CHAPTER ONE

PUBLIC POLICY DECISION MAKING AND PROVINCIAL

GOVERNMENT SPENDING FOR HIV/AIDS

1.1   INTRODUCTION

South Africa is the only African country to participate by trial and error in the industrial revolution. The trial has been that of colonialism and the error has been that failed experiment called apartheid. For these reasons, South Africa remains quagmired in being underdeveloped. Interestingly, the west's expectations of development eclipses the fact that South Africa has achieved what it has with its hands [figuratively] tied behind its back.   The struggle, for example, to govern in an afro-euro centric fashion has undoubtedly affected public policy decisions on HIV/AIDS.

The activity of finance is a generic function of public administration, with government spending or expenditures being a component that is vital to government being able to deliver services and fund the policies of the executive. This research and the discussion that follows examines government spending for HIV/AIDS treatment at the provincial sphere of government and queries whether citizens can influence public policy decision making. The nature of the state, it being either a unitary system or a federal system (centralised or decentralised) are factors to be considered in examining the relationship between citizens and public policy decision making, as they exercise their franchise to vote. The structure of the state effects government spending and the appropriation and subsequent allocation of revenue to subnational governments.   Contextually, how

government spends in response to the HIV/AIDS epidemic serves as an opportunity to observe any influence by voters on government spending.

A notion that is increasingly being challenged is that a western style of government should be a template for effective governance and public policy decision-making. Choosing and alternative and adopting a democratic form of government, some developing and emerging nation-states opt for a unitary state [constitution] rather than a federal system of government. Strong (1972:80), for example, considered South Africa to be an extraordinary example of a state that is outwardly federal in appearance but nonetheless unitary in its practices. Characteristically, the unitary state chooses to centralise government activities while the federal state chooses to decentralise activities. A federal system of government may devolve decision-making associated with government spending, for example, to its subnational states. In the case of South Africa, however, what is most interesting is that the desire to maintain the unitary state has no less been diminished with the dismantling of apartheid and the succession of the African National Congress (ANC) to become the party of the day.

With emphasis on South Africa where the popular western style of government has been rejected and the unitary state has been upheld, what are the underlying implications for an electorate that since 1994 has increasingly exercised its franchise to vote? Moreover, what are the implications for provinces, their budgets and government expenditures? How have provincial government expenditures been impacted by a unitary national [ANC] government where political representatives are elected by way of the party list system? Has the electorate been able to influence provincial spending on HIV/AIDS treatment, with the state being markedly unitary?

1. 2 PUBLIC POLICY DECISION MAKING

Petrus Brynard contributed a chapter in Cloete & Wissink (2000:151) that further fuels the debate as to whether the determination of policy and public policy decision-making are synonymous. Simply put, public policy decision-making may be described as a choice made between alternatives at a given time. Examining the relationship between government spending and the ultimate policy decision made after choosing an alternative is but one of the objectives of this research. That there is some relationship between government spending and choosing a policy alternative was recognised by Buchanan and Pilgrim (2004), who implied that policy choices [decisions] revolve around the spending of public money. In other words, policy decisions are not made in a vacuum and the appropriation, allocation and the willingness to spend money impacts the policy alternative chosen. Notably, the policy alternative's potential to be successfully implemented is affected by government's willingness to spend.

Case-in-point: A response to the HIV/AIDS crisis in South Africa reflects efforts to choose from many policy alternatives that have been constrained by government's willingness to spend money to implement any one alternative. Notably, Garbus (2002:81) characterised the under-spending of AIDS funds in the early days of the ANC Administration. Whether there was reluctance to spend (considering that there was a pattern of under-spending across all social programmes) or whether the administration was at that time nurturing the belief that indeed HIV did not cause AIDS is debatable. At one stage, however, President Mandela's successor Thabo Mbeki seemed to articulate such a belief and it was not until April 2002 that a policy statement was made reaffirming that HIV indeed causes AIDS.

In this work, it would be prudent to examine provincial government spending targeted at HIV/AIDS and the efficacy of such spending to combat the pandemic in South Africa. How effective and how efficient has spending been in implementing any policy alternative to stem the tide of HIV/AIDS infections in South Africa? Has HIV/AIDS declined or increased with government spending and the at long last decision to take a stance on the destructive nature of HIV/AIDS to the national fabric?

1. 3 THE FRANCHISE TO VOTE AND PUBLIC POLICY DECISION MAKING

The franchise to vote entails civic participation by citizens who actively choose their desired leaders [elites] to serve as representatives in the executive administration of government. Recognising that citizens indeed actively participate and have the "opportunity to choose" gives cause to call any particular nation-state a democracy. While the limits of any democracy may be stretched over a spectrum ranging from the unitary state through to the federal state – i.e., ranging from being centralised through to being decentralised – the absence of active participation and the right to choose representatives gives cause to characterise a nation- state as being totalitarian or a dictatorship.

 Interestingly, democracies can thrive quite well in both the unitary and the federal state. What the two contrasting systems have in common is an electoral system where voting procedures impact on decisions regarding public expenditures (Rosen, 1999:133). Implicitly, a decision by voters on public spending results from exercising their franchise to vote. Voting and government spending are further discussed by Lindahl (1958), who illustrated that the outcome of citizens exercising their franchise to vote results in an efficient quantity of [public] goods being provided; voters' preferences revealed by way

of voting leads to an equilibrium being struck. Indeed, Lindahl's illustration [model] provides a framework for looking at voters' preferences for public goods. Each voter has some personal price they are willing to pay per unit of public good. Once voting has been concluded, the level of public good to be provided will be at equilibrium. There, however, is an assumption that voters vote sincerely, precluding strategic behaviour to force another voter to an undesired level of allocation.

A conclusion can then be drawn that, at the least, voters wield some power by voting and can make their preferences known. Barua, Chakravarty and Roy (2001) suggested that voting power should reflect the voters' potential to influence public policy decision-making. Consequently, the rule of the majority should be decisive but the decisiveness of the majority [electorate] is questionable in the unitary South African state where voters vote for a list of party elites rather than vote for any one political representative. It is therefore highly questionable as to the degree of power and influence the South African electorate has on public policy decision-making. Two questions are subsequently raised. How do citizens elect representatives and how do those elected representatives make decisions on behalf of their constituents?

Firstly, rational choice theory offers a point of departure from which to analyse citizens as they exercise their franchise to vote. Applied across multiple disciplines, rational choice recognises that individuals are motivated by wants and goals that reflect their preferences. Individuals [voters] (1) act within constraints and (2) act based on the best information they have, relative to the conditions under with they are acting (Scott, 2000:2). In public policy, Dye (2002:16) described rationalism as being the achievement of maximum gain. Applying rational choice theory to the electorate, voters

choose the optimal political candidate, anticipating that gains will exceed costs. Notably, Downs (1957) advanced *a rational voter hypothesis* where the voter measures the potential gain from voting based on comparing two candidates. The gain from an election (i.e., the voter's gain) equals the difference between two candidates – i.e., a comparative gain (Gunning, 2003). The gain to the voter is the difference of the tax costs of, say, the two polices proposed by the prospective campaigning politicians. In the case of campaigner one (1), the benefits of a proposed policy should exceed the costs and in the case of campaigner two (2), likewise the benefits of a proposed policy should exceed the costs. Comparatively, the differences of the two calculated cost-benefits equal the voter's gain.

Secondly, political representatives theoretically make decisions on behalf of their constituents by adopting the preferred policies of the median voter (Rosen, 1999:124). The politician will make decisions that appeal to voters whose preferences are in the middle of a distribution of preferences. Notably, in an electoral system where two parties dominate the political landscape, differentiating between the two opposing candidates is difficult due to their both occupying policy positions that are near the centre. No matter if the politician is ANC or IFP, Democrat or Republican, each political candidate places his or her self as close as possible to the median voter. Consequently, it is difficult to differentiate one policy position from another. With reference to South Africa, it might be construed that the ruling party has forced its major opposition [the IFP] to the middle of the policy preference distribution, upon mandating cooperative government though the Constitution. (RSA, Act 108 of 1996). Notably, although Chapter 3 of the Constitution (RSA, 1996) expressly refers to cooperation with regard to the three (3) spheres of government and

intergovernmental relations, license is taken to extend such cooperation to the way, say, the ANC and the IFP engage each other in the administration of the government. Consider, for example, Mongosuthu Buthelezi's (IFP) appointment as Minister of Home Affairs in the predominate ANC cabinet. Moreover, consider the need for cooperative government between the national sphere of government dominated by the ANC and the province of KwaZulu-Natal which is dominated by the IFP. Intragovernmental relations, therefore, should subscribe to the same aims of cooperative intergovernmental relations.

Rational choice theory is not only applicable to citizens, as they exercise their franchise to vote. Rational choice theory can be applied to political representatives and policy makers who may be characterised as muddled in their endeavours to act rationally. Indeed, politicians are vote maximisers who weigh the costs and benefits of making decisions along the line of the median voter. Rational choice theory, however, is not without its critics. In the real world, politicians are most likely to make policy decisions in a muddled manner. Lindblom (1959) explained that decision-making is routinely formalised as a means to an end. Means are contemplated for evaluation and are chosen recognising ends that are selected independently of the choice of the means. The ends are even chosen before the means. In this way, politicians and policy makers "muddle" through the decision making process. Muddling, however, can be considered to be rational if the specified objective is achieved. A clear decision need not have been made; the achievement of the objective takes precedence. Arguably, what (approach, decision, choice, etc.) is really rational?

Arrow (1986) debunks rationality noting, "when plausible conditions cease to hold, rational assumptions become strained and possibly even contradictory." [*sic*] Rationality gathers its very meaning from the context under which, say, rational decisions are made. In other

words, the context, the environment and surrounding factors dictate what is rational and what is not rational. Thus it would be misleading to think that on each and every occasion voters vote and exercise their franchise to vote rationally and that public policy decision makers, politicians, political candidates and the like act rationally – especially when all are striving to maximise their own self-interests. The problem then is that of achieving agreement or consensus on any one issue, let alone coming to a decision on a plan of action.

1. 4 PROVINCIAL SPENDING AND PUBLIC POLICY DECISION MAKING

Any discussion of provincial spending in South Africa is invariably rooted in intergovernmental fiscal relations, while recognising to what degree subnational governments can make decisions associated with fiscal matters (Levy and Tapscott, 2001:127-131). Indeed, if there is any one area where the unitary state is most evident it is in allocating and sharing tax revenues. Characteristically, provincial spending norms and standards are a reflection of national priorities. Whether this is good or bad is rhetorical but what is debatable is whether provinces have fully exercised their taxing powers and whether they have the political will to make decisions on policies over which they indeed have financial control. Notably, provinces generate a mere 3-5% of revenue from taxes, levies and duties on their own to run provincial administrations.

Due to vertical fiscal imbalances, mechanisms were put into place in South Africa to facilitate equitable revenue sharing amongst all nine provinces. Vertical fiscal imbalance refers to the disparate relationship between the revenue-raising capabilities of the provinces in South Africa and their mandate to spend on policies, directives and initiatives that emanate from national government. Referred to specifically as vertical

and horizontal division of revenues, these mechanisms entail transfers from national government to provincial governments by way of equitable share grants and conditional grants; such transfers account for close to 97% of provincial revenues. Vertical division of revenues is meant to match the allocation of funds with the functional responsibilities of provinces. Horizontal division of revenues is based on demographics and a formula administered by the Department of Finance.

At first glance, it would appear that provincial governments are significantly dependent on national government to finance the operation of provincial administrations. This is true to a great extent, as revenue sharing thinly veils national government's efforts to maintain control of provincial governments and provincial executives [Premiers]. Indeed, the budget and timing of allocations can be mechanisms for control. In reaction, Mtshali (2002) referred to his provincial [KwaZulu Natal] government's goal to optimally use its own resources to fight HIV/AIDS. The impetus for Mtshali's revolt was national government's continued limited distribution of Nevirapine through a few pilot sites in KwaZulu-Natal. This was a policy decision vigorously contested by Premier Mtshali. The absence of a national mother to child treatment (MTCT) programme caused Premier Mtshali and other Premiers to challenge the unitary state, centralisation, and more specifically, the Minister of Health. Consequently, alternative funding sources (from the government of Denmark) were sought to finance subnational/provincial governments' implementation of policy initiatives contrary to national government policies. A showdown between national government, provincial government and civil society (e.g., the Treatment Action Campaign) was inevitable.

1. 5 RESEARCH PROBLEM AND HYPOTHESIS

Since the development of the HIV/AIDS Strategic Plan (DOH, 2000:9), national government has struggled to provide an adequate response to the epidemic. In 2000 the strategic plan noted that a detailed description of a response was beyond the scope of the plan itself. Consequently, stalled decision-making at the national level filtered down to the provincial sphere of government. Premiers then found it necessary to take matters into their own hands. The electorate and civil society had become dissatisfied with government's inexpedient response as well. An expected and desired response was that national government should fund the distribution of Nevirapine to pregnant HIV positive women and that government should cease to deny that HIV causes AIDS.

The primary research question for this dissertation is: *To what extent has the electorate [citizen-voters] been able to influence public policy decision making, as reflected in provincial spending for HIV/AIDS treatment?* Answering this question will provide scientific empirical support, proving or disproving that voter collectivism and activism can motivate policy makers to make policy decisions that maximise the interest of citizens, as opposed to maximising the self interest of the political representative/policy maker. In South Africa, do political representatives make public policy decisions in line with median voter preferences? Based on the stated research question, the research hypothesis offered is: *The electorate [voters] cannot significantly influence public policy decision making, as reflected in provincial government spending for HIV/AIDS treatment.* The implication is that the electorate does not have the ability to influence public policy decision-making.

1. 6 RESEARCH ISSUES

With regard to this dissertation, two issues should be highlighted in anticipation of critical questions. The first issue encompasses the relevance of this research to the field of public administration. The second issue recognises what, henceforth, will be termed as "the symbiotic relationship of public administration and political science."

What does the understanding of voters' potential to influence pubic policy decision making have to with public administration? The first step towards answering that question begins by identifying [determining] public policy as being a directive function of public administration (Cloete, 1998: 214). Policy determination involves investigating an issue and deciding whether or not to deal with that issue through the formulation of a policy (Du Toit, et al. 2001:13). Policy analysts investigate and policy makers and political representatives are left to advocate and implement a policy alternative. In a democracy, the political representative gets his or her mandate to act on a policy issue from their constituents. The linking pin between the electorate/voters and policy makers/political representatives is the mechanism of accountability. Public administration entails policy making by those who are accountable to the electorate – whether elected directly or indirectly, say, by way of a party list system. Moreover, the government or the chief executive's administration (engaging in the functions of public administration) attains power and position by acquiring the popular vote. Clearly, there is some relationship between voting and public administration.

What then is the relationship between public administration and politics? Is there a symbiotic relationship between public administration and political science? Are they connected or are they two distinct disciplines? A critical issue associated with this work,

therefore, is that as this paper addresses the research question and proves or disproves the hypothesis, it may appear that at times the discussion leans towards political science, when the discussion should be of public administration. Can one, therefore, write about public administration without recognising any link to political science?

Dye (2002:3) discussed the many aspects of politics, to include government institutions, federalism, separation of powers, judicial review, *etc*. The insightful statement that "political science is also the study of public policy" augmented that discussion further. In the timeless work *The Study of Administration,* Wilson (1886) established that [public] administration is a fruit of the science of politics. Implicitly, it had taken a little more than 2000 years to begin to study government and recognise government for what it does. Indeed, there had always been recognition of "government" and its close association with politics; but systematic writing and study of administration was a relatively new (c. 1900) pursuit. Before 1900, the emphasis was on studying and criticising the constitution of government, the nature of the state and the sovereignty of the executive – i.e., curricula for political science. Subsequently, the curriculum came to include the study of *what governments do and the consequences of government action.* In due course, public administration would break away to become a separate and distinct discipline. And rightly so that this should occur as Wilson [online] wrote:

> "It [public administration] is removed from the hurry and strife of politics. It is part of political life as the methods of counting house are a part of life of the machinery, as machinery is part of the manufactured product. Through its greater principles it is directly connected with the lasting maxims of political wisdom and the permanent truths of political wisdom." [*sic*]

Conclusively, public administration should be separate (but not separated) from political science, so as to be separate from all that characterises politics – negotiation, compromise, power, ambition and political office. Nevertheless, that which is good or bad about politics impacts public administration – what government will or will not do (Dye, 2000:1). Indeed, it is difficult to discuss public administration without drawing upon political science, as the former arose from the latter.

1. 7 RESEARCH METHODOLOGY: OVERVIEW

A mixed research [approach] methodology will be used to explain the research phenomena, collect data, analyse data and report the findings. The research mix will be essentially quantitative, with bivariate and multiple regression being used to perform multivariate analysis. The dependent variable will be provincial government spending for HIV/AIDS treatment, as such spending reflects a public policy decision to address the epidemic.

Numerous independent variables will be used to explain the variation in public decision making encompassing HIV/AIDS policy. The primary independent variable will represent participants in the voting process and their potential to influence government spending. Those participants (the electorate) can be characterised by way of unorganised or organised voter groups. Unorganised voters may be described as the diffuse population of voters who can be either latent or active prior to exercising their franchise to vote. Such voters may appear to be apathetic, an unorganised collective body, or paradoxically mobilised by way of party affiliation and commitment to political ideology – e.g., staunch ANC or IFP party members. A proxy for organised voters will be used in the form of, say, a significant civil society organisation that has strived to influence and

shape public policy decision-making - .e.g., the Treatment Action Campaign (TAC). On the matter of a proxy for organised voters, Falaschetti (2003:94) recognized that voter turnout might have insignificant explanatory capability. Rather, relevant organized self-interest groups may significantly explain any variation in public policy decision-making. Moreover, electoral constituencies' "capacity" to produce support and not the actual support wielded may actually impact public policy decision-making. Notably, this is discussed further in the literature review.

A number of independent variables will be introduced to account for the variety of possible influences on the public policy decision to spend on HIV/AIDS treatment. For example, independent variables of education and income may be found to influence a policy decision to spend provincial money to roll out a provincial treatment programme. Arraying the variables in a multivariate table will facilitate observing the effects other variables have on a bivariate relationship.

The mixed approach is further exemplified by qualitative, narrative and historical paradigms employed to put the research into perspective. In other words, the [research] objective is to answer the question of whether voters can influence provincial government spending, with reference to the specific public policy decision to be made associated with spending for HIV/AIDS. Historically: What was the state of affairs? What is the state of affairs and what are the prospects for the future?

Finally and with regard to research methodology, secondary data from the likes of the Independent Electoral Commission and Statistics South Africa will be sorted and used as

input for statistical data analysis. The following section (2) will provide a more in depth discussion of the research methodology and associated variables.

1. 8 LIMITATIONS AND DELIMITATION

The objective of this study is to determine to what extent can the electorate [voters] influence public policy decision-making. A limitation of this study is that the data that will comprise the key variables reflecting voter behaviour and data for provincial government spending (i.e., the data) will not be collected directly by the researcher. In other words, existing [secondary] databases will be used to build or establish the variables for a regression model. Due to time, money and the size of the population, it would be near impossible for the researcher to collect the data to establish the variables.

In some instances, using existing databases and secondary sources of data would be cause for concern. However, the integrity of the National Treasury from which expenditure data will be sourced and the integrity of the Independent Electoral Commission (IEC), assumingly, will minimise concern for the integrity of the data to be used. Indeed, such organisations are tasked to collect and maintain data pertaining to their respective mandates and it may be expected that they would have the expertise to collect raw data relating to their respective functions and activities. There, however, is recognition that even in the best instances (Statistics South Africa, 2005), organisations do err in collecting vital data and statistics. In this research, caution will be taken in using "borrowed" data. In support of this cautious approach, Schoonakker (2005) in "New Row Over AIDS Statistic" expressed concern over the accuracy on reported mortality rates associated with the HIV/AIDS epidemic.

Nevertheless, this research is delimited (boundaries set) by the population of voters and individuals who benefit from government spending. Thus the research fails to consider those who do not exercise their franchise to vote, nor does the research consider individuals who, for example, fall outside the tax net and enjoy benefits as "free riders" of public goods and services. The question of how, or even whether such individuals influence public policy decision making is not addressed in this research but is a question that might be considered in the future. The objective here is to measure the influence of voters, recognising those who are the targeted recipients of government spending – e.g., for education, social services, or HIV/AIDS treatment.

1. 9 MOTIVATION FOR RESEARCH

The motivation for this research arose from a keen interest in how government finances its activities. Bonser, McGregor & Clinton (2000), for example, showed that there is merit in examining how the state is financed. Additionally, there was interest in both the revenue and expenditure sides of government budgeting. Limiting the research interest, a conscious decision was made to concentrate on the expenditure side of the budget. The research interest was further limited upon reading Husted and Kenny (1997) who examined the expansion of the voting franchise and its effect on state and local government spending – to be discussed in the literature review. Consequently, there was a desire to build on their work and limit the scope of the research to one aspect of government spending – i.e., HIV/AIDS. In this research there is regard for government spending for HIV/AIDS treatment being a public policy decision and the potential for the electorate to influence any decision on that specific aspect of government spending.

1. 10 CONTRIBUTION

There are two contributions to be made in pursuing this research. The first contribution entails laying a foundation for the examination and study of constituency preferences. The second contribution entails bringing validity to the question pertaining to constituents [voters] and their propensity to influence public policy decision-making.

Firstly, Levendusky and Pope (2003) highlighted that much attention is paid to measuring legislator and electoral challenger preferences; measures of constituency preference are undeveloped. Their commentary was made with emphasis on politics but there is a belief that their observation can be extended, say, to measuring users of public services preferences within the context of public administration. A contribution towards this end can be made through this dissertation. Additionally, as will be seen in the literature review, others have embarked on studying the potential of voters [citizens] to influence public policy decision-making. This research will add to that body of literature and discourse.

Secondly, when the question is put forth as to whether citizens [voters] can influence public policy decision-making (especially with recent regard for their potential to influence HIV/AIDS policy), responses range from:

1. Yes, considering that the Mbeki administration has finally recognised that HIV causes AIDS.

2. No, citizens have had little or no influence. A turnaround has only occurred through the activism of the TAC.

3. No, and such a question is of little consequence. Citizens are apathetic, ill informed and uncaring. The government of the day will do what it wants or, at least, what it feels is best for people.

The contribution to be made is that validity is given to putting forth the question of voter influence on public policy decision making, by examining of factors that influence public policy decision-making. Can citizens influence public policy decision-making? Do latent groups such as the TAC explain the variation in public policy decision-making?

1. 11 OUTLINE OF DISSERTATION

Simply, this dissertation will consist of the following chapters:

    I. **Introduction:** The broad field of study was discussed and relevant background information was provided to set the stage for the dissertation and subsequent data analysis. The initial broad approach included a discussion of public policy decision-making, through to the relationship between political science and public administration. Importantly the research is framed within the context of HIV/AIDS Treatment.

    II. **Literature Review:** This chapter will establish the theoretical foundation for the dissertation. Similar research measuring citizen's influence upon public policy decision-making will be discussed. Approaches to measuring and analysing voter preferences will be discussed and subsequently shape the next chapter encompassing research methodology.

    III. **Research Methodology:** This chapter will explain how the research will be conducted, how data will be collected and the validity of data. Moreover, there is a discussion of the sample technique and data analysis to follow.

    IV. **Case Study:** This chapter will discuss in depth the context of the research. A case study approach will involve looking at public policy decision making regarding HIV/AIDS – past, present and future prospects. The aim is to put the research methodology into context, in preparation for presenting the findings in the following data analysis section. The problem will be highlighted from a micro and macro perspective. Causes for the problem, with reference to public policy decision-making will be discussed. There will be a discussion of systems affected – e.g., structural systems and public

management systems. Potential alternatives and recommendations will be briefly discussed, leading into the final chapter.

    V. **Analysis:** This chapter will discuss findings resulting from using multiple regression and correlation analysis. Again, the calculated output will reflect HIV/AIDS treatment and citizens' potential to influence public policy decision making associated with implementing treatment programmes.

VI. **Conclusion / Recommendations:** Conclusions substantiated by the research will be discussed. Finally, some practical suggestions will be made and potential uses for the research methodology and output will be recommended. Hopefully this dissertation will inspire follow-on research on public policy decision-making and the influence of voters, citizens and constituents.

1. 12 CONCLUSION

It is tempting to assume that in a country where there is direct proportional representation, as in the case of a federal state, voters will have the potential to influence public policy decision making. Such an assumption warrants investigation and study. In the case of the unitary state, especially where a party list electoral system exists, it most definitely should not be assumed that voters can, or cannot influence public policy decision-making. Again, investigation and study is recommended. Such a recommendation is supported by the perplexity resulting from, for example, government's slow response to spending to provide HIV/AIDS treatment - i.e., to spend on all health matters related to the epidemic. Assumingly, citizens [voters] would want to influence public policy decision making on this matter. Likewise, civil society groups, more specifically, the Treatment Action Campaign (TAC) and other stakeholders would want to influence public policy decision making on HIV/AIDS treatment. This research will examine whether, indeed, voters or other latent

groups such as the TAC influence public policy decision-making and consequently motivate
government through the "vote" to be responsive to the constituents.

CHAPTER 2

LITERATURE REVIEW

2.1   INTRODUCTION

As this literature begins, a critical question is put forth: What is the relationship between public administration and this dissertation? Public administration encompasses public policy decisions. In the previous section 1.2 of this work there was reference to Dye (2002:16) and the notion of rationalism. Public policy decisions can be examined, for example, using a rational model to determine whether social gain has been maximised. This dissertation therefore strives to rationalise public policy decision-making as it relates to responding to the HIV/AIDS crisis in South Africa. The response of the government of the day has been puzzling on the mater of HIV/AIDS treatment, and this dissertation can serve to clarify the cautious approach taken towards making a policy decision on HIV/AIDS treatment. Conversely, this dissertation can serve to support those latent groups that strive to motivate the executive to be more expedient in responding to the HIV/AIDS crisis. All in all, this dissertation illustrates how public policy decisions (including the policy decision to do nothing) can be subjected to scientific enquiry. Indeed, this should be construed as a contribution to the discipline of public administration – again, subjecting public policy on the matter of HIV/AIDS treatment to rigorous scientific enquiry.

Having said that, this literature review serves to develop a research methodology to determine any explanatory effects on the proposed dependent variable of government spending at the provincial sphere of government on the policy issue relating to

HIV/AIDS treatment. Husted and Kenny (1997) motivate researchers to ponder the relationship of poor pivotal voters' effect on government spending. Their research gives cause to examine the relationship of voters to government at the mid-level (state/provincial) sphere of government. Two independent variables (INCOME and WELFARE) featured prominently and were segmented and differentiated to account for any significant effects on per capita government spending. Among other variables, *voter turnout* was regressed on the dependent variable and interestingly recurs in the literature (Fleck, 1999 on voter effects on redistributive policy) as an important variable to be included in formulating a regression specification. Falaschetti (2003) desired to look beyond voter turnout; indeed, there was a belief that other [latent] forces were at work and had explanatory effects on government spending. In a way, voter assistance as an example of latent forces, facilitate the electorate and move it towards effectively functioning as a collective to impact policy decisions – e.g., telecommunications policy and the regulation of service providers. Hamilton (1993) drives the literature towards examining and emphatically recognising collective action. Indeed, Hamilton leads to a conclusion that *voter turnout* can and should offer some explanatory effect on policy decisions. At best VOTER TURNOUT should be a variable in any regression equation formulated to explain government spending. Conclusively, the literature gives cause to include other variables such as INCOME, EDUCATION, LATENT FORCES that facilitate the electorate to function as a collective; the variables serve to test for robustness of the regression equation as well. As an example, provincial control by the party of the day (the ANC) should have a positive coefficient, thus moving in a positive direction relative to government spending. Indeed, these are the contributions of this

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literature review and these contributions shape the following discussion on the research methodology.

This literature review reviews previous research on the relationship between voters and government spending. Government spending has been construed to indicate the size of government and thereby a reflection of the size of the public sector. For that matter, spending on any number of policy issues reflects government decision-making and prioritisation of a portfolio of policies. Husted and Kenny's contribution to the literature gave motivation to consider voters' potential to influence government spending at the provincial sphere of government. The outcome of their research was inconclusive but at the least gave cause to consider those variables that might effect government spending. Fleck's contribution identifies voter turnout as an essential variable in studying voter-government spending relationships and the size of government. Falaschetti, however, suggested that other forces were at work influencing and enabling voters to act collectively. Indeed, there was recognition of institutional and latent groups that, by effecting voters, attempt to influence policy decisions. Hamilton's contribution gave further cause to emphasise collaborative and voter-collective actions, in search of explanatory effects on policy decisions. All in all, their contributions suggest variables and potential specifications for the regression to be used in this dissertation. Importantly, their work gives impetus to the research methodology and the study of voters' potential to influence government spending and public policy decisions relating to HIV/AIDS treatment at the provincial level in South Africa.

When measuring the size of government and for that matter the size of the public sector, an assumption is made that size and growth can be measured by government spending. Alternatively, the size of government and the public sector might be measured by the number of individuals (government employees) employed by the government in the public sector. Additionally, estimates of national expenditure could be examined to gauge the size of government (RSA, 2005). With reference to the provincial sphere of government, one could look to provincial budget [financial] statements to measure the size of a provincial government (KZN, 2005).

One theory offered to explain the growth of government and therefore the public sector is Wagner's Law of Increasing Public Utility that states that government has a natural tendency to grow larger (Buchanan, 1980:64-65) and the demand for government services subsequently leads to further expansion of the public sector. Moreover, increasing personal incomes fuel ever increasing and greater demand for those government services valued most by voters.

Indeed, there are many explanations and several models that serve to explain the growth of the public sector (Peacock & Wiseman, 1961; Schmidt in Taylor, 1983; Lubar, 1980; Rosen, 1999; Hamlin in Gemmell, 1993; Buchanan, 1980). This list of theorist has not been exhausted. Of all the theories explaining growth in the size of government, Husted and Kenny's (1997) study on growth resulting from the expansion of the voting franchise is most intriguing.

2.2 THE VOTING FRANCHISE AND GOVERNMENT SPENDING

In Husted and Kenny's study, there is an examination of state [provincial] and local government spending and effects resulting from the elimination of a poll tax and literacy tests that served as barriers to [black] citizens who desired to exercise their franchise to vote from 1958 to 1988 in the United States. In due course, the study focused on poor pivotal voters who turned out to vote in large numbers once barriers to voting were removed. Naturally, an increase in government spending was expected, with governments in turn being responsive to the electorate. Extending Husted and Kenny's research to be an examination of change in public policy making, could governments' responsiveness be attributed to electoral constituencies – i.e., expansion of the voting franchise (Falaschetti, 2003)?

Husted and Kenny analysed the relationship between the pivotal voter and the size of government spending by using a sample of biennial data for the years 1950 through to 1988. Such data was collected from 46 U.S. states [provinces] to estimate voter-spending relationships. Essentially, Husted and Kenny tested the theory that (with greater voter participation by poor pivotal voters) government expenditures of a redistributive nature would increase as a result of expanding the voting franchise. Voters would be considered to be pivotal in the sense that the once disenfranchised voter, as a collective, would have the power to influence electoral outcomes and subsequent policy decisions.

A conflict between income and substitution effects was evident in their research. While an effect on redistributive expenditures was expected, there was uncertainty as to whether expanding the voting franchise would indeed have an effect on non-redistributive government expenditures. An income effect was explained to be a change in pivotal

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voter consumption resulting from an increase in income, due to those poor pivotal voters being subsidised by more affluent taxpaying voters. A substitution effect was explained as poorer pivotal voters substituting away from private services and opting for government services because the cost of government services, due to subsidisation, becoming lower in cost. A conflict between these two effects raised the question: can an increase in government spending be the result of an increase in personal income or the voters' greater accessibility to government services with their substituting away from private services (Rosen, 1999:292)?

Consequently, Husted and Kenny found it necessary to differentiate between government expenditures of a redistributive nature – generally welfare expenditures, for example, and specifically old age related expenditures – and expenditures of a non-redistributive nature. Notably, while there are indications of what constitutes expenditures of a redistributive nature, there is no definitive statement or listing of those expenditures that would be considered to be of a non-redistributive nature. There, however, is indication that non-redistributive expenditures are of a non-welfare nature. The variable "WELFARE" was created along with an additional welfare variable being constructed by placing welfare over general expenditures for greater differentiation in welfare spending. Consequently, there were three expenditure related variables – namely, WELFARE, WELFARE/GENERAL and NONWELFARE.

To capture any income effect on government spending, Husted and Kenny included variables indicating real per capita government spending for GOVERNMENT GRANTS (e.g., social security income payments to the disabled) and real per capita PERSONAL INCOME. Any income effect was further identified by the creation of a variable that

measured the number of potential welfare recipients (realised from census data reflecting the income of families considered to be poor or at the poverty level). Dubbed INCOME SPREAD, this variable represented the difference between first and third quartile income data gathered during a national census. Other variables created reflected a state's [province's] population, the percent of the population living in metropolitan areas, the political party in control, a poll tax and literacy test. Examples of those variables include INCOME SPREAD, PERCENT BLACK, PERCENT ELDERLY, CONTROL BY DEMOCRATS, POLL TAX and LITERACY TEST.

Finally, due to the elimination of poll taxes and literacy tests, it was necessary to measure the direct impact of voter income, as there was evidence that the removal of voting barriers contributed to an increase in personal income. Thus the variable $INCOME_{Voter}$ / $INCOME_{POP}$ was created to represent the income of those who indeed vote – i.e., created relative to the general population.

In the development of regression models, WELFARE, WELFARE/GENERAL and NONWELFARE each served as dependent variables, with four linear least squares regressions being estimated to measure redistributive state [provincial] spending. Additionally, another four regressions were estimated for state and local government spending, of which two were log-log models estimated, assumingly, as a preventive measure in the event that there was any violation of assumptions associated with the regression models. Those assumptions were stochasticity, constant variance, randomness, sample dispersion and normal distribution of data (Roufalgas, n.d., chapter 3 notes). In other words, there was a decision to choose an alternative functional form by using log-log specifications (for $INCOME_{Voter}$ / $INCOME_{POP}$), with the objective of determining

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any income effect on state and local government spending (Roufalgas, n.d., Chapter 6 notes on choosing a functional form; Norusis, 1982:108).

Before going further it is necessary to comment on the variable CONTROL BY DEMOCRATS. Essentially, this variable measured the political party effects upon government spending. An entry of one (1) indicated that (for a particular state/province) the legislature and the executive were of the same political party. An entry of negative one (-1) indicated control by the opposing Republican Party. An entry of zero would indicate a split in control between the legislature and the executive. Note that political party effects on government spending may also be construed to be party ideological effects on government spending.

Indirectly, income effect(s) were measured by testing for party effects, as there is a tendency for Democrats to represent the lower end of the income distributions and Republicans to represent the upper end of the income distribution. Theoretically, the coefficient for CONTROL BY DEMOCRATS should have been positive with spending rising as income falls – considering Democrats supporting policies and programmes favouring the poor. Later in this dissertation the focus will be on the ANC and the IFP, as distinct political ideologies are embodied in these two South African political parties.

Importantly, Husted and Kenny used the statistical output to test several models employed to explain growth in government spending. The first model tested was the *Pure Redistribution Model* that states that individuals have different human capital. Consequently, individuals receive a lump sum payment that is financed by taxes proportional to income. An increase in tax rates motivates individuals to work less. Thus

there is a particular rate that maximises tax [revenue] intake and the lump sum payment – i.e., equilibrium. Those with the least human [tax] revenue opt for a lump sum payment (Husted and Kenny, 1997:57).

A second model tested was the *Social Insurance Model (SIM)* or altruistic model that states that median voters who are not welfare recipients are supportive of government spending targeted towards, say, the poor and disadvantaged. An increase in the income of these altruistic median voters leads to an increase in redistributive government expenditures. Conversely, a decrease in the altruistic median voters' income results in lower redistributive government spending.

Other models tested included the *Special Interest Group Model* and the *Government Services Model* (Husted & Kenny, 1997:58-59). The implication of these models (except for the SIM model) is that as there are more poor decisive voters and as their income decreases, there is an increase in redistributive spending. In the case of the [pure] altruistic SIM model, when there is a majority of poor decisive median voters, redistributive expenditures will be minimal – i.e. in the absence of non-welfare (well-off) median voters.

With a view towards confirming or refuting any one model, negative coefficients were estimated for the variables $INCOME_{Voter}$ / $INCOME_{POP}$ and POLL TAX, subsequently confirming the pure redistribution model, the social insurance and special interest group models. Characteristically, those independent variables were included in three (3) separate regressions where the dependent variables were WELFARE, WELFARE/GENERAL and NONWELFARE spending (Husted & Kenny, 1997:71).

Negative coefficients, however, serve to refute the altruistic model, as one would expect a positive coefficient indicating a positive directional movement of welfare spending relative to increasing income. At best, government expenditures increase clearly as more poor decisive voters are added to the voter rolls. Still, the conflict between substitution and income effects preclude a firm conclusion that additional voters increase government spending.

As the *Government Services Model* recognises that tax revenue serve to finance the level of government services provided and subsequent spending, government spending is indeed constrained by total tax revenue intake. The government's budget is maximised where total expenditures equals total tax revenue. A key question is, as it relates to income tax revenue and the price of governments services: is the level of government services preferred by poor citizens greater than the level of government services preferred by more affluent citizens? An assumption is made that as more citizens vote, more specifically those voters coming from the lower income distribution, there is greater spending on government services only if the price elasticity of government services exceeds the income elasticity of government services. This assumption, however, does not hold true when estimates are calculated. In this instance, the income effect surpasses the substitution effect and poor median voters have a tendency to use less government services. For this reason there is doubt as to whether expanding the voting franchise substantially explains growth in the size of government (Husted & Kenny 1997:55*)*.

Notably, the government services model, when tested, fails to explain growth in the size of government. This is due to the changing identity of the decisive voter. In one instance the decisive median voter is the richer affluent citizen who altruistically subsidises poorer

voters [community members]. But when the decisive voter shifts to include poor newly enfranchised voters, as seen in the variable CONTROL BY DEMOCRATICS (represented by either 1 or -1, with Democrats representing the poor median voters and Republicans representing the more affluent voters), the coefficients for democratic control were found to be so minimal (less the one tenth of 1%) that it is concluded that a shift in the pivotal voter has no effect on non-welfare spending and inconclusively effects welfare spending. Enfranchising the poor to vote results in an increase in welfare spending but with such spending being only 15% of a state's [province's] budget, welfare spending and thus expansion of the voting franchise can not (at least in the U.S. experience) account for an increase in the size of government spending, expenditures, nor the size of government. Thus, in the application of Husted and Kenny's work towards developing the research methodology for this research dissertation, the RSA experience at the provincial level (as it relates to the percentage of the budget spent on social welfare spending) will be a crucial factor in examining the effect of the voting franchise on government spending and subsequent public policy making relative to HIV/AIDS treatment.

2.3   DISTRIBUTIVE POLICY AND VOTER TURNOUT

Where Husted and Kenny attempted to identify [any] voter effects on government [welfare] spending, Fleck (1999) took a different approach by examining voter effects on redistributive policy. In Fleck's work, the hypothesis was tested that high regional voter turnout leads to increased allocation of funds (government spending) for social welfare programmes, as elected politicians fulfil campaign promises made during the process of getting elected. By voting, can citizens influence policy makers to implement favourable

distributive policies – especially in the instance when the campaigning politician is seeking re-election? Notably, in the instance where there is low voter turnout, a community would receive minimal to low funding for, say, government services. Arguably, voter participation may, or may not increase government spending. Fleck (1999) highlighted the tenuous relationship between elections (voter participation implied) and public policy. Politicians were thought to be responsive to regions where there was high voter turn out and subsequently responded by implementing popular policies. Indeed, a model was presented that examined the effect of voter turnout on redistributive policies. That model recognised the distribution of some fixed amount of money (government spending) across many geographical communities akin to local municipalities. The effect of turnout on spending was tested using the following regression equation:

Equation 2.1

$$[s.sub.i] = [a] + [[b].sub.0] [[Tau].sub.i] + [[b].sub.1] [x.sub.1i] + \ldots [[b].sub.m] [x.sub.mi] + [[e].sub.1]$$

or

$$s_i = a + (b_0 . Tau_i) + (b_1 . x_{1i}) + \ldots (b_m . x_{mi}) + e_i$$

where:

s_i = per capita spending in a region

Tau_i = voter turnout in a region

$X_1, \ldots X_m$ = variables representing and controlling for cross provincial differences

Notably, Fleck penned the above regression equation in a long unabbreviated and cumbersome fashion. The equation has been rewritten in short, abbreviated and perhaps a more statistical form to facilitate understanding.

2.3.1   The Distributive Policy

The distributive policy that was used was the (1933-1935) U.S. New Deal Federal Emergency Relief Administration (FERA) programme where $3 billion (USD) was set aside for work projects designed to jump-start a turnaround of the Great Depression. The objective of the programme was to provide [twenty million] citizens (16% of the U.S. population) with social welfare benefits (WPA, 1942). Although the programme itself was a policy of the national [central] sphere of government, the actual distribution of funds was largely a state [provincial] and local government affair, with governors [premiers] applying to the central government to acquire funding for work and relief projects. Once received, provincial political incumbents in local constituencies would in turn access funds that were subsequently used as campaign [political] capital promised in the process of seeking re-election to, say, local political office. The question was: would there be a tendency for incumbents to be responsive to those communities where the voter turnout was high? Importantly, Fleck noted that FERA data had desirable characteristics for empirical work – more specifically, the data reflected a policy initiative, the data was consistent across local municipalities, and FERA spending appeared high in provinces where elections were being contested.

2.3.2 Regression Variables

Firstly, Fleck hypothesised that the beta (*b*) coefficient had a positive sign (positive directional movement) relative to the dependent variable per capita spending. That is, an increase in an independent variable would result in an increase in a dependent variable. With the dependent variable being specifically equated to FERA$, the independent variables were as follows:

TURNOUT (Tau) = An Average of votes cast over the years 1928 - 1932

$X_1, \ldots X_m$ representing the following independent variables:

- UNEMPL 37 = A measure of unemployment

- MANUFWAGE = Indicating a low or high wage manufacturing municipality

- FARMPOP = Representing the potential to subsistence by growing crops

- BLACK = Portion of population being black

Essentially, the variables above are control variables used to test for effects on the dependent variable Federal Emergency Relief Administration spending (FERA$). Recognising the regression model could be simply specified as: $s_i = a + (b_0 . Tau_i) + e_i$, why would there have been a need to for the control variables indicated above? Control variables were included to account for spending that might be influenced by factors other than voter turnout alone. Descriptively, those factors indicated in the regression equation were: 1)) being employed or unemployed, consequently affecting one's need for welfare relief; (2) self-subsistence by growing one's own food [crops], thus affecting the need for welfare relief; (3) wages earned in a municipality's manufacturing sector, thereby

precluding the need for welfare relief; (4) poor blacks constituents, definitively needing welfare relief; and (5) the proportion of the municipality's population being educated, thus affecting the need for welfare spending.

As was seen in Husted and Kenny where political party ideology differentiated between control (or the absence of control) by the U.S. Democratic party, likewise Fleck (1999) provides a control variable [LOYAL_DEM] to test for ideological influences on FERA spending. A positive coefficient would indicate spending favouring local governments that support the party of the day (i.e., Roosevelt Democrats) in local municipal governments where the opposition Republican was favoured – i.e., Franklin Delano Roosevelt, 1932 (Democrat) U.S. President.

Finally, recall that the FERA programme was a national policy with funds made available to the state [province]; in the allocation of FERA funds, a governor [premier] was pivotal in allocating revenue. Thus the variable LOYL_GOV tested for ideological and party effects, in the instance where a governor was seeking reelection and could uses FERA funds as campaign capital to obtain votes.

2.3.3   Empirical Findings

Notably, there are 50 states [provinces] in the U.S. and regressions were run for each state to test whether voter turnout had any effect on spending. The output of calculations tended to address several questions:

- Firstly, the immediate question, what is the effect on voter turnout on government spending of FERA funds?

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- Secondly, what are the effects of various control variables on the distribution of FERA funds?

- Thirdly, and more intimately, how do need and race influence FERA spending?

- Fourthly, does spending tend to be higher in local governments where there is high electoral loyalty, moderate electoral loyalty or weak electoral loyalty for the party of the day (i.e., the Democrat(s) party responsible for funding and implementing the FERA policy/programme?

With regard to the first question, the calculated coefficient for turnout equaled 33; this positive coefficient indicated that as voter turnout increases, FERA spending increases as well. Notably, the t-statistic was significant a 6.96. The implication of the output is that any local government where at least one or more additional citizen exercised their franchise to vote could expect to receive $33 (USD) more in FERA funds i.e., an increase in revenue allocated that local government municipality. As regressions were run for all U.S. states, coefficients for turnout were positive in all cases and had relatively significant t-statistics. Although spending varied from state-to-state, overall there was support for the hypothesis that voter turnout influenced government spending.

Commenting on control variables, as expected need had a strong influence on government spending. With regard to race, however, although the coefficient for BLACK was positive (1.08), the calculated t-statistic was a mere .78. Indeed, race was statistically insignificant relative to the (33) coefficient for turnout. This should not be

surprising, considering that in those years 1928-1932 and for that matter many years thereafter, and more so in the southern U.S., blacks were disenfranchised by the use of literacy tests and poll taxes. Supposedly, local government municipalities with large black populations received minimal FERA funding. This, however, is implied, unfounded and not supported by empirical study.

Notably, the variable LOYAL_GOV and LOYAL_DEM served to control for high electoral loyalty, moderate electoral loyalty or weak electoral loyalty to reveal any relationship between government spending and constituent voters. Surprisingly, the output does not support any causal relationship where supportive or strong loyal [party] support by constituents would effect government spending. The coefficients for these two variables were negative (-15.47 and -4.13 respectively) with negative t-statistics indicating little or no significance. Notably, it was expected that local government, being supportive of Democratic governors [premiers] or the party of the day, would acquire increased funding. This, however, was not the case as indicated by the coefficients. It then appears that local party politicians and loyalty had little influence on the allocation of funds by state [provincial] governors. Rather, there is support for the theory that individual voters (i.e., turnout) and exercise of the franchise to vote results in an increase in the proportion of revenue allocated, or rather funding made available to a local government municipality.

Conclusively, in those depression years individual voters had the potential to influence distributive policies and social welfare benefits. It, however, cannot be denied that local governments with large black populations did not benefit from distributive policies, primarily as a result of electoral systems that disenfranchised the neediest. Implicitly,

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disenfranchisement leads to the distribution of social welfare policies not being implemented.

2.4   LATENT GROUPS AND PUBLIC POLICY DECISIONS

Falaschetti (2003) concurred that high voter turnout constituencies can influence policy - as reflected in increased government spending. Searching for other effects on policy as it relates to government spending, Falaschetti queried whether underlying [latent] forces - institutions, groups of voters, or special interest groups - might influence policy making as well. Additionally, Olson (1991) considered electoral constituencies to be latent, arguing that such diffuse groups cannot influence public policy decision making, due to "free riding" tendencies of group members.

In that instance, the policy used was telecommunications policy across U.S. states - i.e., policies that favour residential customers, as government regulated the telecommunications industry. A key question was: can electoral constituencies as a collective influence policymaking? After reading Falaschetti's opening discussion where there is mention of Olson (1991) on collectivism and as Falaschetti referred to Fleck on high voter turnout, there was inference that at times the constituency [collective] was latent and at other times successful (not latent) in effecting policy decisions.

Recognising Fleck's work as *ex-post* identification of constituencies overcoming problems associated with collective actions, Falaschetti desired to examine *ex-ante* conditions and factors that would facilitate constituencies' ability to influence policy decisions as a collective. Notably, Falaschetti highlighted this (*ex-post research approach*) as a weakness in Fleck's work and, by taking an *ex-ante* approach,

endeavoured to build on if not improve on Fleck's research.

Telecommunications policy was thought to be an effective vehicle by which to examine electoral [constituency] effects, as users of residential telecommunications services were thought to be latent as a collective. This was in contrast to more organised interest groups - e.g., local exchange carriers or private sector telecommunications companies that actively lobbied to influence policy makers. Indeed, collective action theory recognises that organised groups (private sector lobbyist for example) exert disproportionate policy influence. With this in mind, characteristically in the U.S. there are many regional local exchanges carriers or telecommunications companies, and all purposefully attempt to influence public policy pertaining to telecommunications. It would then be expected that policies aimed at local exchange carriers would vary across electoral constituencies, states or jurisdictions and such policies would affect local service. Falaschetti, however, accepts that there is a greater propensity for latent constituencies to influence policy, all the while competing with organisational groups. The research, however, takes an ex-ante approach focusing on [other] formal institutions facilitating (so described) latent voters to act as a collective in an attempt to influence policy decision-making. Characteristically, a formal institution would be involved in activities such as voter registration, dissemination of voter information or facilitating same day registration and voting, thus enabling citizens (thought to be latent) to effectively mobilize on issues of importance – e.g., pricing policies that favour residential users of telecommunications services.

2.4.1 Empirical Model

Falaschetti presented a model where it was shown that variation in election institutions account for significant changes in (local telecommunications exchange) policy across

U.S. states. Questioning Falaschetti's work, a query is: Who exactly are these "election institutions?" Are they the electoral commission, for example, that administers the election process? Are they organized interest groups that in one instance pursue their own self interests through lobbying and in another instance influence electoral constituencies by reducing voter resource costs? One can only infer as to what is meant by election institutions in the absence of direct reference as to whom and what comprises such entities. Nevertheless, it was shown that variation in turnout had significant explanatory effect as well. In several regression equations, two policy alternatives (in separate calculations) were considered – see table 2.1. Notably, although no numbers are shown in table 2.1, it is shown to illustrate how data will be presented for analysis in chapter 5. In table 2.1, the first policy alternative, being a dependent variable, represented telecommunications users' preference for SEPARATE local and long distance service providers, to this end resulting in lower and efficient allocation of costs. The second alternative pertains to policies that favour end-user LOCAL EXCHANGE PRICING (LEC_PRICE); such polices effect local service providers that provide both local and long distance telecommunications services. Interest groups preferred one or the other policy alternative and attempt to influence policy makers to, in the case of end-users, minimize pricing or, in the case of service providers, maximise price.

Notably, Falaschetti presented two sets of regressions and each set included three calculations [regressions] testing for effects on a dependent variable. Again, in one set there were three calculations with the dependent variable being SEPARATE and in a second set the dependent variable being LOCAL EXCHANGE (LEC_PRICE} PRICING. In each set each set where there were three regressions, the independent

variables were as follows:

- TURNOUT = Percentage of eligible voters who voted in the U.S. presidential elections.

- LEEC_HHI = A local exchange carrier (LEC) index of market concentration.

- AT&T = An organized group whose interest are in opposition to local exchange carriers.

- LOOP_COST = An added regressor applied to the second set of regression calculations where LOCAL_EXCHANGE was the dependent variable.

The variables above represent organized groups attempting to influence policy and as are indicative of collective action. More precisely, TURNOUT above is a vector of variables that measure the capacity for residential users of telecommunications to act collectively. See Rice (1988:474-483) for a discussion on the matrix approach to linear least squares. In reference to the variable LEEC_HHI above, the Herfindahl-Hirschman Index is a commonly accepted measure of market concentration. It is calculated by squaring the market share of each firm competing in a market and then summing the resulting numbers. For example, for a market consisting of four firms with market shares of thirty, thirty, twenty and twenty percent, the HHI is 2600 ($30^2 + 30^2 + 20^2 + 20^2 = 2600$) (FRBM: Online). Referring to the variable AT&T, Essentially, the American Telephone and Telegraph Company is a competitor and supplier of long distance telephone services. Finally and referring to loop costs, A loop is a connection to a local exchange and is essentially an infrastructure cost passed along to the telecommunications user.

Table 2.1

Example of Table for Regression Estimates for Turnout

Parameter Estimates: **First Set** (*Source: Falaschetti, 2003:97*)

Dependent Variable = Separate

Estimation (Regression)	1st Regression		2nd Regression		3rd Regression	
Measuring Instrument	*N/A*		*Same Day*		*Perot*	
Dependent Variables	Coefficient	SE	Coefficient	SE	Coefficient	SE
TURNOUT	---	---	---	---	---	---
LEEC_HHI	---	---	---	---	---	---
AT&T	---	---	---	---	---	---
LOOP_COST	---	---	---	---	---	---

Parameter Estimates: **Second Set**

Dependent Variable = Local Exchange

Estimation (Regression)	1st Regression		2nd Regression		3rd Regression	
Measuring Instrument	*N/A*		*Same Day*		*Perot*	
Dependent Variables	Coefficient	SE	Coefficient	SE	Coefficient	SE
TURNOUT	---	---	---	---	---	---
LEEC_HHI	---	---	---	---	---	---
AT&T	---	---	---	---	---	---
LOOP_COST	---	---	---	---	---	---

2.4.2 Empirical Results

Again, two sets of regressions were run (see table 2-1), where one set had a dependent variable (policy outcome) of separation [SEPARATE] and the second set had a policy outcome reflecting a policy for LOCAL_EXCHANGE. Moreover, in each set three regressions were calculated. In this way and approach Falaschetti differed from Fleck.

That is, for each of the two sets of calculations (and therefore two different dependent variables or policy outcomes) in addition to an ordinary least squares (OLS) calculation, there are two additional calculations (per set) where unique measuring or data instruments were used to test theories on effects on varying policy outcomes. Unfortunately, Falaschetti uses the term "instrument" but does discuss exactly what is meant in the use of that term. An assumption, therefore, is that Falaschetti is referring to the measuring instrument for collecting and handling data.

In each set there is (1) an OLS calculation; (2) a calculation using a measuring instrument reflecting "same day" voting capability; and (3) a calculation using a measuring instrument entitled "Perot" that represents an *ex-ante* institution that facilitated constituents to act as a collective and overcome latency. Falaschetti used the so-called instrument *Perot* to represent an informal institution that influences the latent group. Ross Perot was the 1992 U.S. presidential candidate that, theoretically to produce political support, reduced the voting costs of latent groups. Essentially, the latent group was being assisted to act effectively as collective to obtain a favourable policy outcome. In the case of Hamilton's study, that policy outcome would be for SEPARATE, as separation would result in lower telecommunication costs to end-users. Consequently, a positive coefficient would be expected relative to SEPARATE; the coefficient would be negative relative to LOCAL _EXCHANGE.

Falaschetti's approach in formulating two sets of regression where each set includes a least squares calculation was to test (in each regression set), recreate and reaffirm (for example, Fleck's findings) that the electorate can influence policy. The first least squares calculation in the first set of regressions, where the dependent variable was SEPARATE,

the coefficient for TURNOUT was positive, indicating that the electorate could influence policy for a separate telecommunications exchange. Indeed, there was a positive directional movement and relationship between TURNOUT and the dependent variable. However, the same could not be said for LOCAL_EXCHANGE, with a negative coefficient that indicated no significant influence on a policy regulating a local exchange.

For that matter in the case of the first set of three least squares calculations, where varying instruments were used, TURNOUT had a positive coefficient. It is in the second set of regression where TURNOUT is regressed on LOCAL_EXCHANGE that the coefficients are negative in all instances – i.e., the independent variables. A question then raised is: what is the differentiating factor that might explain why in one policy alternative the coefficients are positive indicating that voter turnout can influence a policy decision, while in the second policy alternative citizens are not able to influence policy decisions as a collective.

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An implied assumption about collective theory is offered as an explanation for why in one instance TURNOUT appears to affect the policy outcome and in the second instance TURNOUT appears not to affect the policy outcome. That assumption is that institutions, at times, choose to remain neutral and opt not to assist latent groups of voters (Falaschetti, 2003:102). Institutional efforts (and effects) are then tacit, somewhat predictable but at times neutral in any "activity" to mobilize latent voters [constituencies].

Finally, Falaschetti noted that policy makers (referred to as policy entrepreneurs) could influence political participation by manipulating formal electoral institutions. This is most desirable, as opposed to the more costly alternative of influencing voter

participation. Implicitly, policy makers could influence institutions, rather than influence voters directly to garner support for policy decisions. An underlying aspect then is the recognition of cost of resources and non-pecuniary benefits of voting (rather than voter turnout itself) being a causal factor for public policy decision-making. Consequently, Falaschetti, therefore, gives cause to look to other factors influencing public policy as reflected in government spending.

2.5   COLLECTIVE ACTION AND PUBLIC POLICY DECISION MAKING

Falaschetti examined institutional effects and latent groups' potential to influence public policy decision-making. As per that work, at times the so called "latent group" proved influential in effecting public policy decision making but at times appeared to be incapable as a collective to influence public policy decision making.

Hamilton (1993) examined the ability of constituencies [communities] to engage in collective actions in opposition to institutions. Importantly, evidence was presented that voter turnout rate can serve as a viable proxy for representing collective actions. Hamilton (1993) was a precursor to Falaschetti (2003), as both focused on collaborative actions and the propensity to influence policy decisions. The marked difference in the latter and the former is that Hamilton considers negative externalities, the ability of the organisation to internalise externalities and how so called "negative" externalities serve to motivate communities to take action as a collective to influence policy decisions to their benefit. Moreover, Hamilton applied the "Coase Theorem" to a political system, in turn extending *coasian* theory to public policy decisions. Although Coase focused on the actions of business firms an extension to, say, the public sector can not be avoided as it

subsequently falls on government to address an apparent market failure, as when the actions of one infringes on the rights of another <u>(Coase: Online)</u>.

Questionably, can the Coase Theorem be applied to public policy decision-making and can the theorem be applied to explain actions to curtail market failures? The Coase Theorem states that when property rights are well defined, a firm generating externalities will locate, all things being equal, where the least damage can be done (Hamilton, 1993:104). Added to this, Rosen (1999:99-100) noted the implication that once property rights are established, government intervention is not required to deal with externalities. Where possible, then, the collective may choose to exercise property rights, if indeed there are any property rights that may be used as a defence against eminent externalities.

Importantly, collective actions will occur in response to negative externalities generated by the toxic waste handling firm. Indeed, Hamilton's work involves examining collective actions in response to negative externalities, as the firm contemplates establishing or expanding waste processing operations in a designated community. The negative affects of processing waste material is recognised as the negative externality associated with the firm's decision to establish or expand operations. True, in this instance the policy decision is borderline in being described as a public policy decision but the implication for public policy is that *coasian politics* suggest that political interest groups compete and pursue their self interests; and as this occurs, public [government] policies are created, designed and implemented in an effort to correct market failures. Whether, for example, the neighbourhood, group or community is successful in counteracting the un-welcomed waste handling facility and whether there is support from the political system, depends on (1) the community's ability to expediently use political resources, (2) the community's

income profile, (3) the number of politically active community members, (4) and any loss or gain to the community (Hamilton, 1993:104). Taking such factors into consideration, how does Hamilton go about measuring the potential for collective action?

2.5.1   *Measuring Data and Methodology*

Although Hamilton examined collective action against a firm that was embedded in the privates sector, the contribution made is an examination of opposition manifesting itself in the form of collective political action. Moreover, there was the explicit use of the percentage of the voting age population in the national election as a proxy to represent collective action. The literature revealed that firms use such a proxy as a predicting variable to anticipate whether constituents will engage in collective action, thus communicating their dissatisfaction with the location of waste disposal facilities in their communities (Epley, 1989). Indeed, firms endeavour to calculate variations in constituency response to identify locations where political action will be minimal. With regard to the public, sector it can be expected that opposition and collective action would occur against government policies that do not favour the interests of the voters.

There are several categories that can be used to describe facilities that treat, store and dispose of waste material. Hamilton focused on collective action against facilities where primary operations involved waste shipped from so called "other generators" of waste material. Other categories include private firms that generate and manage waste on site, commercial facilities that treat or dispose of waste from others for a fee, and public generators that manage waste on site (such as the military), just to mention a few. Indeed, collective action against these types of facilities was most apparent because these facilities have externalities that are not offset by job creation; additionally, they do not

generate tax revenues for the local government. Not surprisingly, high-income communities had suffered the least from toxic waste handling operations and poor communities had markedly more sites contaminated by previous exposure to hazardous waste. Clearly, low-income communities were more exposed to hazardous and toxic waste than high-income communities. This is cause to query low-income communities' ability to act collectively to influence or at least oppose policies of an unfavourable nature.

Hamilton began examining the prospect of collective action of a constituency by first determining the probability that a firm would expand its operations in a particular community. Notably, the firm endeavours to predict where on the one hand resistance can be expected and on the other hand where resistance will be minimal. As individuals exercise their franchise to vote, the greater the voter turnout in a given area, the less likely that an area would be identified for expansion of commercial waste processing facilities and vice versa. Whether this holds true will be discussed in the following section - i.e., *Results.*

Towards building a probability model and considering whether to expand or not to expand waste treatment operations in a community, a profitability function $[\pi_{ij} = f(X_j, N_i)]$ was designed with X_j representing a vector of characteristics associated with location or community (j) and N_i representing a vector of characteristics of the firm designated by (i). The rationale is that the firm will desire to locate or expand operations at a location that has a high probability of profitability, while meeting low community resistance. Thus, for each location (j) the probability that a waste handling

firm is planning to expand its operations at a location is illustrated by $P_j = F\,(\,a + \boldsymbol{b}\,X_j\,)$, with ($F$) *representing* a cumulative logistic probability function estimated by a *logit* specification.

Notably, Steifel (1990:130-137) discussed the use of a logit model. The logit form is a probability model and many times the numeric form is manipulated algebraically and logarithmically – i.e., Log $[P/(1\text{-}P)] = B_0 + B_1 X$. In this instance *P/(1-P)* are the odds of an event occurring *(P)* relative to the event not occurring. Hamilton used the logit form because the research encompasses the firm's probability that it may or may not expand its waste treatment operation in a community. Notably, the dependent variable is not a probability; rather, it is a logarithm of probabilities, in Hamilton's study, derived from the population of private waste treatment facilities and the probability for expanding or not expanding operations at each site [community]. As well see Mcfadden (1973), Werdern, Froeb and Tschantz (n.d., 3), also Hosmere and Lemeshow (1999).

Hamilton then considers characteristics peculiar to locations where waste-processing operations may be established or expanded, as such characteristics would impact the potential for profitability in any particular (X_j) community. The location specific characteristics used to formulate *X* variables of the linear equation were: (1) waste generation and capacity; (2) factors relating to the pricing of land, buildings and whether any value would be added or attained from operations; (3) the prospect of having to pay compensation, proxied by education and income, taking into consideration coasian compensation demands – as the firm attempts to minimize compensation arising from expanding operations, achieved through an evaluation of the value communities place on

the environment (*ex-ante measures)* and the potential for *ex-post* measures relating to, say, toxic tort litigation (Hamilton, 1993:13). Also considered under compensatory characteristics are the urban makeup (%URBAN) and population density (DENSITY); 4) collective action, in consideration of community members opposing the expansion of operations, thus giving rise to the variable (%VOTE; and (5) added factors and alternative explanations relating to land prices and environmental quality – a decision relating to expand or establish operations then is an estimation of potential liability from communities having low incomes *v.* communities having high incomes.

The following are independent variables comprising the linear [logit model] equation, as such variables were identified based on the characteristics previously identified:

- CAP = Hazardous Waste Processing Capacity

- WASTE = Hazardous Waste Generated

- MANUFAC = Value Added from Operations

- LAND = Land and Related Property Value

- HOUSE = Median Housing and Related Property Value

- INCOME = Median Household Income

- %UNIV = Percentage of Adults w/ More Than 4 Years of College Education

- % N_White = Percentage of Population That is Non-white

- %URBAN = Percentage of Population Living in Urban Area

- DENSITY = Population per Square Mile

- %VOTE = Percentage of Voter Turnout in Presidential Election

2.5.2 Results

Focus should not be lost of Hamilton's key research question: what is the impact of collective action on policy decisions (albeit for the private firm) of waste handling companies? Put another way, can a local constituency through voter turnout impact a [policy] decision to expand or establish waste treatment operations at a given location. Notably, the probability of the occurrence serves as the *Y* variable represented by P_j in the logit specification.

Indeed, a sample of 156 communities [constituencies] was studied, with that sample being segmented into two subgroups. Subgroup (1) consisted of 72 communities that had planned for (or anticipated) the expansion of waste treatment operations in their communities. The second subgroup consisted of 84 communities that had no plans (no anticipation) of expansion of local waste treatment facilities. Notably, the two subgroups were very similar in demographic factors such as household income and urban population and had only small disparities in calculated coefficients – as reflected in the coefficients for the *X* variables previously indicated. However, there was a statistically significant difference for the variable %VOTE representing collective action. For the subgroup with a sample *(n)* of 84, the coefficient was .56 and the coefficient for the sample *(n)* of 72 was .52. Importantly, the difference is statistically significant at the 1% level with a *t-statistic* of 3.4. The results of the logit specifications, with regard to voter turnout, confirm what might be considered to be the obvious. That is, the higher the voter turnout in a particular community, the less likely that community will be targeted for expansion of waste treatment operations. Extending the rationale further, the more politically active residents of a community are, the more likely the firm will conclude that politicians will

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respond to their constituent's opposition to waste treatment operations be conducted in their "backyard," so to speak (Hamilton, 1993:115). Interestingly, *coasian variables* of education, income, *etc*. were insignificant offering little explanatory effect on the probability of establishing or expanding waste treatment operations. Implicitly, residents should not be expected to accept compensation to mitigate any negative affects from hazardous waste treatment operations. Finally, for this dissertation, there is indeed substantiation for using voter turnout to measure the effect of the voting franchise on public policy decision making, as reflected in government spending on, say, HIV/AIDS treatment in South Africa.

2.6 SUMMARY AND RELEVANCE TO THE DISSERTATION

Jack and Lagunoff (2003) noted that private decisions of citizens co-mingle with government policies to affect a state/government variable. Additionally, Jack and Lagunoff noted that policies are determined by the median voter who, to some extent, possesses restricted voting capability. Essentially, a limited set of eligible voters influence polices decisions. The authors studied properties of dynamic enfranchisement, thus highlighting the time dimension of constituents acting collectively on issues relating to wealth accumulation, the use of public goods and the threat of insurrection. As indicated in the literature review, their research endeavoured to examine the relationship between voters and public policies. Likewise, this dissertation endeavours to add to the literature where there is examination of the ability of voters, as a collective, to influence public policy decisions. Inherently, public policy decisions and their relative importance can be prioritised based on the allocation of revenues. Subsequent expenditures, for example, give indication to the relative importance of a policy issue and in total indicate

the size of government, as reflected in total government spending. What effect, then, does the electorate have on government expending, the size of government and ultimately public policy decisions, as it (the electorate) exercises its franchise to vote?

This literature review serves to develop a research methodology to determine any explanatory effects on the proposed dependent variable of government spending at the provincial sphere of government on the policy issue relating to HIV/AIDS treatment. Husted and Kenny (1997) motivate researchers to ponder the relationship of poor pivotal voters' effect on government spending. Their research gives cause to examine the relationship of voters to government at the mid-level (state/provincial) sphere of government. Two independent variables (INCOME and WELFARE) featured prominently and were segmented and differentiated to account for any significant effects on per capita government spending. Among other variables, *voter turnout* was regressed on the dependent variable and interestingly recurs in the literature (Fleck, 1999 on voter effects on redistributive policy) as an important variable to be included in formulating a regression specification. Falaschetti (2003) desired to look beyond voter turnout; indeed, there was a belief that other [latent] forces were at work and had explanatory effects on government spending. In a way, voter assistance as an example of latent forces, facilitate the electorate and move it towards effectively functioning as a collective to impact policy decisions – e.g., telecommunications policy and the regulation of service providers. Hamilton (1993) drives the literature towards examining and emphatically recognising collective action. Indeed, Hamilton leads to a conclusion that *voter turnout* can and should offer some explanatory effect on policy decisions. At best VOTER TURNOUT should be a variable in any regression equation formulated to explain government

spending. Conclusively, the literature gives cause to include other variables such as INCOME, EDUCATION, LATENT FORCES that facilitate the electorate to function as a collective; the variables serve to test for robustness of the regression equation as well. As an example, provincial control by the party of the day (the ANC) should have a positive coefficient, thus moving in a positive direction relative to government spending. Indeed, these are the contributions of this literature review and these contributions shape the following discussion on the research methodology.