

Recalibrating South Africa's Political Economy: Challenges in Building a Developmental and Competition State

PAUL THOMPSON and HENRY WISSINK

Abstract: This article is situated at the cusp of debates raging in South Africa in which the delivering of a democratic developmental state is amongst the priorities of the African National Congress (ANC) led government. Thus, the narrative on South Africa's developmental path has taken predominantly a singular approach, which is either the developmental state or the neo-liberalism approach, without considering the intertwining of both concepts. This article goes beyond the regular discourse and introduces the "competition state" concept to the South African economic development discourse. The central objective is to articulate some of the obstacles encountered in the building of a combined developmental and "competition state." The study findings reveal that notwithstanding an admixture of policies, legislations, and strategies being pursued by the Government of South Africa, policy objectives have not been fully realised due to a myriad of structural and socio-political factors.

Introduction

The sociology of socio-economic transformation by the post-1994 state in South Africa has been reconfigured on the foundations of its apartheid and pre-apartheid predecessors. South African society has undergone deep-seated socio-political, economic, and legislative changes since 1994. Notwithstanding, such changes have been evinced by protracted spatial and socio-economic developmental gaps that still exist across and within various demographic groups. According to Seekings and Nattrass the "post-apartheid democratic state; like its predecessors is a vehicle for representing a fluid array of interests to intervene in a capitalist economy at the expense of those on the periphery of the society."¹ It is this marginalized periphery that has triggered a multifaceted and inter-sectoral approach to inclusive socio-economic development. Attempts at re-constituting South Africa's political economy have led to an arsenal of public policies and legislation promulgated to act as agents of developmental facilitation. Either by design or inadvertently so, South Africa's policy space increasingly resembles features of a hybrid developmental and competition state paradigm. In development studies literature the developmental state is conceptualized and is said to exist according to "Johnson *inter alia* when the state possesses the vision, leadership and capacity to bring about a positive transformation of society within a condensed period of time."² Whilst the competition state thesis viewed in its narrowest form, speaks to the "transformation of the state from within, with regard to the reform of political institutions, functions and processes, in the face of the processes of globalisation," and importantly, the competition state thesis speaks to pursuit of "increased marketization."³

This article draws insights from the growing body of narrative on the need to build a democratic developmental state in South Africa. However, there is an absence of studies and

Paul Thompson is a post-doctoral research fellow, and Henry Wissink, a professor of Public Governance in the School of Management, IT and Governance at the University of KwaZulu- Natal.

<http://www.africa.ufl.edu/asq/v18/v18i1a3.pdf>

analysis on South Africa's simultaneous and combined pursuit of a developmental state and competition state agenda. This is rather paradoxical, given the raft of neo-liberal policies pursued by the national government over the last twenty-four years, which are aimed at re-integrating the republic within the global capitalist economy in the post-1994 era.

Thus, the aim of this contribution to the on-going dialogue is to articulate some of the extenuating factors that have hindered the state from achieving its stated ambition of being a developmental state and simultaneously promoting an internationally competitive and commodified state. But there is a wider significance of this article to scholars and post-colonial states in the Southern Africa Development Community (SADC) region, as it implicitly speaks to the inherent contestation between the Washington Consensus doctrine and state-led form of development. The study also highlights that the construction of a democratic developmental state cannot be achieved in an ideologically or politically stagnant environment. Instead it requires an environment in which the agility of the state is a priority so it may pursue simultaneously nation building and global competitiveness. Essentially, post-colonial states, including those in SADC, need to demonstrate different versions to meet the developmental needs of its citizenry and devoid themselves of populist rhetoric without the corresponding deliverables.

This paper primarily frames and contextualises developmental and competition state theoretical constructs within a hybrid or dual model to reflect South Africa's post-apartheid developmental trajectory and policy directives. Also this paper seeks to explain some of the emerging factors that are inimical to the government's efforts. Structurally, this study is divided into five thematic sections and proceeds as follows. The first thematic section chronicles the evolution of South Africa's post-1994 socio-economic development strategies and policy framework; the second thematic section focuses on the developmental and competition state as the article's conceptual framework. The third section articulates selected underlying factors that have derailed South Africa's developmental state ambitions. The fourth section analyses South Africa's neo-liberal competition state initiatives and the attendant problems. Conclusions and recommendations are dealt with in the fifth section of the article.

Post-Apartheid Development Strategies and Policies

Between 1994 and 2012, South Africa undertook a spectrum of substantive socio-economic policy, institutional and legislative reforms. These were influenced by both domestic developmental imperatives and the competition state economic doctrine. The present government inherited mass poverty, unemployment, racial inequality, a stagnated economy and a public bureaucracy that was designed to serve primarily a minority sub-group of the population. Thus, these socio-economic and systemic realities of life provided the impetus for the democratically elected government to enshrine socio-economic rights within the 1996 Constitution. Brand rightfully recounts that the South African "Constitution is replete with commands to the legislature to enact legislations to give effect to the Constitutional rights."⁴ These rights are not only entrenched in the Constitution, but they are also protected as statutory entitlements in national legislations. For example, the Bill of Rights section (27)1 of the Constitution (1996), outlines three fundamental rights that everyone should have access to: healthcare services; sufficient food and water and; social security, including provision for those unable to support themselves and their dependants.

In lieu of the above *inter alia*, the African National Congress led government over last two decades has published a plethora of white papers, enacted legislations laws and adopted policies to give effect to these fundamental rights; and also to reduce South Africa's triple-challenge of unemployment, inequality and poverty. These included, but were not limited to the following national municipal and provincial socio-economic developmental framework:

- Reconstruction and Development Programme (1994)
- Growth, Employment and Redistribution (1996) with objectives to provide basic services to the poor, to alleviate poverty, achieve economic growth, reduce national debt, and stabilise inflation
- White Paper on Local Government (1998) which introduced the concept of "developmental local government"
- Expanded Public Works Programme (2004)
- Policy Guidelines for Implementing Local Economic Development in South Africa (2005)
- Accelerated Shared Growth Initiative of South Africa (2006)
- Department of Provincial and Local Government unveiled the framework for Local Economic Development (2007).
- Medium Term Strategic Framework (MTSF)(2009-2014)
- New Growth Path (2010)
- National Development Plan-2030 adopted in 2012
- Radical Economic Transformation (2016-17)

Policy discussions from the above list were framed in terms of South Africa's political ambition to build a democratic developmental state.⁵ However, the resultant effect of South Africa's overall policy framework represents a convergence and divergence of both developmental and competition state polices. For example, there is an intertwining or convergence of state-interventionist developmental and competition state models in the government's Reconstruction and Development Programme. Forbes summarizes that "the Reconstruction and Development Programme (RDP) of 1994, embodies so, an admixture of socialist and neoliberal policies."⁶ Whilst on the contrary, the Growth Employment and Redistribution (GEAR) policy framework "represents a significant shift policy from the Reconstruction and Development Programme, – paradoxically a move to enhance neoliberalism and away from the socialist ideals of the Freedom Charter."⁷

In 2005 GEAR was replaced by the Accelerated and Shared Growth Initiative of SA (AsgiSA) policy framework which was itself replaced in 2010 by the New Growth Path (NGP). In 2013 the NGP was morphed into the New Development Plan (NDP), which similar to GEAR and AGISA has also been framed into the image of neoliberalism, designed to take South Africa into 2030.⁸ We contend that, inadvertently, there has been a co-expansion of the developmental and competition state models in South Africa. Such co-expansion is not inevitable, given the government's commitment to being a major player in the global economy and its simultaneous bullish attitude towards becoming a democratic developmental state. It is imperative to note that, the process which is unfolding is neither linear nor is it deterministic. A major criticism by a number of non-state actors such as the Congress of South Africa Trade Unions (COSATU) *inter alia* is that the competition state model is gaining primacy over an interventionist developmental state. At the root of such criticism is what Haque bemoans, as the loss of national autonomy from an eroding effect of globalisation or neo-liberal policies, which invariably prescribes the replacement of some

state functions with that of the market.⁹ Notwithstanding the criticism, the list of socio-economic policies is constitutive of a nexus between the developmental and competition forms of state.

Theoretical Perspective

There are a number of competing theories or concepts that can be used to explain South Africa's post-apartheid political economy. However, for the purposes of this study, the concepts of a developmental state and the competition state paradigms as a "hybrid" model are used to examine the shaping of South Africa's post-apartheid socio-economic development model. This is so in spite of a general feeling amongst a school of thought that subscribes to the view that the developmental and competition states are conceptually viewed as two incompatible forms of state. It is often noted that the rise of the competition state will and has led to the waning or at least a stagnation in the pursuit of the developmental state. The contrary view is that both forms of states encapsulate what Levi-Faur refers to as market building and market nurturing features.¹⁰

The developmental state theoretical approach in this article draws insights from the scholarly works *inter alia*, of, Johnson (1982), Amsden (1989), Wade (1990), Woo-Cummings (1999), and Evans (1995). Conceptually, the developmental state concept is not new, but it gained renewed notoriety within development studies discourse following the economic success of the former Asian tigers. Thus, it is hardly surprising that in South Africa political elites and trade unionists have advocated the necessity of a democratic developmental state to address the country's triple challenge of unemployment, inequality, and poverty.

The competition state concept is an analytical construct used to assess the ways in which industrially developed states began to restructure themselves during the 1990s in response to the opportunities and constraints resulting from globalizing economic forces.¹¹ Cerny originally coined the competition state concept to describe how economic policies and institutions of the state prioritizes the pursuit of global competitiveness on behalf of its national territory and to conform to the anti-inflationary norms of the international financial markets.¹² The competition state thesis was penned partially to narrate the transitioning from "Thatcherism" to "Blairism."¹³ The internationalization of global capital in the latter part of the 1970s and early 1980s became the precursor for the rise of competition state theory. With free-market capitalism being the predominant socio-economic structure within the global economy, it is inevitable that the competition state orthodoxy forms the basis of the contemporary capitalist state that replaces the welfare state orthodoxy. Cerny observes that "in seeking to adapt to a range of complex changes in cultural, institutional and market structures, both state and market actors have re-invented the state as a quasi-enterprise association in a wider world context."¹⁴ Fougner's logic is that most "contemporary states qualify for the label as competition states" and South Africa demonstrates constitutive elements of such a competitive state.¹⁵

The competition state orthodoxy is a useful paradigmatic tool for situating and analysing South Africa's attempt at socio-economic transformation and attempt at building an internationally competitive economy and state via its increasing neo-liberal policies such as the New Growth Plan of 2010. Similarly, the primacy some of South Africa's economic policies is aimed at the formation of a developmental state. Levi-Faur aptly notes that "the logics of the competition state and the developmental state are therefore similar – they are both forms of a capitalist state with an orientation toward development."¹⁶ It is partly for

this reason O'Brien echoes a word of warning, in noting that "the developmental and competition state should not be categorised in absolutes, as 'either or' options for defining the entire apparatuses of a state, but instead should be used more fluidly to inform understandings of particular policy regimes within particular sectors at particular point in time."¹⁷

Building South Africa's Developmental State: Contestation and Failings

Contemporary scholarship on the polity of development since the dawn of democracy in South Africa has given much currency to the creation of a democratic developmental state as noted earlier. However, Freund believes that South Africa's developmental state model is more of a superficial nature, and lacks to a large extent structural and institutional transformation.¹⁸ The following three features have been stymieing South Africa's developmental state visions.

State Capacity

One of the most profound enigmas in development discourse lies in the area of the state and what its inherent capacity should constitute. Notwithstanding of what constitutes state capacity, it has become well established in developmental state literature, and Levin for instance noted that "state capacity is widely seen as a defining element of a developmental state."¹⁹ Kim amplifies that strong state capacity and autonomy are required to implement and sustain "big push" programmes. The state must also have the ability to insulate itself from particular interests in society.²⁰ Within the South African context, Kim's statement has imputed a subtle, but a very real and profound suggestion that technocrats and state functionaries should largely be left alone to get on with the process of economic planning and policy implementation.

Chang (2002), Kim (2009), and Thompson (2013) highlight how a highly capacitated state contributed centrally to successful shaping of developmental architecture of the respective economies of China, South Korea, Singapore, and the United Arab Emirates. In contrast, the developmental state ambitions of the Government of South Africa as encapsulated in earlier discussed policy instruments, are constantly being undermined. This is due in part to the fact that the post-apartheid state and stakeholders such as political principals, labour federations, and the capitalist class lack the capacity to sufficiently morph the state bureaucracy into a developmental state. For example, at a sub-national level, the state is dysfunctional, with provincial and local governments in the Eastern Cape, Mpumalanga, and Limpopo are barely able to hold together these provinces and municipal structures. The scope and depth of the state's dysfunctionality at the national and sub-national levels act as inhibitors from it [state] taking on a "mid-wife" role and or a "demiurge function." The midwifery role entails "the shifting of production activities into new areas which are believed to be conducive to development and which are not areas that private capital would venture if left to market forces alone."²¹ On the other hand with "the 'demiurge function' the state shifts to creating certain types of goods via state-owned enterprises or via joint ventures which link state investment funds with private-sector investors."²²

There are a number of factors that have contributed to the diminution and weakening of the state's capacity. Amongst them is the policy adopted by the governing ANC of cadre deployment in the public bureaucracy. This has led to the continued "politicization of the public bureaucracy and the attendant domination by the political elites."²³ Secondly, in order

to comply with the Employment Equity Act of 1998, the public bureaucracy is caught up in a numbers game of replacing many experienced non-African bureaucrats with predominantly African comrades, who may not necessarily at times possess the corresponding skills set. The idiosyncrasies of South Africa's public sector recruitment are captured by Butler who notes that political appointments or liberation movement deployment undermines the principle of meritocracy in the recruitment of public sector functionaries.²⁴ The politics of appointment specifically at the provincial and local spheres of government in South Africa has stifled the developmental capacity of this state. It is for this reason and amongst others, the National Development Plan (NDP) outlines that "South Africa needs a fully capacitated state acting as developmental agent in order to reduce poverty and inequality."²⁵ On the basis of anecdotal evidence, a careful analysis of any organigram of decision makers in state institutions would highlight to a large extent that the South African state is a sinecure for former freedom fighters turned bureaucrats. Judging from past and current performances of strategic state institutions, many of these political appointees have demonstrated the lack of intellectual and technical skills needed to create a "capacitated" developmental state. Systemic corruption across all spheres of government has marginalized competent and honest functionaries, who are replaced with pliable officials sympathetic to a new post-apartheid kleptocratic network consisting of party elites and corrupt individuals from the private sector. This has also further eroded capacity of the state.

The dichotomy that faces the public bureaucracy has been summed up by Ferguson and Lohmann who note that the state "is not an apolitical machine that exists only to provide social services, economic growth and to implement poverty alleviation policies."²⁶ This articulation is not without empirical evidence, which can be seen in the anaemic growth rate and a sizeable percentage of the population that is receiving social grants. All successful developmental states demonstrate a nexus or positive correlation between a capacitated state and the level of socio-economic development that can be achieved.

Acrimonious Business-State Relations

Successful developmental states are based on a mixed economy model in which the government works in partnership with the private sector to achieve national development goals.²⁷ The sociology of post-apartheid South African development tells the story of a largely toxic business-state relationship. The toxicity of the relationship is based on deep-seated distrust between government and some industries (e.g. mining) and service-oriented businesses in the private sector. There are a number of drivers fuelling the acrimonious and frosty relationship between the state and the business community. For example, Soko explains, how "certain economically powerful groups in the private sector felt berated by the ANC-led government for publicly criticising government's policies and raising concern about the quality of political leadership and risk in South Africa."²⁸

This much mooted acrimonious state-business relationship is said to have worsened under the presidency of Jacob Zuma but with ascension of Cyril Ramaphosa the acrimony is likely to change for the better. The economic developmental potential of South Africa has regrettably been "...stunted by deep-seated mutual suspicion and distrust between business and the government. This is evidenced by a growing distance between business and government leaders, even as the need for the two sectors to work together to solve SA's economic problems is pressing."²⁹ There is a narrative within political circles that big business has undermined South Africa's development and transformation by not investing sufficiently in the economy. This has arguably contributed to the national government not

achieving its developmental goals. The problem has been exacerbated according to Epstein who notes how “between 1990-2000 capital flight out of South Africa amounted to 6% of GDP. Specifically, in the post-apartheid period, South Africa continued to experience protracted capital flight by both domestic and foreign investors.”³⁰ Epstein also estimates that during “the period of 1994-2000 capital flight on average was estimated to be 9.2 per cent per annum.”³¹ On the basis of the limited data presented above, there is seemingly a strong correlation between capital flight and the on-going distrust of the ANC-led government.

As the system of racial capitalism is being challenged and supplanted by a more liberal and inclusive form of capitalism and multi-party democracy: “...wealthy South Africans have moved more money out of the country during the more stable post-apartheid period than during the turbulent 1980’s when struggle against apartheid intensified.”³² This was a crisis waiting to happen, as from the outset, established white-owned businesses that benefitted from the apartheid regime had noted their misgivings about those on the political left that occupy sensitive and important positions within ANC-led government. These misgivings by the minority white capitalist class are not without justifications, as antagonistic anti-white monopoly capital sentiments coming from elements from within the governing party and its alliance-partners have fueled existing distrust of government. The sentiment amongst some members of the capitalist class is that the government’s black economic empowerment (BEE) programme is an attempt by the current political class to deconstruct the architecture of the apartheid era system of racial capitalism. As push back to the perceived or real deconstruction of businesses entities who were intricately linked to the apartheid government, a raft of domestic “big businesses in South Africa have been on a ‘capital strike’ in recent years, by not investing or re-investing back into the economy according to a National Union of Metalworkers SA (Numsa).”³³ In addition, the continued politicization of state-business relations, racial, and ideological differences between the state and white capital have prevented South Africa from being morphed completely into a successful democratic developmental state. It is imperative to restate that the South African government cannot hope for socio-economic development without an alliance with businesses, and likewise, businesses need the government to create an environment that is conducive to sustainability.

High Growth Rates and Capital Accumulation

On the surface, the primacy of development in South Africa seems to conform to the conventional theory that a developmental state is “one whose ideological underpinnings is fundamentally ‘developmentalist,’ and its major preoccupation is to ensure sustained economic growth and development on the back of high rates of capital accumulation.”³⁴ Accounts by Wong highlighted how the historical records of East and Southeast Asian developmental state model has been characterised by rapid, sustained and exponential growth of real Gross Domestic Product (GDP) in individual countries such as Japan, South Korea, Taiwan, Hong Kong, and Singapore.³⁵ It is further noted that “as a region, the East Asian economies collectively grew at a rate of near 10 percent per year, outpacing their developmental counterparts in Latin America and Africa.”³⁶

Comparatively speaking, the South African economy has been facing serious growth challenges, not only is South Africa’s growth rate anaemic, “the country’s economic growth trajectory has remained weaker than some its peers.”³⁷ An examination of the country’s real GDP figures contained in the national treasury annual reports, highlight a steady decline in

economic growth since 2008/09 fiscal year. For example, economic growth declined from a high of 5.6 percent in 2006 to 0.5 percent in 2016. Government officials ascribe South Africa's declining growth rate to continued weak global economic activities. Notwithstanding the merit of such an argument, a closer analysis of the economy reveals there are a multiplicity of contributing factors (such as supply-side constraints, specifically in power generation, as was the case in the 2015-16 power supply crisis), structural unemployment, and capital flight. In addition, in order to give effect to the bill of rights, as outlined in section (27) of the Constitution, the Government of South Africa has not been able to demonstrate exclusive focus on economic growth. Instead the government's attention is directed towards reducing the society's pervasive social problems of unemployment, inequality and poverty. This diverts economic and human resources from aggressively pursuing economic growth as a developmental state imperative. This is further compounded by the systemic failure of the South African government and its alliance partners to effectively marshal financial resources to fast track economic growth. This is manifested in recent downgrades in South Africa's sovereign ratings by international rating agencies. The resultant effect is the limiting of the country's ability to raise cheap funding on the international bond market. In summary, the identified constraining factors have become inimical to South Africa becoming a successful 21st-century democratic developmental state, at least for now.

The South African Competition State and its Paradoxes

This section of the study explores three of the central tenets of the competition state thesis and the extent to which these central characteristics of the "competition state" model have been undermined by South Africa's economic model. The "competition state" (neo-liberalism) orthodoxy is in many respects conceptually different from the developmental state thesis based on the central theoretical underpinnings discussed below.

Shift from Macroeconomic to Microeconomic Policies

An important corollary of the 'competition state' thesis suggests a fundamental shift from macro-economic to micro-economic policy prescriptions and interventionism. Such a shift is "reflected in deregulation, privatisation and industrial policy, the improvement in micro-economic efficiency, competitiveness, the creative destruction of old capital and technology to make way for the latest cutting edge production, financing and marketing methods."³⁸ In the case of South Africa, such policy shift or the ethos of globalisation has not been completely operational within the economy. Instead, there is the coupling of "micro-interventionism in concert with sound macro-economic policies."³⁹ This is a direct offshoot of South Africa's growing reliance on international capital markets and the requirements international trading agreements such as the African Growth and Opportunity Act (AGOA).⁴⁰ Thus, the government has had to maintain tight macro-economic supply-side policy, as prescribed by international capital and multi-lateral trade agreements. Haque describes such policy stance as the influence of globalization reinforced by the principles of a new political economy.⁴¹

Since the late 1990s South Africa's targeted micro-economic interventionism policies have resulted in the systematic deregulation of the wine, dairy, ostrich, forestry, and aviation sectors. This was necessitated by several imperatives: attract foreign investment and reverse capital flight, marketization of the economy, and liberalization of cross-border movement of goods and services. A 2008 OECD Report highlights that wide-ranging reforms which include liberalising domestic and foreign trade, and the lowering of support

for agriculture were also implemented in the 1990s.⁴² For example, the Marketing of Agricultural Products Act of 1996, “led to the phasing out of certain import and export controls, elimination of subsidies, and the introduction of tariffs instead of control measures.”⁴³ The national economy through its’ internal structures and institutions of the state were bolstered by the external forces of globalization have charted new directions that are producing new capitalist social relations in general.⁴⁴

The supplanting of an inward looking policy agenda with competition state policies in South Africa has been driven by an international politico-economic narrative of minimal state involvement in the economy. As Soederberg notes “an important facet of micro-economic intervention, and the ‘Washington Consensus’, is privatisation. Through this strategy, it is suggested that the role of the state in managing economic activity must be eliminated.”⁴⁵ This proposition can be construed to be theoretically in contestation with a strong interventionist and capacitated state; which is needed to achieve developmental priorities of any government. The signalling of an emphasis on fostering a pro-market environment, which is the shaping of a competition state occurred “when the national government announced plans for wide-sweeping privatization programme in late 1995 and in 1996, the government released its macroeconomic strategy tagged GEAR which envisions a broad-based privatisation programme.”⁴⁶

The neoliberal oriented GEAR policy or the privatisation project by the Thabo Mbeki-led government had provoked strong criticisms from labour movements such the Congress of South Africa’s Trade Unions (COSATU) and other non-state actors. These criticisms stem from the perceived notion that the ascendancy of a competition state would result in continued socio-economic dislocation amongst those on the periphery of the society. This is due to the fact that getting market fundamentals right would transcend the necessity for sustainable safety nets for the most vulnerable in the society. Mostert believes that “privatization of state-owned assets via GEAR policies is a contradiction and abandonment of government’s pro-poor populist RDP policies, which endangers the delivery of basic social needs and leads to a loss of employment.”⁴⁷ Opposition to privatization must be viewed within the context of the likely disproportionate increase in poverty and inequality amongst the formerly disadvantaged segments of the society.

On the issue of inequality, the OECD highlights that “South Africa’s Gini coefficient, at around 0.70, makes it amongst the highest in the world. Income disparities appear to be even starker within South Africa than at the global level.”⁴⁸ The over-arching reason for advocating a competition and developmental state model is premised on the notion that only the free market and limited government regulations can deliver economic development and create a better life for all, not only in South Africa, but in other post-colonial states in sub-Saharan Africa and Latin America as well. Paradoxically, the competition state orthodoxy requires the full commodification of public goods, such as education and health services which inherently would represent a substantial structural shift.

Such articulation has created a developmental paradigmatic dichotomy for the government. The need for inclusive socio-economic transformation in South Africa has pitted the leftists in the tri-partite alliance against a small but powerful domestic capitalist class who fervently believe in the “invisible hand percent” of the market and the disempowerment of the state and labour movements. Importantly, the competition state theory as a development model, paradoxically does not extensively lead towards poverty alleviation and an inclusive society. Instead, it can engender a rise in inequality, as the state pursues international competitiveness. This is an inherent flaw in the competition state

thesis, in addition to the de-politicization of state power. There lies the developmental dilemma of the post-apartheid state, which finds itself in a conundrum, as it performs a “juggling act” in the formation of a democratic developmental and a neo-capitalist state both of which are ideologically and operationally at the opposite end of the political divide.

Social Security Solidarity

Historically, the South African state has been characterized by welfarism and in the post-apartheid era globalization has forced the state to reconfigure its' role in the economy in order to reap the benefits of economic globalization. Thus, South Africa's post-1994 democratic state has seemingly resolved a globalisation dichotomy it faces whilst, simultaneously, “ensuring that social security remains an almost exclusively statutory responsibility.”⁴⁹

Contemporary politics and social policies in South Africa have been morphed to respond to the historically high level of poverty and inequality in the society, through the “provision of considerable social assistance programmes, public education and health care.”⁵⁰ The state has to ensure that social security [welfarism] is not sacrificed at the altar of neo-liberalism economic edicts. This represents a paradigmatic contradiction as the subordination of social security is a central characteristic of the competition state thesis.

Table1: Social grant beneficiary numbers by type and fiscal years: 09/10 – 14/15

Grants Rand (In Millions)	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Old age pension ⁵¹	29 826	3 3 765	37 131	40,475	44,767	49 422
Disability Grant	16 567	1 6 840	17 375	17,637	18,034	18 957
Foster Child	4 434	4 616	5 011	5335	5478	5 851
Child Support Grant	26 670	3 0 342	34 319	38,088	43,600	43 428
Care Dependency	1 434	1 586	1 736	1877	2028	2 259

Source: South Africa, National Treasury 2013, 2014, 2015, 2016, and 2017

Social development expenditures for a selected number of years in Table 2 show the government's pursuit of sustained fiscal “welfarism” policies. This is achieved through the allocation of financial resources within the national budget (and by spending more in real terms) for social grants. A comparison of social grant annual allocation data suggests that South Africa does not represent an ideal exemplar of a competition state. In part, social welfare policies are designed to serve welfare needs over economic imperatives in an increasingly globalised economy. Horsfall and Chai explain that to “be classified as following a broadly neo-liberal approach to the competition state, a country must demonstrate a low level of social expenditure as a percentage of gross domestic product.”⁵² However, when juxtaposed against the competition state thesis, South Africa's welfare expenditure “rather than shrinking, social welfare has been increasing, not just as a percentage of the country's GDP but real expenditure terms.”⁵³ On the basis of the historically unparalleled levels of social inequality in South Africa, the state is legislatively and politically committed to having “a robust social welfare system as one of the pillars of the country's social protection agenda.”⁵⁴ The South African government spent an average of

3.2 percent of the country's GDP on social expenditures between 2009 and 2014.⁵⁵ In terms of the population, the number of people receiving some form of social grants increased from 16.496 million, in the 2014-15 fiscal year to 16.970 million in 2016-17 fiscal year.

The government is cognizant that a generic feature of the competition state is the constraint it places on "welfarism" and emphasizes "workfarism" as opposed to generous redistributive policies. However, the government's 1997 White Paper on Social Development states that "a social security system is essential for healthy economic development, particularly in a rapidly changing economy."⁵⁶ In light of this, the present South African economic model cannot be characterised as being an exemplar of a competition state, where social welfare policies are subordinated to "workfarism" as is suggested by the competition state thesis.

From Extensive Interventionism to Strategic Targeting

Competition state framers and theorists have positioned the transition from interventionism to strategic targeting as a quintessential logic that has shifted or depoliticised state actions away from the maximisation of social welfare towards the commodification of selected sectoral activities. This fundamental pillar of the competition state thesis speaks directly to a sea change in the

...shift of focus from interventionism from the development and maintenance of a range of "strategic" or "basic" economic activities in order to retain minimal economic self-sufficiency in key sectors to one of flexible response to competitive conditions in a range of diversified and rapidly evolving international marketplaces, i.e. the pursuit of "competitive advantage" as distinct from comparative advantage.⁵⁷

For Thurow, the competition state thesis represents an observable shift that has to move away from comparative advantage based on natural resource endowments and factor proportions (i.e. capital labour ratios) to competitive advantage based on so-called "brain-power" industries, such as micro-electronics, biotechnology, the new materials industries, civilian aviation, telecommunications and so forth.⁵⁸ From the perspective of South Africa's post-apartheid state, the pervasive logic of supplanting the comparative advantage based on natural resource endowment with competitive advantage has not been fully realized yet, as South Africa is still considered to be a resource based economy, with heavily reliance on four primary commodities, namely coal, platinum, gold, and iron ore. Nonetheless, there has been limited success in internationalizing South Africa's tertiary education sector, as well as financial and telecom services. In addition, the hegemonic power of transnational corporations has forced government's policies to converge towards the competition state. The robust global competition for Foreign Direct Investments (FDIs), propelled the ANC-led government to not only to internationalize the state, but also motivated the state to offer investment incentives, creating an institutional and legal eco-system that would attract FDIs to the country.

The complexities and opportunities of globalisation forced the government towards what Drahokoupil refers to as the "Porterian" competition state.⁵⁹ The emergent question is what constitutes a "Porterian" competition state? Essentially, it is based on the convergence of:

...interventionist strategies aimed at promoting competitiveness by attracting foreign direct investment (FDI) via upgrading industrial base and the

increasing internationalization of the domestic state by forging economic globalization and the facilitation capital accumulation for transnational investors.⁶⁰

Paradoxically, South Africa's multi-faceted pro-competitive and growth policies (such as the Accelerated Shared Growth Initiative for South Africa (AsgiSA) of 2007; the Industrial Policy Action Plan of 2009, and the New Growth Path of 2010, have not resulted in substantial investment in innovation driven industries and the re-industrialisation of South Africa. There are a number of inter-related domestic factors that have contributed to the anaemic response to South Africa's wave of neo-liberal policies. Amongst them are the previously stated acrimonious business-state relations, as well as high levels political risks due to the perceived and often times real political instability within the ANC-led government. Consequently, South Africa's locus in the global "pecking order in terms of Research & Development, investments in advanced-technology, manufacturing and economic expansion continues to remain low in comparison to many other developing economies" such as Turkey, Brazil, and India.⁶¹

Conclusions and Recommendations

This paper sets out at exploring the changing socio-economic policy and legislative landscape of the South African state against the country's growing integration into the global economy. All tiers of government in the republic have designed a typology of development policies and strategies that transcend any single development paradigm, to comprehensively deal with low economic growth, poverty, inequality, and underdevelopment. There is a multitude of strong centrifugal forces that are creating dichotomies and cleavages within the economy, thus undermining the process of creating a democratic developmental and competition state.

This paper maintains that although the post-1994 South African state is developmental in ambitions only, and on the other hand it conforms to some basic features of a neoliberal competition state. The ever expanding array of socio-economic development strategies have brought about neither sustained economic growth nor less dependence on social welfarism and external sources of capital. Similarly, a very important reason for this failure lies in the contradictory nature of the some of the state's neo-liberal policy framework that is characterised by domestic imperatives such as the maintenance of welfarism and international necessities such as the signaling of creditworthiness to international financial institutions and ratings agencies.

Developmental State: Recommendations

- The public bureaucracy in South Africa has to emerge from being a mere political actor or a distributor of social welfare into a capitalist developmental state "*par excellence*."
- Strengthen the developmental capacity of the state, especially at the provincial and local spheres through a process of meritocratic recruitment of public officials and technocrats instead of the present widespread practices of cronyism.
- Increase presence of local and provincial governments in the economy through asset creation and asset leveraging.

- Integrate the Department of Small Business with the Department of Economic Development into a super developmental ministry.

Competition State - Recommendations

- At a national level, the Government of South Africa as a matter of urgency needs to dismantle the oligopolistic structure of some of the main sectors in the economy, namely banking, insurance, road transportation, construction, financial services, and mining.
- There has to be a concerted effort to internationalize many of South Africa's small and medium size enterprises.
- South African officials need to make a rapid shift from its comparative advantage based on its abundance of natural resources to developing a competitive advantage based on so-called "brain-power" enterprises.

Notes

- 1 Seekings and Natrass 2015, p. 258-59.
- 2 Fritz and Menocal 2007, p. 533.
- 3 Cerny and Evans 2004, p. 51. Cerny 1997, p. 259.
- 4 Brand 2005, p.12.
- 5 Burger 2014.
- 6 Forbes 2017, April 21.
- 7 Vissor 2004.
- 8 Forbes 2017, April 21.
- 9 Haque 2002.
- 10 Levi-Faur 2012.
- 11 Kirby and Murphy 2011.
- 12 Cerny 1990; Cerny & Evan 2004.
- 13 Horsfall 2012.
- 14 Cerny 2007, p. 251.
- 15 Fougner 2006, p. 165.
- 16 Levi-Faur 2012, p. 10.
- 17 O'Brien 2011, p. 183.
- 18 Freund 2007.
- 19 Levin 2007, p. 5.
- 20 Kim 2009.
- 21 Cypher and Dietz 2004, p. 215.
- 22 Ibid., p. 214.
- 23 Lewis 2010, p. 3-4.
- 24 Butler 2010.
- 25 NPC 2012a, p. 409.
- 26 Ferguson and Lohmann 1994, p. 178.
- 27 UNCTAD 2009.
- 28 Soko 2015a.
- 29 Soko 2015b.
- 30 Epstein 2005, p. 85.
- 31 Ibid.

- 32 Ibid., p. 86.
 33 Payer 2016.
 34 Mkandawire 2001, p. 291.
 35 Wong 2004.
 36 Ibid., p. 349.
 37 IMF 2014, p. 5.
 38 Jones 2002, p. 299.
 39 Soederberg 2009, p. 84.
 40 The African Growth and Opportunity Act (AGOA) is a United States Trade Act, enacted on 18 May 2000 as Public Law 106 of the 200th Congress.
 41 Haque 2002.
 42 OECD 2008.
 43 Ibid., p. 6.
 44 Haque 2002; Thrift 2010.
 45 Soederberg 2010, p. 85.
 46 Jerome 2004, p. 8.
 47 Mostert 2002, p. 12.
 48 OECD 2013.
 49 Kirby and Murphy 2007, p. 9.
 50 Seeking and Natrass 2005, p. 256.
 51 Includes recipients of war veterans grant.
 52 Horsfall and Chai, 2013, p. 136-37.
 53 Ramia et al. 2013, p.143.
 54 NPC 2012a, p. 376.
 55 The national treasury documents also note that: "The social assistance programme provides a regular income to South Africa's most vulnerable households and is the government's most direct means of combating poverty. By the end of 2012-13, nearly 16.1 million people were beneficiaries of social grants, up from 2.5 million in 1998. "
 56 Policy Brief 2006, February
 57 Fougner 2006, p. 166.
 58 Ibid.
 59 Drahokoupil 2009.
 60 Ibid.
 61 Ünay, n.d.

References

- Amsden, Alice H. 1989. *Asia's Next Giant: South Korea and Late Industrialization*. New York: Oxford University Press.
- Brand, Danie. 2005. "Introduction to Socio-economic Rights in the South African Constitution." In Brand & Heyns (eds.) *Socio-economic Rights in South Africa*. Pretoria: Pretoria University Law Press.
- Burger, Phillipe. 2014. *How Suitable is a 'Developmental State' to Tackle Unemployment, Inequality and Poverty in South Africa?* [Online]. Available at <www.econ3x3.org>. (Accessed 21 November 2016).

- Butler, Anthony. 2010. "Consolidation First: Institutional Reform Priorities in the Creation of a Developmental State in South Africa." In O. Edigheji (Ed.) *Constructing a Democratic Developmental State in South Africa: Potentials and Challenges*. Cape Town: HSRC Press.
- Cerny, Phillip G. 2007. "Paradoxes of the Competition State: the Dynamics of Political Globalization." *Government and Opposition* 32.2: 251-74.
- _____. 1990. *The Changing Architecture of Politics: Structure, Agency, and the Future of the State*. Thousand Oaks, CA: Sage Publications.
- Cerny, Phillip. G. and M. Evans. 2004. "Globalisation and Public Policy under New Labour." *Policy Studies*, 25.1: 51-65.
- Chang, Ha-Joon. 2006. *Kicking Away the Ladder – Development Strategy in Historical Perspective*. London: Anthem Press.
- Cypher, James M. and James. L. Dietz. 2004. *The Process of Economic Development*. London and New York: Routledge.
- Drahokoupil, Jan. 2009. "The Politics of the Competition State: The Agents & Mechanisms of State Transnationalization in Central and Eastern Europe." In Bruszt & Holzhaecker (eds.) *The Transnationalization of Economies, States, and Civil Societies: New Challenges for Governance in Europe*. London/New York: Springer.
- Evans, Peter B. 1995. *Embedded Autonomy: States and Industrial Transformation*. Princeton, NJ: Princeton University Press.
- Ferguson, James and Larry Lohmann. 1995. "The Anti-Politics Machine: Development, Depoliticization, and Bureaucratic Power in Lesotho." *The Ecologist* 24.5: 176-81
- Forbes, David. 2017. *The Neoliberal ANC and its 'Radical Economic Transformation' Hot Air*. [Online]. Available at <2017-04-21-david-forbes-the-neoliberal-anc-and-its-radical-economic-transformation-hot-air>. (Accessed 21 April 2017).
- Fougner, Tore. 2006. "The State, International Competitiveness and Neoliberal Globalization: Is There a Future beyond 'the Competition State'?" *Review of International Studies* 32: 165-85.
- Freund, Bill. 2007. "South Africa as Development State?" *Africanus: Journal of Development Studies* 37.2: 191-97.
- Haque, M. Shamsul. 2002. "Globalization, New Political Economy, and Governance: A Third World Viewpoint." *Administrative Theory & Praxis* 24.1: 103-24.
- Horsfall, Daniel. 2012. "There and Back Again: Convergence towards the Competition State Plan." *Policy Studies* 34.1: 53-72.
- Horsfall, Daniel and S. Chai. 2013. "Square Pegs and Round Holes: Extending Existing Typologies Fails to Capture the Complexities in Chinese Social Policies." In Ramia et al. (eds.) *Social Policy Review 25: An Analysis and Research in Social Policy*. Bristol, UK: Policy Press.
- International Monetary Fund. 2014. *South Africa: Staff Report for the 2014 Article IV Consultation*. IMF Country Report No. 14/338. [Online]. Available at <<http://www.imf.org>>. (Accessed 15 December, 2015).

- Jerome, Afeikhen. 2004. *Privatisation and Regulation in South Africa. An Evaluation*. Third International Conference on Pro-Poor Regulation and Competition: Issues, Policies and Practices. Cape Town, South Africa (7-9 September).
- Johnson, Chalmers. 1982. *MITI and the Japanese Miracle: the Growth of Industrial Policy, 1925-1975*. Stanford, CA: Stanford University Press.
- Jones, R. J. Barry. 2001. *Routledge Encyclopaedia of International Political Economy*. London and New York: Routledge.
- Kirby, Peadar and Mary Murphy. 2007. *Ireland as a 'Competition State.'* IPEG Papers in Global Political Economy no. (28, May). [Online]. Available from. <http://bisa-ipeg.org/papers/28%20Kirby%20and%20Murphy.pdf>. (Accessed 29th November, 2012).
- Levi-Faur, David. 2012. *States Making & Market Building for the Global South: The Developmental State Vs. The Regulatory State?* Working Paper No. 44.
- Levin, R. 2007. "Building a Capable Developmental State in South Africa." Paper presented at the 7th Africa Governance Forum. Ouagadougou, Burkina Faso (24-26 October).
- Lewis, David. 2010. *The Politics of Presidential Appointments: Political Control and Bureaucratic Performance*. Princeton: Princeton University Press.
- Mkandawire, Thandika. 2011. "Running While Others Walk: Knowledge and the Challenge of Africa's Development." *Africa Development* 36.2: 1– 36.
- Mostert, Cheslyn. 2002. *Reflections on South Africa's Restructuring of State- Owned Enterprises*. [Online] Available at <<http://library.fes.de/pdf-files/bueros/suedafrika/07164.pdf>>. (Accessed 06 February 2016).
- National Treasury. 2017. *Budget Review*. [Online]. Available at <<http://www.treasury.gov.za/documents/national%20budget/2017/review/FullBR.pdf>>. (Accessed 25 August, 2017).
- _____. 2016. *Budget Review*. [Online]. Available at <<http://www.treasury.gov.za/documents/national%20budget/2014/review/FullReview.pdf>>. (Accessed 12 May 2017).
- _____. 2015. *Budget Review*. [Online]. Available at <http://www.treasury.gov.za/documents/national%20budget/2015/reviewFullReview.pdf>. (Accessed 09 June 2017).
- _____. 2014. *Budget Review*. [Online]. Available at <http://www.treasury.gov.za/documents/national%20budget/2014/reviewFullReview.pdf>>. Accessed 15 March 2016).
- _____. 2013. *Budget Review*. [Online]. Available at <http://www.treasury.gov.za/documents/national%20budget/2013/reviewFullReview.pdf>. (Accessed 15 March 2016).
- NPC. 2012a. *National Development Plan 2030: Our future– make it work*. Pretoria: NPC. [Online]. <Available at <http://www.gov.za/documents/national-developmentplan-2030-our-future-make-it-work>> (Accessed 14 October 2014).

- O'Brien, Anne. 2011. *The Politics of Tourism Development: Booms and Busts in Ireland*. London: Palgrave MacMillan.
- OECD. 2013. *OECD Economic Surveys: South Africa 2013*, OECD Publishing.[Online]. Available at http://dx.doi.org/10.1787/eco_surveys-zaf-2013-en. (Accessed 21 June 2016).
- _____. 2008. *Case Study 4: Deregulation, Trade Reform and Innovation in the South African Agriculture Sector*. OECD Trade Policy Working Paper No. 76.
- Parliamentary Liaison Office. 2006. *An Outline and Brief Analysis of ASGISA*. Briefing Paper 156.
- Payer, Liesl. 2016. "SA Capitalists on Investment Strike – Numsa." <https://www.fin24.com/Economy/Labour/News/sa-capitalists-on-investment-strike-numsa-20161213>. (Accessed 26 January 2017).
- Policy Brief. 2006. *Inter-Regional Inequality Facility, Social Grant: South Africa*. [Online]. Available at <www.odi.org.uk/inter-regional_inequality>. (Accessed 10 June 2016).
- Ramia, G. et al. 2013. *Social Policy Review 25: Analysis and Debate in Social Policy*. Bristol: Policy Press.
- Satgar, Vishwas. 2012. "Beyond Marikana: The Post-Apartheid South African State." *Africa Spectrum* 2-3: 33-62
- Seekings, Jeremy and Nicoli Nattrass. 2015. *Policy, Politics and Poverty in South Africa*. New York: Palgrave MacMillian.
- Soederberg, Susan. 2010. "The Mexican Competition State and the Paradoxes of Managed Neo-liberal Development" *Policy Studies* 31.1: 77-94.
- Soko, Mills. 2015a. "SA needs a Meritocratic Civil Service, Not a Political One." *Rand Daily Mail* 14 May, www.rdm.co.za/politics/2015/05/14/sa-needs-a-meritocratic-civilservice-not-a-political-one. (Accessed 10 November 2017).
- _____. 2015b. *Bridge business-state divide in SA*. [Online]. Available at <http://www.bdlive.co.za/opinion/2015/03/11/bridge-business-statedivide-in-sa>. (Accessed 16 October, 2015).
- Thompson, Paul A. 2013. *An Analysis of Dubai's Socio-Economic Development Strategies and Performance between 1998 and 2008*. Pretoria: University of South Africa (Unpublished PhD Thesis).
- Thrift, Nigel. 2001. "Perspectives on New Political Economy: Chasing Capitalism." *New Political Economy* 6.3: 375-80.
- Thurow, Lester. 1992. *Head to Head: the Coming Economic Battle among Japan, Europe and America*. New York: William Morrow.
- UNCTAD. 2009. *Least Developed Countries Report 2009: The State and Development Governance*. Geneva: United Nations Publications.
- Ünay, Sadik. n/d. *Domestic Transformation and Raison Du Monde: Turkey's Nascent Competition State*.

Visser, W. 2004. "Shifting RDP Into" The ANC Government's Dilemma in Providing an Equitable System of Social Security for the 'New' South Africa." Paper presented at the 40th ITH Linzer Konferenz (17 September).

Wade, Robert. 1990. *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization*. New Jersey: Princeton University Press.

Wong, Joseph. 2004. "The Adaptive Developmental State in East Asia." *Journal of East Asian Studies* 4: 345-62.

Woo-Cummings, Meredith (ed). 1999. *The Developmental State*. New York, NY: Cornell University Press.

Copyright of African Studies Quarterly is the property of African Studies Quarterly and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.