

V(iolent) democracy in South Africa: the end of 'strategy 3'?

V-Dem & FES workshop

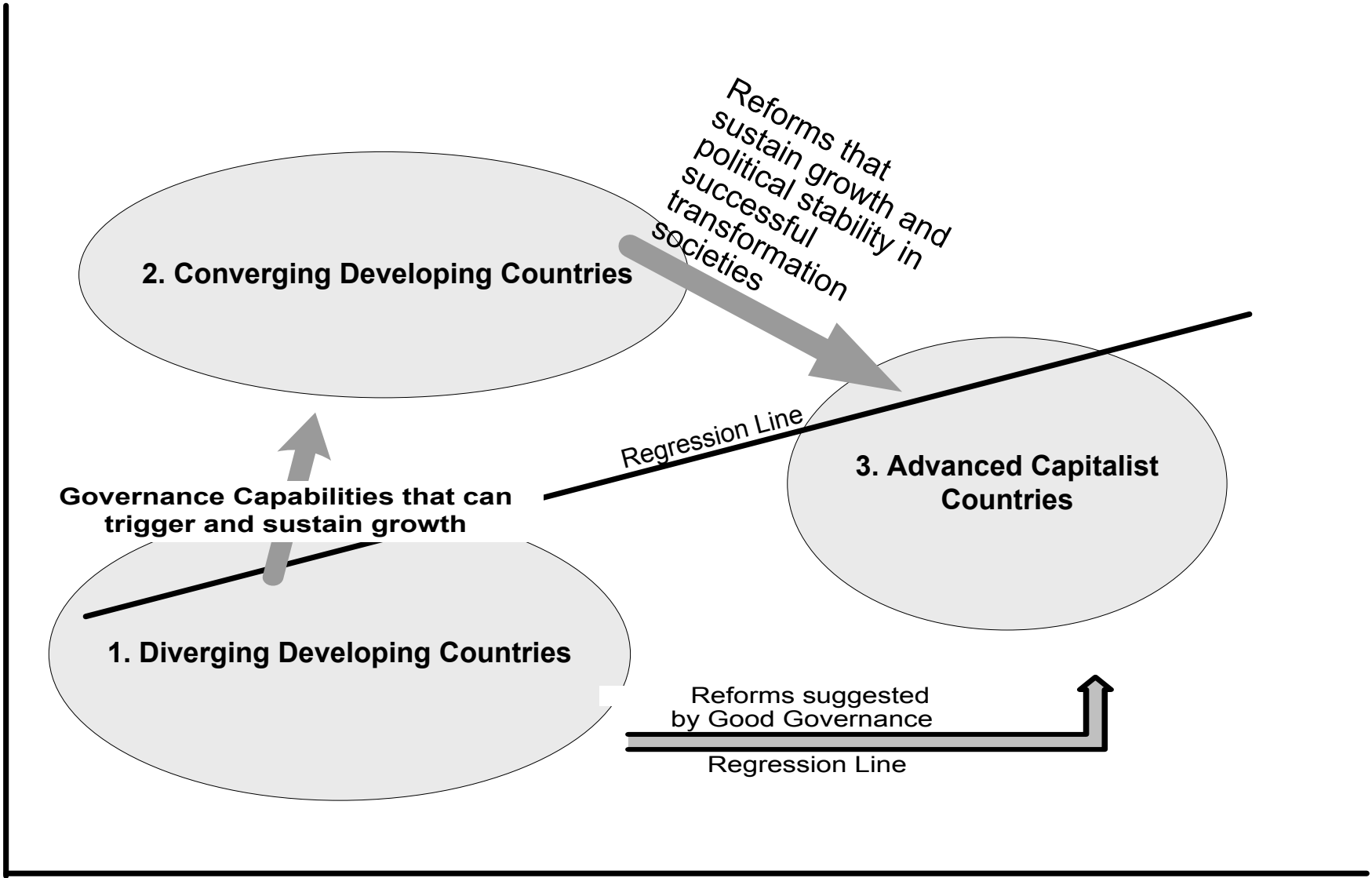
VIP hotel, Maputo – 24 May 2017

Nicolas Pons-Vignon
SEBS, University of the Witwatersrand

Challenges to the GG agenda

- Developmental state paradigm (Amsden, Wade inter alia), and Meisel study on France (2004), show that ‘improper’ institutions have been at the core of successful take-offs
 - “Getting prices wrong”
- Growing challenge (Khan + Meisel & Ould-Aoudia) on the sequencing of ‘take off’ and institutional reform

Growth Rates



Good Governance Score
(Democracy, Corruption, Stability of Property Rights)

Violence & social order

- NWW(W) have taken on board this criticism (2009; 2012): the “two problems of development”
- Weberian model of democracy does not capture democracy in developing countries: LAO vs. OAO
 - first explicit recognition of structural differences in the politics of developing countries in mainstream institutional economics (others had apparently recognised this a while back)
- Reconsidering rents – they *can* be useful, and politics matter
- LAO is defined as an order that controls violence by creating rents for privileged individuals. The rents are created by limiting access to resources
- And guess what:

Attempting to skip these steps and focus instead on the transition from an LAO to an OAO is more likely to fail than succeed. Simply taking elements of OAOs and transplanting them into LAOs – including open access to markets, new legal systems, and democracy – does not seem to work. (2012b: 27)

V for violent democracy

Where the prevailing political form – in this case democracy – has insufficient capability to sustain or regulate the given social order, violence comes into play. Where the economic structure and its power are grossly inequitable, democracy necessarily becomes unresponsive to the plight of the poor, and cannot sustain order without violence, while the clash between inclusion and exclusion produces the violence of the poor. *Where democracy clashes with the system of power through which the order of patronage is organized, violence comes into play.*

(Von Holdt, 2014: 148)

Strategy 3

The basic political dilemma for any oligarchy determined to hold on to such degrees of inequality (or even to increase it) is how to construct a winning strategy that is sustainable when in a democracy – given the fact that the oligarchy forms such a tiny minority, and that the distributional outcome that it seeks is so remarkably unequal...

‘Strategy 3’ consisted of trying to stabilize the distributional outcome at a level at which the elite could sustain most of the gains achieved during the dictatorship. Despite being a political minority, it succeeded in doing so...

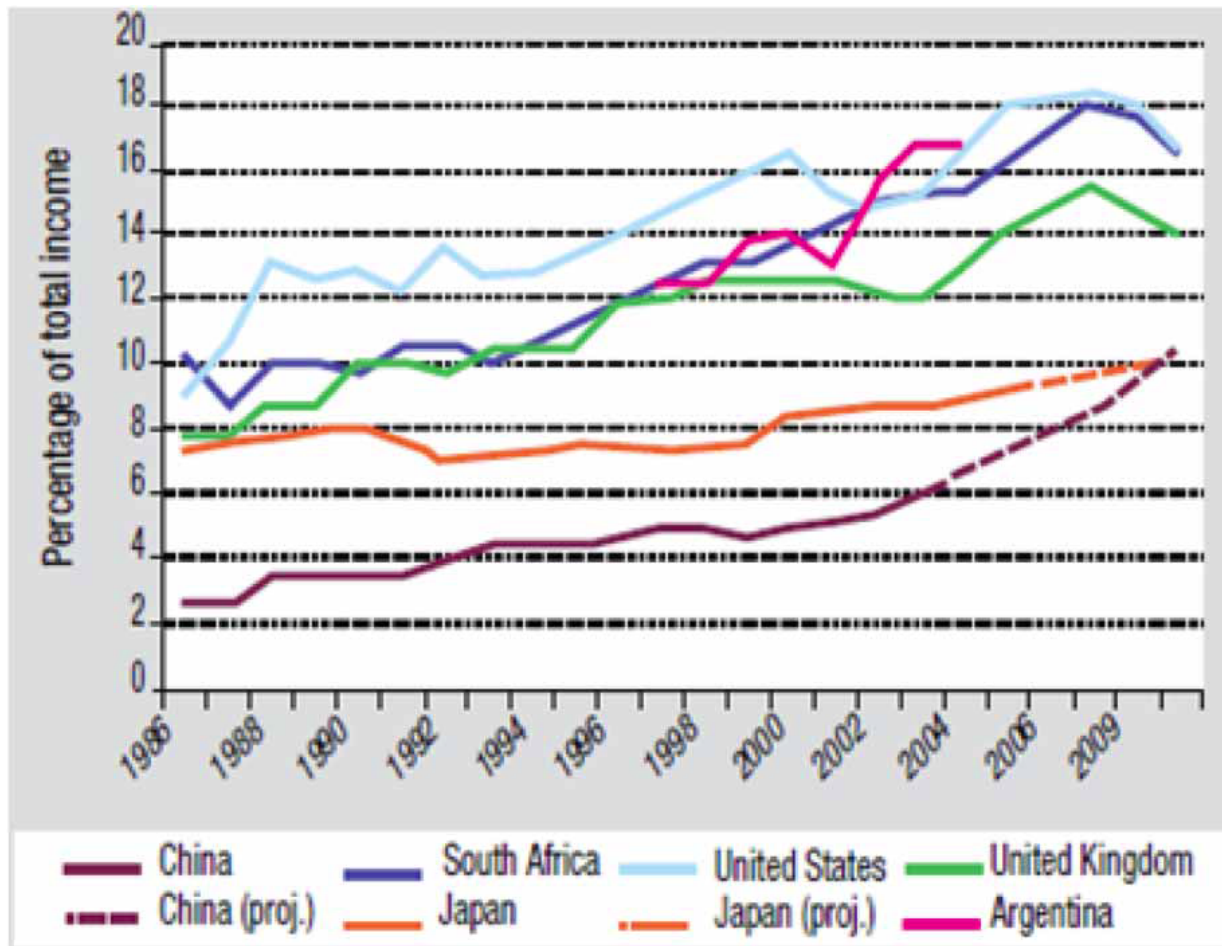
The capitalist elite succeeded during this period in building a hegemonic consensus of the supposed advantages of ‘free-market’ distributional policies. The key question is why it was that a centre-left coalition, with clear majority support, could do so little in distributional terms. In other words, why was ‘Strategy 3’ so successful for an oligarchy operating within a democracy, even though it was a political minority?

(Palma 2011, 133 et 136; cited by Pons-Vignon & Segatti 2013)

The mask

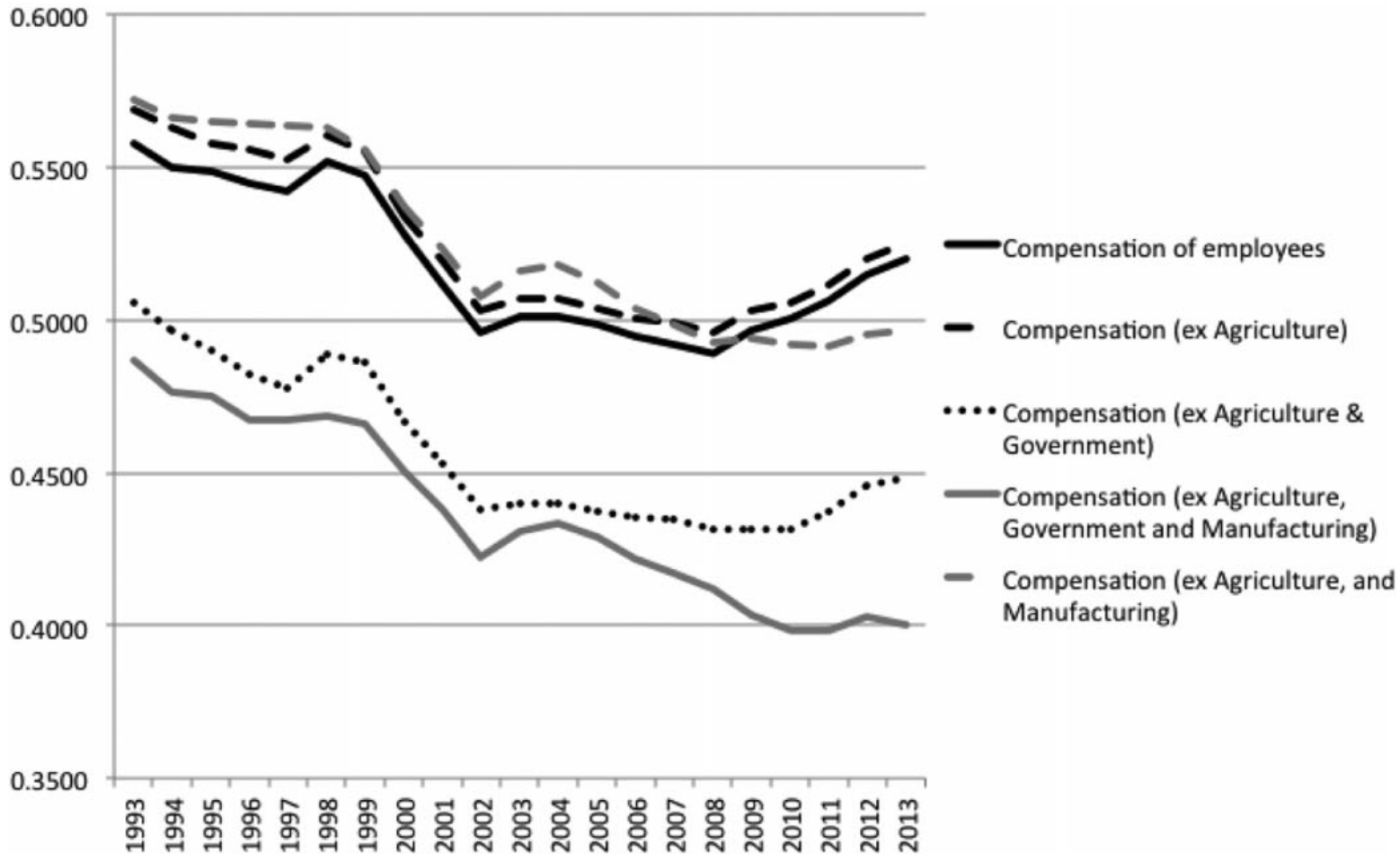
- ANC political discourse: the National Democratic Revolution / the two-stage transition
- Hirsch (2005) and the three pillars of ANC policy
 - East Asian-style developmental state (= exports)
 - Northern European-style welfare state (= grants)
 - within rigorous macro-economic parameters

Share of total income earned by the top 1% in selected countries



Source:
UNCTAD
2012

Share of compensation of employees in GVA



Source:
Burger 2015

A developmental state?

- Sluggish growth since the late 1960s
 - Brief exception in early 2000s but driven by middle-class debt-fuelled consumption (Mohamed 2010)
- Low investment/GDP ratio, well below other middle income countries (around 15% on average)
- IP (except for autos & arms deal) only from late 2000s
- But even for autos and arms deal: no RCMs – hence no IP!
- Significant premature deindustrialisation (Tregenna 2012 & 2015)
- *The art: export promotion via trade liberalisation*

A welfare state?

- World's highest GINI; enormous wealth inequality (top 10% command 90% of assets)
- Unemployment+ hovering around 35%; with very low LF participation rate (56.8% in 2014) and no peasantry / small informal economy
- Extensive casualisation of labour, reproducing prevalence of working poverty for the majority: 57% of workers earn below the 'working poverty' line (Finn 2015)
- Poor healthcare & education & transport provision for the majority
 - *Rising* maternal mortality rates in many areas
- *The art: grants (child/old age/disability) – but even that is under serious threat of collapse*

SA macro-economic policy: Neoliberalism & financialisation

- Shift to NL policies from the late 1970s
 - Continuity with apartheid exemplified by shared model NEM – GEAR
- Financialisation from the mid-1980s, when 85% of JSE controlled by 5 conglomerates
- Share of finance/GDP rises to 23% (with >40% of the population excluded from banking services)
- Finance accounts for growth in within-wage inequality and largely supports consumption & speculation (e.g. SAFEX)
- No FDI but massive capital flight (21% of GDP in 2007) which has drained SA of capital

NL deepening: a political economy of state capacity

- Initial NL policy shift has been much discussed (Freund 2013 for a review)
- But why did it persist, esp post stabilisation & in light of challenges? Segatti & Pons-Vignon (2013):
 - NT consolidated and reinforced at time of the transition
 - While the rest of government loses capacity rapidly as it becomes a site of rapid class formation *cum* NPM (consulting-itis)
 - Strategic shift of state capacity towards cost control rather than spending [GDCF/GDP at or below 15% consistently]
- Self-reinforcing mechanism: ‘we need to control those incompetent rent-seekers’

A political economy of the SA transition

- Neoliberal deepening has secured the gains of the previous dominant elite (large-scale K formed under the Minerals-Energy Complex system of accumulation)
- While incorporating a *very narrow* new elite in mining and finance (cappuccino), where BEE deals have been concentrated
- Increasing contestation by black middle-class / ‘born free’ – EFF, university protests, etc. – to have a share of the pie
 - Like the ice, the rhetoric is getting thinner: RET for the Guptas?
Or for Rosatom?
- But that is difficult to do given low growth rates and growing ‘predatory’ rent-seeking (e.g. mental health scandal in Gauteng)