1989, of which 2000 were structurally sound and 3000 could be made sound, according to Burger (Weekly Mail, 6/8/89). While a recent court decision against the Council has temporarily halted home sales, the effects of earlier sales are already acute. By September 1989, Budlender (1989:9-10) could report that "The most striking practical consequence of the sales has been a demand by the purchasers for sharply increased rent" from tenants; indeed, "in many cases the 'tenants' will in effect pay the full purchase price, and within a relatively short period." Budlender's Legal Resources Centre documented a large number of enormous rent increases -- from the R10-20 range to R50-150 range. Thus, says Mzwanele Mayekiso,

> "A class of petty bourgeois is being developed in Alex in the form of home-owners and stand-owners. These people in turn exploit their tenants. They charge high rentals and people are not happy with this situation" (Work in Progress 59, June/July 1989).

Aside from Council house sales, private housing development in Alexandra is progressing rapidly, especially the construction and sales of flats in huge multi-floor apartment blocks. Sixty-four blocks were planned (Housing in Southern Africa, December 1988), and by late 1988, 28 (housing 702 families) were under construction, supported by the National Housing Commission. (The R24 mn construction contract went to SM Goldstein, with the mass production of construction materials such as wall panels moved from Alexandra itself to nearby Lombardy West [Star, 17/11/88].) According to a Kaye-Eddie estate agent and developer, her company had built and sold three blocks of 56-unit apartments in the centre of Old Alexandra by January 1990, and four more blocks were planned. Financing for the flats was provided by Allied Building Society, in whose nearby Orange Grove office Kaye-Eddie is located. The loans incorporate the state's first-time homebuyer subsidy, and in January 1990 carried a 17,5% interest rate. For R21 600 bachelor flats in the buildings, with a 10% deposit paid (some deposits were as low as 5%), the monthly bond payment was R223, and thus Allied and Kaye-Eddie required a minimum R800 per month family income. For two bedroom R40 200 apartments, the monthly payment was R314 and R1000 per month income was required. For three bedroom R55 500 apartments, R439 was the monthly payment and R1200 the minimum monthly income. Yet market research data compiled by LHA Management Consultants suggest that only 20% of Alexandra residents earn the monthly income required by Allied for the bachelor flats; 10,5% the two bedroom flats; and 4,3% the three bedroom flats. Furthermore, after subtracting subsistence level living costs and income tax, it is clear from LHA data that even this select group cannot really afford the Allied monthly bond payments.

Old Alexandra is also witnessing an increasing amount of private single-family housing construction and sales, which are again dependent upon housing finance. Johannesburg-based TIME Housing is one of the major developers. In a company brochure, TIME brags that "We work with all major Building Societies with particularly strong

links with the SA Perm, NBS, Saambou and the Allied. We were also one of the first housing companies to offer Standard Bank bonds for the Coloured, Asian and Black population groups." One TIME employee noted that individual financing for the company's range of R47 000 to R65 000 houses were typically 5% deposit bonds granted by NBS and the Perm (interview with author). With its affiliate Tri-Time Housing (which includes black entrepreneurs), TIME worked on a joint venture to build 50 "quality" homes on 13th Street, and according to its managing director is aiming to move from its current upmarket client base to below R25 000. "In this range," says TIME MD Mike Graham, "the SA Housing Trust offers substantial assistance in the form of serviced land" (Sunday Times, 9/4/88). In addition to TIME, other Old Alexandra developers include Alex Homes Forever, Algemene Diensburo vir Kerlike Beplanning, Ontwikkeling en Bestuur and John Shaw Construction. Gough Cooper (of SM Goldstein) began a 107-house complex named "Alexandra Mews" in Old Alexandra in March 1989, priced initially at R74 000 but repriced at R50-60 000.

In the Alexandra Council's attempt to impose new intratownship class relations, the East Bank was the first testing ground; 28 houses were constructed there in a 1986 pilot scheme. As early as March 1986, the far-sighted developers Murray and Roberts had gained East Bank development rights from the Johannesburg City Council (which then owned the land), so long as a "Millionaires' Row" buffer zone (and later, a golf course) would separate the East Bank from neighboring white Lombardy. Murray and Roberts began developing 630 stands in April 1988 (with fourteen different house designs), of which 511 in the first phase cost an estimated R40 mn (around R80 000 per house), for which the company received substantial infrastructural subsidies from the South African Housing Trust. Another 334 sites were planned by the SAHT for "low-income" housing on 190 sq metre stands, a quarter of the size of the Millionaires' Row stands. The Housing Trust homes, just 40 sq metres in size and built at very low standards, were priced at R20 000 in 1989 and financed by the Trust's Khayalethu Home Loans, while a relatively cheap Murray and Roberts house on the East Bank was R45 000 (of which R12 000 was for the serviced plot), and financed by private financial institutions.

The East Bank's development has offered the state and capital some particular lessons on what works and what doesn't work in the township residential differentiation. According to Hendler (1989:108),

> "The development of the private market [in the East Bank] complemented the upgrading of the old section of the township, which formed part of the Joint Management Centre strategy for the area. The creation of an up-market elite area would dovetail very neatly with the National Management Security System's strategy to defuse tension in Alexandra, and to create the basis for social stability there."

Fully two thirds of the East Bank's 700 houses were selling, in late 1988, for R50 000 or above, with a quarter higher even than R80 000. "Although the top end is a little thin," Rabie Housing's managing director told Business Day, "sales have gone down extremely well with Alexandra residents." The newspaper also learned from Murray and Roberts' housing director that "Up-market projects will fulfill a vital function of motivating township residents towards a better lifestyle," a view confirmed by an Alexandra homeowner: "Having something to strive for is going to change everything for us" (Business Day, 17/11/88).

Such sentiments are the clarion call for a middle- and upper middle-class East Bank community that Alexandra resident Pascal Damoyi derisively labels "a five star lokasie... meant for the town clerks, cops and teachers. The project aims to create a population of active, employed and skilled people, afraid of losing their expensive houses, tamed, and effectively controlled" (Work in Progress 44, 1987). The largely

upmarket East Bank is certainly a launching pad from which a successful programme of political pacification can begin.

Following the development of the entire East Bank, the next area for Alexandra's expansion is the much larger 260 ha strip known as the Far East Bank. This area abuts the white area of Lombardy, hence the Johannesburg City Council's demand that any development there be buffered by a golf course. In addition to the obvious desire of Murray and Roberts to continue its East Bank building, there were two other major players expressing an interest in development on the Far East Bank in early 1990. The first was the Development Bank of Southern Africa, which was developing plans for partially-subsidized site and service provision for 2000 sites on a small strip of land on the Far East Bank's northern boundary. According to a DBSA official, the stand size would be approximately one quarter a normal stand, and building materials would also be subsidized, bringing the total cost to the resident to around R5 000, not including sweat equity. Negotiations hinged on the willingness of the council to support this option in exchange for forbearance on a R54 million DBSA loan, and on the capacity of the DBSA to act as, in the official's words, an "honest broker" between council and the Alexandra Civic Organisation (ie, the new AAC) (interview with author, 22/1/90).

The second potential actor in Far East Bank housing is ACO itself, potentially using funds for a cooperative housing land trust made available by the pension and provident fund holdings of the National Union of Metalworkers of South Africa. This latter project, along the lines of the community-controlled cooperative models of housing **decommodification** Swilling (1990) refers to, offers perhaps the best hope for concrete popular opposition to the urbanization of capital through housing finance in Alexandra. But in a more confrontational vein, there are other township challenges to financial capital emerging elsewhere: the phenomenon of "bond boycotts" arose from Blue Downs in the Western Cape in 1989 and spread ominously, leading Planning and Provincial Affairs Minister Hernus Kriel to agonize to Parliament in mid-1990,

> "If bond repayments are not made, financial institutions involved in providing home loans will have no alternative but to refuse to finance black housing. I want to call on black leaders to stop these actions. Nobody, but nobody can benefit from such an attitude." (Business Day, 22/5/90)

IV. CONCLUSION

Whether grassroots resistance to financial capital's penetration of townships stiffens in coming months and years, or, as in the US, only after the full effect of housing valorization and devalorization and residential differentiation are felt, decades down the road, is in the hands of the civic associations and mass democratic movement leaders who are presently gearing up for negotiations with the state (bringing with them demands that include nationalisation of banks). What can be learned from the preceding evidence?

* If South Africa's financial explosion is, at some level, the driving force behind the penetration of housing finance into townships, this is extremely disturbing. Throughout history, the problem of a rising financial sector delinking from a shrinking productive base has been dealt with conclusively only one way: widespread defaults and general financial collapse (Clarke, 1988). Black borrowers will be least able to withstand the severe shake-out and austerity that arises from the banks' frantic search for collateral.

* Nonetheless, housing finance will provide the overriding logic for

township development in the near future. The Alexandra experience suggests that state intervention -- both through bald repression and "winning hearts and minds" -- remains crucial to prepare the ground for housing finance; but it appears that this will generally proceed according to a public-private partnership model that subsidizes landed and financial capital (eg, the Steyn Fund). The issue then becomes to what degree the concomitant processes of class differentiation, rising land and housing costs, displacement of tenants, and community disintegration can be contained by progressive forces.

This article has merely outlined the problems of township housing within the context of the financial explosion. Before lasting solutions are found, popular struggle on the terrain of high finance must intensify, whether or not this conflicts with nationalist strategies of bringing on board all potential democratic allies (eg, liberal financiers). Here, US civic associations, trade unions, students and the anti-apartheid movement may have some lessons to impart (Bond, 1987, 1990a, 1990b). Failing this, it would be quite natural for the general pattern of US urban development -- with its systemic mix of postmodern fortresses for the rich surrounded by expanding slums and overpriced suburbs -- to reoccur in an even more damaging and polarizing way in this country, as central business districts harbour uncontrolled financial speculation and as apartheid townships become free market free-for-all investment zones, the needs of the masses of poor and working people be damned.

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