



PART I
BACKGROUND





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Introduction

South Africa became politically independent in 1994, much later than all other African countries – most countries in Africa gained political independence between the late 1950s and the 1970s. This book examines the various political economy issues pertaining to South Africa, with a specific focus on the post-apartheid period (i.e. since 1994). Political economy simply means the interface between the economy and politics. In other words, the study of political economy involves the evolution of societies overtime, taking into account socio-economic and political phenomena. In the context of South Africa, it is important to understand how the post-apartheid dispensation has, among other things, shaped the economy, the politics and social development. It is also important, as part of the study of any political economy, to also assess how the past affects the present and what the future might look like. It is in that context that this book looks at the political history of South Africa (Chapter 2) and examines the extent to which the ideals, such as that of ensuring a developmental state in a democratic South Africa, are being met (Chapter 12).

Background

There are many policy and strategy documents of the liberation movement that shaped what was expected to be a democratic South Africa. By the national liberation movement, the book mainly refers to the African National Congress (ANC) and its Tripartite Alliance made up of the ANC, Congress of South African Trade Unions (Cosatu) and the South African Communist Party (SACP). The liberation movement, broadly, refers to the various organisations that have played a role in the political liberation of South Africa. This would include the United Democratic Front (UDF) and many others. There were also many individuals and institutions that played various roles in ensuring the end of apartheid, including the African Union (formerly Organisation for African Unity).

Among many documents that informed the agenda for what was to be a democratic South Africa is the 1943 Bill of Rights in the Africans' Claims in South Africa, the 1955 Freedom Charter, the 1962 Road to South African Freedom and the 1992 Ready to Govern Discussion Document. The liberation movement also adopted various theories that informed the struggle towards the political independence of South Africa. Some of the main theories include the Colonialism of Special Type thesis and the National Democratic Revolution – these are discussed in detail later.

Post-1994, there are also many policy and strategy documents that shaped policy towards a socio-economically inclusive society. These include the 1994 Reconstruction and Development Programme (RDP), the 1998 Discussion Document on the State, Property Relations and Social Transformation, the 1996 Constitution and many others. The debate on whether these policy and strategy documents, and subsequent policies and programmes, have ensured that South Africa becomes a just and equitable society – given the injustices of over three-hundred years – continues and it is far from being over or settled.

On 24 May 1994, the late president, founding father and first president of a democratic South Africa, Nelson Mandela, in his inaugural address, in accordance with the policy aspirations of the Freedom Charter, opened a Joint Sitting of Parliament with the following words:

My Government's commitment to create a people-centred society of liberty binds us to the pursuit of the goals of freedom from want, freedom from hunger, freedom from deprivation, freedom from ignorance, freedom from suppression and freedom from fear. These freedoms are fundamental to guarantee human dignity. They will therefore constitute part of the centrepiece of what this Government will seek to achieve, the focal point on which our attention will be continuously focused.¹

Transition from Apartheid to Democracy

In 1994, the first democratically elected government inherited an economy and a society that were in profound crises. The society was severely divided. The majority of the population was disproportionately bearing the brunt of poverty, marginalisation and underdevelopment. While the South Africa's economy had begun to adjust in the 1990s, the harsh reality of a significantly distorted income distribution and consequent structural distortions in the demand for goods and services eventually resulted in a significant economic crisis. Stephen Gelb, one of leading economists in South Africa, has written extensively about the economic crises that have continuously bedevilled South Africa, both before and after

apartheid colonialism. Seraaj Mohamed,²² from a different perspective, contends that the South African economy, even the post-apartheid one, has been in a crisis. Mohamed attributes the economic crises of the post-apartheid South Africa to neoliberal policies which resulted in internationalisation, financialisation and de-industrialisation.

The apartheid social systems not only prejudiced and disadvantaged Africans, but also failed to meet the socio-economic needs of the country as a whole. High levels of unemployment and poverty, highly unequal income distribution and low levels of investment became deeply entrenched during the economic crisis of the 1990s. Contrary to the experiences of other comparable economies, with similar endowments and/or equivalent initial conditions as economists would put it, from the 1980s South Africa was stagnating with further adverse effects on the economic participation and wellbeing of the majority. From 1994, legislation and policy interventions had to be put in place to redress the ramifications of apartheid colonialism.

The ANC-led government, since 1994, has undertaken extensive policy and institutional reforms in an effort to resolve contradictions brought about by the legacy of centuries of discrimination against the majority of the country and deliberate underdevelopment. The ANC's main overarching goal was, and remains being, the creation of a united, non-racial, non-sexist, prosperous and democratic society. The ANC's strategic preoccupation has always been about uplifting the quality of life of all South Africans, Africans in particular and black people in general, especially the poor.

The ANC is committed to a series of strategic undertakings that intended to combine growth and development, reconstruction and redistribution, popular participation and respect for human rights. It is against this backdrop that the party contested the first democratic elections – on 27 April 1994 – based on a vision of 'A Better Life for All'. The outlines of, and the strategic path towards, the purported 'better life' are elaborated in the 1992 Ready to Govern (R2G) strategy document and particularly in the 1994 Reconstruction and Development Programme – a policy framework underpinned by the vision for reconstruction and development of a new South Africa. South Africa's new Constitution enshrined the right of all South Africans to equality and provided for specific measures to be taken to redress historical imbalances and the monumental historical injustice of apartheid colonialism.

A number of macro-economic policies and/or political economy interventions have been pursued, namely the 1996 Growth, Employment and Redistribution (GEAR) framework, the 2005 Accelerated and Shared Growth Initiative of South Africa (AsgiSA) and the 2010 New Growth Path (NGP). Chapters 4 and 5, as

well as 6, to some extent, discuss these economic frameworks and other major policy directives of the successive post-apartheid administrations; and Chapter 13, as the book concludes, discusses similar issues in the context of a developmental state. While post-apartheid South African administrations have made concerted efforts to deal with the historical socio-economic challenges, progress is mixed at best and disappointing at worst. The gains on social development and welfare in post-apartheid South Africa are commendable. Significant progress has been made in expanding access to education, healthcare, housing and providing basic services. But there are many areas, say the economy and the labour market as examples, where progress is disappointing, as discussed later. Even in the areas where progress is registered (i.e. education and healthcare), the quality of service provisioning and services provided remain poor.

Concepts and Ideas

As a study of political economy, this book presents many concepts and ideas in the fields of political studies and economics as well as policy studies. Some of its chapters also have relevance for other fields such as geography, history and broader development studies. The various concepts are explained as and when they are used in the different chapters and a glossary of key terms for each chapter is provided at the end of the chapter, except for the first two chapters which are introductory and therefore have the terms used extensively discussed in the text. Also, Chapter 13 does not contain a glossary of terms because it is a conclusion.

The one concept that needs some explanation, at this very onset, is ‘apartheid colonialism’. At a broad level, apartheid colonialism is a shorthand for the totality of the historical experience of colonialism, imperialism, racism, apartheid and other forms of enslavement that black South Africans have endured in over three centuries. In other words, both colonialism and apartheid were formal systems of oppression and racism. South Africa, unlike most other African countries, experienced both colonialism (officially since 1652 until the 1940s) and apartheid (1948–1994). Apartheid colonialism, as a system, also created racial categories of Africans (including Indians and coloureds, over and above blacks) and whites (i.e. Europeans).

The book uses the developmental state framework to discuss the various political economy issues. The Freedom Charter and its understanding of the role of the state – the ‘developmental state’ – has since served as a philosophical prism through which the understanding of the ‘new society’ has been articulated. In order to understand the framework of the developmental state, it is important to highlight the emergence of the ‘developmental state’ in development discourse. The emergence of the notion of ‘developmental state’ in development discourse

follows the rapid rise of the East Asian Tigers (i.e. Taiwan, South Korea, Singapore and Hong Kong) as an economic and consequent political force in the 1990s; Louis Amsden and Chalmers Johnson stand out as the two scholars who have written extensively about this or have significantly influenced the discourse about developmental states. Peter Evans has also written extensively, especially in the context of ‘new’ developmental states (countries such as Brazil and India). Vivek Chibber, Patrick Heller, Adrian Leftwich, Amiya Bagchi, Ziya Onis and Manuel Castells have also written significantly on the notion of developmental states. Thandika Mkandawire has written extensively about developmental states in Africa while Guy Mhone and Omano Edigeji have written a lot about the notion of developmental states with a specific focus on South Africa. Issa Shivji is also worth mentioning, given his extensive works on matters of development on the African continent, so is Samir Amin – to highlight a few.

Much of what is known to constitute a ‘developmental state’ is, as a consequence, modelled against the Asian Tigers whose developmental states were, in the main, characterised by state intervention in the economy in the pursuit of socio-economic development. In this regard, as Mhone³ puts it, the developmental state is a state that steers economic development as well as industrialisation in the interest of the public good. The ‘developmental state’ concept is said to be an institutional model that adopts a statist approach to account for the high levels of growth of the lately industrialised nations. It affirms the state as central and beneficial in economic development, and in ways that are distinct from Soviet-type communist states. The Keynesian social-democratic states, for instance, have aspects of developmental states because the state is expected to intervene in the market economy in order to accelerate social equality and fairness.⁴

The developmental state emerges in stark contrast to neoclassical (or neoliberal) economics that has long argued that ‘state interference’ tampers with economic growth as it disrupts market equilibrium with devastating consequences. Institutional economics has since recognised the limitations of orthodox economics, whose failure(s) to explain market ‘anomalies’ is largely attributable to its failure to recognise the importance of non-market related institutions (i.e. political and cultural institutions) in shaping the very same institutions required to achieve market equilibrium. The developmental state is also in recognition of power relations that shape development.

There is no single and agreed-upon definition of a developmental state – there is, however, a generally wide consensus on the characteristics of a developmental state. A developmental state can be viewed as a state that actively intervenes in the economy with the aim of advancing wellbeing in tandem with a growing economy. The working definition of a developmental state that this

book uses supposes that a developmental state ‘is a state that is active in pursuing its agenda, working with social partners, and has the capacity and is appropriately organised for its predetermined developmental objectives’.⁵ This definition is informed by research on the subject and influenced by Evans⁶ notion of ‘embedded autonomy’; Leftwich’s⁷ model of a developmental state; Cummings and Nørgaard’s⁸ four dimensions of state capacity; as well as definitions and features of developmental states by South African scholars, such as Luiz,⁹ Mhone,¹⁰ Swilling et al,¹¹ Edigheji.¹² As Dikeni¹³ puts it, “developmental state” as a term primarily concerns itself with the ways and means of how a state governs, intervenes in the lives of its citizens, and organises and mobilises resources for itself in order to transform and effect economic and social change in society for development purposes’.

It must be noted, however, that the fact that the idea of a developmental state has currency does not presuppose a consensus by scholars and policy-makers on the features or even the model South Africa has been following and/or should follow. Alan Hirsch,¹⁴ echoing Ralph Mathekga¹⁵ who says that the ‘democratic South Africa is relatively an infant’, argues that ‘it is too early to say that a democratic developmental state is impossible in South Africa [because] our political system is so young and immature...’ Leslie Dikeni¹⁶ makes a related point that, theoretically and conceptually thinking, the term [developmental state] cannot be seen and/or be used as a concept, neither can we attribute the meaning of a ‘theoretical model of development to the term... [the term] represents a grouping together of a series of some loosely-related phenomena of "state" and "development" under the rubric of a developmental state’. Thandika Mkandawire¹⁷ could disagree because, in his view, developmental states are ‘social constructs’ that the states and societies bring about, implying that there is value in the notion of a developmental state, even as a term.

It is suggested that it is not only possible but also necessary to empirically and conceptually gauge the extent to which South Africa can be characterised as a developmental state, especially two decades since the dawn of democracy. For instance, Hein Marias¹⁸ argues that to arrive at a view of whether South Africa is a developmental state or not, one should examine ‘features deemed essential’ for South Africa to be a developmental state or assess whether South Africa ‘is already conducting itself in a manner of a developmental state’. Essentially, therefore, there ought to be attempts, using sound analytical tools, to assess whether a country is progressively becoming a developmental state or not. That would help engage the various views on the notion of a developmental state in South Africa. For instance, Ben Turok¹⁹ concluded that ‘South Africa could not presently be

characterised as a developmental state but that it has taken several significant steps in this direction’.

It is worth noting that a significant body of the literature on the notion of a developmental state has focused on economic growth and development. Amiya Bagchi,²⁰ for example, defines a developmental state as a state that prioritises economic development in public policy and a state that is able to design effective instruments to promote such a goal. Critical to this perspective is that industrial policy and structural change in the production system drives economic expansion. In this instance, economic development is largely associated with industrialisation and liberalisation. This perspective seems to feature prominently in definitions of developmental states by leading scholars in the field.

Robinson and White,²¹ Leftwich,²² as well as Cummings and Nørgaard’s,²³ on the other hand, have introduced a notion termed the ‘state-structure nexus’ as a critical attribute of the developmental state. These scholars emphasise the importance of organisational capacity of the state as well as technical capacity in building a developmental state. Important in this regard is the ability to develop industrial elites, ensure relative state autonomy, institutional coherence and economic performance. Institutional reforms, alongside changes in the economic strategy, are seen as critical in the promotion of developmental goals.

As indicated earlier, Mkandawire,²⁴ on the other hand, argues that developmental states are ‘social constructs’ by different role-players in a particular society, namely the political elite, the industrial elite and the civil society. This perspective is, in part, shared by Johnson²⁵ who conceptualised the developmental state in Japan, for instance, as epitomised by a ‘plan rational state’ where ‘the politicians reign and the state bureaucrats rule’ – the ‘plan rational state’ shaped economic development as it intervened in the development processes and established ‘substantive social and economic goals’.

Similar to Onis²⁶ who argues that the East Asian model of a developmental state is the product of political and cultural forces, Castells²⁷ also identifies three ‘cultural’ dimensions that reinforce the conceptual makeup of the developmental state in East Asia, namely: the Japanese communitarian approach, the Korean patrimonial logic and the Taiwanese patrilineal logic. Onis²⁸ highlights the importance of the historical context that sets the stage for the making of the developmental state and argues that East Asian developmental states were, by and large, also shaped by their historical circumstances.

As demonstrated by the different perspectives briefly depicted above, there is no single narrative that accounts for the developmental state. It seems to me, however, that the differences are mainly attributable to differences in emphasis. In other words, one can recognise a developmental state when one sees one. In

essence, developmental states are characterised by a number of features or multiple dimensions, namely: ideological (i.e. role of the state versus market), institutional (i.e. state autonomy and capacity), cultural (collectivism versus individualism), and socio-economic attributes (i.e. economic growth, industrialisation, etc).

As indicated above, for the purposes of this book, suitable to South Africa's realities, the developmental state – a contested notion – is defined as a state that is 'active in pursuing its agenda, working with social partners, and has the capacity and is appropriately organised for its predetermined developmental objectives'.²⁹ This broad definition suggests that a developmental state is essentially made up of a government that has requisite capacities to fulfil a developmental mandate, striking a balance between state and capital as well as working with society as a whole. At the very least, this provides a framework that can guide analysis of whether a particular society would ever have a developmental state or not. The book is guided by this perspective in the discussion of the various political economy phenomena.

Lastly, the other important concept that should be explained at this outset is 'development'. Development – not to be confused with a theoretical notion of developmental state – involves socio-economic progress or improvement in the wellbeing of people. The improvements in wellbeing are normally quantified through the Human Development Index (HDI) which measures human development as a composite indicator made up of life expectancy, literacy and per capita income. In simple terms, human development involves achievements in healthcare, in education and in the standard of living. Another way of thinking about the term 'development' is when countries go through different stages of development, from low to high. It is generally understood that development must involve the people that need development – the people should be able to guide the development needed and also have choices for their livelihoods (as Claude Ake³⁰ or Amartya Sen³¹ would put it).

Scope of the Book

The book is made up of three parts. The first part is on background and a brief discussion on the political history of South Africa. The second part deals with policies and prospects. It covers chapters on policy and law making, economic development, economic empowerment, industrial development, public enterprises, land and agriculture, education and training, poverty and inequality and, lastly, spatial planning. Part three discusses how the South African society has evolved since 1994 and explores South Africa in the pursuit of a developmental state while also proposing policy interventions that can deal with the socio-economic challenges discussed in the second part of the book.