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Structural Inequality, and Xenophobic Expression in South Africa**



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Economics of Exclusion: Neo-colonialism, Racial Capitalism, Structural Inequality, and Xenophobic Expression in South Africa

 **Dr. Mark O. Okowa**

Department of Social Sciences, Tom Mboya University, Homa Bay, Kenya

<https://orcid.org/0000-0002-1915-1891>

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Abstract

Purpose: This article examines why profound socio-economic inequality continues to define South Africa more than three decades after the end of apartheid. The article argues that the legacy of colonialism and apartheid remains embedded within contemporary patterns of accumulation and exclusion, limiting the transformative potential of democratic governance.

Methodology: The study adopts a qualitative political economy approach informed by Marxist political economy, dependency theory, world-systems analysis, and the theory of racial capitalism. The document analyses secondary data from Statistics South Africa, the World Bank, and the South African Reserve Bank.

Findings: The analysis reveals that South Africa's democratic transition was accompanied by significant political change but far more limited economic transformation. The negotiated settlement that facilitated the transition largely preserved existing structures of ownership and accumulation, particularly within the minerals-energy complex and the broader architecture of neoliberal capitalism. Consequently, economic growth has often failed to generate broad-based employment or meaningful redistribution. The persistence of extreme inequality, high unemployment, and widespread poverty reflects the continued influence of historical patterns of racialized dispossession and labour exploitation. The article further finds that recurrent xenophobic violence is not simply a product of prejudice or cultural intolerance but is closely linked to socio-economic insecurity, exclusion, and competition for scarce opportunities within a highly unequal society.

Unique Contribution to Theory, Practice and Policy: The article contributes to scholarship by bringing together insights from racial capitalism, dependency theory, and world-systems analysis to provide a historically grounded explanation for the persistence of inequality in democratic South Africa. It demonstrates that political democratization alone is insufficient to overcome deeply entrenched economic structures. For policymakers and practitioners, the findings underscore the need to move beyond market-centred approaches toward a more transformative developmental agenda. The article recommends policies that promote equitable redistribution, labour-intensive industrialization, democratic forms of ownership, expanded economic participation, and a strategic restructuring of South Africa's position within the global economy. Such measures are essential if the country is to translate political freedom into meaningful social and economic inclusion for the majority of its citizens.

Keywords: *Racial Capitalism, Neocolonialism, Dependency Theory, Inequality, Xenophobia, , Unemployment, Neoliberalism, Political Economy*

Introduction

The democratic transition in South Africa in 1994 marked one of the most significant political transformations of the twentieth century, symbolizing the formal end of apartheid and the emergence of a constitutional order founded on equality, human rights, and democratic citizenship (Bond, 2000; Terreblanche, 2002). Despite this political achievement, South Africa remains one of the most unequal societies globally, characterized by persistent poverty, chronic unemployment, wealth concentration, and recurring xenophobic violence (World Bank, 2022; Statistics South Africa, 2023). This contradiction raises a critical political economy question: why has political democratization failed to produce substantive economic transformation?

This article argues that the persistence of inequality in South Africa is rooted in the continuity of racialized capitalist accumulation within a broader neo-colonial and neoliberal framework. Although apartheid formally ended in 1994, the underlying economic architecture of exclusion remained largely intact. The transition did not fundamentally dismantle structures of ownership, labour exploitation, and dependency established under colonialism and apartheid; rather, these structures were reconfigured within global neoliberal capitalism (Fine & Rustomjee, 1996; Harvey, 2005). Consequently, post-apartheid South Africa inherited a political democracy embedded within an economic system shaped by racial capitalism, financialization, and global dependency.

The article situates South Africa within broader theoretical debates on capitalism, imperialism, dependency, and neoliberal globalization (Lenin, 1939; Frank, 1967; Amin, 1976; Harvey, 2005). Marxist political economy conceptualizes capitalism as a system driven by accumulation through exploitation and class domination (Marx, 1976), while dependency theorists argue that peripheral economies are structurally integrated into global capitalism in ways that reproduce underdevelopment and external dependence (Frank, 1967; Amin, 1976). In the South African context, Cedric Robinson's (1983) theory of racial capitalism is particularly significant because it demonstrates how racial domination and capitalist accumulation historically developed together through dispossession, labour coercion, and exclusion.

The article advances four interrelated arguments. First, the democratic transition represented an elite compromise that preserved the structural dominance of the minerals-energy complex and protected existing patterns of capital accumulation (Bond, 2000; Fine & Rustomjee, 1996). Second, neoliberal restructuring and financialization deepened South Africa's integration into global capitalism, constraining state autonomy and reinforcing dependency (Epstein, 2005; Harvey, 2005). Third, unemployment and inequality are not accidental policy failures but structural features of a capital-intensive growth model rooted in racial capitalism (Bhorat, 2015). Fourth, xenophobic violence is conceptualized as a manifestation of structural exclusion and displaced socio-economic frustration under conditions of unemployment, inequality, and neoliberal precarity (Misago et al., 2015; Crush, 2011).

Methodologically, the article adopts a critical political economy approach combining historical analysis, theoretical interpretation, and engagement with secondary empirical evidence. Rather than treating inequality as merely a technical development challenge, the article conceptualizes exclusion as an outcome of historically produced relations of power embedded within national and global capitalist structures (Harvey, 2005; Robinson, 1983). The article proceeds by examining neo-colonial continuities in post-apartheid economic transformation, racial capitalism and structural inequality, financialization and dependency, the labour market crisis, and xenophobia as a socio-economic expression of exclusion before proposing the foundations of a transformative political economy.

Neo-colonial Continuities and the Illusion of Economic Transformation

The transition from apartheid to democracy in South Africa represented a profound political rupture but only a limited economic transformation. While formal racial segregation was dismantled through constitutional democratization, the underlying structures of accumulation that sustained apartheid capitalism remained substantially intact (Bond, 2000; Terreblanche, 2002). This contradiction reflects what Kwame Nkrumah (1965) conceptualized as neo-colonialism, a condition in which formally independent states remain economically subordinated to global capitalist interests and external centres of accumulation. In this sense, political liberation in South Africa did not fundamentally alter the structural foundations of economic power established under colonialism and apartheid.

South Africa's post-apartheid economy continues to operate within a global capitalist system historically shaped by colonial extraction, unequal exchange, and racialized labour exploitation (Frank, 1967; Amin, 1976). Central to this structure was the minerals-energy complex (MEC), conceptualized by Fine and Rustomjee (1996) as a system of accumulation organized around mining, energy production, and heavy industry. Under apartheid, the MEC relied upon cheap Black labour, racialized dispossession, migrant labour systems, and coercive labour regulation to sustain capital accumulation (Wolpe, 1972; Fine & Rustomjee, 1996). Although apartheid ended politically, the MEC remained central to South Africa's economic structure, reinforcing continuity in ownership patterns, industrial organization, and class relations (Bond, 2000).

The negotiated settlement of the early 1990s prioritized political stability and investor confidence over radical economic restructuring. As Bond (2000) argued, the democratic transition constituted an "elite compromise" in which political power changed hands while economic power remained largely untouched. Constitutional protections for private property, together with the institutional independence of the South African Reserve Bank, effectively insulated capital from redistributive transformation (Terreblanche, 2002). Consequently, the transition secured political legitimacy without fundamentally challenging concentrated ownership structures inherited from apartheid capitalism.

The adoption of the Growth, Employment and Redistribution (GEAR) strategy in 1996 further consolidated neo-liberal restructuring in post-apartheid South Africa. GEAR emphasized fiscal discipline, inflation targeting, privatization, trade liberalization, deregulation, and openness to foreign investment (Marais, 2011). These policies reflected the broader global ascendancy of neoliberalism during the post-Cold War period, characterized by the prioritization of market efficiency, macroeconomic stabilization, and financial liberalization (Harvey, 2005). Although GEAR contributed to macroeconomic stability and improved investor confidence, it simultaneously constrained state-led redistribution, industrial transformation, and developmental intervention (Bond, 2000; Terreblanche, 2002).

From a Marxist political economy perspective, this continuity demonstrates the adaptability of capitalism under changing political conditions. Marx (1976) conceptualized capitalism as a system driven by accumulation through labour exploitation and class domination. In South Africa, capitalist accumulation historically operated through racialized systems of labour control and dispossession, giving rise to what Robinson (1983) termed racial capitalism. Robinson argues that capitalism did not emerge independently of race but developed through historically racialized processes of exploitation and exclusion. Political transition therefore altered the legal form of racial domination while preserving the underlying logic of capitalist accumulation (Robinson, 1983; Harvey, 2005). Empirical evidence demonstrates the persistence of structural inequality in post-apartheid South Africa. Wealth concentration remains overwhelmingly skewed, with ownership of productive assets concentrated among a narrow corporate and political elite (Piketty, 2014). The World Bank (2022) identifies South Africa as one of the most unequal societies globally, with race continuing to shape access to income, education, employment, and wealth. Similarly, Statistics South Africa (2023) reports persistently high unemployment rates disproportionately affecting Black South Africans, particularly youth and women.

Spatial inequality further reflects the continuity of apartheid structures within the post-apartheid economy. Townships and informal settlements remain economically marginalized and spatially disconnected from centres of economic opportunity (Turok, 2012). Apartheid spatial planning produced racially segregated urban geographies characterized by unequal infrastructure, transportation systems, and access to labour markets (Seekings & Nattrass, 2005). Turok (2012) demonstrates that these spatial inequalities continue to reproduce exclusion through high transport costs, weak service delivery, and limited economic mobility.

Neo-colonial dependency is also evident in South Africa's integration into global financial markets. Financial liberalization increased exposure to global capital volatility while simultaneously constraining policy autonomy (Epstein, 2005). Harvey (2005) describes this process as the "disciplinary power" of global capital, whereby states are compelled to prioritize investor confidence, fiscal austerity, and market stability over redistributive transformation. Consequently, South Africa's integration into global neoliberal capitalism reinforced dependency

and limited the capacity of the democratic state to pursue substantive economic restructuring (Amin, 1976; Harvey, 2005). Thus, the post-apartheid economy reflects not the dismantling of colonial capitalism, but rather its reconfiguration within global neo-liberalism. Political liberation occurred without substantive economic decolonization, leaving intact the structural foundations of inequality, dependency, and exclusion established under colonial and apartheid rule.

Racial Capitalism and the Reproduction of Structural Inequality

The persistence of inequality in South Africa cannot be adequately understood without engaging the concept of racial capitalism. Cedric Robinson (1983) argued that capitalism did not emerge as a racially neutral system but developed through historically racialized forms of accumulation, dispossession, and labour exploitation. Race and class, therefore, are not separate analytical categories but mutually constitutive dimensions of capitalist development. In colonial and apartheid South Africa, racial domination functioned not merely as an ideological system but as a material mechanism for organizing labour, controlling land, and sustaining capital accumulation (Wolpe, 1972; Robinson, 1983). Colonialism and apartheid institutionalized racial capitalism through systematic land dispossession, labour coercion, migrant labour systems, and racialized labour segmentation (Legassick, 1974; Wolpe, 1972). Black South Africans were excluded from property ownership, skilled employment, political participation, and access to quality education while simultaneously incorporated into exploitative labour systems designed to sustain mining and industrial capital (Terreblanche, 2002). The apartheid economy therefore depended upon the reproduction of cheap Black labour through coercive political and economic structures (Fine & Rustomjee, 1996).

Although the democratic transition dismantled formal racial legislation, it did not fundamentally transform patterns of ownership, accumulation, and class power. Instead, historically embedded racialized class relations were reproduced within a liberal democratic framework (Robinson, 1983; Terreblanche, 2002). Wealth, land, and corporate ownership remain concentrated within a relatively small elite despite the emergence of a Black middle and upper class through Black Economic Empowerment (BEE) policies (Seekings & Nattrass, 2005). South Africa continues to exhibit exceptionally high levels of wealth concentration and income inequality, with race remaining a major determinant of economic opportunity and social mobility (World Bank, 2022).

While BEE sought to broaden economic participation and promote Black ownership within the economy, critics argue that it largely facilitated elite incorporation rather than structural transformation (Bond, 2000; Terreblanche, 2002). Rather than redistributing productive assets broadly across historically marginalized populations, BEE frequently enabled politically connected individuals to integrate into existing capitalist structures without fundamentally altering relations of production (Southall, 2007). Consequently, a limited Black capitalist elite emerged alongside the continued marginalization of the Black working class and unemployed populations. This process reflects what Marxist political economy conceptualizes as class recomposition under

neo-liberal capitalist restructuring (Marx, 1976; Harvey, 2005). Segments of previously excluded populations were selectively incorporated into capitalist accumulation while the underlying logic of exploitation, capital concentration, and labour commodification remained intact. Racial capitalism therefore adapted to democratic governance while preserving structural inequality and labour exploitation (Robinson, 1983).

Labour market segmentation remains central to the reproduction of inequality in post-apartheid South Africa. Black workers continue to experience disproportionately high unemployment rates, lower wages, precarious employment conditions, and limited occupational mobility (Bhorat, 2015). Statistics South Africa (2023) consistently reports significantly higher unemployment rates among Black South Africans, particularly youth and women. These inequalities reflect not only historical exclusion but also the structural characteristics of a capital-intensive growth model dominated by mining, finance, and heavy industry (Fine & Rustomjee, 1996).

Spatial inequality further reinforces racialized exclusion. Apartheid spatial planning deliberately located Black populations in peripheral townships and informal settlements disconnected from economic centres (Turok, 2012). These patterns remain largely intact in the post-apartheid period, reproducing inequality through high transportation costs, weak infrastructure, poor service delivery, and restricted labour mobility (Seekings & Nattrass, 2005). Contemporary urban inequality therefore reflects the enduring geographical legacy of apartheid capitalism. Educational inequality similarly reproduces racial capitalism across generations. Schools in historically marginalized communities frequently lack adequate infrastructure, qualified teachers, technological resources, and educational funding (Spaull, 2013). Unequal access to quality education limits entry into skilled employment and reinforces class stratification within the labour market. Consequently, educational disparities function as mechanisms for reproducing labour inequalities under neo-liberal capitalism.

The persistence of racial capitalism fundamentally challenges liberal assumptions that market expansion naturally produces inclusion and equality. Instead, inequality remains structurally embedded within capitalist accumulation itself (Harvey, 2005). Piketty (2014) argues that capitalism tends toward wealth concentration because returns to capital often exceed overall economic growth rates. In South Africa, this tendency is intensified by the historical legacy of racial dispossession and unequal ownership structures inherited from colonialism and apartheid (Terreblanche, 2002). The commodification of healthcare, education, housing, and essential services further entrenches inequality through market-mediated access to social goods (Harvey, 2005; Piketty, 2014). Wealthier households access high-quality private healthcare, private education, and secure housing, while marginalized populations depend upon under-resourced public systems characterized by chronic infrastructural and financial constraints (Seekings & Nattrass, 2005). This dualistic system reinforces social stratification and deepens class differentiation under neoliberal governance.

Importantly, racial capitalism is not merely an economic system but also a socio-political structure shaping identity, citizenship, belonging, and access to social power (Robinson, 1983). Persistent exclusion undermines social cohesion, intensifies socio-economic frustrations, and contributes to political instability, crime, and xenophobic tensions (Misago et al., 2015). Inequality in South Africa therefore cannot be reduced to technical policy failures or market inefficiencies. Rather, it reflects historically produced structures of accumulation rooted in racial capitalism, colonial dispossession, and neoliberal restructuring.

Financialization, Global Capital, and Dependency

The post-apartheid South African economy has become increasingly shaped by financialization and integration into global capital markets. Financialization refers to the growing dominance of financial institutions, financial markets, and financial motives within economic life and capitalist accumulation (Epstein, 2005). In South Africa, financial liberalization fundamentally transformed patterns of accumulation by shifting economic activity away from productive investment toward speculative and finance-driven accumulation (Ashman et al., 2011). This transition deepened South Africa's dependency on global finance while simultaneously intensifying socio-economic inequality and constraining developmental transformation.

The dismantling of capital controls after 1994 facilitated South Africa's deeper integration into global financial markets (Bond, 2000). These reforms were justified within neo-liberal economic discourse as necessary for attracting foreign direct investment, improving competitiveness, and integrating South Africa into the global economy (Marais, 2011). However, financial liberalization also increased vulnerability to speculative capital flows, external market volatility, and the disciplinary pressures of global finance capital (Harvey, 2005). Consequently, economic sovereignty became increasingly subordinated to investor confidence, credit ratings, and international financial institutions.

Financialization shifted accumulation away from productive sectors toward speculative activity, reflecting the broader transformation of capitalism toward finance-driven accumulation regimes characteristic of late neoliberal capitalism (Epstein, 2005; Harvey, 2005). Rather than investing in labour-intensive manufacturing and industrial production, capital increasingly flowed into financial assets, property markets, portfolio investments, and speculative financial instruments (Fine, 2013). This contributed to what has been described as "jobless growth," where economic expansion occurs without corresponding employment creation (Bhorat, 2015). As a result, financialization intensified wealth concentration and reinforced structural unemployment and inequality. Ashman, Fine, and Newman (2011) demonstrate that South Africa experienced substantial capital flight during the post-apartheid period, with significant volumes of domestically generated wealth transferred offshore. Capital flight reduced resources available for domestic investment, industrial development, and social redistribution while simultaneously reinforcing dependency on volatile international financial markets (Ashman et al., 2011). This pattern reflects

broader structural inequalities within global capitalism, where peripheral economies frequently experience resource extraction and externalization of wealth (Amin, 1976).

Dependency theory provides an important framework for understanding these dynamics by conceptualizing peripheral integration into global capitalism as structurally unequal and developmentally distortive (Frank, 1967; Amin, 1976; Arrighi, 2007). Frank (1967) argued that underdevelopment in peripheral economies is not a stage preceding development but rather a product of unequal incorporation into global capitalism. Similarly, Amin (1976) contended that peripheral economies remain dependent on raw material exports, foreign capital, and unequal exchange relations that reproduce structural dependency. South Africa's continued reliance on mineral exports, foreign investment, and global financial markets reflects this dependent relationship despite possessing one of the most sophisticated financial systems in Africa (Fine & Rustomjee, 1996).

The disciplinary power of global finance significantly constrains policy autonomy in post-apartheid South Africa. Governments seeking to maintain investor confidence prioritize fiscal austerity, inflation targeting, liberalization, and debt stabilization over redistribution and industrial transformation (Harvey, 2005). This dynamic became particularly evident under the Growth, Employment and Redistribution (GEAR) strategy, which institutionalized neoliberal macroeconomic policies emphasizing fiscal discipline and market-oriented reforms (Bond, 2000). Consequently, developmental interventions capable of addressing inequality and unemployment were constrained by fears of capital flight, declining investor confidence, and financial instability. Harvey (2005) argues that neo-liberal globalization transforms states into guarantors of capital accumulation rather than instruments of social redistribution. In South Africa, this transformation restricted the democratic state's capacity to pursue transformative economic policies such as large-scale redistribution, nationalization, or developmental industrialization (Marais, 2011). The state increasingly functioned to stabilize financial markets and facilitate capital accumulation rather than restructuring inherited inequalities.

Corporate globalization further entrenched dependency. Many major South African corporations relocated primary stock exchange listings abroad or integrated into multinational ownership structures in pursuit of global competitiveness and access to international capital (Ashman et al., 2011). While these strategies expanded global market access, they weakened domestic developmental linkages and reduced reinvestment within the local economy (Fine, 2013). Profits increasingly flowed outward through transnational corporate structures, reinforcing patterns of external dependency.

The banking sector illustrates the contradictions of financialization in South Africa. Although the country possesses one of the continent's most advanced banking systems, access to finance remains highly unequal (Bond, 2000). Credit flows disproportionately toward large corporations, wealthy households, and speculative investment sectors, while marginalized communities,

informal workers, and small enterprises remain excluded from affordable financial services (Seekings & Nattrass, 2005). Financial inclusion therefore remains deeply shaped by race, class, and spatial inequality.

Financialization also transformed labour relations. Firms increasingly prioritized shareholder value, profitability, and financial efficiency through outsourcing, downsizing, labour casualization, and flexible employment arrangements (Harvey, 2005). These strategies intensified labour precarity, weakened collective bargaining, and undermined labour protections historically secured through trade union struggles (Buhlungu, 2010). Consequently, workers experienced increasing insecurity despite formal democratization.

From a Marxist political economy perspective, financialization represents an advanced stage of capitalist accumulation characterized by intensified wealth concentration and detachment from productive labour (Marx, 1976; Harvey, 2005). Capital accumulation increasingly occurs through speculative financial activity rather than productive industrial expansion, thereby reinforcing inequality and reducing labour absorption capacity. Importantly, financialization intersects with racial capitalism and spatial inequality, as historically marginalized populations remain excluded from formal financial systems while simultaneously bearing the consequences of economic instability, austerity, and unemployment (Robinson, 1983).

The entrenchment of dependency through financialization raises fundamental questions regarding South Africa's development trajectory. If integration into global financial capitalism reproduces inequality, unemployment, and policy dependency, then alternative developmental pathways become necessary. Potential alternatives include developmental banking, industrial policy, selective capital controls, regional economic integration, and expanded public investment (Chang, 2002; Arrighi, 2007). However, implementing such strategies requires confronting both domestic elite interests and the structural power of global capitalism.

Labour Market Crisis and Structural Unemployment

South Africa's labour market crisis represents one of the clearest manifestations of structural exclusion in the post-apartheid political economy. Despite periods of macroeconomic growth and democratic consolidation, the country consistently records among the highest unemployment rates globally, particularly among Black populations, women, and youth (Statistics South Africa, 2023; Bhorat, 2015). Unemployment in South Africa therefore reflects not merely a temporary economic fluctuation but a deeply entrenched structural crisis rooted in the historical evolution of racial capitalism, neoliberal restructuring, and uneven development (Fine & Rustomjee, 1996; Terreblanche, 2002).

Statistics South Africa (2023) reports persistently high levels of unemployment, with expanded unemployment rates among youth frequently exceeding 50 percent. Such figures reveal a labour market characterized by chronic exclusion, precarious employment, and limited labour absorption

capacity. Neoclassical economics often attributes unemployment to labour market rigidities, wage distortions, excessive regulation, or skills shortages (Bhorat, 2015). However, these explanations remain analytically limited because they fail to engage the historical and structural determinants of labour demand within capitalist development.

Marx's (1976) concept of the "reserve army of labour" provides a more compelling framework for understanding structural unemployment in South Africa. Marx argued that capitalism inherently generates a surplus population of unemployed and underemployed workers whose existence disciplines labour, suppresses wages, and sustains profitability. In South Africa, this reserve army remains deeply racialized due to colonial dispossession, apartheid labour systems, and contemporary capitalist restructuring (Wolpe, 1972; Robinson, 1983). Unemployment therefore reflects not merely labour market inefficiency but a structural feature of capitalist accumulation under racial capitalism.

The structure of South Africa's economy contributes significantly to labour exclusion. The continued dominance of the minerals-energy complex (MEC), finance capital, and heavy industry limits labour absorption because these sectors are highly capital-intensive (Fine & Rustomjee, 1996). Mining and financial sectors generate substantial profits while employing relatively small proportions of the labour force. Consequently, economic growth frequently occurs without corresponding employment creation, producing what scholars describe as "jobless growth" (Bhorat, 2015; Marais, 2011).

Globalization intensified these dynamics through trade liberalization, deindustrialization, and heightened international competition. The neoliberal restructuring of the post-apartheid economy exposed domestic industries to global market pressures, contributing to factory closures, industrial decline, and employment losses within manufacturing sectors (Bond, 2000; Harvey, 2005). As South Africa integrated into global neoliberal capitalism, labour-intensive industrial sectors weakened while financialized and speculative forms of accumulation expanded (Fine, 2013). This transformation reduced employment opportunities for low-skilled and semi-skilled workers historically dependent on manufacturing industries.

Technological transformation further reduced labour demand. Automation, mechanization, and digitalization increasingly displaced routine labour, particularly within mining, manufacturing, and administrative sectors (Schwab, 2016). Technological unemployment disproportionately affects historically marginalized populations lacking access to advanced education, digital skills, and technological resources (Spaull, 2013). Consequently, technological transformation intersects with racial and class inequalities to reproduce labour market exclusion.

The informal economy emerged as a survival mechanism for populations excluded from formal employment. Informal trade, street vending, domestic work, and precarious service activities provide livelihoods for millions of South Africans (Seekings & Nattrass, 2005). However, informal employment remains insecure, low-income, poorly regulated, and vulnerable to economic shocks.

Workers within the informal sector frequently lack social protection, labour rights, healthcare benefits, and employment security (Buhlungu, 2010). Informality therefore reflects not entrepreneurial opportunity but structural exclusion from formal economic participation.

Spatial inequality further compounds labour exclusion. Apartheid spatial planning systematically located Black populations in peripheral townships and underdeveloped rural areas disconnected from economic centres (Turok, 2012). These geographical inequalities remain largely intact in the post-apartheid period, limiting access to employment opportunities while increasing transportation costs and labour mobility constraints (Seekings & Nattrass, 2005). Peripheral urban settlements frequently lack adequate infrastructure, transportation systems, and investment necessary for economic participation.

Educational inequality similarly reproduces structural unemployment. Schools in historically marginalized communities often produce lower educational outcomes due to inadequate infrastructure, teacher shortages, overcrowding, and unequal resource allocation (Spaull, 2013). Unequal access to quality education restricts entry into skilled employment and reinforces labour market stratification. Nevertheless, even educated youth experience persistently high unemployment rates, demonstrating that labour exclusion reflects insufficient labour demand rather than merely inadequate skills (Bhorat, 2015).

Government interventions, including public works programmes, social grants, and youth employment initiatives, have alleviated some immediate socio-economic pressures but failed to transform the underlying structure of the economy (Bond, 2000). These programmes operate within broader constraints imposed by neoliberal fiscal orthodoxy, austerity policies, and financialized accumulation regimes (Harvey, 2005). Consequently, developmental interventions remain limited in scale and unable to fundamentally restructure labour markets or productive sectors.

Critically, neoliberal policy frameworks individualize responsibility for unemployment by emphasizing entrepreneurship, employability, and skills acquisition while neglecting structural constraints within capitalist accumulation (Harvey, 2005). This ideological framing obscures the systemic roots of unemployment and shifts responsibility onto marginalized populations themselves. Labour exclusion therefore becomes depoliticized and disconnected from broader structures of inequality and capital accumulation.

The social consequences of unemployment are severe. Persistent joblessness contributes to poverty, household insecurity, crime, social fragmentation, and political frustration (Marais, 2011). High unemployment undermines democratic legitimacy and weakens social cohesion by generating widespread disillusionment with post-apartheid transformation. Furthermore, unemployment contributes to xenophobic tensions as marginalized populations compete over scarce economic opportunities (Misago et al., 2015).

Gender further shapes labour exclusion. Black women disproportionately occupy precarious, informal, and low-wage employment due to intersecting forms of racial and gender inequality (Buhlungu, 2010). Care responsibilities, unequal wages, and labour market discrimination intensify women's economic vulnerability and reinforce gendered poverty.

Addressing unemployment therefore requires more than temporary interventions or market-led reforms. It necessitates structural transformation toward labour-intensive industrialization, expanded public investment, developmental state intervention, and redistributive economic restructuring (Chang, 2002; Arrighi, 2007). Without such transformation, unemployment will remain a structural feature of South Africa's political economy and a central mechanism through which racialized inequality is reproduced.

Xenophobia as a Manifestation of Structural Exclusion

Xenophobic violence in South Africa constitutes one of the most disturbing manifestations of socio-economic exclusion in the post-apartheid era. Public discourse frequently frames xenophobia as a consequence of criminality, intolerance, cultural hostility, or anti-immigrant sentiment. However, such explanations remain analytically insufficient because they obscure the structural political-economic conditions underpinning these tensions (Misago et al., 2015; Crush, 2011). Xenophobia in South Africa cannot be understood independently of the broader dynamics of inequality, unemployment, racial capitalism, and neoliberal restructuring that continue to shape post-apartheid society.

This article conceptualizes xenophobia as a manifestation of structural exclusion rooted in poverty, unemployment, inequality, and neoliberal precarity (Harvey, 2005). Xenophobic violence reflects displaced socio-economic frustration within conditions of chronic marginalization and economic insecurity. Major outbreaks of xenophobic violence occurred in 2008, 2015, and most recently in 2026, targeting migrants from Zimbabwe, Mozambique, Somalia, Ethiopia, Nigeria, and other African countries (Misago et al., 2015). These attacks frequently involved looting, displacement, physical violence, and destruction of migrant-owned businesses, exposing deep social fractures within marginalized communities.

Most incidents occur within impoverished townships, informal settlements, and peri-urban areas characterized by unemployment, inadequate service delivery, housing shortages, and economic insecurity (Misago et al., 2015). Under such conditions, competition intensifies over scarce resources including employment opportunities, informal trade spaces, housing, and access to public services. Xenophobia therefore emerges within socio-economic environments already shaped by exclusion, frustration, and structural neglect (Neocosmos, 2010).

However, empirical evidence suggests that migrants frequently occupy economic niches neglected by formal markets and local entrepreneurs (Crush, 2011). Migrant-owned businesses often provide affordable goods and services within underserved communities, particularly through small-scale

retail trade and informal economic networks (Peberdy, 2000). Migrants also contribute significantly to local economies through entrepreneurship, labour provision, and cross-border commercial activity. Nevertheless, migrants are commonly portrayed within political discourse and popular narratives as competitors “stealing jobs,” “taking business opportunities,” or “overburdening public services” (Neocosmos, 2010).

Such narratives function ideologically by redirecting structural grievances toward vulnerable populations rather than systemic causes of exclusion. Marxist political economy conceptualizes this process as scapegoating, whereby contradictions generated by capitalist accumulation are displaced onto marginalized groups (Marx, 1976). The actual sources of exclusion including financialization, unemployment, capital concentration, neoliberal austerity, and uneven development, are abstract and structurally embedded, making them difficult to confront directly (Harvey, 2005). Migrants, by contrast, become visible and politically accessible targets onto whom broader socio-economic frustrations are projected.

This phenomenon reflects what can be described as “misdirected resistance,” whereby structurally marginalized populations redirect frustration toward one another rather than confronting systemic relations of exploitation and exclusion (Misago et al., 2015; Neocosmos, 2010). Instead of challenging structures of racial capitalism and neoliberal inequality, economically excluded populations become fragmented through localized competition and hostility. Xenophobia therefore weakens collective forms of political resistance capable of confronting structural inequality.

The state plays a contradictory role in these dynamics. South Africa’s constitutional framework formally promotes equality, human rights, and non-discrimination. However, failures in service delivery, economic transformation, migration governance, and employment creation contribute significantly to social insecurity and political frustration (Bond, 2000). In many marginalized communities, the democratic state is experienced less as a vehicle of transformation and more as an absent or ineffective institution unable to address material deprivation (Marais, 2011). Political rhetoric occasionally intensifies xenophobic sentiment by framing migrants as threats to employment opportunities, economic stability, and public services. Such narratives divert attention from governance failures, structural unemployment, and inequality while legitimizing exclusionary politics (Neocosmos, 2010). Xenophobia thus becomes politically functional by redirecting social anger away from systemic inequality and toward vulnerable migrant populations.

Historically, migration has long been integral to South Africa’s political economy. Under colonialism and apartheid, migrant labour systems were central to mining accumulation and industrial development (Wolpe, 1972). Labour migrants from neighbouring states such as Mozambique, Lesotho, Malawi, and Zimbabwe were incorporated into exploitative labour systems that sustained the minerals-energy complex (Fine & Rustonjee, 1996). Contemporary migration patterns therefore represent continuities within regional political economy rather than anomalies produced solely by post-apartheid conditions.

The informal economy constitutes a particularly significant site of xenophobic tension. As formal employment opportunities declined under neoliberal restructuring, informal trade became increasingly important for survival among marginalized populations (Seekings & Natrass, 2005). Migrant entrepreneurs frequently succeeded within informal markets through dense social networks, flexible business practices, and extended working hours, intensifying competition with local traders (Crush, 2011). Under conditions of widespread unemployment and insecurity, these economic tensions occasionally escalated into violence.

Harvey (2005) argues that neoliberalism erodes collective institutions, public welfare systems, and social protections while intensifying individual competition and social fragmentation. Xenophobia can therefore be understood as a symptom of neoliberal disintegration, where social insecurity and weakened solidarities produce exclusionary forms of politics and identity formation. Under neoliberal capitalism, marginalized populations are increasingly compelled to compete for limited opportunities in contexts characterized by austerity, precarity, and weakened state support.

Importantly, xenophobic violence ultimately reinforces the very structures generating exclusion. By fragmenting marginalized communities along national and ethnic lines, xenophobia weakens collective resistance against systemic inequality, racial capitalism, and neoliberal exploitation (Neocosmos, 2010). Structural conditions of poverty, unemployment, and inequality therefore remain unchallenged while vulnerable populations become scapegoated.

Addressing xenophobia consequently requires more than policing, border control, or public awareness campaigns. It necessitates structural transformation capable of reducing unemployment, inequality, poverty, and social insecurity through developmental state intervention, redistribution, labour-intensive industrialization, and strengthened social protections (Bond, 2000; Harvey, 2005). Without confronting the underlying political-economic foundations of exclusion, xenophobic tensions are likely to persist.

Thus, xenophobia in South Africa is not merely a cultural phenomenon or isolated social pathology. Rather, it constitutes a political-economic expression of exclusion under racialized neoliberal capitalism, reflecting the unresolved contradictions of post-apartheid transformation.

Toward a Transformative Political Economy

The persistence of inequality, unemployment, dependency, and xenophobic tensions demonstrates the limitations of neoliberal reformism in post-apartheid South Africa. Despite democratic transition and periods of macroeconomic growth, the structural foundations of exclusion established under colonialism and apartheid remain largely intact (Bond, 2000; Terreblanche, 2002). Incremental reforms within the neoliberal framework have proven insufficient because they fail to confront the underlying relations of accumulation, ownership, and dependency that reproduce inequality (Harvey, 2005). Consequently, meaningful transformation requires a fundamental restructuring of South Africa's political economy.

A transformative political economy requires moving beyond neoliberal orthodoxy toward developmental and redistributive approaches grounded in heterodox political economy. Harvey (2005) argues that neoliberalism functions as a political project aimed at restoring class power through privatization, liberalization, and market discipline. In South Africa, neoliberal governance prioritized investor confidence, fiscal austerity, and global market integration over redistribution and industrial transformation (Bond, 2000). While these policies contributed to macroeconomic stability, they simultaneously intensified unemployment, inequality, and socio-economic exclusion (Terreblanche, 2002).

Transformation therefore requires a renewed developmental role for the state. Developmental state theory emphasizes active state intervention in industrialization, infrastructure development, and strategic economic coordination (Chang, 2002; Johnson, 1982). Labour-intensive industrialization is particularly essential in the South African context. Expanding manufacturing, agro-processing, renewable energy, and infrastructure investment could generate employment while diversifying the economy away from excessive dependence on mining and finance capital (Fine & Rustomjee, 1996). Such an approach would challenge the prevailing model of finance-driven accumulation that has produced “jobless growth” and deepened inequality.

Redistribution must also occupy a central position within any transformative agenda. Progressive taxation, expanded social protection, universal public services, and land reform are necessary for addressing historical dispossession and concentrated ownership structures (Piketty, 2014). Land reform remains especially significant because land ownership continues to reflect the enduring legacy of colonial and apartheid dispossession (Ntsebeza & Hall, 2007). Without confronting patterns of concentrated ownership, meaningful socio-economic transformation remains impossible.

However, domestic reform alone is insufficient because South Africa remains embedded within global capitalist structures that constrain policy autonomy (Amin, 1976; Harvey, 2005). Dependency theorists argue that peripheral economies remain subordinated to global capitalism through unequal exchange, financial dependency, and reliance on raw material exports (Frank, 1967; Amin, 1976). Regional integration initiatives such as the African Continental Free Trade Area (AfCFTA) may therefore strengthen economic cooperation and reduce dependency on traditional capitalist centres (Arrighi, 2007).

Regulating capital flows and strengthening developmental finance institutions are equally important. Financial liberalization and speculative capital mobility have constrained developmental policy while intensifying vulnerability to global financial volatility (Epstein, 2005). Developmental banking, selective capital controls, and targeted public investment could redirect resources toward productive sectors and employment creation.

Ultimately, transformation is fundamentally political. Existing elites benefit from the current political-economic order and are likely to resist redistributive reforms (Bond, 2000). Civil society

organizations, labour unions, and grassroots movements therefore remain essential actors in advancing transformative agendas. Overcoming the economics of exclusion requires more than policy adjustment; it necessitates the democratization of ownership, labour-centred industrialization, regulation of finance capital, and the decolonization of South Africa's subordinate integration into global capitalism (Nkrumah, 1965; Harvey, 2005; Arrighi, 2007).

Conclusion

This article has argued that the enduring challenges of inequality, unemployment, and social fragmentation in South Africa cannot be understood separately from the historical structures that shaped the country's political economy. Although the end of apartheid marked a profound political achievement, the transition did not fundamentally alter the economic foundations of exclusion that had been established over centuries of colonial and apartheid rule. As a result, many South Africans continue to experience limited access to wealth, employment, and economic opportunity despite the expansion of political rights and democratic participation. The persistence of these inequalities reveals the limits of a transition that delivered political freedom without equivalent economic transformation. The analysis has shown that unemployment, poverty, and even xenophobic tensions are closely linked to broader patterns of structural exclusion and uneven development. Overcoming these challenges requires a developmental path that prioritizes productive employment, equitable distribution of resources, inclusive economic participation, and social justice. Ultimately, the South African experience demonstrates that the goals of liberation cannot be fully realized until political democracy is matched by meaningful economic transformation that improves the lives and opportunities of the majority of citizens.

Recommendations

The persistence of extreme inequality more than three decades after South Africa's democratic transition suggests that the country's challenge is not merely one of policy implementation but of structural transformation. The evidence presented in this article demonstrates that political liberation was not accompanied by a corresponding redistribution of economic power. As a result, many of the institutions, ownership structures, and accumulation patterns established under colonialism and apartheid continue to shape contemporary socio-economic outcomes. Addressing these challenges therefore requires moving beyond technocratic reforms and confronting the historical foundations of exclusion embedded within the political economy.

First, South Africa must adopt a more transformative redistributive agenda that addresses both income inequality and the concentration of productive assets. While existing social welfare programmes have alleviated extreme poverty for many households, they have not fundamentally altered patterns of wealth ownership or economic control. Sustainable transformation requires expanding access to land, capital, credit, skills, and productive opportunities among historically marginalized populations. Redistribution should therefore be understood not simply as a welfare

intervention but as a process of democratizing economic participation and restructuring economic citizenship.

Second, economic policy should be reoriented from an excessive focus on macroeconomic stability towards developmental objectives centred on employment creation, productive investment, and inclusive growth. A strategy grounded in labour-intensive industrialization, domestic value addition, technological upgrading, and support for emerging industries is essential for reducing unemployment and broadening economic participation. Such an approach would reconnect economic growth with social transformation.

Third, meaningful change requires confronting the concentration of economic ownership that remains a defining characteristic of South Africa's economy. Expanding worker ownership schemes, cooperative enterprises, community-based investment models, and broader participation in strategic sectors would contribute to a more equitable distribution of wealth and decision-making power.

Furthermore, xenophobic violence should be addressed through policies that tackle its structural roots in unemployment, poverty, and economic insecurity rather than through security responses alone. Finally, South Africa must critically reassess its position within the global political economy by pursuing a more autonomous developmental path grounded in productive diversification, regional integration, and democratic economic governance. Without addressing these structural foundations of exclusion, the promises of liberation and democratic citizenship will remain only partially fulfilled.

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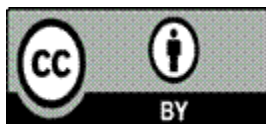
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