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South Africa's Housing Financialisation Crises and Social Resistance

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Abstract: *The world's most unequal country suffers from various housing crises, especially when it comes to excessive reliance upon a private sector prone to market failures, especially affordability. State housing finance strategy during the transition from apartheid to democracy relied upon augmentation of formal banking finance so as to promote home ownership. But as macro-economic conditions changed in the late 1980s, the resulting mass defaults on individual families' home mortgage bonds led not only to foreclosures by a (white) state, but (black) working-class resistance organised by the country's leading urban social movement, known as the 'bond boycott.' Even after democracy, a worsening housing backlog coincided with resurgence of household debt crises in the wake of the 2008 global financial meltdown. That generated a new housing finance strategy led by Mastercard and a local fintech firm (supported by the World Bank): collateralisation of welfare grants which in turn allowed debit orders for repayment of microfinance (typically used for minor home improvements). Again, social resistance played an important role, as the strategy caused even worse personal debt crises, and a welfare NGO's successful fight to close Mastercard's partner. But beyond periodic revolts of these sorts, a durable housing finance policy has remained elusive.*

Keywords: bond boycott; debit order; housing finance; social movements; welfare.

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Introduction: South Africa's housing crises in context

South Africa's socio-economic-ecological crises are profound. South Africa is the world's most unequal society, with Palma ratios of inequality in 2017 showing Johannesburg as the world's worst and Cape Town fifth worst city (EuroMonitor 2017). The levels of anger in the working class – as expressed in World Economic Forum (2018) *Global Competitiveness Report* surveys – ranked first in the world through the late 2010s. Likewise, South African corporate corruption also ranked the world's highest in PwC (2018) *Economic Crime and Fraud* surveys through the 2010s, even though government corruption measured by Transparency International (2024) was in 2023 considered the 100th worst of 180 countries. But even when in early 2018, a supposedly reform-oriented ruling-party leader, Cyril Ramaphosa, came to power, most of these problems worsened, reminding of the president's own role especially in a World Bank housing-finance controversy – in which a $100 million loan for 5500 houses resulted in only three being built, due to alleged affordability constraints – at the Marikana platinum mine, which contributed to the notorious 2012 massacre of 34 workers (Bond 2013).

Inadequate spending by the national post-apartheid state was partly to blame. Since the late 1990s the rate of housing construction fell as construction prices rose, subsidies remained inadequate, and the inflation-creep of the original 1995 $184/month income means test shrunk the recipient pool. (An inflation-adjusted income means test in 2024 would have raised the cut off level by a factor of five.) Housing Minister Mmamoloko Kubayi revealed the scope of the problems she inherited when appointed in 2021, with three million units having been built since the end of apartheid in 1994 yet "1.9 million units that were unfinished… We had a tendency of non-accountability," resulting in a backlog of three million units, the same number as in 1994 (Naidoo 2023). A December 2023 revision of the 1994 *Housing White Paper* admitted that due to "the current interest rate environment and cost of living crisis, households with a monthly income of between $184 and $790 are not able to qualify for a mortgage loan of between $7 400 and $15 800" (Government of South Africa 2023).[1]

Also to blame was the so-called 'state capture' of governments by for-profit syndicates, with a 35 percent mark-up on typical procurement contracts, as alleged by the leading Treasury official in 2016 (Mkokeli 2016), and a 'construction mafia' that hijacked many developments, demanding payouts. Outsourcing reached extreme levels in September 2023, when a fire in a poorly-maintained downtown Johannesburg slum block (Usindiso, formerly the city's Pass Laws office where discriminatory urban policy was enforced) resulted in the deaths of 77 mainly very low-income immigrants, because municipal officials had simply failed to enforce rudimentary by-laws on hijacked buildings (SocioEconomic Rights Institute 2024).

The cause is, in part, a financial squeeze traceable not only to widespread cases of fraud, but also to national austerity policy which prevented sufficient spending on 'Equitable Share' grants from central to municipal treasuries, and a declining property tax component of municipal revenue. Such funds stagnated when a world-leading 2002-08 property boom ebbed (aside from

[1] While *Critical Housing Analysis* recently published a laudatory article about South African policy by Emmanuel Kabundu, Sijekula Mbanga, Brink Botha and Gerrit Crafford (2022), the authors did not delve beyond 'innovative building technologies' (associated engineering, construction and cost-input factors), set against 'social welfare policies' that do not address the most dangerous developments discussed below. Moreover, in spite of the exceptional histories of housing politics in South Africa, the policy advocacy and local forms of social resistance discussed in pages below are also completely neglected in recent scholarly assessments of post-apartheid housing finance (e.g. Oladeji et al 2023, Massey and Gunter 2019).

Cape Town), with the average real house price in 2023 still 28% below peak (Federal Reserve Bank of St Louis 2024). Consistent with the Kuznets economic cycle, an earlier 20-year rise of property prices from 1965-83 was followed by a bust in which banks attempted to compensate for declining mortgage bond activity in white residential areas, by indebting a new black lower-middle-class clientele from 1985-90, with disastrous early-1990s results. The 2008 bust led to a different strategy for financialised housing over the subsequent decade: collateralisation of state welfare grants.

The specifically financialised condition of an economy like South Africa's is most commonly understood as a period during which fictitious capitals (financial assets) bubble up in price far beyond their ability to properly represent the underlying 'values' that are expected to be realised through sustained surplus value extraction (Harvey 1982). These categorisations may be contested; the idea of 'productive' economic activity can entail conceptions more inclusive of interest and financial profit (Christophers 2013).

But even authors as critical of the conceptual framing of 'financialisation' as Turan Subasat and Stavros Mavroudeas (2023, 220) – arguing that over a thirty-year period during the 1990s-2010s, "the financial sector share increased in 20 countries and decreased in 21 countries (indicating *de-financialization*)" – still concede that the 'fastest financialising' economy of the world's 41 largest was South Africa. Rising 4.50% as a share of GDP, it was one of only five suffering more than a 2% increase, while in contrast, the early-2010s devalorised economies of Europe – Portugal, Greece and Spain – "experienced de-financialisation," but at the hands of the International Monetary Fund (IMF) and European Central Bank, and in the form of mass bankruptcies.

In an attempt to avoid a brutal, IMF-imposed process of de-financialisation and austerity, the state-based reregulation approach to "mission-oriented finance" – proposed most vigorously by Mariana Mazzucato and Carlota Perez (2014) – seeks to achieve de-financialisation by raising "the total value added of the nonfinancial sector… by inducing finance to lend not to itself but to value-creating projects in the real economy." In turn, Mazzucato and Perez suggest, state policy should "incentivise firms to reinvest profits in areas like human capital, equipment, software and R&D, rather than speculative areas that only aim to boost share prices (such as share buy-backs) or find a way to limit those practices." As Sahil Jai Dutta (2022: 50-51) sums up, this leads progressive policy-makers to search out ways "to shield the users of funds from the pressure of external financial markets…. [through] a financial transactions tax, the development of not-for-profit local and national banking institutions, regulatory changes to reverse the liberalisation of financial markets, and moves to withdraw from financial markets altogether."

In contrast, what concerns us in the pages below is a process of social resistance within the context of capitalism's tendency to periodically generate overaccumulation crises, e.g. in South Africa in the late 1980s and 2010s (Bond and Malikane 2019), at which point spatio-temporal *displacement* of the crisis tendencies can shift capital into financial circuits – including housing finance – instead of reinvestment in less-profitable productive assets. But then in turn, this form of crisis displacement generates geopolitical tensions over who bears the cost of asset bubbles bursting. Such a conflict distinguishes the standard forms of de-financialisation that typically occur from the top down – via either financial-asset crashes or a revived state policy of 'financial repression' (exemplified by early-1930s regulation in the U.S., or contemporary China's clampdown on high finance, or the Mazzucato-Perez strategies) – with a de-

financialisation politics aimed at changing the system, *bottom up.* As we see in the South African cases discussed next, organised working-class resistance can occasionally cause a form of housing-finance devalorisation *that favours debtors,* based on socio-political processes, as distinct from overaccumulation bubbles bursting, or state reregulation of finance.

From 1990s 'bond boycotts' to 'Red October' financial reform campaigns

The housing-finance devalorisation problems suffered by black South Africans reflect an excessive reliance upon private, for-profit provisioning of what had, for white South Africans, been municipal-supplied services, especially public housing. The shift away from public housing in a 1994 *Housing White Paper* reflected the late-apartheid government's defunding of state construction programmes, and their replacement from the mid-1980s with private developers and building society financing. Contradictions were evident from the late 1980s when macroeconomic policy shifted, resulting in a dramatic rise in real interest rates (Bond 2000). Yet because this occurred at the height of anti-apartheid mobilisations, the resulting debt crises were in part managed by ordinary people and governments, not so as to simply deflect devaluation, but to force it backwards into the creditors' own balance sheets.

What became known as the 'bond boycott' strategy was popular in oppressed black townships, as over-indebted borrowers banded together to gain strength for collective defaults (Bond 2000, Butcher 2016). The bond boycotts began to emerge during the late 1980s, in the wake of a new era in home bonds: 200,000 mortgages were granted in townships in the prior years. But the 1989-93 depression (South Africa's longest) left 500,000 freshly unemployed workers and their families unable to pay for housing. The bond boycott was due both to shoddy housing construction, for which the homebuyers had no other means of recourse than boycotting the housing bond; and to the rise in interest rates from 12.5 percent (-6 percent in real terms) in 1988 to 21 percent (+7 percent in real terms) by late 1989, which in most cases doubled monthly bond repayments, with at least 40 percent of the township mortgages soon in arrears (Bond 2014).

As a result of bond boycotts, township housing foreclosures could not be consummated due to refusal of the defaulting borrowers (supported by the community) to vacate their houses. The leading financier's $700 million black housing bond exposure in September 1992 was the reason that its holding company lost 20 percent of its Johannesburg Stock Exchange share value (in excess of $150 million) in a single week, following a threat of a national bond boycott from the SA National Civic Organisation. Locally, if a bank did bring in a sheriff to foreclose and evict defaulters, it was not uncommon for a street committee of activists to burn the house down before the new owners completed the purchase and moved in. Such power, in turn, allowed both the national and local civic associations to negotiate concessions from the banks. However, the transition to democracy stripped civics of leaders, who then mainly accepted the neoliberal logic as they became leading politicians and state officials loyal to the neoliberal nationalist ruling party. The potential for broadening the critique to something akin to David Graeber's (2011) or Andrew Ross' (2014) rejection of debt morality was never realised.

Subsequent efforts to challenge finance were inadequate. In mid-1996, a "Campaign against the Bank Rate Increase" began, fusing the main leftwing political parties and civil society groups which had earlier overthrown apartheid. But civil society was stunned a few weeks later when the ANC unilaterally imposed the *Growth, Employment and Redistribution* homegrown

structural adjustment policy (Bond 2014). That distinct shift towards neoliberal policy entailed real interest rates being ratcheted to new levels, typically 5% higher than GDP growth so as to retain financial capital, as exchange controls were liberalised and net capital-account outflows began in earnest.

The SA Communist Party and Financial Sector Campaigns Coalition demanded tightened lending regulations, which led to 2005 legislation that abruptly halted a loose-credit spree, and an amnesty on negative credit-rating judgements was won in 2013 (Financial Sector Campaigns Coalition 2013). Subsequent demands were made for improving low-income consumers' financial inclusion (a 'Mzansi Account' and 'M-Pesa Wallet' which allowed commercial banks to share ATM networks more cost-effectively) and for corporate social responsibility legislation, along with opposition to "securitisation of credit, the selling of debt books by some of the municipalities and the unlawful collection of debts including garnishee orders" (Bond 2015). But while there was an official Treasury endorsement of financial inclusion through innovative low-tech account access in 2023, exploitation of savers continued (Treasury 2023, Bateman et al 2023).

Indeed, the latter problem of excessive debit orders was evident at the site of the Marikana massacre in 2012, when worker demands for a $1000/month minimum wage for rock drill operators – which platinum mining house Lonmin claimed were unaffordable – had stemmed from high consumer-debt repayment burdens (Bond 2013, 2015). Because in many such cases the lender would file records in a local ('magistrate's') courtroom far away from the borrower's home jurisdiction so as to deter worker contestation of the garnishee order, a 2016 legal showdown ended with a High Court decision outlawing such distant Emolument Attachment Orders (EAOs). Moreover, according to public interest lawyer Odette Geldenhuys, "decisions of whether a salary should be attached by an EAO now cannot be made by a clerk of the court any more. The court now has put that decision to the magistrate, and it also gives the magistrate two tests to look at: firstly, whether it would be just and equitable to grant the EAO and secondly, what the debtor will be able to afford" (Omarjee and Smith 2016).

Household debt crises, interest rate volatility and welfare collateralisation

But while the overarching problems remained a decline in real estate values in the formal housing sector and vastly-excessive debit orders on salaries of employed workers, the financialisation process was also evident in the informal sector during the 2010s, until the contradictions became just as overwhelming as they had been to the formal housing creditors in the early 1990s. Without adequate grant subsidisation, the *de facto* housing finance system that applies to the two-thirds of South Africans whose income is below a $3.50/day poverty line, entails taking on a much greater credit component, often informally. Most low-income households' residents are unable to access the banks' bond market, so they rely on pay-day lenders and usurious *mashonisa* creditors for which no formal records are kept. This is especially the case for relatively substantial expenses associated with purchasing building materials and hiring informal construction firms or individual workers, a very common phenomenon associated with home improvements in low-income areas (Bond 2015).

Even for the small share of the housing finance market which could obtain home mortgage bonds, by 2023 there was such serious over-indebtedness that 36% of South African consumer

debtors were not in "good standing," i.e. more than three months in arrears (National Credit Regulator 2023). At that time, $65 billion of investor funds were invested in home mortgage bonds, representing just over half of all consumer credit. As Covid-19 had hit South Africa hard in 2020 (ultimately killing 300,000), Reserve Bank interest rates were lowered by more than 3% in April-May 2020 due to the universally-recognised need for urgent post-lockdown recovery. In turn, monetary policy relaxation generated a surge in housing prices and new mortgage bonds. But then, starting in late 2021, Reserve Bank rates were raised ten times by mid-2023, to levels higher than at any time since 2008. Housing prices collapsed and the volatile cost of finance became unbearable to vulnerable borrowers.

More evidence of problems in housing finance can be found further down-market, amongst South Africa's impoverished majority, where the low-cost rental and shelter-survivalist segments of the society found themselves deeply in debt by the late 2010s. The main reason was the financial-inclusion strategy initiated in 2012 by Ajay Banga, the former Mastercard chief executive whom in 2023, Joseph Biden's administration appointed as World Bank president. Born in India but assimilated into the top layer of U.S. corporate power by the early 2000s, Banga was profoundly committed to financial inclusion (Rappeport and Davenport 2023) because drawing people into financial markets is, Banga told the Center for Global Development (2023), "the foundation for everything else that we aspire to."

However, during a visit to South Africa in 2013, Banga had championed a major financial inclusion partnership with a data services firm, Net1, soon described as predatory, because it preyed on the lowest-income welfare recipients by collateralising their monthly cash grants for the sake of advancing high-priced credit. In lieu of any other income, social grants are used to fund the majority of poor South Africans' home improvements, especially in shack settlements. Three years later, the World Bank's International Finance Corporation (2016) bought 22% (the largest share) of Net 1 for $107 million. The result was catastrophic, for Net1's main subsidiary associated with grant distribution, Cash Paymaster Services (CPS), loaded millions of South Africans with debt, beyond their survival capacity. To illustrate the potential for CPS to create such debit orders, in early 2024, more than 25 million people – of the country's 62 million residents – received a monthly state grant, divided into four categories: unemployment relief for $18, child support for $27, and a grant supporting both the retirement pension and disabled people for $106.

As part of his effort to bank 500 million unbanked poor people across the world, in 2012 Banga partnered with the South African Social Security Agency (SASSA) and Net1 (and later also Grindrod Bank), so as to utilise Mastercard debit cards for welfare grant distribution (at the time, 17 million South Africans were recipients but the number soared to 27 million during Covid-19). The debit card payment system was meant to assist low-income South Africans to avoid long waits at government offices in the hot sun (which caused many deaths of older people), protect them from petty criminals who stole from grant recipients at payout points, and diminish the costs of distributing cash, in the process saving the government money (none of these objectives were considered objectionable). Banga visited South Africa in January 2013 to assess how the system was working. He won over conservative Treasury officials, in part because a more efficient distribution system saved the government $80 million in annual operating costs, Banga claimed to the *Washington Post* (Johnson 2013).

While in Johannesburg, Banga also visited the sprawling black residential township of Soweto. Mastercard staff had located a recipient in a particularly poor area, the Elias Motsoaledi shack

settlement next to the city's largest hospital (a visit Mastercard still features on its Flickr account). The *Washington Post* provided a platform for his recollections about grant recipient Hilda Nkantini: "In South Africa, I met a woman called Hilda, a 77-year-old lady, living in a little tin shack. And she told me — and it's tough to keep your head straight when you hear somebody say that to you — she said, 'Now I feel like I'm somebody'" (Johnson 2013). Without a doubt, the new system was greatly appreciated by Nkantini and many others for its convenience. But as Banga continued, "I'm not a philanthropy. I'm not a United Nations agency. I run for shareholders. I have to do well… if these guys use their card, I'm going to make money… In the beginning they'll take out cash at an ATM. I make very little money if they just take out cash at an ATM. But you know what? They'll benefit by doing that, and that's the first step" (Johnson 2013).

However, just at that point, welfare payments were being transformed into collateral for high-priced financial products, a process soon considered predatory. Banga had already begun scaling up Mastercard services by partnering with one of South Africa's most controversial corporate leaders, Serge Belamant, founder of Net1. Through his partnership with SASSA, Belamant was authorised to collect the personal and biometric information of over 18 million South Africans, and through use of Mastercard facilities, was also able to collect a complete history of their income and spending patterns. He then created four subsidiary companies designed to market niche financial products exclusively to social welfare recipients, in the process attaching debit orders for repayment of microfinance, funeral cover and other forms of insurance, cellphone airtime and electricity. Such debit orders often drained grant recipients' accounts to the point they had negligible net income each month. When a sample of nearly 1600 grantees were asked by the welfare-advocacy NGO Black Sash in 2016, "was any money deducted from your grant without your consent?," more than a quarter of recipients answered in the affirmative (Torkelson 2020).

The desperate situation for millions of grant recipients who fell into a predatory relationship via Mastercard was then compounded by concerns the Minister of Social Welfare, Bathabile Dlamini, had herself been corrupted in the process. This in turn led Black Sash to investigate further and mobilise activists in a low-income Cape Town neighbourhood (in conjunction with the radical community-based Social Justice Coalition), and to identify debit-order abuse. Joining with other NGOs (Corruption Watch and Freedom Under Law), Black Sash arranged regular protests and ultimately litigated against CPS (Torkelson 2020). In September 2020, a successful Constitutional Court judgment ensured not only that Net1's contract would not be renewed, but Black Sash also won a reparations demand that forced CPS into formal bankruptcy (although Net1 continues to play a welfare payments distribution role in South Africa and several other countries).

Nkantini, meanwhile, had avoided both the surveillance trap and financial predation associated with debit orders. In March 2023, University of Johannesburg researcher Siphiwe Mbatha tracked her down to the same impoverished shack settlement where she has resided for decades, and learned that she still gratefully uses her Mastercard, but that she was insistent about never taking advantage of debit orders placed against her grant for spurious services and loans, and she disdained the biometric services on offer (fingerprint, voice or facial recognition) (Bateman et al 2023). That subtle resistance to Banga's ideology and the CPS/Net1 partnership was all too rare, however. Because the organised modes of resistance by Black Sash came only in 2020 and no other major social movement arose to defend the likes of Nkantini, as a result, predatory features of Mastercard's grant distribution are Banga's main legacy in South Africa. Moreover,

the World Bank's (2021) role in Net1's abuse was confirmed when in mid-2021, its 2022-26 South Africa Country Partnership Framework assessment of the 2010s Net1 financial inclusion deal proudly declared that its objectives were 'mostly achieved.' Under the heading 'Lessons,' the section containing Net1 was left blank.

Elsewhere, Banga's strategy was becoming more common. Brazilian social policy specialist Lena Lavinas (2017) shows how "This kind of de-risking strategy turned welfare benefits, underwritten by the state, into a new form of collateral, reversing the very purpose of anti-poverty cash transfers, i.e., alleviating their levels of deprivation through monetised poverty relief." The organisers of these processes are termed by Daniela Gabor and Sally Brooks (2017) the 'fintech-philanthropy-development complex.'

Conclusion

The problems described above reflect how finance amplifies uneven and combined development, and reflects broader lessons for social organisation against what are usually highly adverse geopolitics of devalorisation (Bond 1998). While a temporal fix permits some of the problems to be displaced into the future, they become even more difficult then, given how much further the overall accumulation pattern has, meantime, degenerated. And the spatial fix simply moves the problem around, to the point that all parts of the world also find themselves financialised and facing burdens of capital's devalorisation. Still, the problem is ultimately not located in the financial circuitry of capital – and nor will lasting solutions be found in reform – but deep within the capitalist mode of production and its deep-rooted contradictions (Harvey 1982).

One lesson is that de-financialisation politics should not only be based on top-down IMF austerity or Keynesian-style reregulation. Yet aside from anti-debt ('Occupy' movement) campaigning scholars Graeber (2011) and Ross (2014), few have asked what subordinate classes do in order to defend against this devalorisation process. Usually the first-cut efforts within the Global North aim at the kind of reforms captured by Daniel Mertens and Caroline Metz (2022: 183-84), in which defaulting consumers face perpetual 'zombie debt claims' that are passed along in secondary markets at written-down rates. Instead, they advocate, debtors could be "allowed to purchase their own debt at the discounted price, instead of it being sold to third-parties." Given the balance of forces (e.g. in a banker-dominated country like Germany), however, such a "radical altering of ingrained practices of 'credit' and 'debt' remains in the far distance." Meanwhile, the zombie liabilities are often 'kept (profitably) alive' for the sake of further financial-market speculation, and – in a 'night of the living debt' – defaulting borrowers justifiably fear that, "dead or alive, financialised claims 'are coming to get us'."

Dutta (2022: 65), in contrast, recognises that strategic work on de-financialisation must "feed into the social movements and political programmes associated with definancialisation. The normative hold of the postwar years of productive, managerial capitalism is still too strong an anchor, and it ends up fuelling an analysis too centred on the restoration of economic growth." Another lesson from South Africa is that the realm of collective consumption discussed in the cases above also presumes an economic growth logic. But as we have seen in countervailing struggles, is even more foundationally asserted through basic-needs finance, especially for housing and especially against inappropriate financial inclusion. As Dutta (2022: 65) concludes,

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“A social movement capable of tackling the power of creditors and shareholders must necessarily also… be accompanied by a technical movement that can build an infrastructure of alternative valuations,” to which the South African activists would add, public interest lawyers.

The period immediately ahead, characterised by limits to capitalist strategies of crisis displacement and geopolitical battles over devalorisation (and de-financialisation), sustained high interest rates and often-unbearable debt repayment pressures, will no doubt generate many more opportunities in many parts of the world. Indeed, as one example, a ‘debt for climate’ movement arose from Argentina in the early 2020s as macro-economic processes were linked to rising youth consciousness about climate crisis. The discussion above concerned two periods of relatively successful opposition to devalorisation via housing finance: bond boycotts applied by the working class against formal bank lenders in the period before 1994; and late-2010s rejection of predatory financial inclusion by representatives of poor South Africans subject to the informal microfinance.

There are parallels from those bond boycotts to a subsequent Mexican debtor-rights movement, *El Barzon* (‘the yoke’) in 1995-96, following an eight-fold increase in the interest rate, which attracted more than a million small businesses, farmers and households. The Occupy movement battled to lower housing-related debt burdens in the wake of the 2007-09 world financial crisis that had arisen from overindebtedness. Both had partial successes in bottom-up de-financialisation, e.g. through Mexican mass movements intimidating bankers against foreclosures (Bond 2003), and in the U.S> through debt-burden write-downs – e.g. so-called ‘cramdown’ home mortgage repayment reductions (Coco 2014). Nevertheless, based on the experience of Banga’s relatively-unregulated fintech revolution, we can expect an ever more hostile ‘debtfare’ state within ‘cannibalistic capitalism,’ as Susanne Soederberg (2013) has documented.

But while these provide lessons about the movements’ strengths and weaknesses, like many across the world – e.g., the ‘Strike Debt’ and urban housing protests against bank-catalysed evictions in the post-2008 period – there were insufficient reforms in the main centres of financial power to change the balance of forces. Inadequate pressure existed even during widescale U.S., Spanish, Irish and Greek housing defaults that resulted from the global financial crisis. Until a broader agenda of economic justice emerges, these experiences remind of how quickly populist anti-banking politics can be exhausted, coopted and betrayed.

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