# 8 Can South Africa be a developmental state?

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This chapter consists of two main sections. The first provides a brief overview of the developmental state paradigm, and the second explores some insights from applying that paradigm to the South African economy. The conclusion drawn is that South Africa has a long way to go if it is to do more than aspire to be a developmental state. Indeed, South Africa might be thought to have been much closer to developmental state status in the past than it is now.

## Economic and political schools of discourse on the developmental state

There is at least one great law and one minor law of economics. The great law is that whenever there is inflation, there is an increase in monetarism. Subject to the form that this law takes in terms of academic rationale, it seems to be so evident as to warrant no further discussion. The minor law is that whenever there is any development on a national basis, it is liable to be interpreted as reflecting the presence of a developmental state. This law is minor insofar as it is less extensive in both time and application. The developmental state has a much shorter intellectual pedigree than monetarism.

With pockets of development taking place around the world, some such as China very deep indeed, there is once more a renewal of interest in the developmental state, after a decline in the decade around the turn of the millennium. This confirms the minor law. And there is also a sudden emergence in the highest policy circles in South Africa of the idea that South Africa is to become, even always has been at least in waiting, a developmental state. Relative to our minor law, this is a remarkable conflation of cause and effect. Rather than declaring South Africa a developmental state after the event of achieving this status, it seems that, Canute-like, the simple declaration of developmental state status is sufficient to achieve that goal. It is a moot point whether any developmental state in practice has ever been aware it was such at the time, let alone declared itself to be so! Nonetheless, the fact that official circles should aspire to South Africa being a developmental state has, while being treated with some suspicion, even cynicism, generally been welcomed – both as a way of opening debate over what this means in principle and practice, and as a signal of an intention to depart from what have primarily been neoliberal policies over the post-apartheid period.

Of course, unlike Canute, who had no powers to reverse the flow of the tide, South African policy-makers do have some discretion to intervene in the course of events.

Monetarists would, though, suggest that they can only hold back development by doing so. Thus, in order to examine whether South Africa has the potential to turn rhetoric into reality, it is essential to explore both the reality and discourse of the developmental state and of South Africa itself. Unfortunately, these are extremely demanding tasks, particularly in the light of my own earlier conclusions concerning the developmental state – or should that be 'developmental state'? For I have rejected the idea of the developmental state on analytical grounds for the reason that it accepts as a fundamental starting point the dichotomy between state and market. Instead, I have argued that it is more appropriate to identify underlying economic and political interests, especially those attached to classes, and unravel how they are represented through both the state and the market. However, even if there are problems with the developmental state paradigm, this does not necessarily mean that it is without substance and potential insight.

Although it has earlier origins, not least in the German nation-building protectionism of Friedrich List in the 19th century and the import-substituting industrialisation of Latin America in the 20th, the idea of the developmental state has been most closely associated with the rise of East Asian economies. While the classic study in this vein is of Japan by Chalmers Johnson (1982), the literature has probably been at its most prominent in the decade either side of 1990, with focus upon the rise of the East Asian newly industrialised countries (NICs), especially in the work of, and inspired by, Amsden (1989) and Wade (1990).

Yet the approach of Johnson and his followers and that of Amsden and Wade are very different for at least three reasons. First, and most obviously, Johnson was concerned with Japan and an earlier time period, as opposed to the more contemporary concerns of the later authors with the reality of development as it was materialising across the East Asian miracle. Second, the political context and motivation of the authors were very different. As Johnson (2006), a former CIA analyst, puts it, 'I was a cold [war] warrior. There's no doubt about that. I believed the Soviet Union was a genuine menace. I still think so'.[1] For Johnson, the point was to recognise the role that the state should, could and, indeed, had to play in promoting capitalism in order to save it from communism. In this respect, he plays a similar and, in part, complementary role to Keynes – pointing to the flaws in laissez-faire capitalism in order to save it from itself.[2] In contrast, or possibly not, the later authors are most concerned to take the Washington Consensus as their critical point of departure, revealing positively what developmental states can achieve and the disastrous effects of relying exclusively upon the market.

Third, and most important for our purposes, there is a difference of approach, understanding and focus of the developmental state. This is so much so that I have suggested that they give rise to two different schools of thought, one described as the 'political school' and the other as the 'economic school'.[3] For Johnson and the political school, the question addressed is primarily one of whether the state has the capacity to be developmental; by this is meant the ability to adopt the appropriate policies irrespective, more or less, of what they might be. Indicative is the title of his later contribution, Johnson (1995), *Japan: Who Governs? The Rise of the Developmental State*. Inevitably, this raises the issue of the relationship between the state and the private sector, as emphasised in Johnson (1999). And, for Johnson's (1982) classic contribution, the Ministry of Trade and Industry (MITI) plays the decisive role as the state's instrument for industrial policy. In deference to specificity, Johnson (1999) is reluctant to offer a model for a developmental state but does point to the importance of four factors: a small, elite top-quality management within the state to select and promote industries, and to supervise competition; a political system that enables this; market-conforming methods of intervention; and an organisation such as MITI to effect implementation. Significantly, Johnson favourably singles out Castells's (1992) widely cited definition of the developmental state:

> A state is developmental when it establishes as its principle of legitimacy its ability to promote and sustain development, understanding by development the combination of steady high rates of growth and structural change in the productive system, both domestically and in its relationship to the international economy … Thus, ultimately for the developmental state, economic development is not a goal but a means. (Castells 1992: 56–57)

This means that the developmental state seeks political legitimacy by being developmental, with success in the economy allowing it to sustain itself. This offers a striking rationale for our minor law, borders on tautology and, most important of all, is almost entirely without economic content either theoretically or empirically (i.e. what and how we are going to produce and for whom, for example, presumably being left to specificity).

In contrast to the political school, the economic school is exclusively preoccupied with appropriate economic policies, or the rationale for them, as opposed to the political (and ideological) conditions that make them possible. Heavy emphasis is placed on market imperfections and either correcting them through the state or positively creating them in order to promote development. For Amsden (1989, title of Chapter 6), it is a matter of Getting Relative Prices 'Wrong' and for Wade (1990), the emphasis of his argument is evident in his book's title, *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization*. This is indicative of a general commitment to state interventionism, especially in industrial and trade policy, and state control and allocation of finance for investment, to accrue dynamic economies of scale and scope without undue competition and duplication of enterprise.

With the developmental state literature divided into these two schools, it has evolved over the past two decades or so in a complex way, in terms of rhythm and content, and across theoretical and empirical content. For the political school, the condition for a state to be developmental focused on its relative autonomy; as Evans (1992, 1995) argues, for a state to be developmental it needs to be sufficiently detached from the interests seeking its favour but, equally, sufficiently embedded to function positively for developmental goals. This raises the problems of what the precise nature of the connections between state and society are, and what renders them functional – as opposed to dysfunctional (as in rampant corruption and appropriation of wealth by an autonomous state). The result has been an accumulating set of case studies in which further conditions and qualifications arise in order to accommodate what would otherwise be anomalous examples (why a state has or has not been developmental despite ticking all the burgeoning number of boxes). For White (1998), for example, in seeking to pin down how to allow for the emergence of a democratic developmental state, consideration is given to each of the following factors: consensus, institutions, political participation, authoritarianism, inclusion and exclusion, international environment, and social structure comprising class, gender, ethnicity, culture and religion.

The economic school has also evolved by relying upon case studies, with the East Asian NICs to the fore, but in a different way, reflecting its central preoccupation with challenging the Washington Consensus and the latter's blanket rejection of state intervention in general and trade and industrial policy in particular. By appeal to the pervasive presence of market imperfections, evidence is collected to the effect that development has only been successfully achieved, particularly but not exclusively for latecomer countries, through extensive intervention and systematic breach with the policy recommendations that flow from the Washington Consensus (see especially Chang 2002).

The developmental state literature was at its height of influence and energy in the mid-1990s. It played a major role in forcing the World Bank to acknowledge that there might be something different about the East Asian NICs. Even so, the Bank's report, *The East Asian Miracle* (1993) represented a remarkable case of analytical acrobatics in seeking to neutralise the thrust of opposition in suggesting, contrary to much of the evidence collated, that whatever the state did was what the market would have done had it worked perfectly (market-conforming), and such success could not be replicated elsewhere. Yet, despite what can only be described as a telling intellectual and analytical triumph in combating the Washington Consensus in examining developmental success, the second half of the 1990s witnessed a decline in the prominence of, and effort dedicated to, the developmental state approach.

There are a number of reasons for this. First, the later emergence of the post-Washington Consensus, more state-friendly in scholarship and rhetoric at least (if not in policy), accepted but weakened the proposed role to be played by the state in the light of close examination of market and institutional imperfections; and thereby displaced the more interventionist position of the developmental state approach in policy debate. Second, the Asian Financial Crisis of 1997 threw the miracle, and hence developmental state, character of the NICs into doubt, although there was and remains a healthy debate over whether the cause and course of the crisis were the result of more or less enforced conformity to the dictates of Washington Consensus policies at the expense of continuing developmental interventions.

Third, though, even before the financial crisis, analytical problems were already being raised over the developmental state approach or, at least, over its scope of application. In particular, within the political school, it was being recognised that the developmental state in practice might be subject to an evolving euthanasia. For, to the extent that it is developmentally successful, the state is liable to create the very forces that undermine its continuing autonomy. In particular, with South Korea in mind and the growth of its powerful corporate conglomerates, the chaebol, a powerful capitalist class interest is created that can block the initiatives taken by the state. By the same token, with a backward glance to the supposedly negative impact of populism in Latin America, demands for welfare and democracy from the working class can also constrain the state's capacity to act developmentally.

This suggests that the presence of a developmental state is liable to be confined to an ill-defined but distinct middle stage in the process of development. It follows the point at which industrial development is possible, but precedes the stage by which industrialisation has been achieved. Significantly, both economic and political schools focused upon industry and associated policies or policy potential. There is an absence of consideration of agriculture, for example, and the classic role that it might play in promoting industrialisation through provision of surplus for investment and labour for a workforce. It is far from clear, though, why the analytical approaches attached to the developmental state literature should be confined to some limited stage in the process of development or, more exactly, industrialisation. The notions of market or other imperfections for the economic school, and of relative autonomy for the political school, are of universal applicability. As such, they should shed light on earlier and later stages in development, however these might be conceived. And it should also be possible to explain why some states are *not* developmental.



These observations are useful in understanding how the developmental state literature has evolved, following something of a recovery once more over the past decade. There is, of course, the minor law of economics of attaching the developmental state to wheresoever there is any development. In this respect, China is important in and of itself and indicative of a new feature within the developmental state literature. For there has been some emphasis on the *local* developmental state in China – Thun (2006), for example – in part a consequence of the country's sheer size and diversity.[4] This reflects something more than a shift of attention from national to local, since it is more generally representative of a widening of the scope of application and content of the developmental state literature, especially for the economic school. For, it is apparent that the developmental state literature has neglected national/local relations. By the same token, however, it has neglected many other elements in the developmental process, especially those that could not be deployed directly in critique of the Washington Consensus (most notably focusing on trade and industrial policy).

This gap or oversight is now being addressed in the developmental state literature, in part prompted by the differential responses of the East Asian NICs to their financial crises. Thus, for example, there has been closer consideration of the role played by the welfare system (for instance, Haggard 2005; Kasza 2006; and Kwon 2003, 2005), with diversity of outcome significant across time and place. At a more abstract level, Lazonick (2008) understands the developmental state in terms of its promotion of innovative entrepreneurship. This is symbolic of the extent to which the developmental state literature has neglected not only this but other elements in the promotion of industrialisation, especially how technology is adopted, adapted and advanced, although such issues do generally appear in empirical narratives. On the broader analytical terrain, though, either appropriate political conditions allowing the state to be developmental or the correction of amorphous market imperfections are taken to be the leading edge of everything else falling into place. Consequently, the developmental state literature might best be seen as an organisational framework for beginning to examine *whether* the state can do it, and *what* precisely it is that the state has to do.

## South Africa through the developmental state prism

Irrespective of the inner merits of the developmental state paradigm as an analytical framework, how does South Africa appear through this prism, in the light of both economic and political schools? As argued elsewhere, especially Fine and Rustomjee (1997), and in order to meet the criterion of specificity in applying the developmental state approach, the South African economy can be characterised as being dominated by a minerals–energy complex (MEC). What is meant by this? Although controversial as an approach and otherwise considered confined to a more or less distant past, the MEC is understood as an integral partnership between state and private capital, and an equally integral connection between a core set of activities around mining and energy, straddling the public/private divide.

In short, the MEC would appear to be highly conducive to incorporation within the developmental state paradigm. It focuses upon a key set of sectors; it invokes the interests of private capital and recognition that these have long been attached to highly concentrated conglomerates (even if subject to some unbundling recently); and the state has been highly interventionist. Of necessity, South Africa as a developmental state cannot be considered unchanging; it has a rapidly evolving history that can be traced back to the emergence of mining in the 1870s through to the present day. As will be apparent, if South Africa has ever been a developmental state, it might be considered to have been more so in the past than now or in the most immediate future.

In the interwar and immediate post-war period, core MEC sectors drove the economy, furnishing a surplus for the protection and growth and, ultimately, incorporation of what was initially small-scale Afrikaner capital separate from the core sectors.[5] State corporations in electricity, steel, transport and so on represented an accommodation across the economic power of the mining conglomerates and the political power of the Afrikaners. Mining capital required such inputs but was reluctant to invest the necessary funds in case of hostile appropriation by Afrikaner interests, which were, nonetheless, served by the revenue that could be extracted from the MEC – albeit at the expense of provision of state corporations primarily serving mining and related sectors. The apartheid labour systems, involving migration from the southern

African region to mining, and varying degrees of segregation within the country, were less an accommodation than a common bond.

As a result, the divisions between Afrikaner and mining capitals precluded a more general strategy of industrial diversification out of core MEC sectors, leading to a partial vacuum in intermediate and capital goods capability, a failure to accrue economies of scale and scope other than in core MEC sectors, and an inefficient consumer goods industry surviving by protection upon demand. By the 1970s, though, Afrikaner and mining-related capital had been sufficiently integrated for a common economic strategy to be adopted, as had always been the case for labour systems. With the collapse of the post-war boom, the Bretton Woods system based on gold at US$35 per ounce, and the sharp rise in oil and energy prices, a huge premium attached to both gold and energy. Consequently, an industrial strategy for diversification was scarcely considered, let alone adopted. Instead, the 1970s witnessed an extraordinary state-led expansion of gold and energy production. In the 1980s, the crisis of apartheid also precluded a state and/or private strategy for industrial promotion. While the core MEC industries remained central to the economy, though, capital controls meant that profits generated internally that were not illegally transferred abroad (see below), were confined to accumulation within the South African economy itself. This gave rise not only to intensified conglomeration across the economy but also, first and foremost, to the expansion of a huge and sophisticated financial system as cause and consequence of the internationally confined, but domestically spread, reach of the South African conglomerates, with the Anglo American Corporation in the lead.

Yet what has happened to the MEC since the demise of apartheid? The interests of conglomerate capital have not been galvanised by the state for internal developmental purposes. On the contrary, conglomerates have successfully pressed for their own strategy of corporate globalisation and financialisation and, first and foremost, the export of their domestic resources and control. This has governed the role played by the state in its macroeconomic policy, with policies more or less indistinguishable from those of orthodox International Monetary Fund stabilisation being adopted to allow liberalisation of capital flows on favourable terms. Any prospect of a developmental state has been subordinated to such macroeconomic policy. It might be added that it has become a cliché that past developmental states have prospered because of the absence of economists (and that it all began to unravel once economists turned up). For Japan, in particular, macroeconomics had not even been invented when it became a developmental state and, for later latecomers, macroeconomic policies (and finance in particular) have been subordinated to developmental goals rather than vice versa.

Thus, far from the (developmental) state coordinating or even coercing private capital to commit to a concerted programme of industrial expansion and diversification, the interests of private capital have predominated over developmental goals. For the first decade of the post-apartheid economy, macroeconomic orthodoxy has prevailed at the expense of broader economic and social interventions. These have, of course, been in part propelled by the political and rhetorical requirement to redress the inequities and inequalities inherited from apartheid. Progress has been limited, however, especially in employment, with the notable exception of black economic empowerment (BEE), for which the numbers of a newly created enriched elite are second only to Russia across the world.

Nonetheless, as already mentioned, over the past few years government has begun to talk of itself as a developmental state. And, in addition, it has proposed a more significant role for itself, not least through public corporations, in promoting growth and development. Close scrutiny of these initiatives, however, indicates that they are closely geared towards renewal of a strategy for expanding core MEC sectors. Far from being developmental, this possibly signifies a partial if continuing completion of globalisation and financialisation on the part of domestic conglomerates, and serving their needs for continuing profitability out of the domestic economy on the narrowest of productive bases.

Indeed, one stunning index of the lack of a developmental state in the South African economy is the increasingly prominent, and parasitic, position occupied by finance. It accounts for a fifth of domestic income but has failed to mobilise and prompt appropriate funding for domestic investment. Far from finance serving development, the effect has been for it to absorb a quarter of what is produced, with very little in return other than speculative and globalised profitability.

And equally indicative of the absence of a developmental state in South Africa is the electricity power crises over the past few years, with power cuts for all consumers, including core MEC producers. The decline of the capacity margin has slowly but steadily, and recognisably, occurred over the past decade (although there were some acute problems as well). Why was the necessary investment in new capacity not put in place in good time? While I have consulted widely in a context of a culture of blame, I am far from convinced that a full and convincing explanation is as yet on offer. What can be argued is how the crisis is indicative of the absence of a developmental state in South Africa from a selection of 11 closely related reasons, with corresponding implications for *what* needs to be done – if not necessarily *how*. First and foremost, the electricity does not go off in a developmental state or, at least, this is a developmental outcome that is to be avoided. For, second, a developmental state would have the economic and political foresight not to allow the reserve margin between capacity and demand to decline to such low levels without taking countervailing measures, rather than making little or no investment in new capacity as the crisis creeps into place.

Third, each of a number of individual ministries would surely have been sensitive to the needs of their constituencies, whether it be those responsible for mining, energy, transport, trade and industry or others. Each should be mindful of, and press for, secure supply of an essential input. And, fourth, apart from intra-departmental concerns over electricity supply, inter-departmental coordination could be expected to tease out overall demands and competition for supply, prompting action to ensure increased capacity. Fifth, other government departments, with decisive powers in decision-making, such as finance and, increasingly, the presidency in South Africa, would be conscious of the problem and ensure corresponding remedial action.

In these respects, then, the South African *state* has been far from developmental, and the same applies, as observed earlier, to the predominance of macroeconomic policy over other goals. This might explain why the necessary levels of investment for expanding electricity supply were not forthcoming from the state, as this would have appropriated domestic resources at the expense of fiscal deficit. It is now being estimated, for example, that the scale of investment required to meet electricity demand is over 3 per cent of GDP per annum for the next five years (UBS 2008). Easier to let this go and hope for the best – but not if you aspire to be a developmental state; a developmental state, sixth and by contrast, would have made the necessary investment in and of itself in the absence of private sector participation.

Presumably this has proven necessary because, seventh, a developmental state would have forced or induced an individual domestic corporation to fund and/or participate directly in expanding electricity supply. Each major individual corporation has had no incentive to do so, given the general inclination to rely upon the state for provision of by far the cheapest electricity in the world, while being more concerned to export capital rather than tie it up in domestic activity. By the same token, eighth, there has been the failure – through the state or otherwise – to coordinate private capital to organise and implement for its collective interest in guaranteeing adequate investment in capacity. Instead, ninth, there has been a continuing failure to settle the institutional organisation of the electricity supply industry in part, but not exclusively, in terms of the shifting and thwarted plans for privatisation. This is itself not independent of the other factors previously covered, since privatisation has been constrained by lack of commitment to furnishing the necessary resources from either the state or the (domestic) private sector. In addition, tenth, this has left electricity supplier Eskom (the state-owned utility) in a state of limbo and uncertainty, with both a degree of freedom to act (and resist) and a lack of direction (so it is easy for government to blame Eskom rather than recognising that Eskom was placed in a position where it might be blamed). And, eleventh, unlike any developmental state in the past, policy for electricity supply has effectively been devolved to a regulator with limited powers other than the short-termism associated with pricing (as opposed to commanding levels of investment, finance for it, technology adopted and so on).

As heavy-handedly emphasised as they are, these 11 factors are indicative of the extent to which South Africa departs from the requirements of being a developmental state. Of course, developmental states in the past did make mistakes and did adopt failed policies (not quite the same thing), and these have tended to be overlooked in the selective emphasis upon their miraculous performance.[6] Yet, if mistakes were made, it is reasonable to assume that an authoritarian developmental state would, at the very least, have imprisoned the alleged perpetrators (guilt possibly being less important than a demonstration effect), and a democratic developmental state might be expected to launch a fully open public enquiry into the causes. Once again, South Africa does not seem to comply.

Historically, then, South Africa's MEC conglomerates have benefited from, even taken for granted, state provision of cheap electricity (together with profitable contracts for providing coal to power stations). Over the past decade, their individual if not necessarily their collective interests have been served by globalisation of their assets, in terms of which they have benefited from government macroeconomic policy. In this context, none would commit own resources to capacity investment in state-owned or to be (partially) privatised electricity. Nor would the state compel such a commitment, given macroeconomic priorities. As a result, the simplest task of a developmental state – to keep the electricity on – has not been achieved. Significantly, though, BEE did seek to appropriate 51 per cent of mineral rights in the state's renegotiation of leases but settled for 26 per cent, clearly at the expense of the mining conglomerates (Hamann et al. 2008: 29–30). So, in this arena at least, the state was prepared to act to redistribute wealth but without regard for its creation through deploying such revenue for electrical power capacity.

There are much broader implications even than this, though. For, as far as industrial policy is concerned, it points to the absence of a developmental state in South Africa in a rather different way: the definition or understanding of industrial policy itself, let alone how and whether it has been implemented. Kaplan (2007), for example, for a time chief economist at the Department of Trade and Industry, concludes that 'First, industrial policy should not, in the current context be too ambitious. Second, given limited governmental capacities, a more prominent role should be accorded to the business sector' (2007: 91). As indicated, he bases these conclusions on the limited institutional capacity to deliver policy. This raises questions over why, if this is the case, industrial policy has not been more extensive (and failed), why existing capacity has been distributed as it has (to macroeconomic management for capital export and BEE), and why it might not be distributed elsewhere, as well as what is being done to raise institutional capacity (Fine 2008a).

In addition, Kaplan praises the Western Cape microeconomic development strategy as a model that might be followed by central government. It is worth noting though what view is taken by those implementing that model in the light of the power crisis, citing McDonald (2008):

> A survey of business attitudes in Cape Town undertaken in late 2006 by the Western Cape Investment and Trade Promotion Agency (Wesgro) underscored these corporate concerns. Some 71 per cent of firms interviewed cited 'electricity reliability' as the second largest 'constraint' on business growth in the city (after crime), noting that unreliable electricity supply had a 'serious debilitating impact on their business'. (McDonald 2008: 14)

From this can be drawn four implications. First, it is necessary to slaughter two holy cows in the economic historiography of South Africa – that (flawed) industrialisation took place through protection of consumer goods, and that industrial policy was essentially a matter of tariff protection. For South Africa's industrialisation was based on a limited diversification in and around the MEC, with a whole range of industrial policies including expansion of state corporations and their coordination with private capital. Second, then, the notion of industrial policy should be much more widely stretched to incorporate whatever is necessary to guarantee industrial success including, as indicated here, the question of national and local power supply. Of course, this is not a matter of throwing in everything that you can think of but rather of incorporating those issues that are of significance to success for specific interventions. Third, as already suggested and more specifically, this is neither a matter of leaving power supply to the private sector nor of the absence of the institutional capacity of government to deliver. Rather, government has failed to intervene out of deference to the private sector. Fourth, and possibly most importantly, this all suggests that it is not possible to have an effective industrial policy unless it is extensive. For no or little policy, even with limited capacity, can arguably be worse than an imperfectly implemented policy with ambition. Even if the conglomerates know best and have the best capacity, they do not necessarily do best – just as we would not, presumably, leave defence policy to the arms manufacturers on the grounds that they know best regarding weapons capabilities and how to use them. Those with superior resources may have unacceptable motives and pursue them dysfunctionally for the rest of the population and even for themselves – although South Africa's conglomerates are probably not regretting their failure to take on electricity supply on their own account.



## Concluding remarks

Underpinning this contribution, there has been a tension between both deploying the developmental state paradigm and rejecting it in the light of the anomalies that arise out of its application. The deficiencies of the approach derive from relying upon a dual dichotomy, between state and market, and between politics and economics. The approach does have some merit though in pointing to the need for industrial (and other) policy, and for the formation of a configuration of economic, political and ideological interests that secure appropriate policy. However, with such propositions in place, primarily underpinned by empirical narratives from successful development, it is not clear what more the developmental state approach has to offer, given the need to incorporate both country and sector specificity. How, for example, would the developmental state approach rectify the electricity crisis in South Africa, let alone address continuing inequities in income, employment and other socio-economic indicators?

As an alternative to the developmental state approach, I have suggested that the South African economy be understood in the light of the MEC that lies at its heart. This has informed my own policy work: it poses what is to be done strategically in terms of industrial policy; it identifies underlying economic and political interests, not least those attached to corporate capital; and it addresses wider issues of social and economic progress in terms of commitment to health, education and welfare. I have offered corresponding policy proposals in the past (see the appendices to Fine 2007, for example). Although such proposals are inevitably dated by the passage of time, this is less an issue than creating the political support for implementation in updated form.

From the evidence of South Africa, such a shift in political power is less than likely to come from a state relatively autonomous from class or other interests but more likely to flow from a shift in who exercises power over the state away from conglomerates, even if the latter do prevail – in part passively through the dull compulsion of corporate wealth. For the failure of the South African state to be developmental owes much to its capacity to neutralise pressure for more progressive policy and coincidentally to pre-empt the creation of that pressure in the economic, political and ideological arena. Inevitably, more progressive policy would only have reinforced the momentum for more of the same. Indeed, the paralysis in policy-making (with notable exceptions, such as macroeconomic policy to liberalise capital controls and allow for BEE) is less a wise deference to the insufficient capacity to deliver and more a judicious decision not to create what might provide the organisational basis for pursuit of further and more radical policies.

## Acknowledgements

This chapter is based on one of three papers on South Africa written at much the same time and with some overlap. See also Fine (2005, 2006, 2007, 2008a, 2008b).



## Notes

1 This seems a peculiar claim in the light of the demise of the Soviet Union but indicative of the idea of 'a Red under every bed'. Note, though, that Johnson has become a critic of America for its over-extension of militarisation.

2 The difference is, of course, in the emphasis upon state-led industrial restructuring for Johnson, as opposed to state-manipulated aggregate effective demand for Keynes. Crucially, the division of economics into macro and micro, and the nature of their content, in the wake of the Keynesian revolution, was responsible for placing Johnson's concerns on the margins of the discipline even though, arguably, alongside state provision of health, education and welfare, these factors were far more significant in promoting the post-war boom (for more on this, see Milonakis & Fine 2009, Chapter 14).

3 See also Fine and Stoneman (1996); and Fine and Rustomjee (1997, Chapter 2).

4 India has tended to escape the developmental state paradigm, other than as a generally unobserved counter-example, in view of its (falsely) supposed success of late being the result of neoliberal policies. See Saraswati (2007).

5 The section that follows draws upon Fine (2008a).

6 See Lee (2002) on how industrial policies for the car industry failed in South Korea until the predominance of components manufacturers over assemblers was reversed.

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