
MORE OF THE SAME: PATH DEPENDENCE AND CORRUPTION IN SOUTH AFRICA

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Corruption is not a symptom of a country which has changed too much, but of one which must change a great deal more.

A prevalent story in the public debate about corruption assumes that South Africa solved its problems in 1994 and set off into the future with a clean state. But then greedy politicians took over and began to loot the wealth created by efficient companies and hard-working middle-class citizens. And so the stereotype of corrupt African politicians inevitably wrecking their societies is neatly confirmed.

Fortunately, for those of us who dislike stereotypes, the evidence tells a different story – corruption is, in reality, a continuation of patterns that have developed over decades. The government did not create these patterns, but is responsible for failing to change them.

PATH DEPENDENCE

We can best understand our economic and social reality since 1994 with the economic term “path dependence”. Douglass North takes it up in his landmark work, *Understanding the Process of Economic Change*, which investigates why some economies seemed condemned to continue low growth even when their political or economic order changed dramatically. He argues that societies in transition could be trapped



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on the old path by patterns of thinking, behaviour and social relationships that serve to keep the past alive.

In our circumstances, although power passed from a minority to the representatives of the majority, the thinking, behaviour and networks of the past have remained. In 1994, the economy and society were controlled by an exclusive club to which only whites could belong. Since then, new members have been admitted, but the club remains, and it still excludes most people. This does not mean nothing has changed – people now have many more opportunities and a black middle class has emerged – but the divide between the insiders and the outsiders remains.

The data are well known. The economy

is still dominated by a relatively few large companies; income inequality remains high, perhaps the highest in the world; workers’ pay is eroded by the need to support unemployed family members and by a consumer culture, inherited from our past, that spurs people to borrow money to pay for goods they cannot afford. All this speaks to a reality in which the insiders do well and the outsiders must scramble.

But the way in which black people have been absorbed into the upper reaches of the economy is equally important. The story started in the 1990s when exiled activists began to return. Most had no money, but they were headed for leadership in the government of a society where an upper-middle-class lifestyle is considered a sign of human worth. So businesses began providing the returning exiles with what they needed to make it into the middle class: a house, a car, private school for the children. While nothing may have been asked in return, at least at first, people don’t generally give any problems to those who have helped them.

This pattern expanded. Before long, corporate share options or board positions were on offer. They went not to people who were considered to have a flair for business (most whites believed that only they knew how to run companies), but to the politically

connected who could link the company to the government. And so black people were absorbed into the club. Why did political leaders accept this? The answer is illustrated by the story of Alexandra township, which adjoins well-heeled Sandton in Johannesburg. Because it was one of only a few urban areas where black people could own property, the apartheid state tried to turn it into an area for single-sex hostels only. A residents' committee defeated the plan and then insisted that Alexandra become a garden suburb. Town planners told it this could not be done without displacing thousands of people. The committee responded that the planners, who were white, could live in garden suburbs – why should this be denied to black people? This argument won the day, thousands did lose their homes, and Alexandra became a battleground. The residents' committee wanted the privileges that whites enjoyed under apartheid extended to everyone. But this was impossible and thousands lost out.

In a sense, the moral claim seemed faultless. Why should black people not enjoy what whites have? But what whites enjoyed under apartheid (and mostly still do) could not be extended to everyone: it is what a small minority could afford when they used force to suppress the majority. The real moral challenge was not to ensure that everyone had what the pampered minority enjoyed but to ensure that the minority was no longer pampered. The real question was what people in Sandton needed to do to ensure that people in Alexandra had enough. The question was what non-racial standard should be applied in an unequal middle-income country and what the affluent needed to give up to ensure a fairer and more sustainable economy. The post-1994 political leadership did not ask these questions because it took the same view as the 1980s residents' committee. And so we are left with a “path dependence” that makes corruption inevitable.

INSIDE THE CLUB

Path dependence has ensured that black people seeking to find a way into the market economy substitute politics for business. While corruption is often portrayed solely as the use of public resources for personal gain, it is often an attempt to gain access to private wealth by holding public office. At the grassroots, the difference between serving as an elected councillor and losing that position is often the difference between being middle class and falling into poverty. And so people hang onto their seats – and may use them to accumulate resources – because they have no economic alternative. Higher up the ladder, black people who want to make their way in business are often blocked because they are not part of the insider networks. Knowing that political office can get companies' attention, they do everything they can to gain and hold onto it.

In some cases, corruption does not result from a link between individuals and corporates: networks, in which public officials work with their own private networks (illegal and legal) for mutual gain, are very common. The corruption that is blamed on a few politicians in the governing party is often based in these networks. An example is the turmoil at the South African Revenue Service (SARS). Officials who were seen as effective lost their jobs, and a common explanation held that President Jacob Zuma was weakening SARS to prevent it scrutinising him. But court papers show that networks that included public officials, private companies and a tobacco smuggling ring were targeting officials who investigated them. This pattern is repeated in many parts of government.

Contrary to the conventional story, corruption is not purely a public sector problem: one of the few iron laws of society is that it is impossible for public officials to bribe themselves.

While some officials do help themselves to public money, the core problem is links between the private and public sectors to accumulate wealth at citizens' expense. Corruption may be South Africa's only effective public-private partnership.

In some cases, corruption is a direct product of the economic club's methods of recruitment. But even when it is not, the behaviour of public and private insiders colluding to defraud the public is consistent with a path where the route to wealth is not skill or energy, but connections.

BEYOND THE CLUB

This analysis suggests that corruption is likely to stay until the economic patterns of the past are broken. Changing the pattern requires a period of negotiation between the key economic actors to agree on what needs to change to ensure more inclusive growth. Since it is highly unlikely that any private interests will initiate this, it will not happen unless the government takes the lead, and it has thus far failed to develop and implement a strategy to do so.

But South Africans cannot be expected to wait for a lengthy bargaining process before they are protected from corruption. Action is needed now. What this would entail cannot be fully canvassed here, but what the government does may depend on what private actors do. Corruption must become an ethical issue in the formal economy. Some pioneering business figures have begun to insist that business ethics require an attack on corruption, but progress will depend on whether they can persuade key business actors.

Beyond that, the cosy club that produces corruption will not police itself, and the elites who benefit from path dependence will need prodding from below to mend their ways. It is the citizenry – those parts that are organised enough to do so – which will need to launch the campaigns that will force the insiders to change. **NA**