

REVIEW

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Constructing a Democratic Developmental State in South Africa: Potentials and Challenges

By Simon Dagut

It would be easy to greet – and dismiss – this book as a good example of a labour saving device much employed by busy academics: the self-refuting argument. Question: 'Can South Africa become a democratic developmental state?' Answer: 'Almost certainly... Not.'

As sometimes happens with edited collections, the better chapters in this book demolish the weaker chapters. More unusually, in this case the process of self-refutation continues within the chapters themselves: the stronger pages in the less-convincing contributions turn on and devour their even weaker neighbours. One might suppose that such books are best left quietly on their shelves. In this case, though, the circular journey of self-refutation takes the reader through a great deal of interesting and important territory.

The book's editor, Omano Edigheji, writes in the preface that 'building a developmental state in South Africa is a necessary condition for it to grow its economy [and] reduce the high levels of poverty, inequality and unemployment.' (vii) In common with several other contributors, the editor seems to take it as self-evident that terms like 'neoliberalism,' 'neoclassical economics' and the 'Washington Consensus' have clear and fixed meanings; that everyone knows precisely why and how these things have been so awful for development; and that all decent people now accept that there is no alternative to the 'democratic developmental state.'

Having established the necessity of such a state to their satisfaction, the editor and those contributors on the pro side of the argument aim to show that such a state can be constructed in practice. First, they find that there is sufficient political will. At the start of his introductory chapter, the editor writes that 'South Africa is better positioned than most late developers to construct a democratic developmental state because, even prior to the current global economic crisis that led to a resurgence of the state across the globe... the ruling party [and] the government had recognised that addressing the developmental challenges facing the country... requires a developmental state.' (1) A sceptic might reply that it is not always advisable to take politicians at their word.

Second, they argue that there is – or at least can be – sufficient capacity. Both the editor and Thandika Mkandawire, in his chapter 'From maladjusted states to democratic developmental states in Africa' rightly emphasise that the actually existing developmental states of East Asia had very large and very highly skilled bureaucracies. They are not too daunted by this. Mkandawire points out that Africa now has 'much better human resources than at independence' and that these could be attracted into government 'with carefully designed policies and improved economic conditions.' (77) Possibly. I am far less persuaded by Edigheji's argument that 'the capacity problem in South Africa might be partly due to the implementation of the Public Finance Management Act, and the "obsession" with the war on corruption as an end goal rather than as part of the general efforts to enhance the capacity of the state.' (7)

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Third, they get round the fact that the developmental states of East Asia were mostly unpleasant right-wing dictatorships by corralling the Scandinavian social democracies into the category of developmental states. Frankly, this is nonsense. The Scandinavian countries are not peripheral late developers. With the partial exception of Finland, they have been thoroughly integrated into the western and central European economy for centuries. They didn't need to catch up – arguably, one reason they're now so rich and equitable is because they were already ahead of much of the rest of Europe by early in the 20th century.

I'm afraid that this is about as convincing as the pro-democratic-developmental-state- for- South Africa argument gets in this book. Those looking for a rigorous and compelling in-principle argument for a developmental state in this country, or for a how-to manual for constructing a democratic developmental state in South Africa will need to look elsewhere.

Instead, readers of this book will find that it amounts to a strong case against trying to construct a developmental state in South Africa in emulation of the East Asian Tigers. Along the way, they will find a lucid and compelling argument about what a capable state should aim to do in the 21st century (something very different indeed from the authoritarian top-down industrialisation policies of the 20th century East Asian developmental states); an excitingly perverse claim that the United States always has been, and indeed still is, a developmental state; a salutary reminder of what life was actually like under the most successful developmental state – otherwise known as the brutal military dictatorship in South Korea; and a truly brilliant empirical analysis of what is wrong with the South African public service.

The first highlight is a chapter by Peter Evans, author of one of most important books ever written on industrial policy and state capacity in developing countries (*Embedded Autonomy*, 1995). This chapter argues that even if one could construct a contemporary South African copy of the mid-twentieth century East Asian state-directed industrialisation policy (which would be very hard), it wouldn't help to move the country up the development ladder. The world has moved on. The fastest-growing, most job-creating sector of the world economy is services, not manufacturing. Governments and bureaucracies that want to push their countries towards developed status should therefore focus on improving the health, education, and skills of their population so that they can compete in the global market for services. As Evans puts it, 'the centrality of services

creates a new set of challenges for the developmental state, forcing the state to focus on people and their skills instead of on machines and their owners.' (42) A highly capable bureaucracy remains essential to development, but it would have to be far more responsive to the needs of individuals and communities than the top-down industrialisation ministries of the 20th century.

Ha-Joon Chang is a global academic star of nearly equal magnitude to Peter Evans, best known for his defence of active industrial policy and tariff protection for infant industries as valuable tools of development. Chang is clear that there is no single recipe for development, but that countries which have successfully moved from poverty to wealth have often had powerful industry ministries, large state-owned enterprises and banks, and governments that did not pay too much attention to the narrowly trained, hyper-mathematical and ultra-orthodox economists pumped out by too many American universities in recent decades. All true.

However, the most interesting part of his pleasantly terse chapter – probably developed from the notes of a conference talk – argues that the United States was a 'pioneer of the developmental state model' from the 1830s at least until 1945, in that the US government protected many industries behind high tariffs, provided generous education and research-and-development subsidies and engaged in 'a fair bit of explicit targeting,' particularly of its transport, agriculture and high-tech sectors. (85) Chang also thinks that the Scandinavian countries are developmental states and suspects France of being one too. It is therefore legitimate to wonder, with Ben Fine's chapter in this book, whether there isn't a 'minor law of economics' that 'whenever there is any development on a national basis, it is liable to be interpreted as reflecting the presence of a developmental state.' (169)

Eun Mee Kim's 'Limits of the authoritarian developmental state of South Korea' artlessly reminds readers who might otherwise get over-excited about the possibility of achieving the 'Korean rate of growth' that the South Korean developmental state was not simply of a matter of firms dancing nimbly to the tune of an especially firm and wise version of South Africa's Department of Trade and Industry. As Kim puts it, 'the authoritarian developmental state was based on... private ownership of industry; state control of finance; state planning; and maintenance of low wages in spite of an expanding economy.' (103) Measures to achieve this last principle included the creation of a vast secret police and the ruthless and often violent suppression of political opposition and trade unions. The pro-developmental

state chapters in this book frequently emphasise that the developmental state they envisage for South Africa would be a democratic one. Excellent. If so, however, who will have the job of explaining to our trade unions and, indeed, to our executives, that it would be appropriate to keep real wages down for a decade or three?

For me, the fourth – and brightest – highlight of the book is a chapter of extraordinary brilliance by Karl von Holdt, ‘The South African post-apartheid bureaucracy: inner workings, contradictory rationales and the developmental state.’ This is based on several years of fieldwork in what would be one of the most important instruments of a 21st century democratic developmental South African state: the public health system. Von Holdt agrees with most modern development academics and practitioners that a highly capable bureaucracy is an essential feature of any successfully developing or developed country. Since such bureaucracies were first described in detail by the immortal Max Weber, they are usually called ‘Weberian.’

Just how Weberian is South Africa’s health bureaucracy? As Von Holdt shows, not very. Rather than focussing their energies on providing an environment in which health professionals can do their best for patients, far too many (perhaps most) South African health bureaucrats are preoccupied with ‘black class formation mediated through affirmative action,’ and with ‘maintaining face.’ They show ambivalence – or even hostility – to skilled people of any race, and reject claims to authority based on skill rather than on bureaucratic hierarchy or political obedience. They tolerate a breakdown of discipline among hospital staff, and they are preoccupied with ‘the rituals of budgetary discipline’ to the exclusion of actual responsibility for their budgets or for health outcomes. This is not the kind of bureaucracy which can run a successful developmental state. Von Holdt’s subtle analysis of the reasons for these distressing characteristics of the health bureaucracy is essential reading. (The book is available as a free download from www.hsrc.ac.za. I urge readers of *Focus* to lose no time in downloading and reading this chapter.)

Anthony Butler’s ‘Consolidation first: institutional reform priorities in the creation of a developmental state in South Africa’ is another valuable chapter. It implies that Von Holdt’s picture of the health bureaucracy may be an extreme case of a much more widespread malaise, and calls for sober attempts to maintain and extend the state’s existing pockets of Weberian strength.

Ben Fine’s careful dissection of the developmental state literature, and his robust scepticism about the

coherence of the idea of a developmental state, make his chapter very much worth reading too. Fine makes the uncomfortable, but valid, point that South Africa has already had something that looked a lot like a 20th century developmental state, with its emphasis on national industrial development and its low wages for most workers. Here it was called apartheid.

Other chapters provide information about how Norway’s political system and economy adapted to that country’s oil windfall (interesting, admirable, but surely of limited local relevance); describe South Africa’s competition policy (also interesting, and much more relevant); point out that South Africa has considerable fiscal room for expansion; and express strong – but not strongly substantiated – fears that the existence here of a large and sophisticated financial sector with multiple global links is bad for South Africa’s economic development. One chapter appears to indicate a desire for the southern African region to become a united autarchic People’s Republic run largely in the interests of small farmers.

Yes, but is it good for the liberals?

Some of the people called liberals in South Africa are libertarians, while others are ‘classical liberals’ in the American sense – that is to say, small-government conservatives. Neither group is likely to have much time for a relatively large, capable, and interventionist state. This position leaves them with a considerable burden of awkward facts to explain: why is that development has most often been found in countries with large Weberian bureaucracies and, usually, fairly active industrial policies? Milton Friedman – and the World Bank in the 1980s – used to argue that development had happened in these cases in spite of the state and its industrial policy. I don’t think that’s a plausible line any more.

Those South African liberals who, like me, share the classical liberals’ attachment to individual freedom and responsibility, but who think that in economic terms, ‘liberal’ should mean something like ‘right-social-democrat’, or very wet Tory’ or ‘soggy centrist’ might be a bit better off. I like Weberian states, especially if they’re married to plenty of individual freedoms and responsibilities and include an independent legal system. I also appreciate the emphasis that writers like Chang, Evans and Mkandawire in this volume (and Amartya Sen, Dani Rodrik and others elsewhere) place on the value of open deliberation, experimentation and flexibility in constructing the bureaucracies and policies that could make life better for most South Africans.