

THE COMMERCIALISATION OF POLITICS AND HAZARDS OF STATE CAPTURE

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What we should think about when we think about state capture.

When considering issues of state capture, most discussions pertaining to patronage, patrimonial or neo-patrimonial networks tend to be associated with failed or failing states. It is important, however, to consider the fact that, although South Africa is currently contending with these issues, ours is not a failed or failing state. This is because the South African state is

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able to exercise full administrative control over its territory; it is able to successfully maintain a monopoly over violence; and finally, it is able to consistently provide public goods to its citizens.

But this in turn should not suggest that issues of state capture are unimportant. The emergence of debates, discussions and engagements pertaining to state capture and associated patronage networks require us to question and critically examine the potential impact such networks could have on the South African state, economy and society. We also need to consider the repercussions of not dealing with these issues in a coherent and very direct manner.

The recent *African Communist* editorial note, “The Guptas aren’t the only threat to our NDR”¹, takes us significantly forward in deepening the current discussions around state

capture and the national democratic revolution (NDR).

Importantly, the editorial debunks the conspiratorial angles that have been peddled largely through ANN7 and *The New Age* that the recent backlash against state capture has been sponsored by so-called white monopoly capital (Ruperts, Oppenheimers, etc.) and, even worse, that Treasury functions – and that comrades such as Pravin Gordhan and myself have been inserted in our positions – to safeguard the interests of white monopoly capital.

In a similar but different take, others like Numsa’s Irvin Jim regard “state capture by the Guptas” as a lesser danger than white monopoly capital, which he crudely argues has long captured the state. In dealing with Jim, the editorial critically shows the relationship between the Guptas (and what is referred to as their “smash and grab parasitic agenda”) and so-called white monopoly capital (who are deeply entrenched in reproducing our current system of accumulation). It correctly argues that the “smash and grab” phenomenon ultimately weakens those state institutions charged with managing and transforming the economy, and thereby undermines its capacity to discharge this core strategic task.

I would argue that two areas of focus that the editorial touched on require further development to deepen

our analysis of state capture and its implications for the NDR.

UNDERMINING THE STATE

Firstly, *we need to better understand how state capture is weakening the developmental state*. State capture undermines the efficiency of the state, especially in instances where there is a direct relationship between state capture and corruption. This is particularly significant in the context of our current fiscal challenges. It happens primarily through the state paying more than it needs to for outsourced goods and services (what I would call a “patronage premium”); through goods and services being outsourced that could and should be done in-house by state employees; and through extensive delays and additional costs (including litigation costs) arising from non-compliant procurement decisions being challenged. Treasury’s efforts to centralise procurement is an attempt to cut back on these inefficiencies.

Secondly, state capture undermines the effectiveness and impact of the state. This happens through poor quality services and public goods being delivered by patronage networks and less-than-capable service providers; through sub-optimal economic impacts being derived from beneficiaries of state resource extraction licenses; through fiscal resources being redirected away from the provision of public goods for the poor or from value-adding economic endowments and towards servicing some or other patronage network; and by weakening state capacity through the appointment of pliable but less than capable people in key positions (especially in finance and procurement, but also as accounting officers and even political office bearers).

Thirdly, state capture undermines the legitimacy of the state and, by implication, our movement itself. This happens through governance and rules being flouted with, at best, only



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partial accountability and consequence management. In the context of a very capable and transparent auditing function in the auditor-general of South Africa, a robust public protector, and a vibrant (what some may call a hostile) media, our inappropriate transactions do not escape the public eye, nor the eye of other influential players such as the ratings agencies. This is a two-sided sword. The fact that our dirty laundry is on public display reflects as positively on the robustness of our democratic and watchdog institutions as it reflects negatively on our own integrity. But there is no escaping the fact that it seriously undermines our ability to lead society through the current phase of the NDR.

In the worst scenario, political office can become associated with possibilities for personal wealth accumulation: what is often referred to as the “commercialisation of politics”. This could have the effect of changing the focus and practice of politics away from driving fundamental socio-economic transformation (as envisaged in the Freedom Charter) towards managing national and transnational business networks that service the wealth acquisition of a politically connected elite. This is a grave danger that we must not allow to infect our movement.

A more sensitive issue that the movement needs to better regulate is the role of business in party funding. We must recognise that we do not have access to historic accumulated wealth (endowments and the like) and that established capital is not ideologically oriented to funding us. This means we rely significantly on new wealth, some of which is acquired through state levers. This should not allow slippage in state accountability and control systems (procurement, etc.), and we need to intensify our vigilance in cases where party funding is associated with abusive personal enrichment and the undermining of state efficiencies.

STATE, CAPITAL AND THE NATIONAL INTEREST

The second big issue relating to state capture is that *we need to understand how the relationship between state and capital can be better regulated in the national interest*. Here we need to locate our position conceptually. Instrumentalist interpretations associated with more orthodox Marxism see the state as always acting in the interests of the capitalist class. Antonio Gramsci, through his concept of hegemony, provides a far more helpful framework to understand the state in capitalist society. In his conception, the state is a site of contestation, mediating and eliciting trade-offs among the contending classes (albeit in the last instance to protect the interests of the ruling class). Nicos Poulantzas further develops this approach with the observation that the capitalist class itself is not homogenous in its interests, but is comprised of various fractions of capital that compete for state power and influence. The French regulation school (Michel Aglietta, Alain Lipietz, etc.) built on this by explaining how systems of capital accumulation (the regimes of accumulation) are regularised and stabilised through institutional laws, >>



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norms, policies and practices (the mode of regulation). These are not always in sync and result in ongoing crises and transitions.

While time does not allow this brief reflection to comprehensively apply this framework to South Africa, the point must be made that any discussions about state transformation and function must be linked to broader discussions about the system of accumulation we are simultaneously regulating and transforming (and the contradictions entailed therein). We should also dig out of our memory banks those old Marxist discussions about “base” and “superstructure”, and in doing so avoid the pitfalls of both economic determinism and voluntarism.

As a democratic developmental state, we should be realistic about the ways in which our inherited system of accumulation (built around the minerals-energy-finance complex) structures the policy choices we have at our disposal. At the same time, we should appreciate that the state, underpinned by an alliance of progressive forces, including patriotic capital, can make significant changes within the mode of regulation that will trigger changes in the system of accumulation.

In practical terms, this suggests that we should be engaging more – not less – intensely with capital (and particular industrial segments) to ensure we rapidly address our core structural weakness of exporting primary commodities and importing value-added manufactured products. South Africa remains overly dependent on external sources of growth rather than its own internal engines of growth. This in turn makes the economy extremely vulnerable to factors beyond its control, such as the global commodities demand, the monetary policy of major economies such as the United States, and the risk appetite of bond and equity investors.

South Africa could significantly grow output, jobs and exports in existing and new sectors and industrial segments in manufacturing, the agricultural value chain, services, energy and infrastructure. But this will not happen unless we rethink and implement new models of economic governance, in which the state and capital (or fractions and segments thereof) move beyond traditional paradigms towards a system of reciprocal incentives and trade-offs, in the national interest, aimed at growing jobs, investment and revenue, and addressing barriers to entry and bottlenecks to new ventures.

At the centre of this new economic governance model must be a clear and decisive system for distributing rewards and costs. Trade-offs will need to be facilitated between the state and capital, between foreign and domestic capital, between corporate capital and SMMEs, between established industry players and new entrants, between capital, labour and consumers; and between the formally employed and unemployed. Such a model will also mitigate against the more commonly associated economic policy failures – including capture and rent-seeking by corrupt interests, crowding-out of investment, and misallocation of resources (picking losers).



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In line with current thinking on the developmental state, a shift to this approach will require new and heightened levels of political maturity, as well as more centralised and streamlined economic policy co-ordination and authority. It will also require new state capabilities to be developed and sustained over time in critical areas such as industrial policy design and implementation, trade and market intelligence, public investment structuring, and transaction and project management. The state also needs to be further embedded in an alliance of popular and progressive forces to regain legitimacy and avoid narrow capture.

A failure to more deliberately transform our inherited system of accumulation could potentially compromise national sovereignty. Dealing with the current issue of state capture is a critical first step in this journey. To do this we also need some thoroughgoing political, ideological and organisational introspection. NA

NOTES

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“The Guptas aren’t the only threat to our NDR”, *African Communist*, 1st Quarter 2016. Available at <http://www.sacp.org.za/main.php?ID=5261>.