

THE STATE AS ENABLER AND DISRUPTOR

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The structure and focus of the state can be mobilised to enable real transformation and to disrupt a dysfunctional status quo.

The term “developmental state” was coined in the 1980s to describe the state-led economic machine that was post-WWII Japan and evolved

to describe the rapid development of the Asian Tigers and then Latin America in the early 2000s. It is now applied across Africa, and in southern Africa in particular, but with a crucial modification. The African developmental state must not only lead the full scope of social forces to realise economic growth: it must also directly confront and redress the inequalities and social imbalances bequeathed by our colonial past.

It is crucial to interrogate whether South Africa is indeed putting in place such a purpose-driven, coherent state machine. My answer is that we are not. We are, instead, increasingly structuring ourselves as a “bureaucratic state”. A range of radical measures is required to put the state at the heart of the transformational process, most notably in a leadership role.

This article begins with a conceptual overview of the developmental state, its mission and limitations. It then turns to the imperatives of development in South Africa and three examples of how the structure and focus of the state can enable or disrupt real transformation, with respect to education and skills, political economy of space, and energy mix.

A PURPOSEFUL INSTRUMENT

We can describe the developmental state as a purposeful instrument that enables a specific set of macro-

economic goals by cohering the various levers of state to achieve them. While not exhaustive, this definition provides a starting block for our purposes.

In the early- to mid-2000s, a range of useful thinking considered the developmental state in a southern Africa context. Beyond the goals of GDP growth and macroeconomic development, the state’s purpose was shifted specifically to remedy the imbalances wrought by the colonial and apartheid eras. This gives the developmental state a redistributive agenda: at the very least, a much more pronounced emphasis on uplifting the economically dispossessed and socially deprived.

The African National Congress (ANC), as the governing party, through the various iterations of the Strategy and Tactics document, assigned the state an aggressive and critical leadership role in realising the aspirations of the national democratic society – one that is truly non-racial, non-sexist and prosperous.

This poses a two fold challenge: firstly, how the state machinery can be harnessed to a specific set of macro-economic goals (and to mobilise non-state actors to follow suit); secondly, to envisage the necessary processes for a combined goal of economic growth and increasing equity.

After two decades, we can assess what kind of state machinery we have been building. Have we worked >>

towards a state that can lead the wider social forces to realise complex transformational goals, or are we constructing something quite different, which answers to different masters?

We must recognise that most state administrations remain hostages of the twentieth-century German sociologist Max Weber. Weber idealised the professional bureaucracy that emerged in Europe in the mid-nineteenth century as a critical platform for the management of modern public affairs. Its organisational design emphasises a tightly structured hierarchy to drive decision-making, with clear lines of procedural controls and prudent stewardship of state resources. (I suspect that this is a definition the auditor-general would still find quite pleasing.)

A bureaucratic state honours important principles such as accountability and transparency, and promotes efficiency in well-understood and predictable public tasks like collecting garbage every Monday. But it is a poor platform for innovation – and innovation is precisely what is required for the complex transformational tasks we have assigned to the South African developmental state.

At the same time, this analysis by no means suggests that the developmental state should tolerate inefficiency or lack of accountability. Quite the opposite. The bureaucratic state is not the antithesis of the developmental state: both models can promote strong, results-driven management and clear organisational accountability. But the difference in their foundational principles is enough to have profound consequences.

When we are transparent, accountable, well organised and prudent – by the King III Report on Corporate Governance or any other measure – we have met the highest standards of the bureaucratic state. But the developmental state requires

us to go much further, often into uncharted territory for the public sector. It requires a different kind of state organisation and a different kind of state practitioner.

We can start by considering more precisely what we need this new kind of state organisation to do, a question that is addressed in the National Development Plan 2030 (NDP). The document dedicates a full chapter to building a “capable developmental state”, but focuses narrowly on questions of capacity, professional bureaucracy and administrative



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efficiency. It is a fair description of what we expect from a bureaucratic state, but it does not get to the heart of specifying how the developmental state should operate.

By definition, the developmental state cannot be goal-agnostic. The NDP’s nine defined areas of intervention provide specific content to the goals of the state but need further elucidation, specifically in terms of what a capable developmental state would do to realise these goals.

This paper will address this with respect to education and skills, political economy of space, and energy mix, but first we must frame all of these within the broader developmental goals we assign to the state machinery.

We must be clear that, unlike the bureaucratic state, the developmental state is not a politically neutral

institution. As the Australian political scientist John Wanna notes:

Every stage of the policy process is political (the design phase, the action phase, and the review phase) ... By definition ... policy is inherently political because governments are attempting to change circumstances that would otherwise prevail. Policy has a political purpose: it is aimed to effect outcomes in politically sanctioned directions. (Wanna et al, 2010: 54–55)

The capable developmental state must recognise and harness the productive impact of such tension, building political calibration into its operations and making it the animating spirit with which it directs the symphony of resources and interest groups in the realisation of defined goals. It must also be effective in building and maintaining relationships:

Politics is not solely about decisive capacity or administrative capability but also about building relationships within and between institutions and organisations, with communities of interest and even between individuals ... Policy-making does not stop when implementation starts. (Wanna et al, 2010: 56, 326)

WHAT RADICAL MEANS

The Nobel prize-winning economist Amartya Sen, author of *Development as Freedom*, defines development as a process of enlarging people’s choices, capabilities and freedoms so that they can live a long and healthy life, have access to knowledge, a decent standard of living, and participate in the life of their community. Development should not be judged solely on the basis of income.

The base document of the 13th Johannesburg Regional ANC Conference provides a clear theoretical framework for how the state can act as a disruptor of closed, unequal markets and an accelerator of radical socio-economic transformation. As Thabo



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Mbeki declared in his famed 1978 speech, “The historical injustice”,

We must, by liberating ourselves, make our own history. Such a process by its nature imposes on the activist the necessity to plan, and therefore requires the ability to measure cause and effect; the necessity to strike in correct directions, and hence the requirement to distinguish between essence and phenomenon; the necessity to move millions of people as one man to actual victory, and consequently the development of the skill of combining the necessary and the possible.

The injustice he spoke of began with the economic disenfranchisement of the many. Mbeki drew on Marx’s piercing “base-superstructure” argument that the organisation of a society’s economy determines how the social structure of that society works: the economic base determines the social superstructure.

Furthermore, as Thomas Piketty argues so convincingly in *Capital in the Twenty-First Century*, deepening inequality has proved so persistent precisely because the returns to capital (ownership or equity value) historically and increasingly exceed the returns to labour. In other words, those who own firms that serve a growing economy or have cash reserves to invest will consistently earn more than those who are merely employees, however high and far they strive. This challenges Simon Kuznets’s widely influential theory from the 1950s that, over time, returns to capital and labour will be equal, which has been used to refute the need for state action to correct deepening inequality.

To ensure that a rising tide will indeed raise all boats, as Kuznets and his followers believed, wider participation in the economy at the value-sharing level is critical. Radical change in the economic basis of society must be achieved by removing barriers to entry for all classes, races and genders, and particularly the poor, and by spreading economic activity in ways compatible with the trade relations – person to person, firm to firm – that have always been the lifeblood of everyday prosperity.

Being radical does not mean dogmatic adherence to established notions of progress, however long-held. Being radical is by nature both disruptive and pragmatic. In our context, being radical should mean an aggressive departure from the status quo to enable – and where necessary, to force – rapid, sustainable and meaningful change to the restricted conditions of people’s lives and the socioeconomic systems that produce these conditions.

It means recognising that we must liberate our people to be economic agents, using those powers available to the developmental state, and those it might acquire through appropriate motivation and policy change, to

engineer shifts in the balance of forces that drive the economy, social conditions and the state itself. Through changing the base of economic life – by promoting access to markets, access to space, access to the city – we can enable the changes in the social superstructure we so desperately need to see.

This approach follows paths that have been cut by some of the most influential development economists of our time. Hernando de Soto (2000) has demonstrated that the bedrock conditions of widespread economic upliftment are economic title and formal economic participation by those who currently trade and live informally. CK Prahalad (2006) famously urged business and governments globally to seek “the fortune at the bottom of the pyramid” by empowering the poor as economic agents, both consumers and producers.

This also dovetails with the insights of David Harvey (2008), the noted champion of urban diversity and the liberatory potential of cities. He advises us that the way to unify our ideological and practical positions is

to adopt the right to the city as both working slogan and political ideal, precisely because it focuses on the question of who commands the necessary connection between urbanization and surplus production and use. The democratization of that right, and the construction of a broad social movement to enforce its will is imperative if the dispossessed are to take back the control which they have for so long been denied, and if they are to institute new modes of urbanization ... [T]he revolution has to be urban, in the broadest sense of that term, or nothing at all.

The state must continue to mobilise society to participate in the processes of governing and development in order to realise a more equitable city. In this paradigm, its key task is the continuous pursuit of policies to transform >>

apartheid relations of production, with emphasis on bettering the lives of the poor and the vulnerable.

Disruptor/enabler 1: political economy of space

Flowing from the NDP, we can look at three specific examples of how the state can disrupt conditions that hamper development and enable conditions that accelerate it.

Our towns and our major cities alike remain museums of apartheid spatial morphology. Johannesburg, for example, remains the largest metropolitan centre and continues to attract migrants – both national and cross-border. Notwithstanding the difficulties associated with predicting the number of foreign migrants in the city, Johannesburg has become increasingly diverse and cosmopolitan.

Certainly one of the most striking trends to emerge from the 2011 census was the migration from other provinces to Gauteng, and Johannesburg in particular. Between 2007 and 2011, the province received 568 000 net migrants. This arguably represents a flight to economic opportunity, but it is also clear that the flight of low-skilled working-age individuals from other provinces will increase the populations accommodating them informally at the urban periphery.

In the political economy of space, mobility determines access to the city. The cost of accessing economic activity is a major determinant of where someone can afford to live, and is the lock-out factor for those seeking to be active in the city's economy without significant means at their disposal. Those located at the periphery incur transport costs equivalent to 25 to 30 percent of their monthly expenditure – and as high as 40 percent for certain groups. Gauteng Household Survey data show that these costs are highest (as a percentage of household budgets)



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for households with monthly incomes between R400 and R10 000 per month, who will struggle to access the urban core as residents of better-located areas because of the costs of housing.

The Corridors of Freedom Programme is the leading edge of an approach that must ultimately alter the spatial destiny of Johannesburg. Left to the forces of the market alone, the poor would be cast to the edges of the city, renting shacks on the informal market, huddled together in high-density settlements that far exceed the capacity of the utilities installed to serve them, and trapped by the mobility cost conundrum. These settlements would be distant from the highly developed, low-density urban zones where wealthy peoplerside on highly valued private property, with the working and middle classes caught in entry-level rentals and gated communities at the urban edge, relying on traffic-choked roads to access economic opportunity.

To an unfortunate extent, this is the emerging Jo'burg reality. To undo it requires government to reshape the political economy of space, by means of public transportation, public environment, the use of state property and incentives to guide the use of space by the private sector. This demonstrates the combination of direct action and social compact that is required to realise developmental

goals. It is, in point of fact, a microcosm of the spatial challenge at the national level. The state must combine the levers it directly controls – programmes, legislation, taxation, and fiscal incentives – with the moral suasion required to bring non-state actors on side with stated developmental goals.

Disruptor/enabler 2: from energy mix to an energy strategy

Energy supply and cost consistently rank amongst the most cited challenges to fostering new business and raising standards of living. Regulators, pundits and commentators alike rally around the concept of an “energy mix”, which – depending on who you ask and in which context – includes coal, nuclear and renewables.

Innovations such as coal-to-liquid fuel conversion are isolated successes; they do not constitute an energy strategy that is clearly harnessed to wider – and more equitable – economic development objectives. The market suffers from a “collective action” problem: it is not worthwhile for any one provider to invest in the platforms and systems needed to bring new forms of energy to consumers. Thus the state must choose which forms of energy it shepherds to market via regulation and incentives and, where necessary, build the distribution systems. Where the state does not lead with enabling infrastructure, the market will not follow.

The market dynamics we choose to enable should take far more account of our strategic endowments, and balance these against the imperative of moving towards a low-carbon economy. Most critically, our energy policy must in fact be an energy strategy, drawing on areas of economic strength to create widespread new

opportunities – for example, exploiting our extensive platinum supply to build the next generation of hydrogen fuel cells. It requires extensive coordination by the state to, once again, form a social compact with the market.

Disruptor/enabler³: academy–economy mismatch

The 2013 World Bank Development Report on Jobs carries an explicit warning to those who place blind faith in educational/skills participation (the supply side of the labour force) without paying at least as much attention to the demand profile for skills in the economy itself.

As with Tunisia before the Arab Spring, such countries can find themselves in a position of reasonably strong economic growth and high levels of university graduation, and yet experience stubborn levels of graduate unemployment. In Tunisia’s case, this was due to cronyism in a public-sector dominated workforce that locked far too many graduates out. It is worth remembering that Mohamed Bouazizi, the young man who sparked the Arab Spring protests, was said to be an unemployed graduate. He set himself alight after the fruit he was selling to survive was confiscated by corrupt officials – in a year when Tunisia recorded 5 percent economic growth and high levels of university enrolment. This is by way of reminding ourselves that education, while critical, needs to operate in full consciousness of its economic context. South Africa has a similar contextual failure: education systems are only partially serving as a preparatory phase of workforce development.

This ties in with a critical argument made by Thomas Piketty. While mainstream economic theory argues that the diffusion of education and skills allows those who cannot rely on inherited wealth to raise their incomes and hence their standard



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of living, Piketty argues that this is not a sufficient counterweight to the advantages of being an owner of capital. Education is a necessary but not sufficient condition to address historical burdens as the economy strives for sustainable growth and development.

The state is best placed to disrupt the existing market, through which all levels of education are provided, and take the lead in evolving better systems to replace it. This entails coordination between the education system, the labour market, society at large and the wider economy, harnessing state institutions to a common coordinated strategy.

It also means a continuous transformation of the system, starting at its present state and advancing to the point where the private sector, qualification authorities and educational establishments are guided by a common workforce development strategy that is linked to specific economic goals. These goals and strategy should make the most feasible and productive use of our natural endowments and strategic advantages as an economy.

In order to “leapfrog” to new forms of economic opportunity, these various forces need to act in a coordinated manner, and the state must lead them. The state must be the coordinator and leader of such a process to ensure that both inclusivity and equity are at the heart of the endeavour. This is another

subset of the social compact the state must facilitate.

The state cannot claim to be developmental if it does not make specific and far-reaching choices on the nature of the transformation it seeks to effect. Our argument here is that the state must act as both the disruptor of dysfunctional (often oligopolistic) markets and modes of provision and the enabler of the socio-economic realities it seeks to bring into being. This cannot be done through direct action alone. The capable developmental state must lead as well as act, forging a social compact with the relevant parties and complementing such partnerships with its own actions in the form of strategically deployed regulation, incentives, fiscal policies and programmes. If we fail in these two very non-traditional roles of the state, South Africa will indeed drift further and further away from becoming a truly capable developmental state.

NOTES

This is an edited version of “Building a capable developmental state: The state as enabler and disruptor”, from the Mapungubwe Institute for Strategic Reflection (MISTRA)’s 20 Years of South African Democracy: So Where to Now? Johannesburg: Real African Publishers, 2015.

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