

BUILDING A BUREAUCRACY FOR THE SOUTH AFRICAN DEVELOPMENTAL
STATE: AN INSTITUTIONAL-POLICY ANALYSIS OF THE POST-APARTHEID POLI-
TICAL ECONOMY

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List of Acronyms and Abbreviations

ANC	-	African National Congress
ASGISA	-	Accelerated Shared Growth Initiative for South Africa
BEE	-	Black Economic Empowerment
COSATU	-	Congress of South African Trade Unions
EE	-	Employment Equity
EIEC	-	Economic Investment and Employment Cluster
GEAR	-	Growth Employment and Redistribution
GDS	-	Growth and Development Summit
IFIs	-	International Financial Institutions
IMF	-	International Monetary Fund
JIPSA	-	Joint Initiative for Priority Skills Acquisition
LDCs	-	Less Developed Countries
MEC	-	Minerals Energy Complex
MITI	-	Ministry of International Trade and Industry
NEDLAC	-	National Economic Development and Labour Council
NIPF	-	National Industrial Policy Framework
PCAS	-	Policy Coordination and Advisory Services
PE	-	Political Economy
RDP	-	Reconstruction and Development Programme
SA	-	South Africa
SACP	-	South African Communist Party

UNCTAD - United Nations Conference on Trade and Development
in Africa

WB - World Bank

Abstract

This dissertation addresses two central questions: first, does the post-apartheid bureaucracy have the characteristics of a developmental state? Second, which political interests have shaped the character of the post-apartheid bureaucracy? The research questions are addressed by analysing three macro-economic policies implemented between 1994 and 2009, with a specific focus on ASGISA. Economic policy is essential in this analysis, because it describes the relationship between the state and markets. This investigation is guided by the following key variables: nature of developmental institutions; state-society relations; and economic intervention.

The study argued that the post-apartheid government has failed to develop the bureaucratic features of a developmental state. It points out that the state's bureaucracy has not had the policy synergy, coordination and institutional efficiency found in developmental states. Another crucial argument advanced in this study is the inability of the bureaucracy to create productive state and society relations. The study argues that this lack of social capital can be attributed to the following factors: lack of autonomy, acrimonious relations between key economic actors, political contestation, and marginalization of citizens.

Moreover, the dissertation illustrates that the bureaucratic interventions in the economy have not been sufficient for building a developmental state. The post-apartheid government has largely neglected microeconomic policy development. It has over-emphasized liberal macroeconomic policy, whilst paying minimal attention to implementing an effective industrial strategy. Furthermore, the state has not provided sufficient leadership in the economy. It has not succeeded in guiding or coordinating economic activities towards the goals of industrialization, economic restructuring and increasing the levels of human development. This is related to the last shortfall of the bureaucracy: the inability of the state to use state-ownership and regulation effectively. The study points out that the lack of policy clarity on state-ownership and regulation has hampered efforts to coordinate socioeconomic development.

CHAPTER ONE: THE DEVELOPMENTAL STATE

1.1 Identification of the Research Theme

The role of the state in economic development has been at the centre of debates amongst academics, government officials and civil society. Most of the contending views about the state's role and responsibilities are derived from divergent ideological perspectives. Other positions are based on reactions to the state's performance in the post-World War Two era, especially in relation to the goals of achieving economic growth, restructuring and industrialisation. According to Olayode (2005:24-25), this ideological debate is centred on the following two different approaches to development.

The first emphasizes the need for central planning and strong state intervention; while the second favours minimal state interference because of a belief in market-led development. Supporters of the first view highlight the necessity of increased state intervention to correct market failures and coordinate economic development (Keynes 1965; Hirschman 1958). Advocates of the latter approach argue that the state should play a minimal role in economic development; because markets have an efficient mechanism of self-regulation (Smith 2003; Hayek 1979; Schumpeter 1954). These opposing positions are a reflection of the ideological paradigms that shape the functions and responsibilities of states.

The 20th century was characterized by this ideological contestation, which culminated in the dominance of neoliberal theory associated with the latter view. Olayode (2005:25) explains this ideological hegemony by stating that: "By the end of the 1970s right up to the early 1990s, conservative parties in the UK and USA led a systematic and sustained ideological and policy agenda to dismantle the capacity, scope and role of the state that developed in the post-World War Two period...".

However, commentators such as Mkandawire (2001:293-294) adopt a more pragmatic analysis. They argue that the contending paradigms are shaped by the realities or challenges that confront states in each epoch. The historical narrative of post-independence African state economic intervention epitomises this school of thought. In the 1960s state intervention in Africa was seen as something positive and necessary. This is despite the fact that such states lacked the Weberian institutional features. Most African states did not have a native bourgeoisie and were economically underdeveloped by the colonial authorities. These countries faced a number of challenges which required strong state intervention. The most glaring of these were backward economies, poverty and export orientated infrastructure (Economic Commission for Africa 2005; Hwedi 2001; Simutanyi 2006). Therefore, the notion of a strong active African state was widely supported at the beginning of the independence era.

This view changed as a result of the poor economic performance displayed by most post-colonial African countries. The economic decline led to a call for the withdrawal of the state in economic development (Hwedi 2001). More importantly, the increasing levels of globalization compelled countries to alter state and market relationships. This transformation was based on the notion that development should be driven by “market-forces” (Mkandawire 2001:294). The paradigm shift found expression in the implementation of Structural Adjustment Programmes (SAPs), proposed by the International Monetary Fund and World Bank in the 1980s.

Many African states applied these policy proposals in their countries, which supported trade-liberalisation, privatization, decreased social expenditure and minimal state intervention (Edigheji 2005). The main objective of the SAP’s is succinctly explained by O’Nyinguro (2005:36), who argues that: “IMF policies tailor the states internal politics towards the global liberal-democratic framework that provide the ideological base for the free-market economy”.

Contemporary research has illustrated that this state versus market-led approach is misleading and one-dimensional. The United Nations Conference on Trade and Development (UNCTAD) Report (2007:61) argues that: “neither the market nor the state can by itself deliver the ultimate goal of development. The real path to sustainable growth and development emanates from a pragmatic mix of markets and state action, taking into

consideration the country-specific development challenges”. This does not mean that ideology is insignificant; but rather this illustrates a movement away from the polarized approach to the intersecting relationship between the state and market. Furthermore, this view takes into account both the ideological and pragmatic components of the debate. On an ideological level, it requires a paradigm shift from the state versus market approach. Additionally, it compels individuals to consider the particular social, economic and political context in which the state’s role is being analyzed (pragmatic approach). This third perspective on state and market relations is essential for avoiding reductionism in the discourse. Moreover, it is directly related to the notion of a developmental state which will be discussed in the following section.

1.2 Brief History of the Developmental State

According to Fritz and Monecal (2007:534), the conception of a developmental state can be traced back to the writings of German Economic Historian Friedrich List (1909). His main area of interest was the role played by European states during the process of industrialization. The emergence of the developmental state can also be traced back to the increased economic intervention in the post-war era, which was influenced by a number of developments such as the Great Depression; economic decline during the interwar period; and the rise of welfare economics (Chang 2003:17). In the contemporary era, it describes a group of East Asian states who played a leading role in the development of their societies. Between the 1960s and 1980s countries in this region experienced rapid economic transformation under the stewardship of the state. According to Wade (1990), these states “governed the markets” rather than relying on market-forces or total government control.

Countries such as South Korea and Singapore experienced high levels of sustained rapid economic growth, whilst improving the living standards of their citizens. These states “moved from being poor agrarian societies in 1960s to producers of high technology and high value added goods in the 1990s” (Evans 1995; Fritz and Monecal 2007; Leftwich 1995; Wade 1990). The location of these states in the hierarchy of the global economy also changed drastically. Between 1962 and 1986 Japan moved from a ranking of thirtieth in terms of per capita income to eleventh. South Korea from ninety-ninth to forty-fourth, and Taiwan

transcended from eighty-fifth to thirty-eighth (Wade 1990: 3). This economic transformation was driven by a “pragmatic mix of market and state action” (UNCTAD 2007: 61).

Policy makers in these countries rejected both extreme market and statist approaches to development. In other words, they did not conform to either the Political or Economic school of thought. This was illustrated by the creation of a developmental state, which is essentially characterised by a mixture of state and market-led economic development. This rapid economic transformation influenced the drive to build the developmental state in other Less Developed Countries (LDC’s) and regions.

Africa is no exception, as some analysts argue that underdevelopment can only be eradicated by creating developmental states on the continent. Proponents have stated that African governments should draw lessons from East Asian experiences and apply them to their context (Adreasson 2007: 6). Other Arguments in favour of creating an African developmental state emphasize the necessity of state intervention in addressing developmental challenges.

These views are based on the premise that economic transformation cannot solely be driven by “market-forces” (Economic Commission for Africa 2011:7). LDC’s have unique developmental challenges which require strong state intervention. These nations have small internal markets; economies dominated by primary exports; and high levels of socioeconomic inequality (Chang 2003; Wade 1990). Supporters of the African developmental state further emphasize the failure of previous strategies to achieve desirable outcomes such as social development, economic transformation, high and sustainable growth. Therefore, a developmental paradigm shift is required in order to achieve the above-mentioned outcomes (Economic Commission For Africa 2011:8). This shift will be driven by an African state that directs economic development. The case for building an African developmental state has influenced many countries on the continent including South Africa (SA). The following section provides a short history of the post-apartheid South African developmental state.

1.3 History of the Post-Apartheid South African Developmental State

The idea of building a developmental state in SA has been advanced by civil society, academics and government officials. It can be traced back to the early 1990s before the first democratic elections. Ideas of strong state intervention were prevalent in the ruling party's policy documents. These interventionist ideas were found in policy programmes such as *Ready to govern* (1992) and the *Reconstruction and Development Program* (1994). Although it should be mentioned the African National Congress (ANC) only started to explicitly use this phrase after 2004 (ANC 2005; Netshitenzhe 2011).

Edigheji (2007:3) attributes this desire to build the South African developmental state to two main reasons. Firstly, the state is viewed as an important instrument for eradicating the social, economic and political challenges created by the system of apartheid. These include low levels of economic growth, inequality, uneven spatial development and poverty (COSATU 2010; South Africa 2010). Secondly, a large section of the ruling party (ANC) and its alliance partners have been influenced by different strands of socialist thinking. This political paradigm supports the notion of strong state intervention in the economy, based on the premise that the market cannot adequately address underdevelopment in SA. Proponents of this view argue that pervasive developmental challenges such as unemployment require strong state intervention (Edigheji 2007: 3).

Therefore, it is no surprise that the National General Council (NGC) of the ANC held in 2005 declared that the party will build a developmental State. This objective was expressed in an ANC NGC discussion document entitled: "*development and underdevelopment*" (2005) which stated that:

"The ANC's vision has always been one of a prosperous, equitable, stable and democratic society. In the economy, our vision has been one of decent work and living standards for all, in the context of qualitatively improved equity in ownership, management skills and access to opportunities. It is imperative that we mobilise the ANC's core constituencies - the poor, workers, women, youth and black business - around our economic strategies. Realising this vision requires that we make a clear choice in favor of a developmental approach

characterised by state intervention to unblock the constraints to growth and focus directly on the battle to defeat poverty and underdevelopment”(ANC 2005).

The general aim of this study is to assess whether or not SA has the bureaucratic characteristics of a developmental state. This debate about building the developmental state in SA is important for a number of reasons. Firstly, it responds to challenges that SA needs to address in order to improve the living standards of citizens. The challenges include unemployment, inequality, poverty, economic growth and restructuring. Secondly, it is also crucial for clarifying and defining the role of the post-apartheid state in the process of economic development. Fine and Rustomjee (1996: 24) argue that an important function of the state is to create and implement industrial policy. This argument is crucial in the South African context, as the economy is based on rudimentary activities in the mineral and energy sectors (Fine and Rustomjee 1996: 24). Therefore, one of the key roles of the post-apartheid state is to eradicate this dependency and promote industrial diversification.

Thirdly, this discourse is important for identifying the responsibilities of important stakeholders such as government, business and labor in the process of building the South African developmental state. The identification of these responsibilities must also take into consideration the interests of different political actors. This is crucial for developing a social accord which enjoys legitimacy amongst all the above-mentioned social partners (Andreasson 2007; Dinokeng 2009; Mkandawire 2012; UNCTAD 2009). Lastly, it is also important for the creation of a macro-developmental plan. The issues and challenges raised in the discourse will contribute to the formulation of this plan. Long term planning propelled the development of states such as Malaysia, South Korea and Singapore (Economic Commission for Africa 2011:5-6).

Authors and researchers concur that a national vision or plan is critical for development (Andreasson 2007; Evans 1995; Economic Commission For Africa 2011; Mkandawire 2001, Netshitenzhe 2011). All sectors and social groups should be mobilized behind a single national vision which clearly outlines their roles and responsibilities. Furthermore, it is important to create institutions and structures that will enhance this interaction (Netshitenzhe 2011). The points mentioned above are all crucial issues which should be considered when discussing the South African developmental state. It should be mentioned that the creation of a developmental state or institutions is not an end; but rather a means to an end. The objective

is to construct a state that can achieve the following goals: social development, economic transformation, high and sustainable growth.

In this analysis emphasis will be placed upon the politics of development. Politics plays a central role in the development of any state, as Leftwich explains:

“The central and dominant variable determining not only the conception and shape of development, but developmental success or failure in all human societies is their politics. For if we are to understand the different performances of developing societies we need to understand their politics and, specifically, the way in which their politics condenses in and around their states”(Leftwich 2000:4).

Therefore, any study of the South African developmental state must take into consideration the politics that have shaped the country’s developmental trajectory. Political decisions have influenced the role played by the state and other actors (business, labor, citizens) in the post-apartheid era. Most importantly, these decisions determine how a society is going to utilize its resources. This is an important component of development, because this process driven by the productive usage of resources. The manifestation of political decisions in the contemporary era is policy, which provides a description of the government’s proposed actions to address any issue. Thus, it is essential to discuss the relationship between policy and the attempts to create a developmental state in SA.

1.4 Public Policy and the South African Developmental State

The term policy refers to “...a plan of action adopted by, for example, an individual, group, business or government. To designate something as a policy implies that a formal decision has been made, giving official sanction to a particular course of action” (Heywood 2002: 400).

The concept public refers to a realm of human interaction which needs “social regulation”, requiring all members of a community to be active participants in decision making. Therefore, when individuals speak of public policy, they are referring to a plan created in this realm (Parsons: 1997:3). Governments play a leading role in the process of social regulation, hence some authors argue that public policy “can be seen as the formal or stated decisions of

government bodies” (Heywood 2002:400). In this particular study the main focus will be on macroeconomic policy, and how it influences the role of the state in the economy. This study will analyze three macroeconomic policies; but specifically focus on the Accelerated Shared Growth Initiative for South Africa (ASGISA).

This is an important policy in the context of building a South African developmental state. Firstly, it was introduced a year after the government explicitly declared that it would increase state intervention in the economy. This objective was expressed by former president Mbeki (2005) when he stated that: “our development model therefore includes the fundamental proposition that we need a strong state to achieve sustainable social and economic development.”

Secondly, one of the key principles of this policy was increased state intervention in the economy, which is an important characteristic of a developmental state (South Africa: 2006). The nature of state intervention outlined in this document will be used to examine if South Africa can be categorized as a developmental state. Lastly, this document emphasizes the need to create a National Industrial Policy Framework (NIPF) (South Africa: 2006). This component of the policy is very important, because a developmental state is mainly defined by the type of industrial policy it formulates and implements (Johnson 1982: 26).

Policy analysis is critical for identifying the most prominent issues and challenges which shape the process of creating a South African developmental state. Furthermore, it enriches the investigation by focusing on action rather than intent. Anderson (1997:9) explains this point well by stating that: “it focuses on what is actually done instead of what is only proposed or intended, and it differentiates a policy from a decision, which is essentially a choice among competing alternatives”. The objective is to analyze whether these policies are embedded in a paradigm which is conducive for building the bureaucracy of a developmental state. Before engaging in this exercise, it is essential to identify and discuss the most prominent themes in the literature on developmental states.

1.5 Literature Review

There is a large volume of research from different fields of specialization written on this topic. However, it is still possible to identify central themes in this dense literature. In this review emphasis will be placed upon the following important areas: 1.5.1) Development; 1.5.2) Developmental State; 1.5.3) East Asian Developmental States; and the 1.5.4) South African Developmental State.

1.5.1 Development

Before discussing the term developmental state it is important to unpack what development means. This type of state is distinguished by its ability to bring about certain developmental outcomes. Providing a clear conceptualization of development is important for highlighting the difference between developmental and non-developmental states. Furthermore, this discussion on development will assist in constructing clear measurable variables. Seers explains this by stating that:

“The starting point in discussing the challenge we now face is to brush aside the web of fantasy we have woven around development and decide precisely what we mean by it. Only then will we be able to devise meaningful targets or measures of progress, to judge the relative importance of various problems which arise in the process of development thus help to improve policy national or international” (Seers 1969: 2).

Clarification provides measurable targets and distinguishes the developmental state. Moreover, unpacking the concept development elucidates the policy goals that a developmental state should pursue. The term development is an essentially contested concept. There are different meanings or interpretations associated with this term. Furthermore, the meaning of development is not static, as it continuously evolves and changes throughout different historical epochs. Leftwich (2000:16) captures the above-mentioned points by stating that “it is not only the practice of development that it is political but the very idea and definition of the process itself”. This quote illustrates that the conceptualization of development is political. It provokes

contestation over the objectives and means to obtain development, which leads to the evolution of the term as certain conceptions dominate each era.

Evans (2010:37) explains this evolution by stating that development will always change because it is experimental in nature. The success or failure of development will depend on what knowledge is accumulated from previous experiments (Evans 2010:37). Therefore, it is no surprise that researchers in the 21st Century are confronted with a plethora of definitions. According to Leftwich (2000:17), development can be broken down into ten broad conceptualizations which include development as a historical progress; exploitation of natural resources; planned promotion of economic and social advancement; economic growth and modernization.

These different meanings are a product of historical political contestation, as each era in history is characterized by the dominance of one or two of these conceptualizations. This dissertation will focus on the interpretation of development as the planned promotion of economic and social development. This conceptualization is very important in the context of a developmental state. The most prominent feature of this type of state is its ability to plan and direct development (Fritz and Monecal 2007; Economic Commission For Africa 2011; Edigheji 2007; Leftwich 1995; Onis 1991; Kauzya 2008; Mkandawire 2001). The nature and patterns of this planning will be discussed in the sections that follow.

1.5.2 Developmental State

The conceptualization of a developmental state cannot be discussed outside the theoretical debate about the role of the state in economic development. This theoretical context is essential for differentiating the developmental state from other types or forms of states. According to Chang (2003:46), there are three dominant theoretical paradigms regarding the role of the state in society and economic development. The first is the neoliberal view, which advocates for minimal state interference in the economy. This paradigm is based on a belief that markets have an efficient system of self-regulation and allocation. Proponents of this view also argue that state intervention will inevitably fail, because of the inherent “uncertainties” in a modern economy. The logic of the market is viewed as the only practical or pragmatic source of stability in a complex unpredictable economy (Chang 2003: 47).

Furthermore, neoliberals argue that the state is an institution which advances the interests of dominant groups in society. Therefore, intervention will create non-developmental outcomes such as inefficient allocation and rent-seeking activities (Chang 2003: 48). The neoliberal argument is closely related to what Evans (1989) cited in Habisso (2010) describes as a minimal state. This perspective on state intervention can be traced back to the writings of Scottish philosopher and economist Adam Smith. The government of a minimal state assists business indirectly by maintaining law and stability. It believes in market-led development, and does not select or promote certain industries as drivers of the economy (Habisso 2010)

The second perspective is what authors and researchers refer to as the “welfare economics or market failure approach” (Chang 2003:47). According to this school of thought, markets are not perfect mechanisms for achieving an equitable distribution of goods and resources in society. Furthermore, market-led development creates negative economic outcomes such as monopolies and externalities. Thus, government intervention is necessary to eradicate and ameliorate these negative effects (Chang 2003: 47). This intervention includes the provision of welfare and an increased regulatory role in the economy e.g. pricing, protecting small business (Chang 2003 47; Habisso 2010). Leading exponents of this theory include the British economist John Keynes and Eduard Bernstein.

The final approach is what Chang (2003: 51) describes as the institutional view. This paradigm is opposed to the notion of market-led development. It does not believe that the market is the most important institution in an economy. According to this approach, the market forms part of “many economic institutions and is not necessarily the primary one” (Chang 2003:51). It vehemently rejects the distinction between state and market because it cannot be justified on valid scientific grounds. The state is viewed as an institution which coordinates and directs economic development. It does not attempt to have total control over the market or other institutions. Rather, it assumes the role of an “entrepreneur” who creates and directs the developmental plan of a country (Chang 2003:52-53). The state leadership aspect of the institutional approach is related to the conceptualization of a developmental state which shall be discussed below. The discussion will commence with a description of the policy goals of a developmental state, and then proceed to an outline of the structural components.

1.5.2.1 Policy Goals of a Developmental State

A developmental state will direct development in order to achieve specific outcomes, which are important for creating measurable variables and distinguishing it. This state seeks to achieve sustained economic growth as a result of industrialization, accumulation and structural change (Economic Commission for Africa 2011, Mkandawire 2001). A developmental state does not only pursue economic growth. Olayode (2006:37) explains this by arguing that the state will pursue quantitative goals and structural reform without “compromising the goal of social welfare for the people”. This point is echoed by Seers (1969), who states that if there is no reduction in unemployment, poverty and inequality then no development has taken place.

This conceptualization is centered on the notion of human development, which is made up of the following three essential components: standard of health, level of knowledge and the quality or standard of life (Draper and Ramsay 2012; Evans 2010; Human Development Report 2010; Sen 1999; Simutanyi 2006). Draper and Ramsay (2012:195) point out that in ideal situations these two conceptualizations of development mutually reinforce each other. A developmental state is characterized by its ability to excel in both measurements of development (Economic Commission for Africa 2011: 96).

However, literature on developmental States does not provide a clear description of the type of policies required for excelling in both measurements. This is an important question in the context of studying the South African developmental state. SA is a country characterized by moderate levels of economic growth which are accompanied by high levels of poverty and inequality. This situation highlights the need for developmental plans that balance economic growth and human development. The central question facing all stakeholders in the developmental state debate is: how does SA find this balance? It is also important to identify the political interests and challenges which have shaped public policies aimed at finding this balance. Moreover, it is necessary to discuss how the structure of the bureaucracy can complement the achievement of both economic growth and human development. The following section addresses this question by explaining the bureaucratic features of a developmental state.

1.5.2.2 Bureaucratic Features of a Developmental State

Edigheji (2005:10) emphasizes the importance of bureaucratic structuring in a developmental state by arguing that: “it is the organizational structures that enable it to promote and achieve better economic performance”. These structures of a developmental state mentioned by Edigheji (2005) include the following essential elements. First, a bureaucracy characterized by its high level of autonomy. It is able to exercise its power and implement policies without being dominated by domestic or foreign actors (O’Neil 2010: 40). Moreover, it distances itself from sectional pressures and demands in order to pursue national developmental objectives (Leftwich 1995:408). The state is not captured by particular groups, and it avoids pursuing the narrow or sectional interests of certain political actors (class, ethnic etc). Autonomy in a developmental state is linked to capacity. The state should have the ability to carry out simple tasks (security, welfare) and implement the policies it creates (O’Neil 2010: 40). This requires investment in capacity building (human and institutional) and the maintenance of state independence.

The second bureaucratic feature is what theorists refer to as “embeddedness” (Evans 1995, Evans 1989; Evans 2010; Fakir 2005; Leftwich 1995; UNCTAD 2009). This term describes the process in which the government establishes strong relationships with key actors or groups in society. These coalitions are formed on a shared vision of obtaining national developmental goals, and not to facilitate corruption or rent-seeking. It establishes these relationships in order to enhance its legitimacy. Fakir (2005: 3) explains that the principles of bureaucratic strength and autonomy can be complemented by the “idea of a democratic state that creates a voice for the poor and marginalized”.

The importance of legitimacy in a developmental state is explained further in the UNCTAD (2009) Less Developed Countries Report. This document states that development governance is “not only institutional but is also associated with the questions of policies and processes through which they are formed and implemented. The process and policies are associated with purposefully promoting national development and ensuring a socially legitimate and inclusive distribution of costs and benefits” (UNCTAD 2009: 15). These points and quotations highlight the importance of maintaining a balance between autonomy and embeddedness. A developmental state’s bureaucratic structure is characterised by this balance.

This notion of “autonomy” is based on the classical liberal perception of the state. Liberals view the state as an impartial regulator of opposing interests in society (Heywood 2007:38). This idealistic perception of the state ignores the practical political realities that exist in society. Opposing groups contest state power in order to enhance their interests and make their ideas hegemonic. When one group emerges victorious, it uses this state power to primarily protect its interests and ideas. Contestation for political power can be an impediment to the notion of constructing an autonomous state.

Furthermore, the literature does not provide an extensive analysis of the role played by external actors in the process of constructing a developmental state. This is an important political factor in the analysis of state autonomy. Foreign actors played a pivotal role in the construction of Eastern and Western developmental states during the Cold War. Therefore, it would be important to grapple over the role that foreign actors should play in constructing a developmental state in the 21st century (Evans 1990; Chang 2010).

The literature on this topic states that autonomy must be complimented by embeddedness. This task is difficult to achieve in a heterogeneous society characterized by political (ideological), economic and cultural differences. These differences become an impediment to creating relations that are conducive for constructing a developmental state. Furthermore, they become an obstacle to the creation and implementation of an inclusive national developmental plan. Social pacts and agreements require high levels of social cohesion. The literature on the developmental state does not provide recommendations on how to build social cohesion. Most of the research just explains the basis of social cohesion in different case studies. Therefore it would be important to carry out some research in this field. Some analysts have argued that Sub-Saharan African countries lack the social cohesion required to build a developmental state (Andreason 2007: 10)

Another obstacle in the construction of an embedded state is poverty, because it restricts citizen’s participation in the formulation and implementation of development policy. Citizens have the formal right to participate in the policy process; however, socioeconomic challenges prevent them from exercising this right. In other words, an opportunity exists for citizens to participate; yet the socioeconomic context limits their ability to influence the policy process effectively (Nussbaum 1997; Sen 2005). This point is well captured in the Dinokeng Scenarios Report (2009:26), which argues that: “Democracy is being blocked by the basics. For people to be able to participate, they need to feel secure, to know where their next meal is

coming from, and to have dignity and health. You can't participate in the economy or in politics if you are concerned with survival.”

The above-mentioned issues form part of the political realities which require some attention in the structural (autonomy, embeddedness) analysis of the South African bureaucracy. These political realities raise a number of crucial questions for this particular study. Firstly, does the South African state have the necessary autonomy to pursue policies that will enhance its developmental agenda? Secondly, is it possible to develop a culture of “embeddedness” in a heterogeneous society characterised by stark socioeconomic inequalities? The responses to these questions will be critical for identifying the challenges, opportunities and possibilities of creating a South African developmental state. Furthermore, these questions emphasize the importance of considering the political culture of any state when discussing autonomy and embeddedness. This last point will be highlighted in the following theme of the literature review which discusses East Asian developmental states.

1.5.3 East Asian Developmental State

This focus on East Asian developmental states is informed by the fact that these countries experienced what Gumede (2009: 4) describes as “one of the greatest industrialisation transformations of the modern era.” These transformations were characterised by strong state intervention and leadership. Moreover, a large portion of the research on developmental states uses some of the political, social, and economic developments in these countries as prototypes for building a developmental state. For example, a determined developmental elite; strong meritocratic bureaucracies and extensive state intervention in the economy (Economic Commission for Africa 2011; Fine and Rustomjee 1996; Johnson 1982; Leftwich 1995). Most analysts and researchers discuss developmental states by making constant reference to the literature on the East Asian experience.

The following sections will adopt a similar approach. However, it is important to highlight the following salient facts before analysing the literature on East Asian developmental states. First, states have different economic, political and social structures, and thus it is impossible to adopt a uniform approach to development. Second, it is imperative that analyst pay attention to both the domestic and international context when conducting research on a particular developmental state. The majority of developmental states experienced high levels

of economic growth and human development during the Cold War era (1945- 1990). Thus, it is impossible to discuss these developmental states without considering the role played by their allies. Third, the main aim of comparison is to highlight the challenges, complexities and opportunities that form part of the developmental process (Chang 2010: 82). Analysts and practitioners should draw lessons from past experiences, and apply them when creating their developmental strategies. The following section discusses these lessons with a specific focus on the East Asian developmental states.

1.5.3.1 Main Features of East Asian Developmental States

As mentioned above, states are not the same. However, it is possible to identify the following common characteristics which characterized the East Asian developmental states. First, all the bureaucracies in these countries played a leading role in economic development. They did not conform to orthodox liberal economic policy which prioritizes free markets and minimal state intervention (Chang 2010; Kwon 2005; Wade 1990; Leftwich 1995; Sindzingre 2007). The strong state intervention included implementing selective industrial policy, state-led economic planning, state ownership of certain sectors of the economy, and marginalization of private economic interests (Wong 2004; Chang 2010; Beeson 2003; Grabwoski 1994; Wade 1990).

This point is captured by Leftwich (1995:417), who argues that “the state has been active in promoting, pushing, persuading and bullying these interests in directions which conform to its development strategy”. However, the nature and degree of intervention differed from state to state. These countries were authoritarian, and this made it easier for government to unilaterally formulate, monitor and lead the implementation of policy. This system of governance was also complimented by the minimal power of private capital in these states.

The second common feature of East Asian developmental states was their strong insulated bureaucracies which had close ties to the political elite (Fritz and Menocal 2007; Habbisso 2010; Letfwich 1995; Nzwei and Kuye 2007; Wong 2004). These rationalized bureaucracies operated on meritocratic rule-based principles, whilst providing public workers with long term career prospects. This type of institutional organization was essential for insulating public servants from “rent-seeking groups” (Fritz and Menocal 2007:535). Additionally, bureaucrats were appointed on the basis of their expertise. The public service was comprised

of highly skilled, competent, and elite technocrats recruited from foreign institutions (Wong 2004:351). They were protected from political pressure and given the autonomy to formulate and implement policy.

The bureaucrats in East Asian developmental States were not accountable to any popular legislative assembly or groups. Their sole objective was to formulate policy which will contribute to the national developmental strategy. All these countries had powerful technocratic elites who led and shaped the developmental direction of the state. Again, it is important to note the influence of politics in this context. Civil society in East Asian developmental states was weak and there was limited popular participation in politics. This meant that ordinary citizens and civil society groups had no say in policy formulation. The political culture was facilitated by two important factors: the suppression of civil society by these authoritarian states, and provision of social security services to selective groups such as industrial workers who could undermine the state's authority (Holliday 2000; Kwon 2005; Lee and Ku 2007). This is the political context which should be kept in mind when discussing the East Asian developmental states.

Thirdly, these states had what Johnson (1982:26) described as “pilot agencies”. This term describes powerful institutions which directed economic development by creating and managing the national development plan of the country. According to Beeson (2003), these structures formulate and implement policy which directs the private sectors activities towards national objectives. They had the technical and organizational capacity to fulfil this leadership role. Technical capacity is created by meritocratic recruitment and the organizational strength is derived from clear productive lines of authority. This capacity is complimented by the political authority that the institutions enjoy.

Agencies such as the Ministry of International Trade and Industry (MITI: Japan) and the Economic Planning Board (South Korea) had the political power to formulate and implement policy. For example, the MITI in Japan used its “control over domestic savings” to shape the character and development of industrialisation by awarding certain industries low-priced credit (Beeson 2003; Wong 2004). According to Johnson (1982:26) the most important feature of the MITI was its “control of industrial policy”.

These pilot agencies are driven by the fourth characteristic of East Asian developmental states: economic growth. Developmental policy in East Asian developmental states was aimed primarily at national productivity or economic growth (Holliday 2000; Kwon 2005; Lee and Kun 2007). All public policy is designed in such a manner that it contributes to the national economic growth policy. This even applies to social policy which is very important in the context of a developmental state. As stated earlier, these states prioritize both economic growth and an improvement in the living standards of citizens. A state's social policy is crucial for achieving this goal. The East Asian developmental states adopted what authors refer to as "productivist" social policies, which were directed at industrial workers and civil servants only. This is what differentiated these countries from the Western Welfare States. Those sections of the population who are unemployed, handicapped and retired were looked after by employed members of their respective families (Holliday 2000; Kwon 2005; Lee and Ku 2007).

The successful implementation of this selective social policy was related to the political context that characterised the East Asian developmental state. Demands for the extension of social programmes were minimized by these authoritarian states. Social policies were unilaterally formulated and imposed by political or bureaucratic elites (Holliday 2000:715). Moreover, 'class labour movements' in these countries were either very weak or did not exist all (Lee and Ku 2007:201). This was a result of trade union suppression by the state and corporatist relations at the enterprise level. Holliday (2000:717) provides a succinct description by arguing that: "state and capital often come together to promote company level corporatism that undermines the trade union mobilization and diminishes the need for state intervention". Thus, there was no organizational basis and political space for popular universal social welfare demands.

Another important factor which should not be omitted from this discussion is the cultural ethos that existed in these states. Social assistance was not viewed as legitimate in cultural terms. Citizens believed that these programmes promote laziness and destroy work ethic (Kwon 2005). So the nature of social policies in the East Asian developmental states has to be understood within this political, cultural and most importantly economic context. National economic growth and productivity were the top priorities of these states, and thus all other policies were designed to meet this goal. This is an important characteristic which needs to be considered when conducting research on the South African developmental state.

The last and most important feature of East Asian developmental states is what Leftwich (1995: 405) refers to as a “determined developmental elite”. The political leadership in these countries was committed to national developmental goals rather than myopic political objectives. National development supersedes all other narrow political interests which have the potential to undermine developmental plans (Habisso 2010). This type of leadership is crucial for building the capacity of a developmental State. Furthermore, it creates a strong developmental paradigm which ensures that all resources are used in a productive manner. It also prevents a country from transforming into a predatory state which is characterised by parasitic bureaucratic intervention. The commitment displayed by these leaders of East Asian developmental states was informed by the following important features of the political environment.

Firstly, leaders did not have to distribute resources amongst different groups in order to secure their political survival. Secondly, the leadership of these states was driven by nationalistic ideas which emphasized national development. Thirdly, these states’ development was financed by powerful Cold War allies. This meant that they had to account for the usage and distribution of resources.

These three factors form part of the politics that shaped the success of East Asian developmental states. The political culture in these countries had a substantial influence on successful policy formulation and implementation. This point is related to the argument made in previous sections about the importance of politics in development. The successes of East Asian countries cannot be fully comprehended outside the political context. South Africa’s aspirations of becoming a developmental state are dependent on creating a conducive political environment. The following section will discuss the prominent themes on building the developmental state in SA.

1.5.4 South African Developmental State

Research on the South African developmental state can be broken down into the following main categories: policy, classification and institutional literature. Policy literature focuses on certain public policies and their effects on socioeconomic development. Classification literature examines the South African state using the theory on developmental states as a point of reference. This is done by examining the broad characteristics of a developmental

state and applying it to SA. Institutional studies focus on the organizational and technical capacity of the state. The objective of an institutional approach is to assess if the state has the ability to fulfil its leadership role. This study focuses on the intersecting relationship between policy and the institutional character of the state.

Some analysts have argued that the post-apartheid government has implemented neoliberal economic policies. Proponents of this view support their arguments by highlighting the core principles which underpin these developmental strategies. These include increased privatization, deregulation, trade-liberalization, market-led development and reduction of fiscal deficit (Bond 2010; COSATU 2005; Fine 2010; Mohamed 2010; Vickers 2011). The authors argue that the above-mentioned factors have eroded the state's ability to lead the process of economic development. This argument is well captured by Fine, who states that:

“Thus, far from the state coordinating or even coercing private capital to commit to a concerted programme of industrial expansion and diversification, the interest of private capital have predominated over developmental goals. For the first decade of post-apartheid economy macroeconomic orthodoxy has prevailed at the expense of broader economic and social interventions” (Fine 2010:175).

Other commentators have gone beyond this argument, illustrating other economic factors which have impeded the creation of a South African developmental state. Authors such as Dumon (2012) argue that the lack of domestic investment has hampered economic growth in the country. This lack of investment has been caused by very low saving rates. This view is echoed by Professor Ben Turok who states that SA has overemphasized “consumption” at the expense of investment and growth (HSRC 2011; Southall 2010).

This discourse on the ideological orientation of government economic programmes is central in the South African developmental state debate. These policies shape the developmental trajectory of any state. Moreover, they outline the role that the state will play in economic development. This last point is linked to the main variable used to assess if a country can be described as a developmental state. The nature of bureaucratic intervention prescribed in a policy will determine the character of the state.

The policy literature on the South African developmental state discusses policy outcomes and their implications for constructing a developmental state. These studies have not been extensive, and they mainly focus on the results of the policies (Gumede: 2011) .Thus, ignoring other elements in the policy process such as initiation and formulation. Moreover, the linkage between policy and state institutional structure is not clear in most studies. Therefore, it is important to conduct an analysis that attempts to examine the relationship between economic policy and the character of a bureaucracy. This holistic approach will highlight the prominent interests and challenges shaping public policies in SA, and ultimately the role of the state in addressing developmental challenges of the country.

1.6 Formulation and Demarcation of the Research Problem

Political interests shape the character of a state and the public policies it pursues. Moreover, the success or failure of these policies is primarily determined by these interests. This study will focus on the following contentious issue in the South African developmental state policy debate: the role of the bureaucracy in economic development. The literature on developmental states illustrates that the above-mentioned factor was crucial for achieving desirable developmental outcomes (Evans 1989; Evans 1995; Edigheij 2005; Wade 1990).

The first aim of this study is to assess whether or not SA has the bureaucratic characteristics of a developmental state? Secondly, to determine how political ideologies and interests shape the character of the post-apartheid state's bureaucratic organization? This determination will be made by conducting an analysis of post-apartheid macroeconomic policy, with a specific focus on the Accelerated Shared Growth Initiative for South Africa (ASGISA). Emphasis will be placed upon aspects of ASGISA which outline the (a) authority, (b) role and (c) relationship amongst different state institutions in the process of economic development. Specific attention will be devoted to the area of the policy that discusses “governance and institutional interventions” (South Africa: 2006).

The hypothesis for the first part of the research question is: *SA does not have the bureaucratic features of a developmental state.* The bureaucracy faces a number of crucial organizational challenges such as the absence of a clear “pilot agency” to drive development, poor

coordination amongst state institutions, skills shortages, incapacity and pervasive rent seeking (Bond 2010; Edigheji: 2007; Habib: 2009; Southhall 2010)

The explanatory hypothesis for the second part of the question is: *there is a contradiction between nationalism and modernization in post-apartheid SA*. The post-apartheid government wants to pursue two goals which contradict each other. Holdt explains this well by stating that:

“Inside the bureaucracy of the South African state, I argue, this tension takes the form of contradictory rationales for bureaucratic practices: on the one hand, the aspiration to establish a modern, effective bureaucracy, on the other, the drive to subvert the dominance of the apartheid system enshrined in the previous state, and promote the rapid formation of a new black elite” (Holdt 2010: 5).

The study will focus on political and economic developments which took place between 1994 and 2009. This period is chosen because the notion of building a South African developmental state can be traced back to the early nineties. Furthermore, ASGISA is a product of the economic and political developments which took place during this period. An analysis of the period is also crucial for developing a holistic and contextual understanding of the post-apartheid state’s bureaucratic organization. After 1994 the state’s bureaucracy was transformed in order to deal with the complex challenges of a post-apartheid political economy. Specific attention will be devoted to the period between 2004 and 2009, as state intervention in the economy was enhanced during this specific period (Vickers: 2011).

1.7 Research Methodology

This qualitative study will primarily use theory and empirical research in the sub-discipline of Political Economy (PE). This combined analytical framework will be used to assess the policy aspects of ASGISA which outline the authority, role and relationships amongst different state institutions in the process of economic development. Emphasis will be placed on the part of ASGISA discussing governance and institutional interventions. Conclusions

drawn from this assessment will determine if SA has the bureaucratic features of a developmental state. This dissertation is essentially a case study; however, reference will be made to comparative cases in order to enrich this particular investigation.

This dissertation is essentially based on structural analysis. It focuses on the interrelated relationship amongst various institutions in the process of economic development. The key methodological assumption used in this study is based on the institutional approach or theory. According to this school of thought, economic development is driven by the interactions between various social institutions. Thus, researchers should focus on the nature of these institutions and how they influence development. This study follows the same principle by focusing on the structural characteristics of bureaucracies rather than individuals. Therefore, individual interviews will not be conducted, as institutions are the main referent point.

1.8 Sources

The study will consist of the following types of sources:

Primary Sources: These will include the ASGISA policy document and other government publications which are directly associated with this economic development plan such as the Joint Initiative for Priority Skills Acquisition (JIPSA) and the New Industrial Policy Framework (NIPF). All these sources form the basis of the study, as they outline the role of the state's bureaucracy in formulating and implementing this economic plan. Other primary sources will include documented research: books, articles and reports on the role of a bureaucracy in a developmental state. These will be crucial for developing an analytical framework which will be used to determine if SA has the bureaucratic features of a developmental state.

Secondary Sources: These will include some literature on public policy analysis in the context of a developmental state. Other secondary sources will include books, articles and reports on the general characteristics of a developmental state and the evolution of the post-apartheid political economy. This dissertation will also use prominent work by leading theorists in the sub discipline of Political Economy. The focus will be on contemporary scholars; however, some reference will be made to some classical theorists.

1.9 Structure of the Research

This study is divided into the following sections: Chapter One introduces the debate about state versus market-led economic development. It places the debate within the context of building a post-apartheid South African developmental state. The chapter also provides a brief explanation of important concepts such as development, developmental state, public policy and further outlines the main characteristics of a developmental state. This is done by using the work of prominent theorist in the field and referring to East Asian developmental states. The main objective of this chapter is to introduce the reader to the topic and research problem.

Chapter Two will explain the character and role of the bureaucracy in a developmental state. This will be done by using research on bureaucracies in developmental states. The chapter will make reference to the bureaucratic organization of at least two East Asian developmental states. The main characteristics of a bureaucracy in a developmental state will be outlined in this chapter. Again, emphasis will be placed on three important areas for this particular study: economic policy-making, implementation and state-led economic intervention. The purpose of this chapter is to provide an analytical framework for this investigation.

The third chapter briefly explains the evolution of economic policy in post-apartheid SA. The focus will be on two macroeconomic policies formulated by the post-apartheid government: the Reconstruction and Development Programme and Growth Employment and Redistribution policy. The aim of the chapter is to determine whether these policies are suitable for building a bureaucracy of a developmental state. Emphasis will be placed on aspects of the policy that are related to the main research question of this study.

The fourth chapter will analyze aspects of ASGISA which discuss the role of the bureaucracy in economic development. The focus will be on three important aspects: economic policy-making, implementation and state-led economic intervention. The analysis will be based on the framework created in the second chapter.

Lastly, chapter five will summarize the findings in chapter four and three and relate them to both elements of the research question. Furthermore, it will provide some institutional and policy recommendations for building a bureaucracy for the South African developmental state. The recommendations will be based on the findings in the previous chapters.

CHAPTER TWO

THE BUREAUCRACY OF A DEVELOPMENTAL STATE

2.1 Introduction

The introductory chapter discussed the history and conceptualization of the developmental state. It highlighted the main characteristics of this form of state organization, and located it within the broader field of Comparative Political Economy. Moreover, it raised critical questions regarding the transformation of post-apartheid South Africa (SA) into a developmental state. These questions form the basis of the main research problem of this particular study, which seeks to address the following questions: does SA have the bureaucratic characteristics of a developmental state? Which important political interests have shaped the state's institutional structure and functioning in the post-apartheid era?

This chapter will expand on one of the core characteristics of a developmental state discussed in chapter one: the bureaucratic features. The primary purpose is to develop a theoretical framework for analysing the post-apartheid state bureaucracy. It is divided into the following areas:

First, the chapter begins with a conceptualization of bureaucracy. In the contemporary era, the term is associated with negative connotations such as inefficiency and unwarranted rigidity. However, this section debunks this popular view by describing bureaucracy within the conceptual view of the social sciences, in particular through the lenses of Max Weber's (1968) theory of bureaucracy.

Second, a brief analysis of the different interpretations regarding the relationship between state bureaucracies and economic development is conducted. This will illustrate the theoretical foundations of the developmental state model of a bureaucracy. Third, the main characteristics of a developmental state's bureaucracy are discussed. The objective is not only to identify them; but also describe the underlying political factors which shape these structures. More importantly, these characteristics will serve as the basis of the theoretical

framework. The fourth and last section will highlight the main characteristics of bureaucratic organization, and relate them to the main research question.

2.2 The Bureaucracy in Modern States

The popular perception of bureaucracy in the modern era is largely a negative one. Many people associate this concept with institutions that are inefficient, rigid, unresponsive and authoritarian. In other words, popular perceptions view bureaucracies as institutions which curtail progress and the full exercise of freedoms (Wood and Waterman 1994:5). This pejorative view should not be analysed in isolation from broader societal phenomena. It is informed by historical and ideological influences which are inherently subjective. Put differently, the negative view is informed by the dominance of neoclassical development theory, which attributes underdevelopment to over-bureaucratization. This school of thought is linked to deeper normative assertions about the state explained later in this chapter.

The conceptualization of bureaucracy, therefore, cannot be divorced from the following important factors: First, different ideological strands which influence divergent conceptions of bureaucracies. Second, contextual historical and social factors which shape the character of bureaucracies in different states. The following section will illustrate the influence of the above-mentioned factors on conceptualizing bureaucracies.

According to Heywood (2002:359), the term bureaucracy refers to “the administrative machinery of state, bureaucrats being non-elected state officials or civil servants”. This definition might seem simple; but the interpretation of the role that the bureaucracy should play is highly contentious. This highlights the underlying debate about the character of this institution. The libertarian tradition argues that bureaucracies lack transparency and responsiveness. Socialists view it as an instrument of class power, and the New-Right describes bureaucracies as institutions characterized by inefficiency (Heywood 2002:359).

These different perspectives have formed the basis of various theories explaining the character and functions of bureaucracies. The most influential of these is the “ideal type” provided by German Sociologist Max Weber (1968) which will be discussed in the following sections. The discussion will commence with an analysis of Weber’s theory on all modern bureaucracies, and then proceed to link his perspective to the character of state institutions in a developmental state.

2.3 Weber's Account on Bureaucracies

Weber argued that a modern bureaucracy is organized on the basis of the following principles. First, it is composed of various offices which are interdependent and well-coordinated. Second, there is a clear demarcation of the roles and duties of different offices (Weber 1968:956). Third, these institutions are hierarchical and have a clear chain of command. As Weber explains:

“The principles of the office hierarchy and of channels of appeal (Instanzenzug) stipulate a clearly established system of super and sub-ordination in which there is supervision of the lower offices by the higher ones. Such a system offers the governed the possibility of appealing, in a precisely regulated manner, the decision of a lower office to the corresponding superior authority” (Weber 1968:957).

Fourth, modern bureaucracies operate on “general impersonal rules”. The actions of incumbents are guided and constrained by the regimes that govern these institutions (Weber 1968:957-958).

Lastly, office bearers have the technical capacity to fulfil the duties associated with their roles (Poggi 2006; Ozlak 2005; Weber 1968). This characteristic is succinctly expressed by Weber (1968:957), when he states that: “Office management, at least all specialized office management — and such management is distinctly modern— usually presupposes thorough training in the field of specialization. This, too, holds increasingly for the modern executive and employee of a private enterprise, just as it does for the state officials”. Weber's work is associated with the Rational-Administrative model of bureaucracy.

As argued in the previous sections, it is important to place theories of bureaucracy within a particular political and historical context. Weber's account was based on his study of the development of institutions in modern capitalist societies. Thus, his theory of institutional architecture must be understood as complimenting capitalist relations of production (Weber 1986:956).

Furthermore, Weber argued that this type of organization was associated with the broader phenomenon of modernization. Hence he places emphasis on rationality and technical competency. He also stated that this rational bureaucracy co-exists with the emergence of

“mass democracy” (Weber 1968:983). This form of governance is associated with authority based on what Weber (1968:954) describes as “rational” rather than “personal” rule. In the case of the former, authority is based on established norms and regulations; whilst in the latter, it is derived from custom and tradition (Weber 1968:954). In this political context, the values of meritocracy and productive competition over-ride traditional power relations. Moreover, the “objective basis of bureaucratic power is technical indispensability founded on specialized professional knowledge” (Weber 1968:1007).

Weber’s theory has a number of important implications for the conceptualization of modern bureaucracies. It highlights the fact that bureaucracies are not inherently inefficient. These institutions have the ability to promote growth and development in societies (Weber 1968). Furthermore, it places the character of bureaucracies within a particular context. This proves that these institutions are a product of wider historical developments (Oszlack 2005:483). His account also highlights the fact an efficient bureaucracy is not only developed by individual bureaucrats; but also a productive form of organizational structure (Cleg 2011:204). These arguments seem positive; however, this view on bureaucracy has the following drawbacks.

First, this emphasis on legal-rationality can lead to over-bureaucratization. A phenomenon caused by the dominance of bureaucratic procedures and rules over the popular will (Poggi 2006:123). Wood and Waterman (1994:151) highlight this point by stating that: “prospects of democracy are grim if political institutions are free to shape bureaucracies in a manner inconsistent with public preferences”.

Second, this theory of bureaucratic organization is not transformative. Weber’s work provides a good account of the institutional design required to produce growth within the capitalist system. However, it reduces this institutional role to maintaining the political and legal stability required for the efficient functioning of markets. Thus, failing to address the important question of how states can stimulate growth in social contexts where “private-entrepreneurial forces” fail to emerge (Evans 1995: 30).

Lastly, this view on bureaucracy is based on a mechanical interpretation of social relations. It emphasizes the importance of an individual’s adherence to laws and regulations. This principle is important; but it assumes that only regulations are essential for development. It ignores other social factors which motivate individuals to engage in productive activities. This point is succinctly explained by Fukuyama (1995:21), who argues that: “The greatest economic efficiency was not achieved by rational self-interested individuals but rather by

groups of individuals who, because of pre-existing moral community are able to work together effectively”. In sum, Weber’s theory of bureaucracy contains some positive and negative elements. The following section will highlight the positive lessons that can be related to bureaucratic organization in a developmental state.

2.4 Weber and the Developmental State

Weber’s theory provides important insights into the relationship between economic efficiency and bureaucratic organization. Interestingly, these lessons have been applied in different forms of states which pursue a variety of economic policies. The introductory chapter highlighted the following important principles implemented in developmental states. Firstly, they are characterized by meritocratic and competitive recruitment in state institutions. This theme is prevalent throughout Weber’s discussion on the nature of modern bureaucracies.

According to Weber (1968:958) “the office is a “vocation”. It finds expression, first, in the requirement of a prescribed course training, which demands the entire working capacity for a long time, and in generally prescribed special examinations as prerequisites of employment”. Secondly, they have clear and productive lines of authority which are coordinated by central institutions. This feature is also discussed at length in Weber’s (1968) theory on modern bureaucratic organization. Thirdly, the bureaucracies in these states are autonomous; but it should be noted that the political factors that create autonomy in these states are broader than those presented in Weber’s theory.

These bureaucratic characteristics are derived from Weber’s theory; however, the political and social factors influencing bureaucratic organization are different. For example, in Weber’s account, the competitiveness and meritocracy are linked to the broader phenomenon of democratization. Research has illustrated that most developmental states were able to adhere to the above-mentioned principles in an authoritarian context.

Furthermore, Weber argues that autonomy is created by rational individuals who obey regulations for personal reasons. These include the need to maintain the existence of the office; social status associated with bureaucratic occupation; long term career security and regular remuneration (Weber 1968:959-962). However, the bureaucracies in developmental states derived their autonomy from a wide range of political factors such as nationalism and the nature of domestic political systems. In other words, the bureaucratic autonomy was

related to the peculiar domestic context and not just rational self-interest. The work of Weber had a considerable impact on bureaucratic organization in developmental states; but the application of his theoretical precepts was informed by a different political milieu.

The following section will continue to discuss the character of modern bureaucracies. However, emphasis will be placed on the relationship between bureaucracies and economic development. The discussion will be based on different theoretical interpretations or views — with the objective of establishing a theoretical foundation for the developmental state model of a bureaucracy.

2.5 Bureaucracies and Economic Development: Neoclassical Approach

This approach is based on ideological arguments associated with classic liberal economic and political philosophy (Smith 2003). Proponents of this view argue that the bureaucracy should play a minimal role in economic development. They acknowledge the necessity of the state; but only in limited terms. According to this school of thought, bureaucracies should only maintain stability and order required for the efficient functioning of markets. This belief is based on the assumption that the market is the best mechanism for efficient resource allocation. Therefore, it is essential to create political systems and institutions that support market-led development.

Moreover, this view argues that an increased role of the state in the economy will not be productive. This assertion is based on the following principles of economic liberalism: firstly, the modern economy is viewed as a complex and unpredictable institution. Therefore bureaucratic intervention will fail and be costly (Chang 2003:47). Additionally, bureaucracies have insufficient information or knowledge to implement productive interventions.

Secondly, neoclassical theorists argue that the state is not autonomous. It represents or protects the interests of powerful groups within society. Further, bureaucrats are rational “self-seeking” individuals who are primarily concerned about maintaining their support base (Evans 1995:23). Therefore increased intervention will lead to negative economic outcomes such as rent-seeking and inefficient allocation (Chang 2003; Evans 1995).

Thirdly, it is argued that markets have an efficient system of self-regulation. Thus, any increased state intervention will produce anti-developmental outcomes such as market

distortions (Vartianen 1999: 205). It is a view that is obsessed with government and assumed rationality of markets. The underlying principle is that the internal logic of the market is the most efficient mechanism for achieving productivity. Bureaucratic interventions are viewed as obstacles to this natural process, and are used to explain underdevelopment in some societies (Chang 2003:4).

There are a number of problems with the neoclassical account. This view is based on pessimistic assumptions about state bureaucracies. It moves from an incorrect premise about the nature of these institutions. State bureaucracies are not inherently inefficient; there is ample evidence that counters this assertion. A number of theorists have advanced arguments that highlight the positive—and sometimes essential—role played by these institutions in economic development (Gerschenkron 1962; Polanyi 1944; Weber 1968).

As Polanyi explains:

“The step which makes isolated markets into a market economy, regulated markets into a self-regulating market, is crucial. The nineteenth century—whether hailing the fact that as the apex of civilization or deploring it as cancerous growth—naively imagined such that such a development was the natural outcome of markets. It was not realized that the gearing of markets into a self-regulating system of tremendous power was not the result of any inherent tendency of markets excretion, but rather the effect of stimulants administered to the body social in order to meet a situation which was created by the no less artificial phenomenon of the machine” (Polanyi 1944:57).

Furthermore, comparative studies have provided us with evidence that counters this approach to development. For example, economic transformation in East Asian developmental states was driven by extensive bureaucratic intervention (Weiss 1998; Wade 1990). Gerschenkron (1962:14-15) also highlights the significance of bureaucratic intervention in Europe’s “Late Developers”: Germany and Italy. Bureaucratic authorities in these countries structured financial markets in a manner that compliments industrialization. This intervention became a catalyst for economic re-structuring and growth in both states.

Moreover, neoclassical theorists present bureaucracies as monolithic institutions that operate on uniform principles. This characterization overlooks the historical and contextual factors that shape bureaucracies. Oszlak (2005:483) explains that bureaucracies are a product of

historical political forces such as state building. Further, the character of a bureaucracy is influenced by the peculiar conception of the state in a society (Fukuyama 1995:15).

Countries with strong traditions of efficient state intervention are more likely to develop a positive view of bureaucracy. Moreover, the philosophical conceptualization of the state in society influences the functioning of public institutions. Bureaucratic intervention is easier to justify in countries where the state is perceived as the embodiment of the “general will” such as France. However, it is very difficult to legitimize in a nation dominated by an atomistic view of the state (Fukuyama 1995: 15). In sum, the nature, functions and productivity of bureaucracies vary in different societies. Thus, it is impossible to analyse these institutions as uniform structures outside of their historical context.

The view of bureaucrats and politicians as naturally rational self-seeking human beings is also problematic. It is derived from the belief that all individuals pursue personal and not communal goals. Furthermore, the pursuit of individualistic goals within the market is viewed as beneficial for the entire community (Fukuyama 1995:18). This view on human nature is very myopic; people exhibit various forms of behaviour in different circumstances. As Fukuyama (1995:21) explains: “social, and therefore moral behaviour co-exists with self-interested utility-maximizing behaviour on a number of levels”. This means that humans have the ability to take different forms of actions: altruistic and individualistic. Therefore human behaviour cannot be reduced merely to the pursuit of selfish ends.

Additionally, studies have pointed out other significant factors which guide the actions of bureaucrats. Leftwich (1995:401) argues that economic dynamism has historically been driven by an array of political causes. For example, he attributes the bureaucratic efficiency and political will of elites in East Asian developmental states to nationalism, ideology and the need to “catch up to the West”. This counters the neoclassical assertion that bureaucratic intervention is always driven by selfish motives.

This neoclassical approach dominated international development thinking from the late 1970’s to the early 1990’s (Evans and Rauch 1999: 749). Its ideological hegemony was facilitated by a number of historical developments. First, the state-driven development model of the post-world war era was collapsing. Second, the prevalence of what Evans (1989:562-563) calls “predatory” states substantiated neoclassical assumptions. Third, it was supported by the International Financial Institutions (IFIs) and leading developed countries such as the

USA (Pender 2001:399). Lastly, rational choice theory had become very influential in public policy discourses.

However, it failed to produce positive outcomes especially in developing countries. The policy prescriptions of the IFIs failed and exacerbated the political, social and economic challenges in developing states (Adedeji 1999; Mkandawire 2005; Pender 2001; Schneider 2003). The high levels of growth and increased foreign direct investment (FDI) envisaged by policy-makers did not materialize. Instead, developing countries—in Africa and Latin America—experienced negative outcomes such as low levels of FDI; capital flight; decline in manufacturing sectors and increased dependency on external actors (Eyoh and Sandbrook 2001; Mkandawire 2005; Schneider 2003).

Moreover, the emergence of alternative development theories questioned the fundamental basis of the neoclassical approach. Scholars such as Sen (1999) provided influential critiques and new models of development. These rejected the narrow developmental paradigm based solely on economic growth. This new approach culminated in the creation of “*A New Growth Theory*”, which places emphasis on human development (Evans 2010:41). This paradigm shift was also supported by the work of institutional economists. This school of thought provided an alternative account of the differences in economic performances amongst states (Amsden 1989; Evans 1989). This resulted in a theoretical power shift within the field of Political Economy. The primary focus shifted from the market to other institutions such as the state.

This transformation in the study of Comparative Political Economy is commonly referred to as “Bring the State Back In”. The institutional approach to economic development is associated with this intellectual movement. However, the origins of this approach can be traced back to the 19th century. The following section will discuss the institutional approach, and relate it to the conception of a developmental state.

2.6 Institutional Approach

This approach to economic development can be traced back to the work of the 19th Century political economist Frederic List (1928), and his classical work entitled: “*National System of political Economy*”. In this book, he argues that national economic development is historically interlinked with institutional development. Moreover, he provides evidence that

highlights the central role played by European bureaucracies during the process of industrialization (List 1928:90). List's work laid the basis for the institutional approach which is centred on the following arguments.

This approach rejects the idea of the market being the main driver of economic development. The market is viewed as one of the many essential institutions in the economy (Chang 2003:51). Economic growth is perceived as a product of the intersecting relationship amongst different institutions. Furthermore, the establishment of markets is linked to historical bureaucratic intervention. In the *Great Transformation*, Polanyi (1944:68) explains that the emergence and sustenance of markets is not based on a "natural" self-regulatory system. He argues that bureaucratic intervention played a crucial role in establishing and sustaining markets.

Polanyi substantiates his views by stating that:

"Where markets were highly developed, as under the mercantile system, they thrived under the control of a centralized administration which fostered autarchy both in the households of the peasantry and in respect to national life. Regulation and markets, in effect, grew up together. The self-regulating market was an unknown; indeed the emergence of the idea of self-regulation was a complete reversal of the trend of development" (Polanyi 1944:68).

This approach also challenges the pessimistic view of bureaucracies. It argues that economic underdevelopment is caused by the absence of efficient bureaucratic intervention. Therefore, it is essential to create economically active bureaucracies (Evans 1995:40). Institutional analysis focuses on bureaucratic organization and its effects on economic development. Thus, the differences in the levels of development amongst societies are attributed to state organization. This is different from the neoclassical approach, which views state intrusion as the main cause of underdevelopment.

Moreover, the institutional approach rejects the rational perspective on human behaviour. Public office bearers are not viewed as being inherently self-interested actors. Institutional economists argue that close economic relations between state and non-state actors can produce positive results. Authors such as Amsden (1989), Weiss (1998) and Wade (1990) point out that corporatist relations—between bureaucrats and industrialists—in East Asian developmental states were crucial for national economic development. These interactions

were based on creating productive linkages which enhance efficiency and productivity in the economy. More importantly, they were crucial for coordinating the process of industrial transformation (Weiss 1998:51).

This last point is linked to the fundamental argument of the institutional theory. In this approach, states are viewed as the “coordinators” of economic development (Chang 2003:52). They do not suffocate markets or private enterprises; but rather guide the actions of different economic actors and institutions (Wade 1990: 26). This guidance is essential for ensuring that all economic activities are aligned to national developmental objectives.

The importance of coordination is emphasized by Hirschman (1958) in his discussion on underdeveloped countries. He challenges the conventional approach to development, which attributes underperformance to shortages of capital or insufficient technological advancements. Hirschman (1958:25) argues that the lack of coordination is the main cause of low levels of development. Therefore it is essential to create institutions that can coordinate the process of economic transformation (Hirschman 1958: 27-28).

He explains this point well by stating that: “if backwardness is due to the insufficient number and speed of development decisions and inadequate performance of developmental tasks, then the fundamental problem of development consists in generating and energizing human action in certain direction” (Hirschman 1958:25). In other words, development is not only about obtaining certain essential factors; but also creating economic relations which produce key factors for economic growth.

The bureaucracy plays an important role in creating these productive relations amongst economic agents. Moreover, it creates the strategic long term plan that drives economic development and transformation. Thus, state coordination from an institutional perspective is not only about maintaining stability for productive economic activity. It also involves creating a long term plan, and influencing economic actors to take decisions that complement the strategy (Chang 2003:53).

This bureaucratic guidance can be exercised using a variety of policy instruments. Furthermore, it is influenced by historical, social and political factors related to a particular context. In sum, the practice of institutional supervision will vary in each society. The main objective of the institutional approach is to study different forms of guidance, and link them to developmental performance.

As stated in Chapter One, this approach to economic development is closely related to the conception of a developmental state. The main principles of this school of thought inform the economic practises in these countries. More importantly, they have shaped the role that bureaucracies play in economic development and transformation. The following section discusses bureaucratic intervention in developmental states. This is essential for identifying the variables that will be used to determine whether the post-apartheid bureaucracy has the institutional features of a developmental state. Emphasis will be placed on the following three important factors mentioned in Chapter One: economic policy-making, implementation and state-led economic intervention.

2.7 Bureaucracies in Developmental States

Bureaucracies are not the same. Their structures, functions and authority vary (Evans 1989:562). Thus, it is impossible to study these structures without considering the historical context. This section will discuss the main features of bureaucratic organization in a developmental state. The objective is not to only identify these characteristics; but also place them within a particular historical context. This will provide more insights into the connection between political factors (interests, goals) and bureaucratic structuring. The discussion will be divided into the following key areas of discussion:

- Developmental institutions
- State and society relations
- Economic Intervention

These three dimensions are crucial for identifying and discussing the distinct bureaucratic characteristics of a developmental state. They form the basis of bureaucratic organization in this form of state, and are prevalent in most prominent research. More importantly, they are connected to the following three variables of economic governance identified in Chapter One: economic policy-making, implementation and state-led economic intervention. These dimensions will be used to determine if the post-apartheid bureaucracy has the features of developmental state.

2.7.1 Developmental Institutions

Bureaucracies in developmental states are characterized by a peculiar institutional architecture which compliments developmental objectives (Edigheji 2005: 10). They are structured to facilitate the process of economic growth and transformation. This institutional design is comprised of the following complimentary elements. Firstly, most developmental states have what Johnson (1982:26) describes as “pilot agencies”. These institutions formulate and administer the implementation of the national development plan (Onis 1991:111). The administrative role is not only procedural; it also involves directing all economic activities towards national objectives. This is crucial for the process of economic coordination within a particular society (Beeson 2003).

The role of these institutions is directly linked to the wider political context of these societies. For example, the mandate to create the strategic development plan of the country is derived from powers given to these institutions by political authorities (Chibber 2002:959). Agencies such as the Economic Planning Board (South Korea) and the Ministry of International Trade and Industry (MITI: Japan) enjoy more policy freedom and have a wide range of powers (Wong 2004:351). These institutions use policy instruments to direct the economic activities of the private sector. This is essential for ensuring that enterprises take actions which complement the broad national developmental strategy.

Additionally, policy instruments enhance the effectiveness of a developmental state. They provide the state with inducement mechanisms, which improve the institution’s chances of achieving policy goals. The pilot agency’s authority is not challenged by other political and economic agents (Johnson 1995:126-127). They set the policy framework within which state and private economic agents operate. More importantly, they use policy instruments to discipline and reward those who comply with or defy policy directives (Beeson 2003).

The epitome of a “pilot agency” is Japan’s MITI. This institution had a variety of policy instruments, which it used to steer the pattern of industrial development (Johnson 1982:26). It had control over the dispensation of loans from the national bank; supervision over foreign currency allocation; control of licenses used to gain access to foreign technology and competition policy (Evans 1995:48). All these control mechanisms made it easier for this institution to direct the economic activities of industrialists.

Furthermore, it had advanced research organs aligned to specific sectors (Weiss 1998:51). These institutes provided valuable information about technology and market dynamics. This information gathering was crucial for discovering “new technology areas” with huge growth prospects (Weiss 1998:51). Moreover, it allowed the agency to notify enterprises about potential growth areas and how these can be exploited. This advanced research capacity legitimized the dominance of MITI in the Japanese economy.

Secondly, these bureaucracies have a clear hierarchical organizational structure. It is created by clearly defined lines of authority, which govern both inter and intra departmental activities (Wong 2004; Wade 1990). This type of institutional design is important for increasing efficiency and coordination. Moreover, it creates consensus and synergy amongst policy-makers. Another important characteristic—which compliments hierarchy—is clear role specification on an institutional level. Institutions in development states have clear roles to fulfil in economic governance.

These two characteristics are essential for avoiding coordination problems and inter-departmental contestation. Wade’s (1990:224-225) discussion on Taiwan’s economic bureaucracy illustrates the importance of hierarchy and role differentiation. For example, he explains the positive impact of institutional role differentiation on obtaining productive foreign investment (Wade 1990:225). This is achieved by creating two separate departments: one tasked with attracting foreign investment; whilst the other negotiates with prospective investors. This improves the levels of coordination and efficiency.

Lastly, a bureaucrat’s actions in these institutions are governed by productive regulations and rules (Evans 1995:49). Agencies develop a particular ethos which encourages incumbents to pursue institutional goals. This ethos is based on clear rules which guide the actions of the officials. Thus, decreasing the prevalence of predatory or self-interested behaviour which produces negative developmental outcomes like rent seeking (Chibber 2002:955). However, it should be noted that the development of this institutional culture varies from one society to another. In other words, adherence to regulations is driven by the peculiar historical and political factors in a society.

Leftwich (2008:12) emphasizes this point by arguing that political factors are crucial for developmental success. He states that the efficiency of institutions in developmental states is related to broader political interests. For example, the existence of external threats was crucial for creating nationalistic ideals amongst bureaucrats in East Asian developmental

states. This nationalism served as a motivating factor for building capable bureaucracies (Leftwich 2008:12). Moreover, it deterred officials from the pursuance of personal or individualistic goals. This political context was crucial for encouraging the bureaucrat's compliance with the rules. This rule-based decision making is complimented by the recruitment process which shall be discussed below.

The recruitment processes in these institutions are governed by the principle of meritocracy. This term refers to “rule by the talented; the principle that rewards and positions should be distributed on the basis of ability” (Heywood 2002:426). Bureaucrats in developmental states are appointed on the basis of their expertise. They are recruited from the most prestigious domestic and foreign institutions. They are highly skilled, competent and motivated to use their skills to contribute to the national developmental plan (Wong 2004:351). This form of recruitment is essential for achieving high levels of bureaucratic productivity and efficiency. The recruitment process in developmental states is influenced by the following political factors.

Firstly, most developmental states have a historical tradition of placing the most gifted individuals in civil service. States such as Japan have always had a strong statist tradition with efficient bureaucracies (Fukuyama 1995; Johnson 1995; Ha and Kang 2011; Kohli 1999). Moreover, public service is associated with prestige and honour in these societies. Thus, it is easier to attract the most talented graduates into state bureaucracies.

According to Johnson (1995:125), this practice can be traced back to the imperial era, and the establishment of prestigious institutions such as Tokyo University. These institutions have always been used to train bureaucrats, who view public employment as the epitome of success. The usage of education as a pre-requisite for entry into public office can also be related to the imperial era. It is the product of a conscious political decision taken by Meiji leaders to legitimize the authority of civil servants (Ha and Kang 2011:80-81). Their authority would be derived from their superior education and not the emperor.

Secondly, the recruitment processes in developmental states are institutionalized. They are not personalized like the ones in underdeveloped societies. In a developmental state, entrance is not only based on qualifications; but also the ability to pass civil service exams and performance evaluation (Doner *et al* 2005: 334). For example, 75% of bureaucrats in Singapore had to pass public service exams before being employed (Doner *et al* 2005:335). This high level of institutionalization supports the principle of meritocracy, and ensures that

the most capable individuals occupy public office. The end result is the creation of a bureaucracy that is efficient and effective.

Thirdly, these bureaucracies are also driven by informal networks built by the factors discussed above. Contrary to popular belief, institutions in these states have also been characterised by informal networks. The staffs in these bureaucracies are mainly recruited from a particular group of institutions with a prestigious history. For example, in South Korea, between 1948 and 1979, 40% of the officials in the Ministry of Commerce and Industry were from the prestigious Seoul University (Ha and Kang 2011:91). Similarly, most recruits of Japan's Ministry of International Trade and Industry (MITI) were graduates from the Tokyo University (Johnson 1995:13; 125).

These informal networks are crucial for building loyalty and a collective ethos in the bureaucracy. More importantly, they form the basis of the cohesion and coordination which characterizes these institutions. This cohesion is not only important for effective bureaucratic organization; it also accelerates the process of economic transformation (Ha and Kang 2011:94). These three political factors discussed above influenced the nature of recruitment policies in developmental states. This unique recruitment process did not only affect the internal functioning of bureaucracies. It also influenced the relations between the bureaucracy and other social actors. The following section examines the nature and functioning of these relations.

2.7.2 State and Society Relations

The relationship between public officials and other social groups is the most distinguishing feature of a developmental state (Vartianen 1999: 209). It forms the basis of the conceptualization of a developmental state bureaucratic model. There are two key elements of state and society relations that exist in this type of state: embeddedness and autonomy. These two characteristics underpin these relations; however, their implementation differs in each society. Therefore, the nature of autonomy and embeddedness will vary in each developmental state.

2.7.2.1 Balancing Act: Embedded Autonomy

Autonomy refers to the ability of a bureaucracy to exercise its power and implement policies without being dominated by domestic or foreign actors (O’Neil 2010:40). This type of institution separates itself from sectoral demands and pressures in order to pursue national goals (Leftwich 1995:408). It is not captured by particular groups, and thus prioritizes collective interests over narrow political demands (class; ethnic; elite). Moreover, it has the institutional capacity to achieve these common goals. Capacity in this context refers to the ability of the bureaucracy to formulate and implement policies which lead to industrial transformation (Weiss 1998:4-5). This is what differentiates these countries from the popular notion of “Strong States”.

Bureaucracies in “Strong States” have the autonomy or power to perform any task assigned to them. However, this form of bureaucratic strength assessment is not analytically useful (O’Neil 2010:40). It describes the ability of states to achieve outcomes, without assessing the effect of these actions. Hence, it is possible to have a “Strong State” that produces anti-developmental policy outcomes. Therefore, it is imperative that bureaucratic autonomy and capacity be discussed within the wider context of socioeconomic development. This form of analysis is at the centre of developmental state theory.

The second key element in the institutional architecture of a developmental state is embeddedness. The most prominent account of this form of state-organization is discussed by Evans (1995), in his book, entitled: *Embedded Autonomy*. This concept refers to the ability of the state to establish productive relationships with important social actors or groups: industrialists and labour. These relations are based on shared vision of obtaining developmental goals, and not to facilitate corruption or rent seeking.

Weiss (1998:55) elucidates this point by stating that Japan had more than 200 discussion councils, which facilitated state and private capital relations. These institutions were established by the MITI, and used to extend its influence over economic transformation. They are crucial for establishing policy networks and facilitating the exchange of information. Furthermore, they increase the chances of effective policy implementation. According to Evans (1995:49) the success of industrial policy can be attributed to these productive ties. Industrial transformation is viewed as shared project that can benefit all actors. More importantly, these social pacts increase the legitimacy of bureaucratic action (Evans 1995; Leftwich 1995; Wade 1990; UNCATD 2009).

As argued earlier, the nature of these social relations varies in different communities. This variation is caused by the divergent levels of social capital. Social compacts are a product of the underlying political, economic and social dynamics in a society. Therefore autonomy and embeddedness have to be analysed within a particular political context. The following sections will discuss the contextual dynamics which created the “embedded autonomy” found in developmental states (Evans 1995).

2.7.2.2 Bureaucratic Structure and the Political Context

The levels of autonomy were created by the following important political factors. First, the bureaucracies developed their own identity which was linked to the level of institutionalization in these structures (Johnson 1995; Evans 1989). Second, these institutions had a significant amount of political power, which allowed them to formulate policy without being constrained by political pressure (Onis 1991:111). Third, the political leadership in these states respected and legitimized the policy decisions of the bureaucratic officials (Onis 1991:115). Furthermore, they ensure that all social actors take decisions that will complement the implementation of policy. Fourth, these institutions provide civil servants with long term career prospects. This is essential for insulating public workers from rent-seeking groups (Fritz and Monecal 2007:535).

Lastly, most developmental states were authoritarian, and thus it was easier for officials to unilaterally formulate and implement policy. All these factors were crucial for developing a culture of autonomy within these bureaucracies. Again, it is important to note that the character of a bureaucracy is directly influenced by the political environment. This last point is important for this study because of the changes in the political environment (domestic and international). Moreover, states have different political systems, and thus the creation of autonomy will have to be based on different political factors. The last section of this chapter will expand on the relationship between bureaucratic structure and the political system.

The other key element of Bureaucratic organization influenced by the political context is embeddedness. The nature and character of state relations with other social groups is directly linked to the following factors. Firstly, in the initial stages of development, the private sector in most developmental states was very weak (Johnson 1995; Wade 1990; Jenkins 1991). It had to rely on state leadership and support for its development. This forms the basis of Wade’s (1990:29) “Big Leadership” Theory. He argues that bureaucracies can either exercise big or small leadership in the process of economic transformation. In the case of the former,

governments initiate policies that fundamentally alter the production and investment trends in an economy; whilst in the latter, state institutions support business-led initiatives (Wade 1990:29).

Industrial relations in developmental states were initially based on “Big-Leadership”. Secondly, the ties between industrialists and bureaucrats were strengthened by informal networks. These connections were based on shared educational and sometimes regional backgrounds. They formed an important base for social cohesion. Third, the relations between industrialists and state bureaucrats were institutionalized. This meant that state officials and private economic agents could engage on a regular basis, which was crucial for building trust. Moreover, their engagement was based on establishing productive policy networks for industrial transformation (Weiss 1998:41).

Fourth, the embeddedness is also linked to the existence of external threats to the nation. The industrialists perceived cooperation with the state as an essential element for national development. This development was important for maintaining state security and deterring potential external threats. Other groups such as workers and civil society organizations did not have much of an influence on policy formulation. This was a result of two important factors: the suppression of civil society by the authoritarian states, and the provision of social security services to collective groups who could undermine state authority (Holliday 2000:715).

In sum, the “embedded autonomy” that characterized developmental states is directly shaped by the political factors discussed above. Therefore, it is imperative that researchers consider the nature of the political system or culture when conducting studies on bureaucracies. Nonetheless, important lessons can be drawn from the bureaucratic structure discussed in this section. These prescripts must be linked to the current political context, which is shaped by the following forces of globalization: democratization, free trade and citizen-based governance. The following section will discuss how these bureaucratic lessons were applied in economic governance.

2.7.3 Economic Intervention

There are three main characteristics of bureaucratic intervention in the economies of developmental states. All of them complement each other and are essential for achieving

developmental objectives. The first one is state-led economic planning, which is carried out by an elite group within the bureaucracy. The officials who create this macro-developmental plan are normally housed within the central “pilot agency” described in the previous section. As argued earlier, these agencies have the necessary political power, technical capacity and protection to fulfil this role (Leftwich 1995:412).

Moreover, these agencies coordinate all economic activities in the process of industrial transformation. Chang (2003:52) emphasizes the necessity of economic coordination during the process of structural change. He argues that in the absence of coordination, economic agents will not take the steps necessary for change. Thus, it is imperative to create a “focal point” around which all interactions are managed (Chang 2003: 53). This bureaucratic intervention is also assisted by the effective policy instruments used by the agencies to reward or discipline different economic agents.

The second characteristic is the implementation of selective or sectoral industrial policies. According to Wade (1990:13), these policies seek to channel funds and other means of support to pre-selected sectors or industries. This ensures that the entrepreneurs in these sectors gain a competitive advantage. The end result is the creation of specific pre-determined industries, which would not develop in free-market conditions (Wade 1990:13). Again, the usage of policy instruments is very important in this process. Incentives, subsidies and control mechanisms are essential for selective resource allocation into productive areas (Wong 2004:350).

This characteristic is one of the most important distinguishing features of a developmental state. It is closely related to Chang’s (2003:52-53) description of an entrepreneurial state. This state does not only coordinate economic transformation; it also “takes initiatives about what products or technologies should be enhanced” (Wade 1990:28). In sum, industrial policy is used as an instrument to alter the production and investment trends in the economy.

The third and last characteristic is state ownership of certain key sectors in the economy. In most developmental states, a number of industries—especially the financial sector—are under public ownership (Grabowski 1994:414). This is essential for ensuring that all economic activities compliment the process of rapid industrialization. For example, between 1960 and 1980, the South Korean government had total control over the country’s financial sector (Chang 2010:83). Similarly, the Taiwanese regime controlled a number of basic industries

(chemical; steel) through public enterprises (Chang 2010:90). This was crucial for guiding or steering the process of economic transformation (Chang 2010:83).

This intervention by the bureaucracy is related to the wider political context. It was carried out in an epoch where state intervention was viewed as legitimate and necessary (Chang 2003; Evans and Rauch 1999). Furthermore, it was supported by the geo-political and economic dynamics of the Cold War. Developmental states were allowed to pursue market-defying policies because rapid industrialization was viewed as being essential for national security. The allies of these countries perceived their development as a crucial measure for countering International Communism. Lastly, the politicians and bureaucrats were motivated by the need to catch up with other developed states. Thus, their interventionist policies could be justified on nationalistic modernization grounds.

In conclusion, this section identified and discussed the main bureaucratic characteristics of a developmental state. It provided more insights into the connection between political factors (interests; ideologies) and bureaucratic structure. The institutional character of a developmental state is influenced by the peculiar political and historical context of a country. Thus, any analysis of the post-apartheid bureaucracy should be related to the wider political context. The following section will link the bureaucratic characteristics to the post-apartheid political context. This is essential for addressing the following two key elements of the main research question: does the post-apartheid state have the bureaucratic characteristics of a developmental state? Which salient political interests have shaped the post-apartheid state's institutional structure and functioning?

2.8 South African Post-Apartheid Bureaucracy and the Political Context

As illustrated in previous sections, it is impossible to address the above-mentioned questions without considering the political context. The post-apartheid bureaucracy is functioning within a different milieu, which is characterized by the following important elements- first; the post-apartheid political system is democratic and based on a codified constitution (Freedom House 2012). Thus, there are considerable political limitations on the exercise of public bureaucratic power (South Africa 1996). Hence the state cannot exercise the “soft authoritarianism” or “big leadership theory” associated with most developmental states (Johnson 1995; Wade 1990).

However, this does not mean that the developmental state project in SA is destined to fail. The state can still lead the process of industrial transformation within a democratic context (Weiss 1998:48). The second peculiar characteristic about SA is the existence of well-established private industrial and land-owning classes. This is different from most developmental states, where in the initial stages of development private capital was weak (Johnson 1995; Wade 1990; Jenkins 1991). Again, democratization and the existence of a strong bourgeoisie do not necessarily decrease the chances of establishing a developmental state. The bureaucracy can still guide industrialists towards broader developmental objectives within a democratic system.

This can be achieved by establishing productive institutionalized relations with the entrepreneurs. This type of domestic linkage is the basis of the Governed Interdependence theory formulated by Weiss (1998). She argues that the success of East Asian developmental states was based on close cooperation between bureaucrats and industrialists. This interaction is not based on top-down decision making; it is a “system of central co-ordination based on the co-operation of government and industry. Policies for this or that industry, sector or technology are not simply imposed by bureaucrats or politicians, but are the result of regular and extensive consultation, negotiation and coordination with the private sector”(Weiss 1998:48).

This account of state and society relations differs from the Governed Market Theory formulated by Wade (1990). His theorization is based on an authoritarian political context in which private capital is weak. This environment facilitates state guidance of economic activities. Weiss (1998) theory provides insights on how the bureaucracies can coordinate economic development in contexts where both private capital and the state are strong. This view is essential for this particular study.

The third unique characteristic about post-apartheid SA is the existence of a strong labour movement (Buhlungu 2010: 71-73). Prominent theory and research on developmental states emphasizes the importance of labour suppression in these countries (Lee and Ku 2007; Holliday 2000). Therefore any study of the developmental state project in SA will have to try to address this peculiar situation. This is integral because the process of economic restructuring will fail in a country characterized by unstable industrial relations.

Lastly, the post-apartheid government has to pursue its developmental plans in an international political economy dominated by the phenomena of globalization. This concept

refers to the “integration of national economies into global economy, thereby forming a single economy at the international level” (O’Nyinguro 2005:32). It is mainly an economic phenomenon which has complimentary technological, political and sociological dimensions (O’Nyinguro 2005; Jackson and Sorensen 2003). More importantly, it is primarily characterized by the dominance of market-driven development (Jackson and Sorensen 2003:213). As O’Nyinguro (2005:34) explains: “The market, in effect, seeks to supplant state governance with a new form of global governance”.

However, globalization does not make the modern state obsolete (Pereira 2010; Weiss 1998). It poses new external challenges that states must address using well informed strategic policies. Pereira (2010:59) argues that the competitive nature of the global economy compels governments to create “national development strategies”. The success or failure of these plans will be determined by the levels of autonomy and cohesion in the specific societies (Pereira 2010:60). Thus, the state is still integral, as it is the focal point around which domestic collective interest are organized to compete internationally (Pereira 2010:59).

2.9 Conclusion

The three themes discussed above are key characteristics of the current domestic and international context. They will be prevalent throughout this analysis of the post-apartheid bureaucracy. The analysis will be guided by the following main bureaucratic characteristics of a developmental state: developmental institutions; state-society relations and economic intervention. As explained earlier, these bureaucratic characteristics are discussed in most research papers on the developmental state. More importantly, they are linked to the key variables identified in the first chapter: economic policy-making; implementation and state-led economic intervention.

The following chapters analyse whether or not SA has the bureaucracy of a developmental state by using the main institutional characteristics discussed in this chapter. Moreover, the analysis will highlight the underlying political factors which have shaped the bureaucracy’s role in economic governance. The examination will be based on the three main economic policies adopted by the post-apartheid government between 1994 and 2009. It will commence with an analysis of the *Reconstruction and Development Programme* (RDP) and *the Growth*

Employment and Redistribution Policy in Chapter Three. Thereafter, the main policy: the *Accelerated Shared Growth Initiative for South Africa* will be assessed in Chapter four.

CHAPTER THREE

ECONOMIC POLICY AND THE ROLE OF THE STATE IN THE POST- APARTHEID POLITICAL ECONOMY

3.1 Introduction

The previous chapter discussed the structure of a bureaucracy in a developmental state. It identified its main bureaucratic characteristics and explained the political factors which influence the functioning of public institutions. The discussion was based on the following distinct features: bureaucratic features of a developmental state, the unique state-society relations and economic intervention. These are the main components of the analytical framework which will be used in this study. More importantly, they are directly related to the following variables identified in Chapter One: economic policy-making; policy implementation and state-led economic intervention.

This chapter discusses and analyzes the evolution of economic policy in the post-apartheid political economy. The focus is on two macroeconomic policies: RDP and GEAR, which were implemented between 1994 and 2006. These two economic programmes shaped the character of the post-apartheid political economy. The chapter's main objective is to examine whether these economic policies were suitable for building a bureaucracy for the South African developmental state. Additionally, it seeks to identify the pertinent political interests which have shaped public economic governance since 1994. The chapter is divided into the following key areas:

First, it begins with a background discussion on SA's transition to democracy. This is essential for providing the context within which the institutional and policy character of the post-apartheid state will be assessed. The first and second chapters illustrated the importance of understanding the political factors which shape bureaucracies in developmental states. This section will elucidate these political interests, and thus provide some important insights on state-restructuring in the early 1990s.

Second, an analysis of the two policies is conducted in order to determine if they were suitable for creating a developmental state type bureaucracy. This assessment will be based on the distinct features discussed in Chapter One and Two. Emphasis will be placed on the nature of state institutions; state-society relations and bureaucratic intervention in the economy.

The Third and last section provides the reader with a brief summary of the South African state's institutional and policy orientation in the democratic era. It will highlight the evolution of economic policy in the post-apartheid era, and more importantly, its impact on the goal of building a bureaucracy for the South African developmental state. This is important for addressing the main research question of this study.

3.2 The Transition and the Post- Apartheid Political Economy

There are different accounts of SA's transition to democracy. Optimists described it as a miracle; while detractors viewed it as an "elite transition" (Bond 2000:16). The positive or optimistic view is informed by the political context in which the transition took place. Many observers thought that the country would descend into a civil war; but the peaceful negotiated settlement alleviated this fear and produced what some analyst refer to as the "miracle"(Waldmeir 1997).

On the other hand, detractors argued that this settlement was largely based on an elite pact. As a leading proponent of this view Bond (2000:56) explains: "Above all, the early 1990s required from South Africa's elite a special effort: they had to learn each other's basic objectives, philosophy and discourses, and they had to make concessions- mainly rhetorical, but to some degree concrete- to build trust between negotiating parties with once vigorously opposed interests". The following section will discuss the impact of the transition on the post-apartheid political economy. Emphasis will be placed on economic policy choices and how they shape the role of the state in the economy. This is important for assessing whether the post-apartheid bureaucratic structure is suitable for building a developmental state.

3.2.1 Early Years: Growth through Redistribution

Leading into the early 1990s the ANC had no clear coherent economic policy. The liberation movement had previously relied on the *freedom charter*¹ and its constitution as a basis for its economic paradigm (Marais 2011; Aron 2009 *et al*; Butler 2007; Herbst 1994). Moreover, most “cadres” of the ANC had insufficient economic training (Marais 2011:99). The party only established its Department of Economic Policy in 1990. It released its first discussion document on economic development in the same year. This document argued that it was essential to build an active state which would direct economic development. This would be achieved by channelling foreign investment, transforming the financial sector and coordinating industrial development (Wittenberg 1990). Further, the economy would focus on redistribution through high wages, enhanced social expenditure and nationalization (Nattras and Seekings 1998:217).

So in the early years of the transition, the ANC favoured the economic strategy of “growth through distribution” (Aron *et al* 2009; Wittenburg 1990). According to this school of thought, economic growth can be best achieved by redistributing resources in society. This will raise the domestic demand in the economy, and lead to increased local production. The end result will be economic growth driven primarily by the domestic industry. Furthermore, the living standards of citizens will improve as a result of the reallocation of resources in the economy (Kaplinsky 1991:50).

This “growth through redistribution” strategy was a reflection of the state interventionist approach that dominated the ANC’s, and its alliance partner–COSATU’s– economic thinking in early years of the transition. It required the creation of a strong state that would implement the redistributive goals, whilst performing other activities related to economic coordination. This economic paradigm was essentially embedded in the institutional approach to economic development, which prioritizes state leadership and coordination of market activity (Chang 2003; Wade 1990). In sum, during the first two years after it was unbanned, the ANC and its alliance partners wanted to build an interventionist state. However, this economic vision would be undermined by a wide range of subjective and objective factors related to the transition. These factors will be unpacked in the following section.

¹ A philosophical document adopted by the ANC and the entire Congress Movement in 1955

3.2.2 The Paradigm shift: Growth then Redistribution

The interventionist approach adopted by the ANC in the early years of the transition was abandoned because of the following political considerations. Firstly, the established domestic business elites were opposed to the notion of creating a state-led economy. They argued that the post-apartheid political economy should be driven by market-orientated policies. These would include fundamental principles such as trade-liberalization, maintaining macroeconomic stability, attracting foreign investment, minimal state intervention and privatization. Most importantly, the private sector used its financial and intellectual capacity to influence the leadership of the ANC and its alliance partners.

Business leaders maintained close ties with the higher echelons of the ANC with the aim of restructuring economic policies. This influence was not only informal; but included formal methods of influence such as seminars, short-courses and workshops sponsored by the private sector (Bond 2000:59-60). Furthermore, established business agreed to contribute to the transformation of the economy by supporting Black Economic Empowerment (BEE). It should be noted that discussions regarding this particular policy commenced in the 1980s (Butler 2007: 4). These took place in secrete locations outside of formal party structures. The support for BEE by established business was used as an instrument to influence the ANC to reject the interventionist approach, which is associated with the “growth through redistribution strategy”.

The opposition by business to the “growth through redistribution strategy” was informed by three main arguments. Firstly, the private sector had reservations about the creation of an active state which could gain access to its resources and assets. Therefore, it was imperative to promote trade-liberalization and the free movement of capital-flows. This would ensure that the companies had access to foreign markets while protecting their assets from state intervention.

The post-apartheid government would later implement policies that support trade and financial liberalization. By early 2000 a number of private companies had moved their primary listings to foreign exchange markets. This limited the states capacity to direct economic development and discipline the private sector (Mohammad 2010:46). Furthermore,

the state's bureaucratic role in the economy was reduced to regulatory functions. It could not direct private capital towards broader developmental objectives. In other words, the prospect of creating a developmental state, with an active bureaucracy coordinating national economic activity was diminished.

Secondly, it was argued that high levels of growth could be achieved by private investment rather than redistribution. Increased private investment would accelerate growth and reduce poverty. Therefore, the role of the state was to maintain political stability which would attract investment in the country, without channelling or directing this investment (Southall 2010:5). This argument informed the GEAR policy implemented by the government for a decade between 1996 and 2006. SA did achieve its longest period of sustained economic growth during the era; however, the policy did not necessarily produce long-term developmental results. The growth remained modest, while the levels of inequality and unemployment increased. It was driven by high-skill capital intensive sectors, without producing the economic restructuring required for sustainable development (Hausmann 2008; Kearney and Odusola 2011). More importantly, the expected increase in private investment as a result of the state playing a minimal economic role was not achieved.

The third and most potent argument was that the redistributive plan was unsustainable on both theoretical and practical levels. Business highlighted the shortcomings of the approach by stating that it would create high inflation, shortage of foreign-exchange and debt. This argument was validated by the condition of the South African economy during the early 1990s. Aron *et al* (2009:3) explain the condition by stating that: “the inherited fiscal position after apartheid was unsustainable, with large and growing debt and budget deficit”. This objective reality and the theoretical opposition to redistribution would shape the structure of the post-apartheid political economy.

A second factor which undermined the “growth through redistribution” strategy is what Marais (2011:98) describes as: the “ideological barrage” experienced by leaders of ANC and COSATU. This started in the 1980s but intensified in the early years of the transition. It was carried out by a number of important political actors including Business, the World Bank (WB), the International Monetary Fund (IMF), prominent economists and research institutes (Southall 2010; Natrass and Seekings 1998; Butler 2007). The main objective of this process was to transform the economic thinking of the ANC leadership. In other words, it

was important to induct the ANC elite on the economic “realities of the world”. Its success was driven by two key elements related to the context of the transition.

First, the disintegration of the Soviet Union led to the dismissal of statist approaches to economic development. This had an enormous influence on the intellectual strata of the liberation movement. Many comrades who viewed the eastern bloc as a prototype lost confidence in their personal intellectual convictions (Butler 2007; Herbst 1994). This was exacerbated by the absence of a clear pragmatic economic policy which could be used as a basis for ideological resistance. Moreover, the failure of post-colonial African state economic intervention supported the adoption of macroeconomic conservatism (Southall 2010:4). Secondly, the transition took place in an epoch dominated by what Butler (2007: 3) describes as the “*New Right Policy Revolutions*”. This paradigm is based on the following pillars of neoliberal thinking: economic liberalisation, minimal state intervention, trade-liberalisation, and most importantly, fiscal conservatism (Butler 2007 3-4).

These revolutions had a substantial impact on economic thinking across the globe. This influence was not restricted to domestic economies; but also shaped the economic paradigm of International Financial Institutions (IFI’s). Therefore, developing countries who requested assistance from the WB or IMF would have to subscribe to the principles of this “*New Right Policy Revolutions*” (Butler 2007: 3). This was an important consideration for the leadership of the ANC, as they were preparing to transform a deteriorating economy. The success or failure of reviving such an economy would depend heavily on the assistance provided by these IFIs. Thus, the leaders had to reconsider their radical redistributive economic vision.

This ideological dilemma which confronted the leadership of the ANC at that time is related to the concept of institutional “autonomy”. As argued in Chapters One and Two, developmental states have bureaucracies that can formulate and implement policies without being dominated by domestic or foreign actors. This requires political leadership that is committed to national developmental goals and not sectoral interests. During the transitional period, the ANC- as the incoming ruling party- had to assert its autonomy. However, this task was made difficult by two critical elements: the subjective interests of different political actors or groups, and the objective state of the economy. This political context had a substantial influence on decisions taken regarding the state’s role in the economy.

The third and most important factor which undermined the redistributive strategy was the weakness of the economy. By the early 1990s the South African economy was about to collapse because of apartheid economic policies. It was characterised by soaring levels of public debt, inflation, poverty and minimal social security (Du Toit and van Tonder 2009; Herbst 1994; Simkins 1994). This economic underdevelopment was mainly caused by the lack of economic growth in the preceding years. Between 1984 and 1994 the country experienced its “weakest ten-year growth performance since the Second World War” (Du Plessis and Smit 2009:28).

Furthermore, sanctions on trade and international financial activities had produced anti-developmental economic outcomes. South Africa had a domestic-orientated economy which had huge inefficiencies and lacked competitiveness. The inefficiencies were created by syndicates with minimal foreign investment options engaging in economic activities outside of their core business operations. The lack of competitiveness was caused by domestic enterprises inability to access foreign technology and practices (Aron *et al* 2009:2-3). South Africa’s labour market was highly fragmented. Most of the labour force (blacks) did not possess the skills required for long-term participation in the economy (Herbst 1994). This segment also received a very low income which exacerbated the high poverty and inequality rates in the country (Nattras and Seekings 1998:217). This is the objective economic reality that faced the ANC when it inherited the post-apartheid state.

The paradigm shift was influenced by all the three factors discussed above. However, the most influential one was undoubtedly the deteriorated state of the national economy. Former Finance Minister Keys explained the severity of the economic decline to the ANC in the early 1990s. He stated that:

“less than 10 percent of the budget was available for redistributive goals, after servicing a mountainous debt and current expenditure on wages and salaries. Moreover, domestic savings were perilously low and insufficient for investment needs. This required resumption of foreign inflows that had all but ceased under apartheid” (Aron *et al* 2009:5).

So the ANC was faced with the daunting task of trying to pursue its redistributive goals with very limited resources. This prompted the leadership of the ANC to defy its alliance partners—COSATU and the SACP—by promoting macroeconomic stabilization over redistribution

(Natrass and Seekings 1998:218). The following section discusses the impact of the shift on economic policy-making leading up to the first democratic elections.

3.2.3 Ready to Govern: Economic Policy and First Democratic Elections

By 1992 the ANC had accepted some of the major elements of the macroeconomic framework favoured by business, IFIs, and political opponents. These principles were prevalent in the party's main discussion document entitled: "*Ready to Govern*". For example, it argues that: "emphasis will be placed on macro-economic balance, including price-stability and balance of payments equilibrium" (ANC 1992: 19). More importantly, it stated that:

"In the context of the growth and development strategy, the role of the state should be adjusted to the needs of the national economy in a flexible way. The primary question in this regard is not the legal form that state involvement in economic activity might take at any point, but whether such actions will strengthen the ability of the economy to respond to the massive inequalities in the country, relieve the material hardship of the majority of the people, and stimulate economic growth and competitiveness" (ANC 1992: 19).

These statements highlight the policy shift from earlier pronouncements about redistribution through high wages and nationalization (Natrass and Seekings 1998; Wittenburg 1990). Moreover, they laid the basis of the regulatory state that would characterize the post-apartheid political economy. In "*Ready to Govern*", emphasis is placed on creating political and macroeconomic stability (ANC 1992: 19). There are some statements regarding the transformation of the financial sector and investment patterns (ANC 1992). But no clear proposals on how the state will ensure that these changes take place. More importantly, the sections on bureaucratic transformation pay minimal attention to the intersecting relationship between state bureaucracy and economic development. This weakness is prevalent throughout the ANC's and government's policies on post-apartheid economic development.

This shift in economic thinking was met with resistance by the alliance partners. COSATU did attempt to place important issues such as radical transformation of the financial sector on the economic policy agenda. But the leadership of the ANC maintained its stance on macroeconomic stabilization and this created tension within the alliance. The resistance was

reflected by the removal of radical issues from the resolutions of its policy conference in 1992 (Marais 2011: 103-104)

This move was not taken lightly by alliance partners—especially COSATU—which at one stage raised questions regarding their support for the ANC. In order to avert this danger, the ANC allowed COSATU to contribute its election manifesto entitled: “*The Reconstruction and Development Programme*” (RDP). This led to the creation of an election manifesto characterized by contradictory principles (Bond 1999; Natras and Seekings 1998). The manifesto was a reflection of the balancing act the ANC was trying to perform. It had to appease a plethora of political actors whilst trying to build a nation. The most important political actors at that time were COSATU, domestic and international business, IFIs and its general membership.

The ANC won the elections and ascended to power after obtaining 63 percent of the vote (IEC 1994). It was faced with the enormous task of transforming a stagnant apartheid economy and its associated socioeconomic ills. Central to achieving this task would be role of the post-apartheid state and bureaucracy. The following sections will discuss how the different economic policies adopted by the ANC-led government have shaped the state’s role in economic development. Particular emphasis will be placed on the role of the bureaucracy in implementing these policies. This is important for addressing the main research question of this study, which seeks to determine whether the post-apartheid state has the bureaucratic characteristics of a developmental state. The point of departure will be a discussion on the RDP², as this was the first macroeconomic policy adopted by the post-apartheid government. The discussion will begin with a brief description of the policy, and then proceed to an analysis.

3.3. The Reconstruction and Development Programme

The RDP was meant to serve as a broad policy framework guiding the functioning of a post-apartheid government. This programme covered a wide range of issues related to the political, social and economic transformation of SA. Its main principle was promoting a “people-driven approach” to governance and development (ANC 1994). This approach would be driven by the following core pillars of the programme:

² The RDP referred to in this paper is the original base document

- Meeting the basic needs
- Democratising the state and society
- Building the economy
- Developing human resources
- Implementing the RDP

These pillars would be crucial for transforming SA into a state characterised by high levels of growth and human development. However, it is important to note that the policy reflected a compromise of different interests, which influenced major political and economic decisions taken during the transition (Agupusi 2011: 35). Furthermore, the crafters of the RDP had to consider changes in the international political economy. Hence a deeper analysis of the policy reveals some contradictory principles.

These pillars of the policy raise two critical questions for this particular study: was the RDP a suitable policy for creating a South African developmental state? More importantly, did the policy provide critical recommendations for building a bureaucracy of a developmental state?

The following section attempts to address these questions by examining the policy goals, and comparing them to the conceptualization of a developmental state described in the first two chapters. The analysis will be guided by the three main dimensions of bureaucracies identified and described in the second chapter.

3.3.1 RDP and Economic Intervention

Chapter Two identified the following three key features of bureaucratic intervention in the markets of developmental states: state-led economic planning; implementation of industrial policy and state ownership of certain sectors in the economy. The RDP did emphasize state leadership in achieving broad socioeconomic development. This is one of the key characteristics of a developmental state, which leads the implementation of the national developmental plan. More importantly, the section on economic restructuring states that: “to rebuild our economy we need the government to play a leading role in promoting reconstruction and development” (ANC 1994). This state-led intervention in the economy should be guided by three cardinal values: reconstruction, restructuring and development.

These objectives require extensive bureaucratic intervention in the economy, which will be aimed at redistributing resources and implementing state-led projects. Both these processes require a strong active state directing socioeconomic development. The RDP envisaged a

central role for the state in social and economic development (ANC 1994; Adelzadeh 1996; COSATU 2005; Edigheji 2007; Vickers 2011). This leadership role in economic development resonates with the broad policy goals of a developmental state.

However, the policy did not provide a clear and detailed plan for industrial transformation. The structural change experienced in developmental states is driven by a clear industrial policy. Edigheji (2005) points this out by arguing that the post-apartheid government devoted minimal attention to industrial policy. This is what differentiates the post-apartheid state from East Asian developmental states, where industrial policy guides all economic activities. In the 1990s macroeconomic policy was prioritized over industrial policy (Qobo 2005:72).

Another criticism is the policy's vague stance on state ownership in the economy. Chapter Two argued that public ownership in certain sectors—especially the financial—was crucial for the process of economic restructuring experienced in developmental states. These countries used state owned enterprises to dominate certain sectors, and alter the investment patterns in their economies. For example, public companies would invest in new technology areas, and take a lead in the establishment of certain industries which private agents perceived to be too risky. Public ownership in these countries was not only about control; it was also based on the objectives of economic dynamism and structural change. In other words, increased state dominance- through regulation and ownership- was a crucial for rapid industrialization.

The RDP did not address the importance of state ownership in a clear and coherent manner. It argued that the state should not adopt a uniform view on public ownership; but rather base intervention on the peculiar characteristics of each case. Moreover, it advocated for the privatization of state-owned enterprises where necessary. This uncertainty on nationalization was influenced by the following political factors. First, the RDP was essentially a social compromise or accord; it reflected the broad interests which sought to shape the developmental trajectory of the post-apartheid political economy. Secondly, the ANC could not make bold policy pronouncements about nationalisation. The ruling party viewed privatization of public enterprises as a key instrument for addressing the skewed racial character of ownership in the economy.

It should be noted that this last point is related to a deeper ideological debate within the ruling party and its alliance partners. There are two opposing sides in this debate: the first argues for increased public ownership in order to transform and modernize the economy. In this view, bureaucratic intervention should be used to pursue broad socioeconomic redistribution based

on state-led economic restructuring. The second view argues that state ownership and intervention in the economy should not be monolithic. There should be different forms of ownership in the economy, which prioritize both modernization and the need to create black industrialists. Thus, proponents argue that privatization of state-owned entities is a productive policy if it creates a black entrepreneurial class. This debate lies at the centre of the uncertainty which has characterized the institutional and policy character of the post-apartheid bureaucracy.

The third cause for the vagueness on nationalization is the policy concessions informed by the elements of neoliberalism. This can be observed by the elevation of the terms competitiveness and efficiency in the discussion on state ownership. The policy discussed state and private ownership within the confines of neoliberal economic thinking, which places primacy on the above-mentioned principles. It did not provide a clear description on how state ownership can be used to direct the industrial development of the country. The focus is on ensuring that public ownership is guided by the goal of competitiveness over the need to restructure the domestic economy.

The emphasis on competitiveness and cost recovery reduces the role of public enterprises in the economy. Their economic activities are confined to the goals of profit making; and not the attainment of broader developmental objectives. The functioning of public enterprises in the post-apartheid era illustrates this point. South Africa's state owned enterprises have been pre-occupied with functioning along corporate lines. Profitability has become more important than industrialization, job creation and restructuring the economy. This trend does not compliment the goal of building a developmental state. Public enterprises in these countries play significant role in restructuring and developing industries. The following section will expand on the role of public or state institutions by examining the RDP's proposals on state and society relations.

3.3.2. State and Society Relations

The second chapter identified the following two dimensions of state-society relations in developmental states: autonomy and embeddedness. The first describes the extent to which a government exercises its power, and implements policies without being dominated by domestic or foreign actors. The second concept refers to the ability of a state to establish

productive relationships with important economic groups. This policy had had more success in the era of embeddedness than autonomy. Its success can be attributed to the following important factors.

First, the policy-making process was characterised by extensive consultation. This ensured that the programme gained legitimacy from all important political actors (Hirsch 2005: 55-57). Secondly, this policy highlighted the importance of institutionalising corporatist relations at all levels of government. These relations are essential for creating a political culture characterised by inclusive decision making. Lastly, the theme of “people driven” development was one of the key principles of the RDP. Ordinary citizens would participate in policy-making at local development forums (Bond and Khosa 1999: 58). However, the process of implementation was not efficient, and this resulted in the above-mentioned ideals not being fully achieved (Marais 1998: 190).

The RDP was formulated in a historical and political context which constrained the autonomy of the bureaucracy. The incoming government had to appease a number of political actors, which subsequently led to its independence being undermined. All these groups, which included important actors such as established white business, International Financial Institutions (IFIs) and the labour movement attempted to place their interests at the top of the policy agenda.

The incoming government attempted to resolve this dilemma by creating a policy which tried to balance all views. This is why the RDP has some contradictory principles, as Taylor (2001) explains “it meant everything to everyone”. The newly established government’s autonomy was further constrained by the state of the economy. In the years preceding the negotiations, South Africa’s economy was stagnant and unproductive. This was caused by the implementation of unsustainable economic strategies, and the mismanagement of public funds by the outgoing bureaucracy. Therefore, the new government had to concede some of its policy autonomy to secure support from the IFIs and business. The incumbents argued that this was crucial for rebuilding the economy, which according to them, required more domestic and foreign private investment. This decreased autonomy did not only shape power relations between the bureaucracy and important economic actors. It also influenced the internal organization and the functioning of the state’s bureaucracy. A detailed description of this effect is provided in the section in the following section.

3.3.3 Developmental Institutions

The RDP was not clear or decisive in terms of institutional design. This point is related to the first dimension of bureaucracies discussed in Chapter Two: the nature of state developmental institutions. This chapter identified the following three main features which characterize these institutions: an established pilot agency; a clear hierarchal organizational structure; and high levels of institutionalized professionalism. Natrass and Seekings (1998:217) have pointed out that the RDP devoted minimal attention to these important factors. The policy did explain the shortcomings of the inherited bureaucracy, which it argued, was too complex, authoritarian and fragmented. It also discussed the inefficient coordination and over-centralization within the bureaucracy (ANC 1994; Natrass and Seekings 1998). In light of these concerns, policy-designers proposed the following: creating a single government, establishing institutions for negotiation, and increased coordination (Bond and Khosa 1999).

However, the policy did not provide a clear explanation of the roles, functions and authority of these institutions. Furthermore, there was no clear description of how the capacity (human, institutional) of the bureaucracy would be improved (Hirsch 2005:56). The policy also failed to outline a concise strategy for inter-departmental affairs. There was however an attempt by the new government to establish a national coordinating unit. It would be supported by the establishment of coordinating structures at all levels of government (ANC 1994). This new unit—called the RDP office—was located in the President’s office and had a minister assigned to it (Hirsch 2005:56). Its mandate was to monitor government developmental plans and ensure they were in line with RDP policy objectives (COSATU 2005; Vickers 2011). According to Natrass and Seekings (1998:219) the office was established to “centralize economic co-ordination”.

The RDP office had minimal success in fulfilling its coordination mandate; but it did succeed in implementing a number of important state-led projects. These were all related to the policy of goal of “meeting the basic needs” of citizens such as excess to electricity, water supply and housing (Cheru 2001; Marais 1998). The failure to coordinate broad economic development can be attributed to a number of reasons. Firstly, this office lacked the necessary authority to fulfill its coordination role. The high ranking officials in the office did not have the same authority as their counterparts in other departments (COSATU 2005; Vickers 2011). Secondly, the office was characterised by inefficiency and ineffectiveness caused by the lack of human and institutional capacity. These two factors led to the office failing to allocate

sufficient funds to departments. As Natrass and Seekings (1998:220) explain, the “office only managed to allocate 55 percent of the initial RDP fund”.

The third reason for its failure was the tension that developed between the RDP office and other departments (COSATU 2005; Marais 1998; Natrass and Seekings 1998; Vickers 2011). This tension was related to the procedure of obtaining development funds- which at that time- required departments to apply to the office for financing developmental projects. Departments resented the fact that these funds were created by cutting their original budgets. This resentment was exacerbated by the inability of the office to allocate funds efficiently. Therefore, it faced subversion from other departments, and thus found it difficult to coordinate socioeconomic development. This culminated in the office being shut down in 1996.

This RDP did not address the matter of institutional design sufficiently. State institutional design is critical for building a developmental state, as Edigheji (2005:10) explains: “it is the organizational structures that enable it to promote and achieve better economic performance”. This neglect led to the poor performance of the RDP office and other state institutions (Marais 1998:190). The coordination, meritocracy and strategic planning found in the institutional architecture of a developmental state were absent (Marais 1998: 190). Bureaucratic interventions such as creating a single government, decreasing the number of municipalities and establishing coordinating units were insufficient.

A developmental state is characterized by efficient institutional interventions, which are primarily centred on promoting economic growth and human development (Turok 2011: 33). This requires a clear detailed plan outlining how the organizational structure of the state will facilitate development. More importantly, this plan should focus on efficient implementation.

Detractors of the policy over-emphasized the above-mentioned points. By early 1996 the RDP had received a lot of criticism from a variety of political actors. The most vociferous critique came from the South African Foundation (SAF): an organization representing the largest business corporations in SA. It published a document entitled “*Growth for all*” which questioned most of the economic principles contained in the RDP. Furthermore, it provided a number of proposals on how to enhance SA’s growth prospects. These proposals incited a response from the ruling party’s alliance partners –COSATU and SACP– who released their own document called “Social equity and Job creation”. This response by the left of the alliance rejected the SAF’s policy proposals.

The interaction between business and labour during this period reflected the acrimonious relations between the two groups. However, these acrimonious industrial relations are not unique to SA. Chang (2011:58) explains how Sweden was characterized by volatile industrial relations in the early 20th century. This changed when business and labour agreed to reach a compromise. The state was a crucial facilitator in this process, resulting in the establishment one of the most successful Corporatist states.

Another crucial political development during that period was the resignation of Chris Liebenberg (First Finance minister in post-apartheid SA). He was set to be replaced by SA's first black Minister of Finance. This political transition and debate amongst influential political actors created an uncertain policy environment. The uncertainty was exacerbated by policy discourses taking place within government at that time. These all centred on improving economic policy coordination and restructuring relationships amongst state institutions (Hirsch 2005).

It is within this political context that the Growth Employment and Redistribution (GEAR) policy was introduced. The following sections provide a brief explanation of the policy, and analyze it within the context of the developmental state debate. Again, emphasis will be placed on state activism in the economy and the role of the bureaucracy in development. The objective of the following section is to answer two important questions related to this study: was GEAR a suitable policy for creating a South African developmental state? More importantly, did the policy provide critical recommendations for building a bureaucracy of a developmental state? The analysis will begin with a brief description of the policy, and then proceed to a discussion on its suitability for building a developmental state.

3.4 Growth Employment and Redistribution: a Macroeconomic Strategy

The introduction of this programme resembled a paradigm shift in government's economic outlook. This could be observed by the emphasis placed on growth and global integration over redistribution. GEAR prioritized supply-side interventions rather than demand-side measures which formed the basis of RDP. This transformation in economic thinking produced mixed reactions from a variety of political actors. More importantly, it altered the role that the post-apartheid state would play in economic development.

This policy was introduced in June 1996 by the newly appointed Minister of Finance Trevor Manuel. As explained in the previous section, it was introduced amid increasing uncertainty. Thus, its designers focused on creating stability and providing a policy which would guide all economic activities. The crafters of GEAR set the following ambitious policy goals:

- An annual growth rate of 6 percent per annum by 2000
- The creation of 400 000 jobs per annum by the year 2000
- An inflation rate below 10 percent between 1996-2000
- Annual non-gold export growth of 10 percent between 1996-2000
- Private sector investment averaging 12 percent between 1996-2000
- A rise in gross domestic saving from 18 percent to 22 percent of GDP
- Reducing fiscal deficit to 3 percent of GDP by 2000

According to GEAR, growth would be primarily driven by the following complimentary initiatives. First, the policy emphasized the need to increase private investment in the economy. This would be achieved by implementing fiscal austerity and creating conditions that are conducive for attracting investment (Hirsch 2005; Marais 2011; South Africa 1996). Foreign and local private investment would be the “main engine of growth” (Marais 2011:114). Secondly, the programme argued that it was essential for SA to pursue export-orientated growth. Therefore, it advocated for increased trade-liberalisation and improving the international competitiveness of the economy. Some of the measures taken in pursuit of the above-mentioned goal included accelerating liberal tariff reform, diversifying SA’s export portfolio, reduction of demand-side state intervention and improving supply-side measures (South Africa 1996).

The third priority of this policy was increased privatization and restructuring state-owned enterprises. This would be achieved by selling state assets and transforming the governance practices of public entities. Policy-designers hoped that these measures would increase profit, enhance competitiveness, encourage private investment and protect consumers (South Africa 1996). Fourthly, GEAR also emphasized the need for maintaining fiscal discipline and stability. Therefore, the policy proposed a wide range of steps which would ensure that SA’s economy is characterized by “fiscal soundness”. These included reduction of the fiscal deficit, stopping government dissaving and decreasing government’s consumption expenditure (South Africa 1996).

Lastly, this policy also proposed a number of labour market reforms. These were aimed at improving competitiveness and investment. Emphasis was placed on restricting wages in both the private and public sectors. Moreover, the policy advocated for the creation of labour market characterized by more flexibility. Policy-designers hoped that the restrictions on wage demands and promotion of employment flexibility would increase employment, investment and productivity (South Africa 1996). It should be mentioned that the notion of a blanket minimum wage—which was one of the fundamentals of RDP—was revised in this macroeconomic policy. GEAR proposed a sectoral minimal wage regime based on a variety of economic considerations.

The following section will examine whether these proposals compliment economic practices in developmental states. Emphasis will be placed on the three types of economic intervention discussed in Chapter Two.

3.4.1 Economic Intervention

Chapter Two discussed the nature of bureaucratic intervention in developmental states, which is based on the following actions: state-led economic planning; implementation of industrial policy and state ownership of certain sectors in the economy. GEAR was a product of state-led economic planning; but the form and character of this planning was not similar to the practices in developmental states.

The policy did not promote the principle of bureaucratic economic coordination. Moreover, it does not clearly explain how the bureaucracy will use policy instruments to discipline or reward economic agents. This is important because bureaucratic regulation is meaningless if the state cannot influence economic groups to take certain actions. Developmental states use a variety of regulatory instruments to shape the pattern of economic development and transformation.

GEAR fails to outline how the state will direct the private sector's activities towards broader developmental goals. There is substantial emphasis placed on increasing the private sector's role in the economy; but no explanation on how this expansion will lead to the industrialization, investment (human and capital) and structural change required for economic development. This omission is one of the fundamental causes of economic underdevelopment in post-apartheid South Africa. The state has failed to guide and direct big business towards

broader socioeconomic objectives (Fine 2010:175). Turok (2011:32) explains this well by stating that: “the state in South Africa has generally been unable or unwilling to direct and discipline business, and this has been a major factor stalling industrialisation and development”.

This point is echoed by Vickers (2011: 6), who argues that the adoption of GEAR illustrated that SA was being transformed into a “neo-liberal competition state”. This type of state does not attempt to direct economic development by protecting and directly assisting domestic industries. It rather acts as “an agency or transmission belt for external capital, driving the domestic economy to adapt to the exigencies of the global economy” (Cox 1992; Vickers 2011). Furthermore, it prioritizes growth driven by the fundamental pillars of market-led development, the most important being increased privatization, trade-liberalisation, decreased government spending, and minimal state regulation. These elements ensure that the state plays a minimal role in economic development. This ultimately results in development being driven by markets with minimal state support or guidance.

GEAR placed macroeconomic policy at the centre of the country’s developmental strategy. The policy crafters argued that industrial policy should complement liberal macroeconomic principles. This practice is different from economic activity in developmental states, where industrial policy drives economic development (Edigheji 2005; Chang 2011). It is used to alter the production and investment trends in the economy. Wade (1990:28) explains this well by stating that these bureaucracies “take initiatives about what products or technologies should be enhanced”. GEAR did not advocate for the creation of a central industrial policy to guide all economic activities. Rather, it emphasized the necessity of maintaining macroeconomic stability and competitiveness over industrial policy.

Industrial policy is important because it changes the structure of an economy. There is direct correlation between socioeconomic challenges and the structural make-up of the political economy. For example, growth in the post-apartheid era has been driven by the expansion of the financial and business service sectors (Bond 2010; Hausmann 2008). This trend has exacerbated the high unemployment rates in SA, because the labour absorption rate of the services sectors is low. Industrial policy can be used to change this trend by expanding the manufacturing sectors which have higher rates of labour absorption. In other words, it is impossible to achieve broad economic development “without fundamental transformation in the productive structure of the economy” in South Africa (Chang 2011; Fine and Rustonjee

1996). In GEAR's conceptualization, restructuring is reduced to creating an environment conducive for accelerating private investment, without explaining how this investment will contribute to productive economic restructuring. GEAR also advocated for accelerated trade-liberalisation and restricted industrial state-intervention to supply-side measures. These are key characteristics of a neoliberal state which provides indirect industrial support.

GEAR also advocated for the privatization of state-owned enterprises—a key principle of economic liberalism—which increases the private sector's ownership and power in the economy. Privatization decreases the state's role in the economy, and reduces its ability to make strategic decisions regarding economic development. For example, when states privatize public enterprises they lose their right to make important investment decisions which could alleviate broad socioeconomic challenges.

Another key indication of GEAR's neoliberal ideological orientation was its emphasis on fiscal conservatism. It argued that fiscal discipline was important for attracting local and foreign investment. This argument is based on the premise that excessive state-expenditure “crowds out” private investment (Marais 2011). Furthermore, proponents pointed out that this fiscal discipline was important for maintaining macroeconomic stability, and this would ultimately attract more investment in the economy.

Fiscal conservatism does produce a more stable macroeconomic environment; however, it reduces the capacity of the state to perform its role as an agent of transformation. The state's ability to deploy resources for broad developmental objectives is restricted. Moreover, it prevents the state from taking a lead in economic decision-making. States' excess and ability to use resources provides them with considerable leverage in economic power relations. When a state implements excessive fiscal austerity it forfeits this leverage and the opportunity to direct economic development.

More importantly, the policy does mention “redistribution of income and opportunities in favour of the poor”; but it does not specify how this will be achieved (South Africa 1996). In other words, there is an emphasis on growth, without outlining how it will improve the socioeconomic conditions and living standards of the poor (Qobo 2005: 73). A developmental state is characterized by economic growth and restructuring that does not compromise the levels of human development in a country. The growth in experienced in a developmental state makes a significant contribution to the reduction of the interrelated challenges of unemployment, poverty and inequality.

GEAR did not provide adequate proposals for enhancing the levels of human development in the country. This oversight is related to inability of the state to direct economic activities towards broader national socioeconomic objectives. The following section will elaborate on this point by examining GEAR's proposals on state and society relations.

3.4.2 State and Society Relations

GEAR did not provide a clear description of state and business relations. This uncertainty or vagueness is created by the inability of the ruling party to provide a clear description of state and private capital relations. For example, in *The State and Social Transformation* it is argued that:

“The democratic state must establish a dialectical relationship with private capital as a social partner for development and social progress. The defining element is a working and harmonious, even at times, conflictual relationship between the democratic state and capital. It is a relationship which is necessarily complex and dialectical rather than simple and linear.” (ANC 1996).

The explanation given above regarding state and private capital relations is different from most descriptions in developmental state theory. Literature on developmental states provides a clear explanation of the above-mentioned relationship. It emphasizes the state's leadership role in both authoritarian and democratic contexts. Furthermore, it justifies this leadership role by explaining how the state pursues broad national interests. There is also a clear explanation of the institutional and legislative mechanisms used by the state to direct business. These factors are absent in both GEAR and prominent ANC documents on economic development.

The policy proposals outlined in GEAR are not synonymous with those found in developmental states. On the contrary, these resonate with the characteristics of the neoliberal or minimal states discussed in Chapter One (Evans 1989; Chang 2003). Furthermore, the policy does not place the state at the centre of development; but rather advocates for the expansion of the private sector in the economy. It resembled a policy-shift from the state activism that characterised the RDP. Again, it is important to take note of the broader political factors that influenced this decision.

The State and Social Transformation, ANC's main document on economic transformation in that era elucidates the orientation towards a liberal state (ANC 1996; Qobo 2009). It explicitly advocates for the creation of a state that plays a "regulatory" role (ANC 1996). This is different from the transformative role of developmental states which coordinate and direct economic development. These states act as a "catalysts" for fundamental economic change rather than agents of stability or regulation (Cronin and Nzimande 1997).

In conclusion, GEAR was embedded in the ideology of what Butler (2007: 3) describes as the "*New Right Revolutions*". The policy advocated for the implementation of neoliberal economic principles. Core pillars such as fiscal conservatism, privatization, excessive trade-liberalization and minimal state-interference are prevalent throughout the policy document. Additionally, the underlying assumption of GEAR is that growth is primarily driven by private investment, and thus the role of all actors in an economy is to produce conditions that will accelerate this investment. This economic paradigm had a considerable impact on the role played by the South African state in the economy. The next section will expand on this point by highlighting the influence on bureaucratic structure.

3.4.3 Developmental Institutions

GEAR did not provide any proposals which sought to place the bureaucracy at the centre of economic development. This programme did not advocate for the creation of a central agency to guide economic development. More importantly, it failed to provide a clear description on how the bureaucracy could be organized around broader developmental objectives. According to GEAR, the main objective was to create a more "cost effective service" (South Africa 1996). Thus, it supported the reduction of public wages and minimizing the size of the bureaucracy.

All these measures are associated with the principles of economic liberalism discussed in the second chapter. According to this school of thought, bureaucracies should play a minimal role in economic development. Their function is to maintain the political and legal stability required for market-led development. Thus, the notion of an economically active bureaucracy is rejected on the basis that it will be unproductive and inefficient. This paradigm was at the centre of GEAR, and this was illustrated by its inability to address the central dimensions of state institutions in developmental states.

GEAR advocated for the creation of a regulatory state, which is not embedded in the institutional approach to economic development. It reduced bureaucratic organization and functioning to market-led efficiency. The public service was not viewed as an agent of economic transformation; but rather as a regulator of economic activity and interaction. This is different from practices in a developmental state where the bureaucracy coordinates economic development. The coordination is normally carried out by a central governmental agency. GEAR did not identify or discuss the need for establishing a “pilot agency”.

Moreover, GEAR did not address the relationship amongst different state institutions sufficiently. The policy stated that government departments should take actions which complement the broad macroeconomic strategy. This was not adequate for creating the clear and efficient hierarchical organizational structure found in developmental states. Bureaucracies in these countries are organized on the basis of clear role differentiation and lines of authority. These two principles are integral for enhancing policy synergy and deterring inter-departmental contestation. GEAR overlooked this matter, and just placed emphasis on minimizing the size of the bureaucracy.

Another shortfall of the policy was its emphasis on restructuring the public service along the principles of fiscal conservatism. The wage suppression and bureaucratic size reduction promoted by GEAR had negative effects on the public service. It led to the exodus of highly skilled individuals who sought more beneficial and secure employment. This is an important point, as it relates to the meritocracy and productivity of bureaucrats in developmental states. Chapters One and Two argued that both attributes were created by the long term career prospects and secure employment in the public sector. More importantly, state service was perceived as being honourable in these societies. The policy prescripts in GEAR proposed measures that did not allow the bureaucracy to develop the above-mentioned characteristics.

In sum, GEAR was not suitable for creating the institutional architecture of a developmental state. This failure is related to the following political factors discussed in the chapter- first, it was based on economic liberalism which rejects the notion of substantial bureaucratic intervention in the economy. Secondly, the ruling party favoured the notion of creating a regulatory state. This intent was captured in important discussion documents such as the “*The State and Social Transformation*” which argued for minimal bureaucratic intervention. Thirdly, GEAR was influenced by the recommendations of the South African Foundation (SAF): an organization representing the largest business corporations. Prior to the

introduction of GEAR, this formation had published a document entitled “*Growth for all*”. This document critiqued the state activism in RDP, and proposed the introduction of an economic programme based on private sector led development.

3.5 Conclusion

This chapter discussed the evolution of the post-apartheid political economy. The theory on developmental states explained in the first and second chapters guided the analysis. Emphasis was placed on economic policies adopted by government from 1994 to 2006. The main objective of this chapter was to address two important questions related to the study: has the post-apartheid government adopted economic policies suitable for creating a developmental state? More importantly, do these policies contain substantial proposals for building a bureaucracy of a developmental state?

The chapter addressed the above-mentioned questions by analyzing RDP and GEAR. It argues that the RDP placed the state at the centre of economic development. However, it failed to provide clear proposals on how the state will act as a catalyst for the construction of a more complex and productive economy. In other words, there is no clear programme for industrial transformation in the policy. The RDP did provide some important recommendations related to bureaucratic re-organization; but these were not sufficient for building a developmental state type bureaucracy.

These shortcomings of the policy are related to the context in which it was formulated. The transition was characterized by heated debates regarding post-apartheid economic development. Different groups presented their subjective policy proposals, with the hope that they will find expression in the government’s programmes. Thus, it was difficult for the ANC to construct a clear economic programme.

Moreover, the process of negotiations compelled the incoming ruling party to appease all political actors. Another important factor was the deterioration and international isolation of the economy. These factors compelled the ruling party to concede some of its policy autonomy, a crucial step for receiving support from IFIs and international business. Most importantly, the transformation of the state was restricted by the outcomes of the negotiations. It was difficult to restructure the entire bureaucracy when it was the product of a

compromise. In sum, the context provided restrictions on the nature and functioning of the state bureaucracy. The developmental state project in SA was taking place in a different context which presented peculiar challenges. These challenges had a substantial influence on the RDP, and subsequently, the role of the bureaucracy in economic development.

GEAR advocated for the creation of a liberal minimal regulatory state. It did not promote the economic state-activism found in developmental states. Moreover, it reduced bureaucratic restructuring to taking measures that complement the theme of fiscal conservatism. Again, GEAR must be understood within the political context in which it was formulated. It was created during an era characterised by policy uncertainty and contestation amongst key political actors.

This instability was caused by the social, political and economic challenges that the new democratic government faced. The most important of these was the inability of the state to fulfil its coordination of socioeconomic development as mandated by the RDP. Further, there was increasing pressure from international and domestic business to decrease state intervention in the economy. Last and most importantly, the re-integration of the South African economy into international markets was a necessity. This process required the government to accept the dominant neoliberal policy prescriptions of the global political economy. Therefore, the notion of building an efficient bureaucracy coordinating economic development was rejected. The focus was on minimizing state intervention and creating a bureaucracy that regulates economic interaction. Hence, GEAR placed emphasis on the all cardinal principles of neoliberal economic theory.

CHAPTER FOUR

ASGISA AND THE SOUTH AFRICAN DEVELOPMENTAL STATE

4.1 Introduction

The previous chapter discussed the evolution of the post-apartheid political economy from 1994 to 2006. It focused on two national macroeconomic policies: the Reconstruction and Development Program (RDP), and the Growth Employment and Redistribution macroeconomic strategy (GEAR). The main objective was to assess whether the policy recommendations were suitable for building the bureaucracy of a developmental state. In this chapter I intend to extend the analysis into the post-2006 era, by assessing the Accelerated Shared Growth Initiative for South Africa (ASGISA). Accordingly, it is divided into the following key areas of discussion.

First, it provides a brief background discussion on the social, political and economic developments which preceded the introduction of ASGISA. These trends will be assessed in relation to the implementation of GEAR. The main objective of this section is to place the introduction of this programme within the evolution of economic policy in post-apartheid South Africa (SA). Thus, it will highlight the political and social factors which influenced government to adopt this policy.

Second, it provides a summarised explanation of ASGISA. The focus will be on areas of the policy that are related to the analytical framework discussed in Chapter Two. Hence, the explanation will link the basic elements of the programme to the following key variables: nature of developmental institutions; state-society relations and state economic intervention. The main aim of this section is to explain the fundamental pillars of the policy.

The third section will analyze ASGISA in order to determine if the proposals were suitable for building a developmental state. This analysis will be based on the theoretical and analytical characteristics discussed in Chapters One and Two. The main objective of the analysis is to determine if ASGISA made suitable recommendations for building a developmental state type bureaucracy.

Lastly, the chapter will sum up the discussion by highlighting the main findings of the examination. These will be linked to the main research question, with a specific focus on the institutional and policy character of the state. The aim is not only to explain the findings; but also relate them to wider factors within the context of SA's political economy. These include the sectoral interests of different economic groups, with a specific focus on labour and business.

The point of departure will be an assessment of the policy outcomes of GEAR. These social, political and economic outcomes had a huge influence on the government's decision to adopt ASGISA. The most important of these were the high levels of unemployment, inequality and social unrest (Du Toit and Van Tonder 2009; Hirsch 2005). The following section discusses these outcomes in relation to the wider discourse on the evolution of the post-apartheid political economy. Emphasis will be placed on the effect they had on building a developmental state in SA, with a specific focus on the bureaucracy.

4.2 GEAR and the Post-Apartheid Political Economy

Previous chapters argued that this policy resembled a paradigm shift in government's economic outlook. This view is substantiated by analyzing the elements of the programme, and relating them to broader economic theory. In this section, the analysis will shift from a theoretical examination to a more practical assessment. The focus will be on the political and socioeconomic outcomes of GEAR. This discussion is crucial for identifying the main issues which influenced government to review this policy and adopt ASGISA.

This transformation must be understood as a product of the concrete economic and political challenges, which have characterized South Africa's political economy. It is impossible to understand ASGISA without a thorough assessment of GEAR. The implementation of GEAR produced a number of positive and negative socioeconomic outcomes. On the positive side, the economy grew consistently after a decade of stagnation. Between 1993 and 2007 the average growth in the economy was 3% (DuToit and Van Tonder 2009; Presidency (a) 2008). In addition to this, government managed to decrease its debt from 43.5% of GDP in 1994 to 22.3% in 2007 (Presidency (a) 2008). This culminated in the state achieving a budget surplus in 2008 (Hodge 2009; Presidency (b) 2008)

Another positive development was the reduction of inflation during this period. The strict measures associated with the objective of macroeconomic stability controlled the levels of inflation. Government's monetary policies ensured that it was kept within the target of 3 to 6% per year (Hodge 2009). More importantly, SA achieved its longest period of sustained economic growth in the post-war era (Mbeki 2006; Southall 2010).

These macroeconomic gains can be perceived as crucial steps taken in the process to create a developmental state. However, the nature and character of these economic achievements is different from those experienced in these countries. In other words, a developmental state is characterized by high levels of economic growth based on specific developments discussed in Chapter One. This growth is driven by industrialization, accumulation and structural change (Economic Commission for Africa 2011; Mkandawire 2001). Therefore, the analysis must not be reduced to quantifiable economic goals. It must incorporate an assessment of the nature or type of growth. The following section substantiates the statement that the positive economic developments do not resonate with the experiences of developmental states.

The above-mentioned argument is validated by the following key economic trends. Firstly, the growth experienced during this period was characterized by what Mohamed (2010:39) describes as "de-industrialization". It was not based on the development of new industries and increased manufacturing (Bond 2010; Hofmeyer 2012; Marais 2011; Mohamed 2010). This growth was driven by the economic boom in the services sectors (Bond 2010; Hausmann 2008; Hofmeyer 2012; Marais 2011). Between 1994 and 2004 the communications and financial sectors grew faster than other parts of the economy. More worryingly, it was accompanied by a contraction in the manufacturing sectors (Marais 2011; Bond 2010). Secondly, there was no fundamental transformation in the structural makeup of the economy (Chang 2011:51). It continued to develop and entrench what Fine and Rustomjee (1996) call the Mineral and Energy Complex (MEC), a term used by analysts to emphasize the narrow base of the economy (Turok 2010; Makeglta 2010). It describes the overreliance on the traditional minerals and energy sectors (Fine and Rustomjee 1996:24).

Thirdly, the growth was accompanied by increasing levels of inequality and job losses (Du Toit and Van Tonder 2009; Hirsch 2005; Hodge 2009). For example, unemployment increased from 17% in 1995 to 23% by 2003 (Hodge 2009). Inequality also grew, as the gini coefficient rose from 0.57 in 1992 to 0.70 in 2008 (DuToit and Van Tonder 2009: 16-17). Fourthly, the current account deficit increased to high levels during this period. This

economic trend was caused by the increase in imports which grew faster than export production (Presidency (a) 2008). Lastly, the economy was driven by short-term investment, associated with privatization, mergers and acquisitions (Ashman *et al* 2010; Marais 2011; Mohamed 2010). This investment was not channelled to areas which increase the levels of productivity and employment. Moreover, it was not based on long-term sustainable economic projects; but rather the in and outflow of short term capital (Ashman *et al* 2010:14).

These negative outcomes influenced the government to review its macroeconomic policy- especially the role of the state in the economy. The end result was the introduction of ASGISA: a policy which was designed to address the identified economic trends. This would be done by identifying key sectors, and taking measures to support their development. The support would mainly come from the state collaborating with business and the unions. This marked a significant shift from GEAR, which did not emphasize industrial policy or state activism in the economy

The transformation in economic thinking re-introduced the debate about the developmental state. The following section will briefly explain the main pillars of ASGISA. Emphasis will be placed on areas of the policy related to the main research question. In addition to this, it will explain which political and ideological interests shaped the shift in economic thinking. As argued in earlier chapters, the role of the bureaucracy in the economy cannot be understood outside the political context. It is shaped by the various economic interests within a particular political economy. ASGISA is not only a technocratic policy; but also a product of the underlying developmental challenges that SA faced at that time. These challenges were elucidated by a variety of actors within the policy environment. There is a connection between the role of the state in the economy, and the contending political views in a society. Hence this section discusses the pillars in relation to political, economic and social challenges.

4.3 Bringing the State Back in: Introduction of ASGISA

By the end of 2005 it had become obvious, even to the most vociferous advocates, that GEAR had failed in the areas of job creation and redistribution (Du Toit & Van Tonder 2009; Hirsch 2005; Hodge 2009; Hofmeyer 2012 Marais 2011). This admission found expression in the two-nations/economies thesis advanced by former president Thabo Mbeki (Mbeki 2003;

Mbeki 2006). He drew the metaphor from developmental theorists such as Andre Gunder Frank, who argued that the capitalist system in developing countries was peculiar. It created what Turok (2011:3) describes as a “skyscraper economy”: characterized by a clear distinction between sophisticated modern economic activity in some areas, and under developed informal markets in others (Turok 2011:4).

This analogy draws attention to the fact that underdevelopment is a systemic problem. Moreover, it explains how underdevelopment in the informal impoverished locations is driven by the operations in the core advanced areas (Turok 2011:4). This thesis of the “development of underdevelopment” is the deeper ideological rationale for the introduction of ASGISA. More importantly, it justified the proposals for increased state-intervention to address the problems of a society characterized by two unequal economies. However, it should be mentioned that there was no consensus on the interpretation or implementation of this thesis. This could be observed in the two schools of thought regarding bureaucratic intervention.

According to the Mbeki administration, state interventions were necessary for transforming the second economy so that it compliments and adopts most of the economic activities in the first modernized economy (Mbeki 2006). Detractors argued that this interpretation of state intervention was superficial, because it overlooked the manner in which economic activities in the first economy (core) reproduced underdevelopment in the periphery. Thus, they emphasized the reconfiguration of the entire economic structure over integration (Bond 2007; Du Toit and Nerves 2007; Greenstein 2009; Masondo 2007). Nonetheless, both paradigms acknowledged the necessity of intervention for addressing socioeconomic challenges. In addition to this, certain sections within the ruling party and its alliance started to increase their discontent about previous economic strategies.

The high levels of inequality and unemployment justified the claims that GEAR, and its neoliberal approach had failed SA. This is significant since GEAR was based on creating jobs and decreasing inequality. This view was also substantiated by the following key economic trends: weak growth (averaging 2%); low levels of investment; decline in manufacturing; narrow base of the economy; concentrated ownership (88% of national income belonging to 5 % of the population) and poor rural development (Hirsch 2005; Turok 2011; Mohamed 2010). All these trends and the political challenges associated with them influenced the government to review its economic paradigm. The following section briefly explains the

policy outcomes of this process. It will only discuss and assess the parts of ASGISA that are directly related to the research question. So the focus will be on the areas that deal with the nature of developmental institutions; state-society relations and state economic intervention.

4.4 Accelerated Shared Growth Initiative for South Africa

ASGISA was introduced to resolve all the socioeconomic challenges associated with the implementation of GEAR. Thus, it should be analyzed in relation to the evolution of the post-apartheid political economy. This requires analysts to not only focus on quantifiable economic goals; but include the wider political factors and interests which influenced the introduction of this program. Chief amongst these were the high levels of inequality and unemployment that characterized the South African economy. More importantly, this inequality had and still has a racial character. For example, the levels of unemployment and poverty in the black population are higher than those in other race groups (COSATU 2012; Southall 2010). This exacerbated the political pressure on government to pursue economic reforms.

Hence the policy places emphasis on the notion or principle of “shared growth” (South Africa 1996: 4). This is reflected in the broad goals of the programme. The crafters of the policy outlined the following targets:

- A growth average of 5 percent between 2005 and 2014
- Half poverty and unemployment by 2014
- Focus on labour absorbing activities
- Reduction of poverty and inequality

According to ASGISA, the above-mentioned goals will not be achieved without addressing the unique challenges of the South African political economy (South Africa 2006). The most pressing of these were weak growth; high unemployment and inequality; decline in manufacturing; low levels of investment; and over dependence on minerals. It acknowledged that these trends could not be addressed without increasing state intervention. This is an important point, as it indicates a movement away from the generic neoliberal approach to development. The emphasis on bureaucratic intervention as a catalyst for “shared growth”

counters this school of thought. Moreover, it is accepted that the successful policy measures taken in other countries will not automatically work in SA.

This point of departure is related to the work of Hirschman (1958) discussed in the second chapter. He argues that underdevelopment is not primarily caused by the absence of certain key factors. Rather, it is driven by the inability of states to coordinate the process of economic development, using the unique characteristics of their domestic political economy (Hirschman 1958:25). Therefore, it is integral to understand the peculiar factors which are an impediment to economic growth. ASGISA identifies the following peculiar obstacles to shared growth in post-apartheid SA: volatility and level of the currency; efficiency and capacity of the national logistics system; shortage of skilled labour; low levels of competition; regulatory environment and its impact on small enterprises ;deficiencies in bureaucratic organization and capacity (South Africa 2006).

In light of the above-mentioned impediments, it advocates for state intervention. However, it should be noted that the crafters do not use the term developmental state in the entire policy document. This cautious approach is expressed in the introductory remarks to the section on bureaucratic interventions which states that: “Countering these constraints requires a series of decisive interventions. These interventions do not amount to a shift in economic policy so much as a set of initiatives to achieve our objectives more effectively”(South Africa 1996:6). This ambiguity on the form of state is related to the following two key political factors. First, the government did not want to deter investors with language that is synonymous with strong intervention in the economy. Second, policy drafters wanted to reassure different groups, especially international business, that there would be no change in the economic paradigm of the state.

Nonetheless, the program does clearly outline a number of interventions that indicate a shift in economic policy. These interventions are compartmentalized into the following categories: infrastructure programmes; sector investment/industrial strategies; skills and education initiatives; second economy interventions; macroeconomic issues and review of the public administration (South Africa 2006). This chapter will not cover all the interventions; it will focus on those related to the main research question, which seeks to determine if SA has the bureaucratic characteristics of a developmental state. Therefore the explanation and analysis will be centred on three key areas: sector industrial strategies, second economy interventions and public administration issues.

These areas are crucial for addressing two important questions related to the study: was ASGISA a suitable policy for building a developmental state? Most importantly, did the policy provide crucial directives for creating a bureaucracy with developmental state characteristics? These questions will be addressed using the dimensions discussed in Chapter One and Two. In the analysis reference will be made to the New Industrial Policy Framework (NIPF). This document was an integral component of ASGISA's economic vision, and provides more detailed insights into the policy. The analysis will begin with an assessment of the nature of economic intervention, and then proceed to examine the other two dimensions (state-society relations and the nature of developmental institutions).

4.4.1 ASGISA and Economic Intervention: A Policy for the Developmental State?

The main policy goal of ASGISA was to half unemployment and poverty by 2014 (South Africa 2006). This would be achieved by accelerating economic growth at an average of 5 percent between 2005 and 2014. The aim was not only to increase growth; but also ensure that it produces positive socioeconomic outcomes (reducing poverty; unemployment and inequality). Hence the policy document states that:

“In addition to these growth rates, our social objectives require us to improve the environment and opportunities for more labour-absorbing economic activities. More broadly, we need to ensure that the fruits of growth are shared in such a way that poverty comes close as possible to being eliminated, and that the severe inequalities that still plague our country are reduced” (South Africa 2006: 3).

As argued in Chapters One and Two, economic development must be assessed beyond the narrow scope of quantifiable goals. It is also important to examine the nature of accumulation, and the socioeconomic outcomes it produces. This includes assessing the extent to which it reduces the levels of poverty, unemployment and inequality in a society (Seers 1969; Sen 1999). More importantly, how it affects the process of industrialization and the structural configuration of an economy. Thus, an analysis of ASGISA must extend into the methods that the policy advocates for. These will indicate whether these proposals are synonymous with practices in developmental states.

ASGISA sets long term targets for economic growth and human development. The document argues that crucial state interventions are required to achieve the above-mentioned targets.

The most crucial one is the development of sector or industrial strategies (South Africa 2006). This is an important recommendation, as it relates to the economic practices in developmental states. Research has indicated that industrial policies were the main catalyst for economic growth in these countries (Amsden 1989; Johnson 1982; Evans 1990; Mkandwaire 2001). This policy identifies the following three key sectors for support: business process outsourcing, tourism and bio-fuels (South Africa 2006). This resembles a shift from earlier macroeconomic policies which did not have clear sector strategies (Edigheji 2005).

Moreover, the policy contains a broad National Industrial Policy Framework to guide economic activities. The main objective of this framework is to “focus the energy of government and its partners” (South Africa 2006: 8). This was an important proposal, as it indicated a commitment by government to take a leadership role in shaping the nation’s industrial development. More importantly, the state would fulfil this role working with important economic actors or groups. This cooperation based on the mutual goal of industrial development- within a framework set by the state- is one of the key characteristics of a developmental state (Weiss 1998:48).

In addition to this, the policy advocates for state intervention to address historic inequality. This intervention was based on the two economies thesis advanced by the former president. Thus, it centred on addressing the socioeconomic challenges faced by historically disadvantaged groups. These would be resolved through targeted support aimed at small enterprises owned by black people. Moreover, emphasis will be placed on enhancing the effectiveness of broad-based empowerment (South Africa 1996). Crucial matters such as access to finance and preferential procurement would be prioritized.

This focus on historically marginalized groups is based on the racial character of South Africa’s inequality. The post-apartheid government has sought to address this socio-economic problem using a variety of policies. The most prominent being the Employment Equity Act and Black Economic Empowerment. These attempts at empowering social groups who were economically marginalized on the basis of race are not new. Mills (2002:108) points out that Malaysia’s New Economic Policy (introduced in the 1970s) was based on achieving “economic growth alongside improving social and racial equality”.

This task of promoting economic development with social redress has been at the centre of government’s policies. South Africa’s developmental state project transcends most

experiences in East Asia. It moves beyond simple economic restructuring by highlighting the need for social equity (Gumede 2009). This peculiarity is informed by the political and social context, which subsequently structures the nature of state intervention in the economy. The ruling party has sought to modernize the economy whilst taking into consideration the wider political interests. Chief amongst these is the need for racial socioeconomic redress, which is perceived as a crucial tool for nation building and maintaining party support.

The above-mentioned interventions indicate that the policy envisaged a central role for the state. Policy makers viewed this state-activism as crucial measure for addressing the structural challenges of the economy. More importantly, it would resolve the problems of unemployment, poverty and inequality that have characterized economic development in post-apartheid SA.

Most measures advanced in the program are in line with the policy practices in developmental states. They challenge neo-classical assumptions of free-market development and wealth redistribution through market mechanisms (Weiss 1998:42). ASGISA adheres to this particular view by stating that the South African economy needs a series of crucial interventions. These are essential for economic development and addressing socio-economic challenges (South Africa 2006).

Furthermore, the economic policy identifies key sectors which should be supported (South Africa 2006). This is another key characteristic of developmental state's economic vision. ASGISA attempts to "pick the winners" that are supposed to drive economy towards higher levels of growth. This was a common practice in developmental states, for example, countries such as Taiwan and South Korea identified specific industries to drive their economic development (Weiss 1998; Wade 1990; Fine and Rustomjee 1996)

In sum, the broad policy goals of ASGISA are similar to those found in developmental states. However, it should be noted that the policy does not contain the term developmental state. Moreover, there is no mention of increasing state ownership in the economy. This was one of the distinguishing characteristics of developmental states. These governments used public enterprises as key instruments in shaping the form and character of economic growth (Chang 2011: 83).

This omission is related to wider factors within the context of South Africa's political economy. The ruling party and its alliance partners were uncertain about the role of the state

in the economy. This uncertainty was caused by two crucial political factors: the historical debate within the alliance about the state's role in the economy, and the need to appease business. These two contentious issues have shaped the relationship between the state's bureaucracy and the market since 1994.

The following section will elaborate on the previous point by analyzing ASGISA's recommendations regarding the bureaucracy. It will assess the programme's proposals regarding the role of state institutions in promoting economic development. Emphasis will be placed on the other dimensions discussed in Chapter Two: the nature of developmental institutions and state-society relations. This discussion is important for addressing the question of whether ASGISA's recommendations are suitable for building a developmental state type bureaucracy.

The aim is not only to compare the programme's proposals with the analytical framework discussed in Chapter Two. This analysis also seeks to discuss the political interests which have shaped the bureaucracies' intervention in the economy. These are crucial for developing a more nuanced comprehension of the challenges faced by the state's bureaucracy. The section will begin with a brief explanation of ASGISA's policy proposals and then proceed to an assessment. Consistent reference will be made to the NIPF which outlines some of the key state interventions.

4.4.2 ASGISA and the Institutional Character of the State

The policy crafters argued that it was more prudent to review current institutions rather than create new ones. However, the policy did raise some crucial points regarding governance and institutional interventions. The first point raised is the importance of the role played by different economic agents. It is stated that government, business and labour should adhere to the agreements made at the Growth and Development Summit (GDS) (South Africa 2006). This statement is related to the state and society variable of the analytical framework. Chapter Two argued that the productive relationship between the bureaucracy and other important economic actors is a distinct characteristic of a developmental state. Thus, it is important to analyze the recommendations made at the summit regarding the relations between the groups.

The main goal of GDS was to channel the actions of all economic partners towards achieving increased growth; investment; job creation and people-centred development (South Africa

2003). This would be attained by encouraging dialogue amongst the actors so that there is consensus. Moreover, each group made crucial commitments about its contribution to the realization of the above-mentioned goals. According to this agreement, the National Economic Development and Labour Council (NEDLAC) would be the central institution for facilitating the discussions. In addition to this, its review council would oversee the implementation of the GDS agreements.

Another important aspect of the GDS agreement is the emphasis on sector partnerships. It is argued that these partnerships are crucial for restructuring the economy towards “equitable, employment-creating growth” (South Africa 2003). It contains the different agreements and pledges made by all sectors to assist the process of economic restructuring. More importantly, government had the responsibility of convening all actors to assess the progress in each sector (South Africa 2003). Emphasis is placed on improving the efficiency of existing industrial councils, and creating new ones where necessary.

These recommendations are related to the state and society variable discussed in Chapter Two. A developmental state’s bureaucracy establishes productive coalitions with other economic groups. This relationship ensures that the state achieves sustained economic growth through industrialization, accumulation and structural change (Economic Commission for Africa 2011, Mkandawire 2001).

This economic transformation is driven by well-coordinated action. All economic groups follow a single strategy with each playing their specific part (Evans 1995; Weiss 1998). This will not materialize in the absence of dialogue. The nature of these discussions is the subject of intense debate in study of Comparative Political Economy. There are two schools of thought: one that emphasizes the authoritarian nature of these relations; whilst the other places emphasis on mutual discussion and agreement (Wade 1990; Weiss 1998). Nonetheless, both agree on the importance of the state collaborating with other economic agents to achieve high levels of economic development (Evans 1995; Leftwich 1995; Wade 1990; UNCATD 2009).

The following section will analyze the GDS statements regarding this coalition, and determine if they are conducive for building the state and society relations found in developmental states. The focus will be on the recommendations discussed in the section above.

4.4.2.1 State and Society Relations in Post-Apartheid SA

The question of dialogue in the South African context is still the subject of intense debate. Many analysts argue that the hostile relationship between the groups has stunted the development of a productive economic coalition (Dinokeng 2009; Marais 2011; Natrass and Seekings 2011). More importantly, it is complicated by the existence of two sections—labour and community representatives—which were not prominent actors in classic developmental states (Holliday 2000; Lee and Ku 2007). The challenges of developing productive state and society relations in post-apartheid SA are related to this political context.

The GDS document attempts to address the above-mentioned impediments by outlining fundamental values that should guide deliberations. These are all informed by the need to transform the developmental trajectory of SA. It also outlines a vision which seeks to turn the country into: “The leading emerging market and destination of first choice for investors whilst retaining and expanding social equity and fair labour standards” (South Africa 2003:2).

However, the agreement overlooks the underlying political reasons which have hampered the development of sustainable productive dialogue. It moves from the premise that the challenges can be overcome by outlining a new shared vision. This is laudable, but not sufficient to address the political challenges that undermine productive deliberation. Any attempt to foster this culture of constructive engagement must take into account broader political interests and factors. These are the main causes of poor social cohesion amongst the key economic actors in SA. The following section will discuss these political constraints, and provide some insight on how they can be addressed.

4.4.2.2 Political Context and the Challenges for State- Society Relations

In the previous section I argued that productive dialogue is impeded by a number of political factors, which are related to the peculiar context of SA’s political economy. The first political challenge emanates from the nature of the transition. This process of social transformation was driven by what some analysts describe as an elite pact (Bond 2000; Butler 2007; Terreblanche 2012). The term elite is important in this context, as it questions the legitimacy

of this agreement. Detractors argue that this transitional consensus was not based on broad national goals; but rather the narrow interests of political and business elites (Bond 2000; Terreblanche 2012).

Southall (2010:2) highlights this point by describing the pact as a “reform coalition”. This concept is derived from Taylor (2007), who argues that reform coalitions are elite agreements created by business and government. These deals are aimed at creating consensus by merging public and private goals, so that all parties gain from the contract. According to Southall (2010:5), SA’s reform coalition was formed to allow large business to gain entry into global markets, and compel private capital to legitimize the policy of Black Economic Empowerment.

Participation in this dialogue was limited to certain political elites and leaders of established white business (Bond 2000; Terreblanche 2012). Moreover, it was not transparent and some discussions were held in secret locations (Butler 2007; Terreblanche 2012). These two factors have made it difficult to legitimize the decisions taken by the two groups.

A number of civil society groups have constantly questioned the agreement, and its impact on the post-apartheid political economy. Their opposition is based on the negative socioeconomic developments (poverty; inequality; corruption) in the post-apartheid era. More importantly, they have demonstrated their discontent through political action. The number and intensity of protests, both formal and informal, are a manifestation of this opposition (Mandlingozi 2006). This social contestation has made it difficult to achieve productive economic coordination. The debate about the legitimacy of the decisions made by political and business elites is important in the South African context. The bureaucracy cannot exercise the soft or hard authoritarianism that characterized the classic developmental states (Wade 1990). Thus, it requires high levels of legitimate social cohesion to achieve national economic goals. The nature of the political transition has made this task very difficult.

The second challenge is related to the historical role of business in the evolution of the South African political economy. Both domestic and international business contributed to the establishment of apartheid and colonialism (Buhlungu 2010; Natrass and Seekings 2011; Turok 2011). Furthermore, they benefited from the two forms of authoritarian rule—as both systems provided the legal and political structures for labour exploitation and repression (Buhlungu 2010; Terreblanche 2002; Masondo 2007). These two factors have made it difficult

to create trust between established white business and government in post-apartheid SA (Natrass and Seekings 2011:341).

The dialogue between the two groups has always been influenced by these historical facts. Some authors have even argued that they have broken down the minimal trust that existed during the transition (Marais 2011:347). This political tension reached its highest point during Mbeki's term. He argued that established white business was not genuinely committed to transforming the political economy. His view was based on the lacklustre response of business to the favourable policy environment.

On the other hand, business stated that the lack of transformation in the political economy can be attributed to the weakness of the bureaucracy. It cited the poor services provided by state institutions, especially in the areas of education and skills development. Furthermore, it attributed the low levels of investment to the pervasive corruption in the public sector (Natrass and Seekings 2011:353). These two opposing arguments have increased the tension in state and business dialogue. The improvement of this relationship is not only important for nation building. It is also essential for creating a developmental coalition that can grow and re-structure the South African economy.

The third hindrance to the creation of constructive dialogue is the inability of the state to manage the number of actors. Unlike the classic developmental states, which marginalized labour unions and civil society, the South African bureaucracy has to relate with a larger number of groups. That is why the GDS summit identified four constituencies: labour; business; government and community representatives (South Africa 2003). The existence of so many groups complicates the task of economic coordination. Moreover, it makes it difficult to reach an agreement that accommodates all the divergent socioeconomic interests.

The fourth challenge is the marginalization of citizens and smaller civil society groups by the state. Citizens have become detached from the formulation and implementation of public policy (Dinokeng 2009; Mandligozi 2006). There are two main reasons for this alienation: firstly, socioeconomic challenges constrain the effectiveness and opportunities for civil society participation. Secondly, the state has not created sufficient platforms to institutionalize the participation of citizens at grass-root levels. The existing platforms are used to ensure conformity to elite driven policy; rather than facilitate genuine participation or consultation (Fakir 2007: 8).

Citizen participation within the post-apartheid context is very important. South Africa is democracy with a constitution that allows citizens to challenge public policy (Freedom House 2012; Economist 2011; South Africa 1996). Therefore any national developmental plan can be opposed if it has insufficient legitimacy. This will affect the implementation of this plan and the achievement of developmental goals. Thus, increasing legitimacy through regular participation and consultation is imperative for both nation building and socioeconomic development (Mkhandawire 2012; Weiss 1998).

These are the underlying political factors which have produced unconstructive dialogue amongst social partners. As argued earlier, productive dialogue is not only important for political stability, it is also essential for creating the economic cohesion that was prevalent in developmental states. Therefore, it is imperative that the above-mentioned challenges are addressed. The creation of national goals and values is not sufficient; policy prescripts must speak to these political impediments. If this is not done, the commitments and agreements made at corporatist gatherings will not be realized. The following section will provide a number of insights on how these challenges can be addressed.

4.4.2.3 Building State and Society Relations for a Developmental State

The South African bureaucracy can improve the nature of its relations with society by taking the following measures. First, it is essential to broaden the scope of participation in the dialogue. Elitism produces agreements that do not enjoy broad legitimacy (Mkandawire 2012: 39-40). More importantly, these pacts are based on the narrow interests of elites and not broad national developmental goals. Another problem with elite agreements is their superficial understanding of socioeconomic issues. This is created by the lack of participation by less powerful groups, who could provide valuable insight on developmental challenges. Therefore, it is important to promote effective and substantial engagement with these citizens (marginalized/less powerful groups). This will lead to the creation of credible and effective plans based on inputs by all social actors.

Ireland's economic recovery and rise was centred on this idea of social inclusivity (O' Donell and O' Reardon 2000:2-4). The bureaucracy encouraged the participation of different representatives who articulated the various interests of organized groups. For example, the social partnerships included citizens who were unemployed and members of the "voluntary

sector” (O’ Donnell and O’ Reardon 2000:2-4). This ensured that the developmental plans were based on a clear understanding of socioeconomic challenges. The end result was the adoption of programmes or policies that are effective and legitimate.

The lack of trust between business and government can be resolved through the following means: firstly, clarifying the role of business in transforming and re-structuring the political economy of SA (Mkhandawire 2012 41-42). The confusion around the meaning of the terms is at the centre of disputes between the two parties. Secondly, both business and government should move beyond their narrow ideological dogma. This is integral for ending the negative perceptions, which diminish the chances of establishing productive dialogue. Thirdly, it is important to create measures which can increase and improve the institutionalization of discussions between the groups.

Relations between citizens and the state can be improved by emphasizing genuine participation by individuals. The creation of concrete methods to promote participatory democracy is crucial (Dinokeng 2009; Mandligozi 2006). Moreover, it is important to eradicate the socioeconomic challenges that prevent civil participation. Sen (1999:3) explains this well by stating that: “Development requires the removal of major sources of unfreedom: poverty as well tyranny, poor economic opportunities as well as systematic social deprivation, neglect of public facilities as well as intolerance or over activity of repressive states”. This increased civil participation will have two main benefits for the developmental state project in SA. First, it will improve the levels social cohesion required for economic development. Second, it will enhance coordination within the economy.

The above-mentioned measures are possible solutions to the lack of constructive dialogue in SA. The effective implementation of these proposals will produce the necessary economic relations amongst social partners. A developmental state is built on productive societal partnerships guided by a single vision. Dialogue is crucial in this process, especially within a democratic context which allows civil dissent. South Africa’s developmental state aspirations are dependent on creating these relations. The state’s bureaucracy is responsible for building the institutional architecture which will produce and sustain these partnerships. The evidence discussed above indicates that it has not fulfilled this role, as a result of not comprehending the underlying political challenges. Thus, this section advanced a number of possible remedies which could be used to build effective state and society relations. These

cannot exist if the state has ineffective institutions. Therefore, it is important to examine if ASGISA addressed the matter on institutional design and function sufficiently.

4.5 The Nature of Developmental Institutions

ASGISA contained a number of measures to improve the nature of state institutions. In the area of human capital, policy makers proposed sending experienced bureaucrats to structures of local governance. The objective was to ensure that these individuals occupy management positions. This initiative was perceived as being crucial for developing and sustaining projects (South Africa 2006). Another key development was the introduction of the Joint Initiative for Priority Skills Acquisition (JIPSA). This programme was aimed at addressing the problem of scarce skills shortage in both the private and public sector.

Furthermore, it stated that the Economic Investment and Employment Cluster (EIEC) would be responsible for overseeing the implementation of the policy. This was an inter-ministerial committee established after the adoption of the Presidential Restructuring Framework in 2001. It operated under the authority of the Policy Coordination Advisory Services (PCAS). Lastly, it calls for an audit of state financial institutions that focus on development (South Africa 2006). These proposals were aimed at improving the functioning of developmental institutions. The goal was to ensure that the state's bureaucracy operates in a manner that compliments ASGISA. This section of the policy is related to the second bureaucratic dimension: the nature of developmental institutions, which is characterized by the following three features.

First, the central role of a pilot agency in steering economic development (Johnson 1982; Chibber 2002; Wong 2004). Second, a hierarchical institutional structure with clear lines of authority and areas of operation (Wong 2004:351). Third, the development and sustenance of a productive institutional culture amongst bureaucrats (Evans 1995; Chibber 2002). The following sections will examine ASGISA using these characteristics as a point of reference. This analysis will start with a discussion on the creation of a pilot agency, and then proceed to assess the recommendations on bureaucratic structure and capacity.

4.5.1 Who Governs? ASGISA and South Africa's Pilot Agency

According to ASGISA, the EIEC would fulfil the role of a “pilot” agency in the implementation of this programme (South Africa 2006; DTI 2007). This point is emphasized in the NIPF which states that:

“The successful implementation of the NIPF requires coordination across a range of government departments, as well as appropriate organisation and capacity within them. This is particularly the case with regard to the Economic, Investment and Employment Cluster (EIEC) where most of the responsibility for implementing industrial policy at the national level lies” (DTI 2007:36).

The identification of this institution as the leading bureaucratic structure for policy coordination and implementation is positive. All developmental states had central governmental structures which directed economic transformation and development (Johnson 1982; Johnson 1995; Beeson 2003). Thus, it is important to assess whether the EIEC had the organizational and technical capacity to fulfil this role. This will be done by comparing the powers, role and organization of this structure with the characteristics of “pilot agencies” discussed in the second chapter.

The first distinct characteristic of these institutions is their ability to direct the actions of all economic actors towards national objectives. This role is facilitated by their extra-ordinary power and policy autonomy (Chibber 2002; Wong 2004). Researchers such as Evans (1995:48) and Johnson (1986:22) have described how the most prominent of these: The Ministry of International Trade and Industry (MITI) used its political and policy power to direct economic development in Japan. The EIEC did not have the necessary power or policy autonomy to play a similar role. It was constrained by wider political factors within South Africa's political economy.

This structure was essentially a ministerial consultative forum for debate under PCAS. Moreover, the individual departments which made up this institution were still responsible for core policy formulation (Presidency 2001). It did not have the autonomy to formulate a single policy which could direct all economic activity. For example, the DTI –which forms part of EIEC–consulted with the forum, but still had the final say in the formulation of

industrial policy. More importantly, it lacked the policy instruments used by other pilot agencies to fulfil its role. Evans (1995:48) explains how the MITI used instruments such as control over foreign currency allocation to direct industrial development. The EIEC did not have the policy autonomy to make effective decisions which could alter economic activity.

This is an important point, as it relates to the second characteristic: the ability of a pilot agency to discipline and reward economic groups which comply with, or defy the economic policies of government. The EIEC lacked the necessary policy power to perform this role effectively. This emanates from the nature and character of the institution within the system of governance. As described in the Presidency's (2001:15) restructured framework: "the composition of clusters allows for intensive and focused debates on difficult policy choices and resolution of these issues by the relevant Ministers before issues are taken to the full Cabinet".

Clusters such as the EIEC were mainly established to facilitate dialogue amongst ministers about contentious policy matters. The important issue of using effective policy instruments to direct industrial and economic development was not addressed in the framework. It rather focused on "streamlining issues as well as save Cabinet unnecessary debate and time" (Presidency 2001:15). These two objectives are necessary and laudable; but they are meaningless without the support of clear measures to realize policy goals. In other words, economic coordination is comprised of two key elements: creating policy synergy in the bureaucracy, and developing effective mechanisms which influence non-state actors to take actions that compliment the national development strategy (Evans 1995; Wong 2004).

These two facets complement each other, and need to be applied simultaneously to ensure the success of any policy. The pilot agencies in developmental states were able to govern in a manner that compliments the above-mentioned goal. As argued earlier, this was related to the peculiar political context in these countries. These institutions had the necessary political power and policy freedom to fulfil both tasks (Wong 2004:351). This success was facilitated by the third structural characteristic of the agencies: the development of advanced state research bodies or institutes specializing in specific sectors. The primary role of these structures was to provide important technical support which would improve and channel the process of industrialization.

The EIEC did not have the necessary technical capability to provide both state and non-state actors with valuable advice. This point was captured in the NIPF, which stated that: “the EIEC currently lacks analytic, planning and decision-making capabilities. Therefore a number of changes will be implemented within the cluster” (DTI 2007: 36). It went on to suggest that the institution should establish a research “secretariat” which should review, assess and improve the work of the cluster (DTI 2007:36). This acknowledgement by the DTI highlights the inability of the EIEC to provide the necessary research support. More importantly, it delegitimizes the authority of the structure to lead the process of economic development. The leverage of pilot agencies was not only derived from their political autonomy. These structures also possessed superior knowledge capacity, which legitimized their role as the drivers of economic development. Developing entrepreneurs accepted and trusted the economic directives from the bureaucracy (Weiss 1998:48 & 51). This made the task of economic coordination much easier.

Another key characteristic which facilitated the effectiveness of coordination in developmental states was bureaucratic organization. This feature is related to the second characteristic of the nature of developmental institutions in these countries: the existence of a hierarchical institutional structure with clear lines of authority and areas of operation. The following section will examine whether ASGISA addresses this dimension sufficiently.

4.5.2 Bureaucratic Structure and Organization

ASGISA and the NIPF identified the EIEC as the main bureaucratic institution. Both documents stated that this structure was responsible for the overall implementation, and evaluation of the economic strategy (DTI 2007:36; South Africa 2006). More importantly, all provincial and local developmental agencies were supposed to ensure that their regional industrial strategies complimented ASGISA and the NIPF. This would be achieved through regular consultation with the EIEC (DTI 2007:37). The main objective was to create a clear and functional intergovernmental institutional and policy hierarchy. Policy drafters argued that this was essential for improving economic coordination and synergy within the bureaucracy.

Another important point made in both documents is the acknowledgement of an existing bureaucratic structure. Thus, there are no extensive proposals on re-structuring governmental institutions. The Presidential Framework adopted in 2001 was used as the main guideline for the functioning of the state's bureaucracy. It placed the PCAS at the centre of bureaucratic organization. This structure was responsible for facilitating an "integrated approach to all policy development and implementation" (Presidency 2001:12). It would fulfil this role by evaluating all state departments' policies to make sure they compliment the national development strategy and important international agreements (Chothia & Jacobs 2002; Presidency 2001:12). As explained earlier, the EIEC operated under the authority of the PCAS. This was highlighted in the framework which stated that: "This branch (PCAS) is the engine-room of the new Presidency's drive for coherent policy and implementation" (Presidency 2001:12).

The drive for policy coordination in the bureaucracy also led to the establishment of Presidential Council. Its main task was to ensure that there is synergy in all policies adopted across the three spheres of government (National; Provincial and Local). Moreover, it facilitated the involvement of regional bureaucratic leaders in the formulation of national policy. The council was also supposed to serve as a key instrument for monitoring. Provincial leaders gave feedback on the successes and failures of national developmental policies in their regions (Presidency 2001:16).

All the evidence explained above suggests that ASGISA addressed the issue of bureaucratic design sufficiently. It identified a leading state institution (EIEC) which would oversee the implementation of the program. Furthermore, it located the functions of this institution within the broader policy coordination framework led by the PCAS. These proposals were suitable for creating a clear hierarchical organizational structure found in developmental states (Edigeheji 2007). However, they were not adequate for developing the required levels of policy coordination and efficiency (Presidency (b) 2008; Edigeheji 2007). This was caused by inadequate central planning, and inefficient systems of monitoring in structures of coordination (Presidency (b) 2008; South Africa 2007).

Another impediment to optimal coordination was the lack of capacity within the state's bureaucracy (Habib 2009). This point is linked to the last dimension on the nature of developmental institutions, which focuses on institutional culture and productivity. Evans

(1995:49) explains that bureaucrats' actions in developmental states are governed by productive regulations and rules. The public service builds an ethos which encourages incumbents to pursue institutional goals. It is based on clear regulations which guide the behaviour of the officials. This minimizes the prevalence of predatory or self-interested behaviour which produces negative developmental outcomes like rent seeking (Chibber 2002:955).

Bureaucracies in developmental states are mainly identified by their high levels of efficiency and technical superiority (Johnson 1995; Weiss 1998). This raises the important question of whether the South African bureaucracy has the capacity of a developmental state. The attempt to address the question will be guided by the ASGISA's recommendations on improving the capacity of the bureaucracy. Emphasis will be placed on the sections that dealt with improving the functioning of state institutions, especially those that are directly involved in economic development e.g. DTI.

4.5.3 Bureaucratic Capacity: Developmental or Predatory?

ASGISA proposed the following measures to improve the capacity in the states bureaucracy: firstly, sending "experts" and experienced bureaucrats to occupy management positions in structures of local governance (Project Consolidate). Secondly, it mandated the Department of Public Services to create a guideline for improving economic services in all state institutions. Thirdly, it introduced JIPSA as a key instrument for addressing the technical skills shortages (South Africa 2006).

The first recommendation is related to the poor performance of local government in the post-apartheid era (Atkinson 2007; Lodge 2002; Russel 2009). Municipalities have failed to deliver basic quality services to citizens (Lodge 2002:123). This inefficiency is caused by a variety of political and technical impediments. The most important are skills shortages; insufficient management capacity; infighting; poor financial management and corruption (Atkinson 2007; Holdt 2010; PSC 2008). These problems have led to poor service delivery in local communities. More importantly, they are the main cause of political instability and

insecurity in townships and rural areas (Lodge 2002; Russel 2009). The violent protests and other acts of civil disobedience are a manifestation of citizens' discontent with the quality of services they receive.

ASGISA's proposals for addressing this crisis of governance were essentially based on the skills dimension. The policy placed a lot of emphasis on improving and transferring skills in the public sector. Hence it tabled programs such as JIPSA and Project Consolidate. These were crucial recommendations, but not sufficient to address the underlying causes of poor service delivery in SA. These are related to deeper interests within the political context, which subsequently shape the functioning and character of a bureaucracy. The phenomenon of poor service delivery must be located within the development of broader political trends in the post-apartheid era. This will provide a more nuanced comprehension of poor local governance, which is caused by the following primary political factors.

Firstly, the adoption of the "New Public Management" approach which places emphasis on technocratic superiority (Heller 2001:133). It is based on the assumption that trained bureaucrats possess more knowledge about local socioeconomic challenges than citizens. Thus, it proposes that policy solutions must be developed in a paternalistic manner, which reduces citizens to administrators of elite driven programs (Heller 2001). This leads to the creation of projects that are not suited to address developmental challenges in communities. This is mainly caused by the local officials' weak comprehension of the challenges faced by citizens (Friedman 2005: 20).

The second crucial factor is the nature of the electoral system, and its influence on the appointment of officials. In SA, the party list system and the ANC's electoral dominance have undermined local governance (Atkinson 2007; Heller 2001; Southall 2007). The national leadership controls the deployment of key officials such as premiers and mayors (Southall 2007:5). This has shifted the lines of accountability, with officials focusing more on appeasing party leaders than serving local citizens (Atkinson 2007:64). Moreover, it has created political instability in some areas, as some candidates do not possess the necessary political legitimacy. This leads to infighting which cripples the functioning of local bureaucracies.

Thirdly, the privatization of basic socioeconomic services had produced a number of service delivery challenges. It has reduced citizens' access to essential services such as water (COSATU 2012; Heller 2001). Citizens are expected to pay exorbitant prices for basic services which they cannot afford. This eventually leads to the termination of important services which effect human development. The main cause of this is outsourcing which increases prices; whilst it has been proven that the usage of a state agency would lower costs for the consumers (Heller 2001; Lodge 2002). Another problem with privatization is the increased rent seeking. Officials regularly accept financial and non-financial bribes in exchange for securing contracts. More worryingly, most of the service providers fail to deliver quality services. A perfect example would be the substandard houses built by contractors working under the authority of the national housing scheme (RDP) (Bond 2010; COSTAU 2012; Russell 2009).

This privatization of essential services is political because it is related to broader policy objectives of the ruling party. The ANC views privatization as key strategy for creating a black capitalist class (bourgeoisie). Thus, it has used its leverage on state power at all levels to provide economic opportunities for aspirant "black" entrepreneurs. This includes allowing companies with significant or majority black ownership to provide essential services. These entities are given first preference in state's procurement system. The practice has produced the following negative socioeconomic results: decreasing citizens' access to services; poor service provision and bad maintenance of public amenities (COSATU 2012; Heller 2001).

The above-mentioned practice is related to the fourth cause of bureaucratic incapacity in SA: incorrect implementation of the Employment Equity (EE) Act. This policy seeks to transform the racial demographics in both the public and private sector. It has proven to be very successful in the public sector (PSC 2008). However, this drive for increased representation without an efficient human capacity development program has produced a number of negative effects (Southall 2007; Russel 2009). Holdt (2010:11) describes how the focus has shifted from providing quality services to meeting EE criteria. Officials are pre-occupied with regulations regarding the implementation of this policy rather than their responsibilities. For example, he explains how health officials prioritized certain projects only because these comply with EE requirements. They overlooked the impact of these programs on service delivery in the public sector (Holdt 2010:11).

More worryingly, EE has exacerbated the high vacancy rate in the state's bureaucracy. The priority on race has led to some posts not being filled, as there are no suitable candidates. Another negative effect is the pre-occupation with occupational mobility. Employees have focused more on promotions rather than work related tasks (Holdt 2010:11). These negative effects have decreased the quality and efficiency of services provided by state officials. The main cause is the implementation of this policy without creating a comprehensive human capacity development plan. Employment Equity is not inherently flawed; it has been implemented successfully in countries such as Malaysia (Mills 2002). This drive for representation must be complimented by a quality skills development program. This is integral in the South African context, because blacks have always been deprived of skills development and training opportunities.

The implementation of this policy is also driven by wider political interests. Employment Equity is a key component of the ruling party's attempt to create a black middle class. The creation of this stratum is perceived as a crucial measure to decrease the racial socio-economic inequality in the country (ANC 1992; ANC 2007). This intent has been expressed in a number of documents published by the ruling party. The clearest expression was articulated in *Ready to Govern* which stated that:

“Special attention will have to be given to intensive training and the opening up of careers and advancement for those held back by past discrimination. Management in both the public and private sectors will have to be de-racialised so that rapidly and progressively it comes to reflect the skills of the entire population. Equity ownership will also have to be extended so that people from all sections of the population have a stake in the economy and the power to influence economic decisions” (ANC 1992: 10).

The above-mentioned political factors are the main causes of bureaucratic inefficiency in South Africa. This institutional incapacity is prevalent in all three levels of government: national, provincial and local. More worryingly, it also poses serious challenges in departments that are supposed to provide important economic functions. This point was emphasized in the ASGISA annual report of 2007. It stated that a number of key economic departments failed to implement their tasks. For example, the small business financing units in the DTI and the Department of Agriculture failed to execute their mandates efficiently. The main cause was the inability of these structures to create efficient systems of monitoring

and evaluation (South Africa 2007:63). Moreover, there was a shortage of adequately skilled individuals to ensure that policies are implemented efficiently (South Africa 2007; DTI 2009). This problem was exacerbated by the poor recruitment and training systems in the public service (PSC 2008). All the challenges outlined above indicate that the South African bureaucracy does not have the capacity of a developmental state. This inefficiency affects the success or failure of economic development strategies.

ASGISA's proposals on improving service delivery are too narrow. It places emphasis on skills transfer and development which is positive. However, the policy does not address the primary political challenges which cause institutional inefficiency. The creation of an efficient bureaucracy is not only a technical or technocratic matter. It is related to the broader political context, and its effect on the functioning of state institutions. Thus, any attempt to build a developmental state type bureaucracy must address the underlying political challenges which affect technical competency.

Previous chapters explained how the bureaucratic practices in developmental states were influenced by the characteristics of the political context. These were crucial for building institutional capacity which drove economic transformation and restructuring. Therefore, it is important to create strategies that incorporate the primacy of politics in shaping the operation of the state's bureaucracy. This will lead to substantive bureaucratic development which extends beyond the technical prescripts of conventional public administration.

4.6 Conclusion

ASGISA was based on the principle of state-led economic planning. Unlike GEAR, it envisaged the bureaucracy playing an important role in coordinating economic development. This was captured in the introductory remarks of the document which argued that:

“the goal of reducing unemployment to below 15% and halving poverty rate to less than one-sixth of households will not be achieved without sustained and strategic economic leadership from government, and effective partnerships between government and stakeholders such as labour and business”(South Africa 2006 2-3)

ASGISA also placed emphasis on creating clear industrial or sector strategies. This policy identified specific industries which should be supported, and emphasized the necessity of an industrial policy framework. This indicated that the bureaucracy was altering its economic outlook, by focusing on industrial policy and bureaucratic economic coordination. Developmental states are characterized by the above-mentioned economic practices. These countries placed industrial policies at the centre of the nation's developmental strategy. More importantly, the bureaucracy becomes the "focal point" around which all economic interactions are managed (Chang 2003: 53). These arguments and those presented in previous sections of the chapter indicate that ASGISA supported most of the economic practices in developmental states.

However, it should be noted that the policy did not argue for increased state ownership in certain sectors of the economy. This was different from the economic bureaucratic activism exercised in developmental states. In these countries, public enterprises were used to increase the state's role in shaping the process of economic restructuring and industrialization. The state would dominate certain sectors to ensure that entrepreneurs' actions compliment the process of rapid industrialization and structural change. This omission in ASGISA is related to broader political factors within the context of South Africa's political economy. As argued in earlier chapters, bureaucratic intervention in the economy cannot be separated from the dominant political interests of a particular society. These interests shape the nature and form of bureaucratic activity in the economy.

ASGISA Identified the Economic Investment and Employment (EIEC) cluster as the "pilot agency". This intent was further emphasized in the New Industrial Policy Framework (NIPF) which was an integral component of ASGISA. However, this institution could not fulfil this role because of the following reasons. First, it lacked the necessary political authority and policy power. Pilot agencies in developmental states had high levels of institutional autonomy and insulation. They enjoyed more legislative power than other departments and were protected from political pressure. Second, this institution did not have the necessary policy instruments at its disposal. Thus, it could not direct economic actors towards actions that complement the broad developmental strategy. Thirdly, the EIEC did not provide the advanced research support or directives that were associated with pilot agencies in other countries.

The policy did attempt to address the issue of bureaucratic organization by identifying the EIEC as the leading bureaucratic institution. ASGISA also explained the role of this structure within the broader bureaucratic hierarchy led by the Policy Coordination and Advisory Services (PCAS). But these measures failed to produce the effective policy coordination and coherency found in developmental states. The main causes were inadequate central planning, and inefficient systems of monitoring in structures of coordination (Presidency (b) 2008; South Africa 2007).

The chapter identified the following trends which have hampered the development of productive state and society relations. First, elite decision-making during the transition to democracy. Second, ideological and historical animosities between the bureaucracy and business. Thirdly, the inability of the bureaucracy to deal with the increased number of actors. Lastly, low levels of grassroots citizen participation in the formulation of public policy.

ASGISA also attempted to address the issue of incapacity in the bureaucracy, with a specific focus on socioeconomic service provision. This chapter argued that these recommendations were very narrow. They only focused on the technical or technocratic causes of poor service delivery. The proposals in ASGISA ignored the following essential political causes of bureaucratic inefficiency in the country:

First, there was over-emphasis on the “New Public Management” style which entrenches paternalistic relations between officials and citizens. Second, it ignored the nature of South Africa’s electoral system and the effect it has on accountability. Local officials place more emphasis on pleasing party leaders than enhancing their accountability to citizens. Third, the privatization of essential services which leads to increased rent-seeking; decreased access to essential services; and low quality service provision. Finally, the incorrect or distorted implementation of Employment Equity (EE) was also paid little attention too. The post-apartheid government has implemented this policy without improving the human resource development strategy of the public service. Moreover, officials have focused more on meeting EE criteria rather than fulfilling their duties. Even the quality of services has been affected, as the choice between different plans of actions is dominated by EE considerations; and not the proposed policies effects on service delivery. It has also exacerbated the skills shortage challenge within the state’s bureaucracy.

CHAPTER FIVE

SUMMARY AND CONCLUSION

5.1 Introduction

Previous chapters have illustrated that the state occupies an important space in social science discourse on social change. There are different views on the powers and responsibilities of the state. These academic debates are most prevalent in the fields of Comparative Political Economy and Development Studies. They seek to address the following pertinent question: what is the most productive form of state intervention in the economy? A number of theorists have attempted to provide answers using both empirical research and their subjective ideological perspectives. The discourse on the developmental state has produced a variety of terms used to categorize different types of states in the discipline of Comparative Political Economy. Most of the conceptualizations fall into either the liberal or socialist school of thought.

The liberal school advocates for free markets and minimal state intervention; whilst the socialist paradigm supports increased bureaucratic intervention and control in the economy. A developmental state has elements of both developmental paradigms. This type of state adopts economic strategies which reflect “a pragmatic mix of markets and state action, taking into consideration the country-specific development challenges” (UNCTAD 2007). East Asian states adopted this model of development in the 20th century, and this led to these countries being transformed “from being poor agrarian societies in the 1960s to producers of high technology and high value added goods in the 1990s” (Evans: 1995; Fritz and Monecal 2007; Leftwich: 1995; Wade: 1990).

Most accounts of the success in East Asian developmental states emphasize the centrality of the state’s bureaucracy in promoting economic development. This dissertation adopted a similar approach; however, it placed emphasis on two areas which are not afforded much attention in previous studies. The first is on the intersecting relationship between macroeconomic policy and the role of the state in the economy, and the second concerns the political and ideological interests that affect bureaucratic intervention in the economy. The

main objective was to determine if the post-apartheid government has the bureaucratic characteristics of a developmental state. This chapter will summarize the main findings of the study, and relate them to the above-mentioned research question. It is divided into the following areas: (a) contribution of the study, (b) summary of the findings, and (d) future research opportunities.

5.2 Contribution of the Study

Most studies on the South African developmental state focus on public policy or the institutional character of the bureaucracy. In the case of the former, researchers analyze different socioeconomic policies and contrast them with programmes adopted in developmental states (Chang 2011; Marais 2011; Turok 2011). Institutional studies examine whether the post-apartheid government has the bureaucratic characteristics of a developmental state (Butler 2010; Holdt 2010). This study adopts a different paradigm by assessing the correlation between bureaucratic intervention and macroeconomic policy. In addition to this, it attempts to explain the underlying political and ideological interests which shape the state's role in the economy.

The first contribution made by this study is to place the debate about the developmental state within the evolution of the post-apartheid political economy. This provides a deeper understanding of the bureaucratic intervention in the post-apartheid era. The nature of government economic intervention was shaped by the challenges and opportunities in the post-apartheid political economy. Thus, an examination of South Africa's developmental state project must take into account the political, social and economic trends in the democratic era. This study captures the above-mentioned point by arguing that post-apartheid bureaucratic intervention has been guided by the evolving socioeconomic challenges. Therefore, state intervention in the economy must be understood in relation to the unique socioeconomic issues which exist in a particular society.

The second contribution made by this study is to illustrate the importance of political context. Most researchers and authors discuss the characteristics of a developmental state in a generic fashion. Their studies fail to capture the correlation between bureaucratic organization and political interests or context. This study explains how bureaucracies in classic developmental states were shaped by the dominant political interests in that epoch. More importantly, it

illustrates how the functioning of the post-apartheid bureaucracy has been influenced by dominant political objectives. The South African bureaucracy is governing in a different political milieu. This context presents challenges which were not encountered by the East Asian developmental states. The most prominent are globalization and the need to preserve democratic governance. Therefore, any attempt to build the bureaucracy of developmental state must take into account the constraints associated with these two phenomena.

The third contribution made by this study is to highlight the political challenges of bureaucratic organization and functioning. Most studies focus on the technocratic and technical problems within the state's bureaucracy. This dissertation extends the analysis to wider political causes of bureaucratic inefficiency. It argues that the challenges faced by public institutions can only be resolved by addressing the underlying political issues. Moreover, it locates the character of the post-apartheid government within the development of political trends in the democratic era.

The last contribution made by this study is to point out the peculiar characteristics of state-society relations in South Africa. The majority of studies on developmental states discuss the relations between the bureaucracy and emerging business elites. They all focus on how governments managed to guide or sometimes direct the economic activities of these entrepreneurs. Furthermore, they explain the importance of hard and soft authoritarianism in repressing labour movements. Undemocratic practices were perceived as crucial measures for maintaining the stability required for rapid economic growth and industrialization. The state suppressed any form of social demonstrations motivated by the negative effects of economic structural change.

This dissertation argues that South African state-society relations are different from the classic developmental states. Therefore, it is important to create economic strategies which compliment these state and society relations. Another significant point made in the study is the existence of a strong labour movement and civil society organizations in South Africa. Again, this compels the bureaucracy to establish relations with these groups which differ from those implemented in classic developmental states.

5.3 Summary of the Findings

Most studies on the bureaucracies of developmental states focus on the general characteristics of these institutions. They emphasize the Weberian features of government agencies. Research on the post-apartheid bureaucracy has been conducted in a similar fashion. It examines whether the post-apartheid government has the meritocracy and clear hierarchical organization associated with developmental states. This study extends the analysis by examining the relationship between bureaucratic organization and economic development. It assesses whether the macroeconomic policies implemented in the post-apartheid era have been suitable for building a developmental state type bureaucracy. Moreover, it seeks to identify the main political interests which have driven bureaucratic intervention in the post-apartheid political economy.

The above-mentioned research problems were addressed using the theoretical framework developed in Chapter Two. This framework was based on the institutional approach and the work of a German Sociologist Max Weber (1968). It identified the following key dimensions which are prevalent in most studies on developmental states: nature of developmental institutions, state-society relations and economic intervention. These important features were explained within a broader social context, by making constant reference to the peculiar political characteristics of the East Asian developmental states. This chapter argues that the above-mentioned dimensions will have to take a different form in post-apartheid South Africa. The theoretical prescriptions have to be applied in a different context, which is dominated by the phenomenon of globalization and the need to preserve democratic governance.

Chapter Three examined two macroeconomic policies: The Reconstruction and Development Program (RDP), and the Growth Employment and Redistribution Strategy (GEAR). Chapter four examined the Accelerated Shared Growth Initiative for South Africa (ASGISA). This analysis was primarily aimed at determining whether these policies were suitable for building the bureaucracy of a developmental state. The following section will summarize the findings of the analysis in the three chapters.

5.3.1 Character of the Post-Apartheid Bureaucracy

This dissertation attempted to address two central questions —first, does the post-apartheid bureaucracy have the characteristics of a developmental state? Second, which political interests have shaped the character and functioning of the post-apartheid bureaucracy? The research questions were examined by analysing three macroeconomic policies implemented between 1994 and 2009, with a specific focus on ASGISA. This emphasis on policy was informed by the following considerations.

First, a policy indicates the actual intent of government beyond political decisions and rhetoric. This distinction is succinctly captured by Anderson (1997:9), when he states that: it “focuses on what is actually done instead of what is only proposed or intended, and it differentiates a policy from a decision, which is essentially a choice among competing alternatives”. Second, macroeconomic policy provides the clearest explanation of the bureaucracy’s role in economic development. Third, this study attempted to assess the correlation between economic policy and bureaucratic organization in the post-apartheid era.

This examination was guided by the following three dimensions of bureaucracies in developmental states. The first is the nature of developmental institutions which focused on the structure and organization of the bureaucracy. The second is the character of state-society relations which assessed the relationship between the bureaucracy and key economic actors. Lastly, the study examined whether the bureaucratic economic intervention in the post-apartheid era was similar to that of developmental states.

This dissertation argued that the post-apartheid bureaucracy has not developed the necessary institutional design. All the macroeconomic policies have failed to address the important issue of establishing an effective pilot agency. The attempts at creating such an agency have not succeeded because of the following reasons. First, the institutions have lacked the necessary technical capacity to fulfil this role. Second, the coordinating agencies did not have the required political authority. Third, the post-apartheid political context placed some constraints on bureaucratic centralization by emphasizing the principle of cooperative governance.

Furthermore, the post-apartheid bureaucracy has not managed to create a productive rule based ethos. The three policies examined in this study all mention the importance of creating an efficient bureaucracy. However, they all overlooked the underlying political causes of

bureaucratic efficiency. This study argues that these policies focused on the technocratic and skills challenges which are not the primary cause of institutional capacity. The inefficiencies of state institutions are attributed to the following deeper political causes— first, the phenomenon of over-bureaucratization which has been prevalent in all spheres of government. Second, the nature of South Africa’s electoral system and the effect it has on accountability. Third, the privatization of essential services and the subsequent negative effects in both the bureaucracy and society. The fourth cause is the implementation of employment equity without a good human resource development strategy.

The bureaucracy has also failed to develop productive state and society relations found in developmental states. Chapter Two pointed out that developmental states are characterized by two key elements: autonomy and embeddedness. The study argues that the first two policies— RDP and GEAR—did not allow the bureaucracy to develop the necessary political autonomy. This inability was attributed to the dominant political interests that shaped the formulation and implementation of both policies. The RDP was the product of the negotiated settlement which placed constraints on the design and functioning of the bureaucracy. This resulted in the creation of a government and public service based on past agreements. In other words, the bureaucracy could not establish its own developmental strategy outside these contending political interests. More importantly, the institutional design of the bureaucracy was essentially shaped by the outcomes of the transition. On the other hand, GEAR was based on the principles of economic liberalism. Therefore it proposed measures that decreased the autonomy of the state. The study argues that the policy prioritized the interests of the private sector over broader socioeconomic objectives. More importantly, it reduced the functioning of the bureaucracy to a regulatory role.

The adoption of ASGISA signalled an attempt by government to assert its independence and create an autonomous bureaucracy. This study argued that the policy was introduced within a political context different from earlier epochs. Thus, it was more conducive for establishing the necessary basis for bureaucratic autonomy. There are a number of differences which are outlined in the study. First, ASGISA was introduced because GEAR was not sufficiently focused on microeconomic aspects, and had limited impact in the areas of employment creation and poverty reduction. This substantiated the view that the bureaucracy should play a leading role in economic development. Second, SA had experienced growth; but the structure of the economy remained unchanged. This also prompted the ruling party to adopt a more statist approach to development.

Third, the bureaucracy had more political and economic freedom compared to earlier periods. It had managed to stabilize the economy through its emphasis on maintaining macroeconomic stability. This afforded the state more policy freedom from International Financial Institutions. Lastly, the design and functioning of the bureaucracy was not constrained by transitional agreements. The ANC had solidified its electoral hegemony, and thus had more control over state machinery.

The last point is related to the second characteristic of state and society relations: embeddedness. This study argued that the bureaucracy has not succeeded in creating the social capital required for sustainable economic development. However, it should be noted that the political environment is different from the one discussed in most literature on developmental states. The first and second chapters illustrated that classic developmental states were built in contexts conducive for paternalistic state-led economic development. These states were authoritarian and the global political economy supported market intervention. South Africa is a democracy that exists in an international system dominated by the phenomenon of globalization. Thus, it cannot adopt similar strategies in building productive state and society relations.

Nonetheless, the study points out that the development of these relations is crucial for economic development. The only minimal success achieved in this area was experienced during the formulation of RDP. Chapter Three argues that the policy formulation process was inclusive and the program had more legitimacy. However, the economic partnerships envisaged by the policy drafters of RDP did not develop. This was caused by the inability of the bureaucracy to manage the corporatist institutions efficiently. Furthermore, the RDP was only implemented for two years before the introduction of GEAR. This study argues that the manner in which the latter policy was formulated and introduced hampered the development of productive state-society relations. The bureaucracy adopted a top-down approach which led to economic partners not taking steps to enhance the achievement of policy goals. Moreover, it had an ideological bias which decreased the programme's legitimacy.

ASGISA attempted to address the above-mentioned shortfalls by encouraging economic groups to implement the agreements made at the Growth Development Summit. The fourth chapter argues that the national vision created at this gathering is laudable. However, it does not identify or provide solutions for the underlying political causes of poor social cohesion. Thus, the study provides a number of possible solutions to improve state-society relations.

First, it is essential to clarify the role of the private sector in restructuring and transforming South Africa's political economy. Moreover, both government and business have to move beyond dogmatic positions regarding economic development. Second, the bureaucracy must encourage participation of less powerful groups in policy formulation. Third, genuine platforms of participatory democracy must be built so citizens take ownership of the strategy.

The final dimension assessed in this study is the nature of economic intervention. The RDP promoted the idea of the bureaucracy taking a lead in the process of economic development. However, it did not provide a clear description on the nature or character of this leadership. This was caused by the contradictory principles of the policy which had both neo-Keynesian and neoliberal proposals. GEAR advocated for minimal bureaucratic intervention in the economy. The notion of state driven economic development did not feature in the policy. More importantly, GEAR did not support the idea of the bureaucracy playing a coordinating role over market activity. In sum, this policy was based on principles which are conducive for creating a regulatory; but less interventionist state. Industrial and economic transformation would be shaped by the initiatives of the private sector. GEAR was not based on the Big Leadership theory of economic restructuring discussed in the second chapter. This term describes economic change driven by bureaucratic initiatives which transform the patterns of production and investment.

ASGISA attempted to achieve the above-mentioned goal by re-introducing the notion of bureaucratic leadership in the economy. This was informed by the need to change the type of growth that had been experienced during the implementation of GEAR. The fourth chapter points out that the growth produced by GEAR was accompanied by negative economic trends. The most important of these were the increases in the levels of unemployment and inequality. Moreover, this growth was not based on sustainable structural and industrial change. Therefore, policy-makers proposed increasing state intervention to address these developments. This study argues that ASGISA did support the notion of state-led economic planning discussed in the second chapter. However, it acknowledges the limitations placed on the bureaucracy's leadership role by the peculiar political context.

Another crucial area of economic intervention in developmental states is the implementation of industrial policy. The second chapter argued that the developmental state's economic transformation was driven by clear industrial policies. More importantly, the successful implementation of these programmes superseded the need to maintain macroeconomic

stability. Chapter Three illustrated that both the RDP and GEAR did not prioritize industrial policy. Policy-makers in the post-apartheid era placed the goal of macroeconomic stability at the centre of economic development. This explains the underperformance in crucial areas such as industrialization, diversification and structural change.

There was an attempt to address this shortfall in ASGISA through the identification of priority sectors. This policy was also complimented by a broad industrial policy framework. Chapter Four states that the introduction of these two measures indicated that the bureaucracy was adopting some of the economic practices seen in developmental states. However, it noted that the policy contained no statements regarding increasing state ownership in the economy. Developmental states used public enterprises to influence the nature and pattern of economic transformation. The bureaucracy would dominate a certain sector by using its regulatory authority and increasing public ownership. Thus, it is important to assess whether post-apartheid macroeconomic policies have adopted a similar approach to the usage of state entities.

This study argues that all three macroeconomic policies have been very vague on the issue of state ownership in the economy. There was no clear indication of the role that public entities would play in restructuring and transforming the economy of South Africa. This ambiguity is related to the broader political debate about bureaucratic intervention in the economy. There are three main schools of thought in this debate. The first argues that the bureaucracy should increase state ownership in order to modernize the economy and redistribute resources in society. This view is promoted by the labour movement and left leaning academics. The second perspective argues that the bureaucracy should adopt a flexible approach to public ownership in the economy. Proponents point out that privatization of state entities can be used to restructure the economy by changing the racial patterns of ownership. This view is supported by nationalists and middle class sections of the ruling party. The last school of thought advocates for increased privatization as means to enhance efficiency and productivity. Supporters of this view include neoliberal analysts and the established business community in SA.

Moreover, there seems to be no consensus on what restructuring and transforming the economy means. The contestation has influenced the manner in which the post-apartheid government has approached the relationship between bureaucracy and economic development. The settlement of this debate is crucial for establishing a uniform economic

vision, which can guide the process of restructuring and transforming South Africa's economy. More importantly, this vision will provide a clear description of the role of the bureaucracy in transforming the political economy of South Africa. This task is important for building the bureaucracy of a developmental state.

5.4 Future Research Opportunities

The study identified the following key areas which require more research. First, the nature and structure of a developmental state in the context of globalization. This study pointed out that East Asian developmental states experienced rapid industrialization and growth in an epoch where state intervention was legitimate. The phenomenon of globalization challenges this interventionist approach to economic development by elevating the superiority of markets. Thus, it is necessary to interrogate what strategies aspiring developmental states can adopt in a globalized international political economy.

Second, the development of productive state-society relations in countries which have a variety of stakeholders. Most literature on developmental states discusses the relations between the bureaucracy and industrialists only. There is a need to develop a body of literature that captures multi stakeholder engagement in a developmental state. South Africa's democracy is based on the principle of cooperative governance. Therefore, it has to ensure that there is some level of societal consensus on the nation's developmental strategy.

This is related to the third issue: developing social capital or cohesion. Most research on the developmental states places emphasis on social cohesion. As the study has shown, nationalism played a huge role in the development of East Asian developmental states. It is important to conduct more research on the emergence of this patriotism, and its influence on economic development.

6

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