

Political Economy of Development: South Africa since 1994



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Re-Visiting The Political Economy of Social Change
in Contemporary South Africa

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Outline



- **Introductory Observations**
- **1994: The Starting Point Status**
- **Key Trends since 1994**
- **Concluding Remarks**

Introductory Observations

Introductory Observations:



1. Despite 15 years of uninterrupted growth(1994-2008), the triple evils of structural unemployment, widespread poverty, and gross inequality persist.
2. Whilst considerable 'poverty alleviation' has taken place, the systemic roots of poverty remain in place.
3. Whereas considerable and unprecedented wealth has been created since 1994, the mal-distribution of income has worsened.
4. Despite the democratic nature of the government, the citizens' discontent persists
5. SA's current political economy configuration is unsustainable, given that there is no credible solution offered.
6. Increasingly, the focus is more on the form than the substance.

1994: Starting Point Status

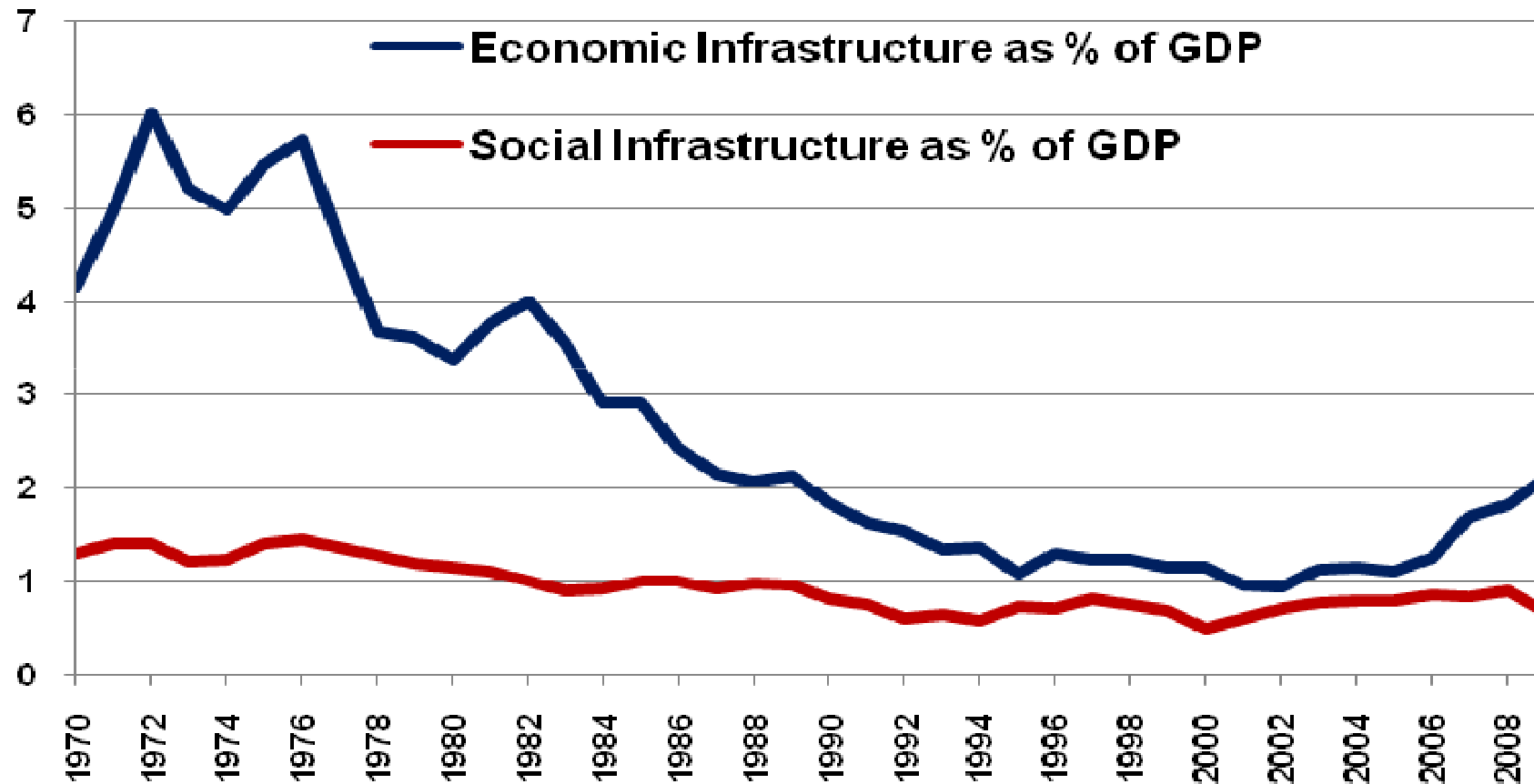
Note: Initial endowment matters a great deal.....

The Starting Point Status in 1994:



1. Macroeconomic conditions were dire with deep instability.
2. Fiscal stress, high inflation, high nominal interest rates, negative forex reserves, low tax morality, rising public debt, and weak revenue collection ability.
3. Global macro-financial conditions were volatile, but SA had favourable support due to “historic peaceful transition”.
4. Legitimate expectations of diverse groups soon translated into contested moralities and interest groups’ claims and aspirations.
5. “Project Normalization” of the SA political economy began on the platform of a tortured history laden with the remnants of colonialism, racism and class struggle.
6. Ideological contestations were confronted by the obstinate reality.

The Overwhelming Macroeconomic Concern



Source: SARB

The Starting Point Status in 1994 (II):



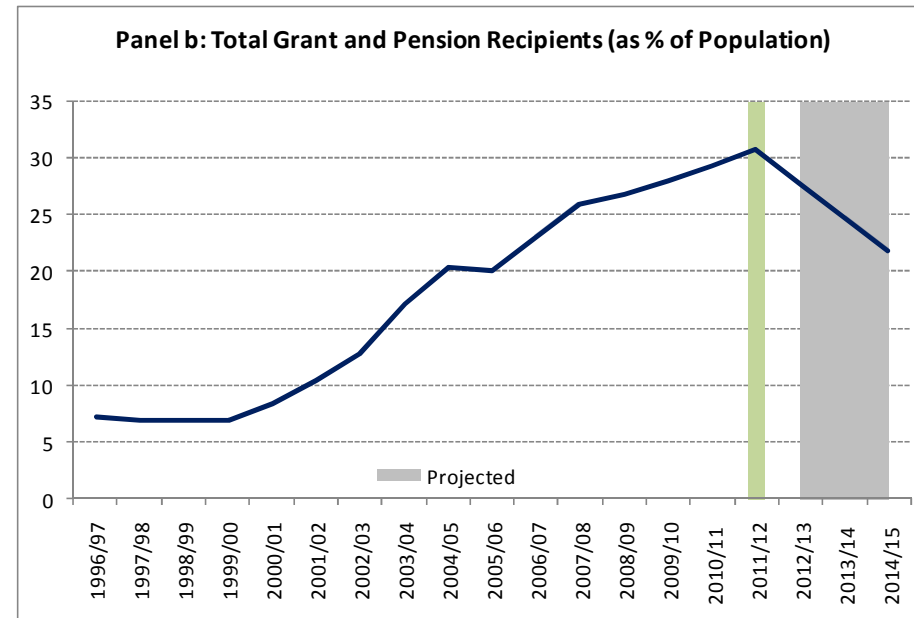
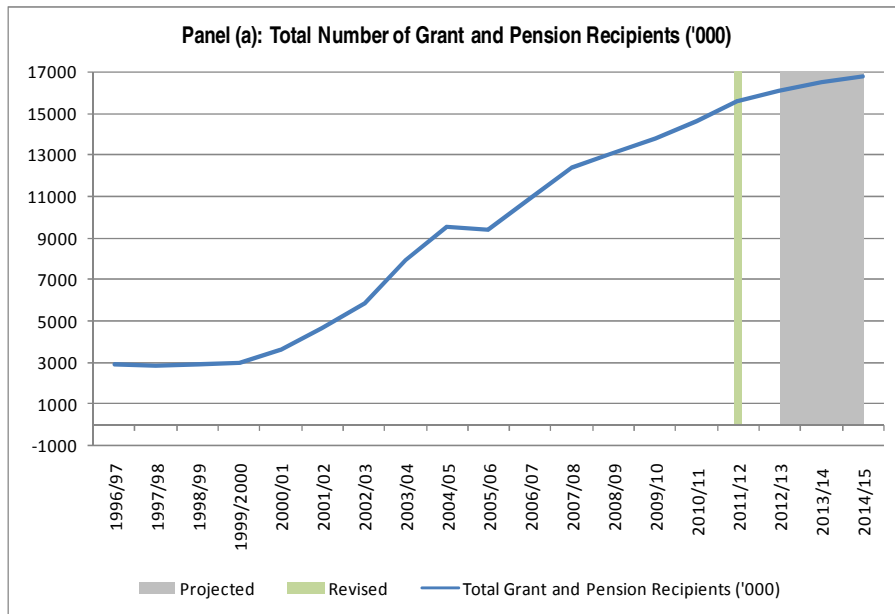
7. The new government had high aspirations, considerable moral and political authority, but little experience.
8. The state was fractured, technically unfit to cope with the potential demands on its services.
9. Furthermore, the emerging constitutional dispensation was foreign to the culture of all stakeholders, old and new!
10. Institutionally, the entire framework had to be redesigned and developed...
11. In short, SA was much like an airplane that had to be fixed during flight! There was no luxury of time, or prior experience!

Key Trends Since 1994

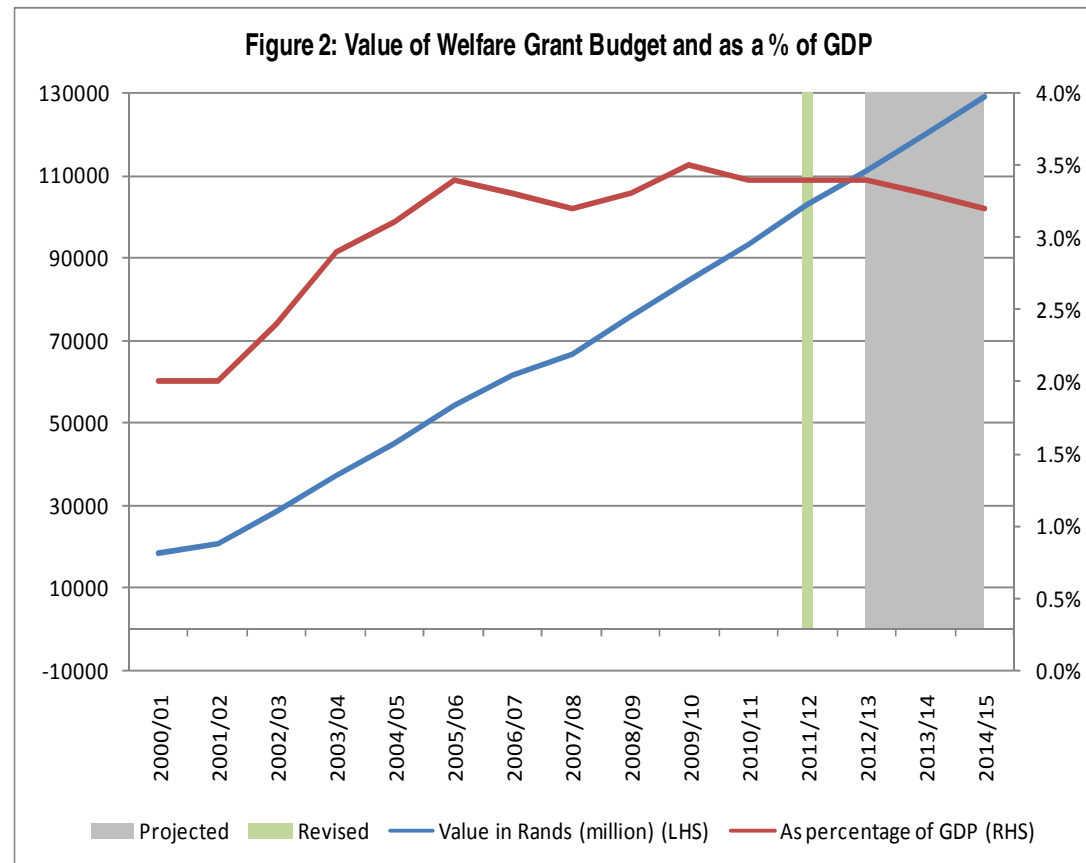
Key Trends Since 1994

Pro-Poor Policies.....

Trends since 1994: Number of Welfare Grant Recipients



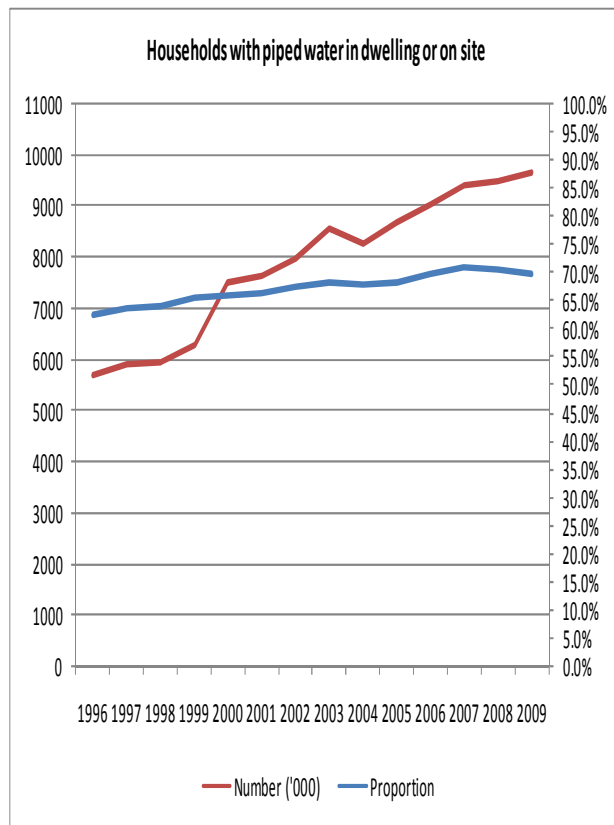
Trends since 1994: Welfare Spend and GDP Ratio



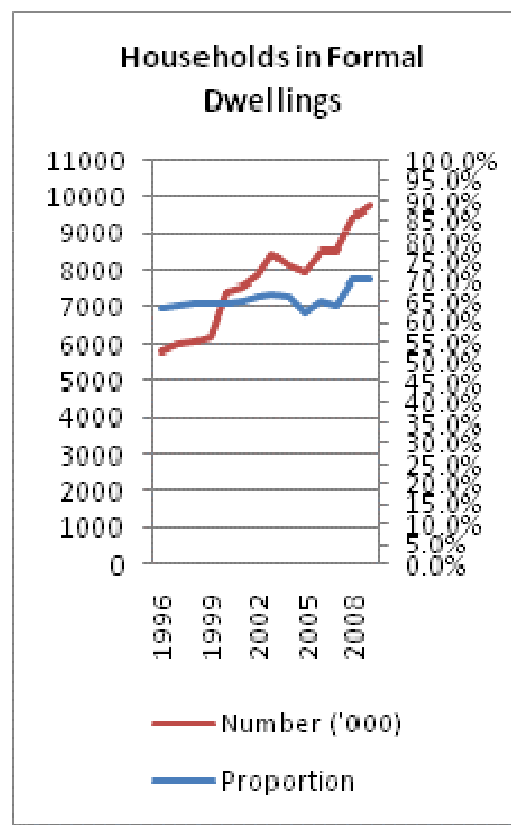
Trends since 1994: Selected Indicators of Poverty Alleviation



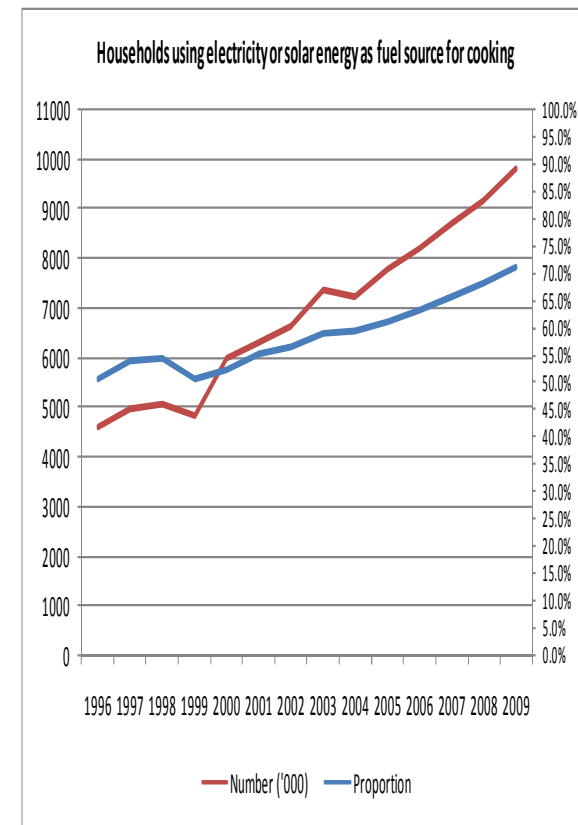
Households with piped water



Households in Formal Dwellings



Households with electricity or solar power



Key Trends Since 1994

Pro-Elite Policies & Interventions...

Trends Since 1994: Pro-Elite Policies and Interventions:



1. “Project Normalization” entailed interventions necessary from a political economy perspective, but all with unintended consequences.
2. The Employment Equity Act (No. 55, 1998), The BEE legislations, and subsequent BBBEE amendments, the policy of “cadre deployment”, the politicization of SOEs, are but examples of interventions that have had considerable pro-elite outcome.
3. The extension of pro-elite into the public sector’s procurement system evolved into a culture of “tenderpreneurship”- with systemic corruptive damage.
4. Globalization of the economy further benefitted the elite, and exacerbated the anti-poor systemic fault-lines....

Key Trends Since 1994

The Upshot for Political Economy Scene.....

Trends since 1994: Income Distribution Patterns Worsened



Per Capita Income Gini Coefficient in South Africa

	Aggregate	Black African	Coloured	Indian	White
1993	0.67	0.55	0.43	0.46	0.42
2000	0.67	0.61	0.53	0.50	0.47
2005	0.72	0.62	0.60	0.58	0.51
2008	0.70	0.62	0.54	0.61	0.50

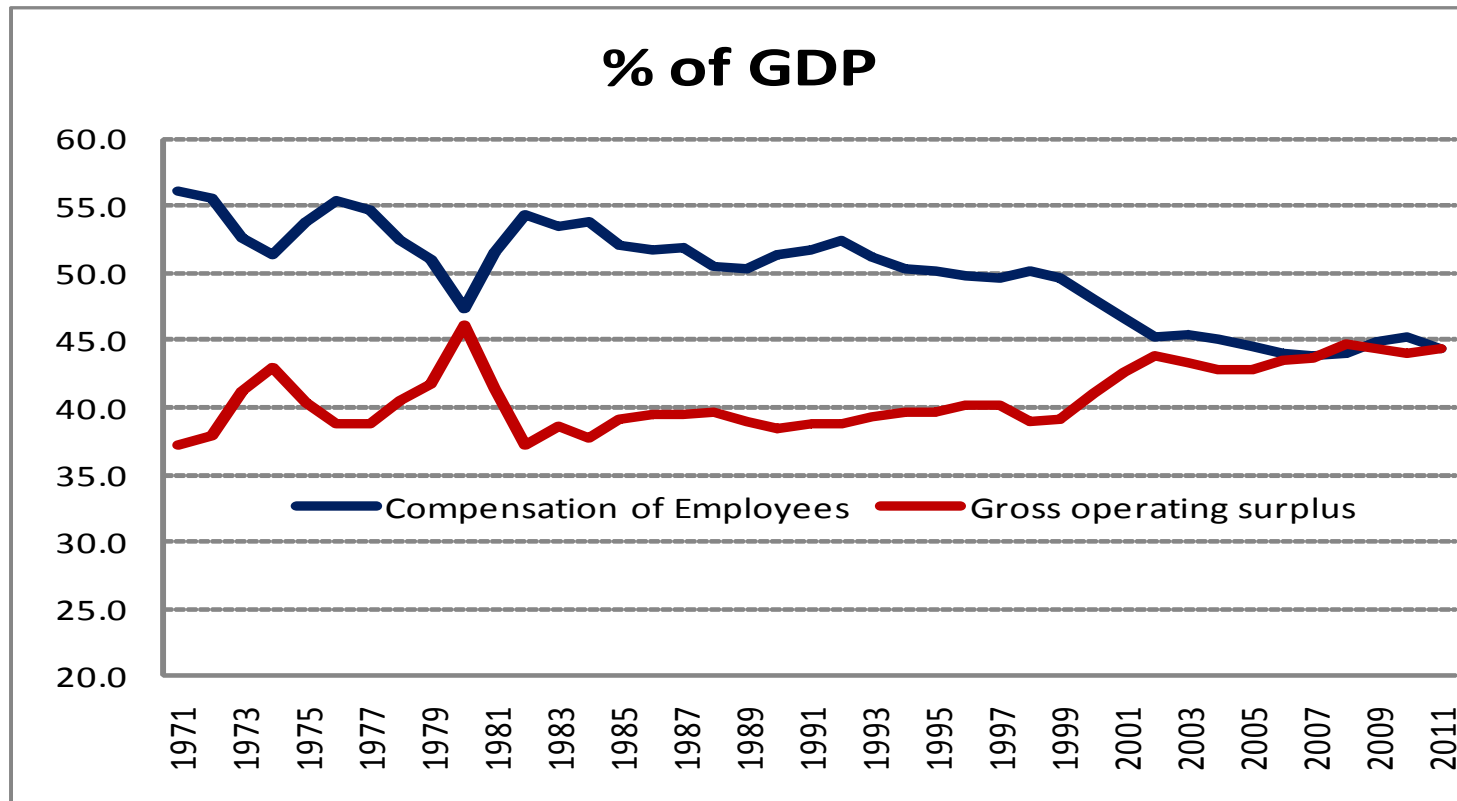
Source: PSLSD (1993), IES (2000, 2005) and NIDS (2008): Calculations by Leibbrandt, M. et al.

Trends since 1994: Why Poverty Trends Persist?



1. Policy focus has been on poverty alleviation not on poverty eradication.
2. Sources of poverty perpetuation are allowed to persist. These are:
 - a) Failed education and training policy (HRD framework) in the face of rising skills-intensity of the economy....
 - b) Inefficient public sector operations...
 - c) Over- politicization of the public sector at all levels of management.
 - d) Rampant abuse of public resources via corruption as well as wastage.
3. The emergence and deepening of “value deficit”; driven by ever-spreading ‘duality of values’ across the society.
4. The technology meanwhile drives automation....

The economy has become more automated..



Source: South African Reserve Bank

Concluding Remarks



1. The political economy of development is complex and often unpredictable, riddled with domestic and external tensions.
2. South Africa's developmental path is captured by short-term political dynamics.
3. The old structural factors are compounded by the new and more complex dynamics of factionalism, political ideology and sheer personal greed.
4. There is a need for an inspired leadership across the various social stakeholders if these obdurate political economy issues are to be resolved.

Thank you for your attention



Trends since 1994:

