

Literature Review The Developmental State An exploration of the Concept in Relation to Chapter Thirteen of South Africa's National Development Plan

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Name of the Report

The Developmental State

Secondary info

An exploration of the concept in relation to Thirteen of South Africa's National Development Plan

KEY MESSAGES

- ◆ According to Chapter 13 of the National Development Plan (NDP), "neither social nor economic transformation is possible without a capable and developmental state".
- ◆ The definition of a "developmental state" has been extensively debated in academic literature.
- ◆ South Africa has yet to define the concept for itself and contextualise it beyond the description provided in the NDP.
- ◆ This literature review sets out to examine the existing discourse in the "developmental state" and highlights the emerging schools of thought regarding its definition, attributes and interventions.

Who requested this output?

DPME Planning Branch

This report includes:

- ◆ A literature review on developmental state
 - ◆ Economic and Political Schools of Thought
 - ◆ Developmental State attributes and mechanisms
 - ◆ Country examples, application and critique
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1. Developmental State Literature Review

The opening paragraph of the thirteenth chapter of the National Development Plan (NDP) claims that “neither social nor economic transformation is possible without a capable and developmental state” (National Planning Commission, 2011, p408). A term commonly used to describe the growth model of South East Asian states, the definition of a ‘developmental state’ has been extensively debated in academic literature. Although it is mostly accepted that a ‘developmental state’ is a country committed to using state institutions to drive economic and/or social development, there a range of opinions as to what form it’s attributes and interventions take. This, along with the fact that South Africa has yet to define the concept for itself and contextualise it beyond the description provided in the NDP, presents a challenge to policy-makers and legislators, particularly in terms of the applicability of international experience.

Regardless, some wisdom can still be garnered from the experience of other states and more evidence is required to support or redirect the aspirations of the NDP. There may also be additional interventions of relevance that have not yet been considered. This short literature review sets out to examine the existing discourse on the ‘developmental state’ and to highlight the emerging schools of thought regarding its definition, attributes and interventions.

1.1. The requirements of Chapter Thirteen of the NDP

The concept of a developmental state was raised in the African National Congress’s (ANC) 2007 Strategy and Tactics document, which highlights the need for “people-centred and people-driven change” to reform the structure of South Africa’s economy, providing for social and financial inclusion (Ngamlana, 2012). This informed chapter thirteen of the NDP, which outlines a developmental state as being one that “brings about rapid and sustainable transformation in a country’s economic and/or social conditions through active, intensive and effective intervention in the structural causes of economic or social underdevelopment” (NDP, 2011: p 409).

The NDP’s definition can be split into two components. Firstly, a state is ‘developmental’ in that it embraces policies which aim to lift South Africans out of poverty and eradicate inequality, for example by creating **stable economic conditions** and attracting greater levels of foreign direct investment (**FDI Attractiveness**). Secondly, a developmental state must also be ‘capable,’ in that it has the capacity to actually implement the developmental policies. The state must provide the necessary institutions and infrastructure to ensure the economy performs in a socially optimal manner (**state investment in infrastructure**). It must play an active role in promoting equitable economic growth – passing enabling regulations on their own will not be sufficient.

Unfortunately, whilst the NDP outlines numerous characteristics of a developmental state, these relate mostly to the capability aspect and are rather thin in terms of describing developmental attributes. For example, it talks about improving relations between the different tiers of government in South Africa and between internal departments, whilst holding local governments more accountable for public service delivery and providing them with sufficient operational support. It provides little guidance though about

what types of economic and social policies or developmental growth strategies government departments should be promulgating.

Hence, more detail is needed to fully conceptualise the development state described in the ANC policy documents and the capable state of the NDP (Ngamlana, 2012). A further examination of the wider literature will assist in this regard.

1.2. Origin and definitions of the term “Developmental State”

The term ‘developmental state’ was first coined in 1982 by Chalmers Johnson (1982) in his study of the role the Japanese state played in bringing about the country’s rapid industrialisation and growth between 1925 and 1975. In his book entitled “MITI and the Japanese Miracle,” Johnson distinguishes the concept of a ‘developmental state’ from standard government intervention, (which he points out all governments actually do), to being about how and why a state intervenes in the economy.

By this, he is referring to a “centralised state that interacts with the private sector from a position of pre-eminence so as to secure development objectives” (Gumede, 2009, p4). Castells’ contends that a developmental state’s ‘principle of legitimacy’ depends upon its ability to encourage and sustain development, which is seen as high economic growth rates combined with structural change in production patterns (**Sectoral Initiatives**) (Castells, 1992). Furthermore, he argues that, for developmental states, “economic development is not a goal but a means to an end” (Castells, 1992).

Contextually, the term is usually applied to a wide range of countries, from the protectionist countries, such as 19th century Germany or Latin America’s import substituting trade strategies, to the industrial ‘late-comers’, which are “driven by an urgent need to promote economic growth and industrialisation” in order to “‘catch-up’ with the West or industrialised neighbours” (Gumede, 2009, pg 4; Leftwich, 1996; Johnson, 1982; Fine, 2010).

However, the term is most popularly associated with the growth trajectories of the East Asian states (Abe, 2006). The most well-known developmental states include Japan and the ‘four Asian tigers’ - Singapore, Hong Kong, South Korea and Taiwan. Some of which have been doubling the size of their economies every ten years. When compared to the fact that it took the United States (US) and the United Kingdom (UK) 50 and 60 years respectively to achieve this level of development, the growth of these developmental states is staggering (Rice Jones, 2013).

The term emerged in the midst of Cold War ideologies as to which of the two: capitalism or communism, was the most appropriate economic system to adopt (Burger, 2014). The developmental state was a distinct departure from the typical Global North growth strategy, representing one of the first successful progression paths to emerge from more developing countries as a competing growth ideology. Furthermore, within an era of neoliberalism and free market ideologies, the concept was frequently utilised as evidence to support the notion that nations can seldom transition to capitalism without some form of

initial government intervention (Freund, 2007).

Although at the height of its popularity between the mid-1980s to mid-1990s, the influence of the developmental state concept dwindled during the latter part of the decade as it became apparent that the concept was “subject to an evolving euthanasia” (Fine, 2010, p 173). In other words, the more successful the development state is in encouraging economic growth and empowering key societal stakeholders financially, the more scope these stakeholders have to push back against state interventions (Fine, 2010). It is thus argued that developmental states are bound by their own success and confined to only being effective in the middle stages of the development process (Fine, 2010).

In recent years though, the developmental state literature has begun to grow once more, this time with a particular focus upon local governments. As decentralisation becomes a common feature within democratic states, more of the responsibility for the developmental agenda and goals of the state is falling on local governments. Thus, their capacity to deliver upon their mandates and have the requisite technical knowledge and skills to do so, is becoming increasingly important/recognised.

There are also expansions of the traditional developmental state definition emerging in the academic literature, although most retain a prominent focus upon the state having an active, interventionist role in the economy and guiding development (Ngamlana, 2012; De Onis, 1999). For example, Chang expands the ‘classical’ definition beyond just developmental states that emphasise high economic growth, selective industrial policy and building strong relations with their corporate and productive sector (**Production Sectors**). He also includes the “left-wing Scandinavian welfare states” which rely upon “reaching social equity objectives through welfare policies and generally active government intervention” for their legitimacy” (**Ensuring Social Welfare of Citizens**) (Burger, 2014, pg4; Change, 2010).

Moreover, Evans predicts changes in the attributes of a typical developmental state and contends that the 21st century development state will need to be different from that of the 20th century, with a focus on the **knowledge based sectors** rather than an emphasising manufacturing (Evans, 2010). He recommends that governments focus on building their knowledge bases – in other words, that if governments decide they are going to intervene in their economies, rather than following the traditional path of building up production and manufacturing capacity, they should focus on growing human capital and skilled labour bases (**Knowledge Sectors**).

2. Economic and Political Schools of Thought

The opening chapter of Edigeji’s (2010) seminal work, “Constructing a Democratic Developmental State in South Africa”, provides a comprehensive overview and synthesis of the various prevailing views in the available developmental state literature. The literature, as a point of departure usually refers to a ‘political’ or ‘economic’ school of a developmental state (Fine, 2010; Fine 2007), which points to a ‘state ideology-structure’ nexus (Mkandawire, 2010, p 290). In short, whilst the **economic school of thought** is concerned

with providing justification for state intervention in the economy, the **political school of thought** is more concerned with the capacity and autonomy of the state to implement market interventions in the face of opposition from rent-seeking parties (Mkandawire, 2010).

The economic school essentially rejects the idea of laissez-faire economics, contesting that there are good reasons for states to act protectively in infant industries or manipulate market incentives if this will lead to stronger industrial development. The driving force behind this ideology is identifying appropriate economic policy interventions and motivating that they are the appropriate action for the desired outcome, particularly where the policies go against prevalent opinions (Mkandawire, 2010). A prime example of this is South Korea's decision to build up its steel industry, despite being warned against doing so by the World Bank due to the rural country's lack of "capital, technology, manpower, and iron ore deposits" (Choong-yong, 2010 ; Evans, 2010). However, as the iron and steel industry was at the heart of General Park's growth strategy for Korea, this visionary leadership combined with an emphasis on cultivating the appropriate skills has resulted in Korea defying their comparative advantage and being a significant competitor in global iron and steel markets today (Choong-yong, 2010).

Furthermore, the economic school of thought operates on the assumption that once the correct policies have been identified, the developmental state will be able to implement them as needed - it assumes that the capacity to do is available (Fine, 2013).

In contrast, the political school is concerned only with whether the state is sufficiently protected from political and personal interests, enabling it to implement necessary policies regardless of who they might disadvantage. At the same time, the state needs to be sufficiently embedded within its constituency so as to ensure its policies will be supported. Furthermore, it must be staffed with highly skilled employees, who were appointed on a merit basis and who are motivated to follow a clearly defined career path of progression based on performance. The writings of Johnson (1995) fall into this school, as he was mainly concerned with whether states had the capacity to govern developmentally. Fine (2013) further describes this school of thought, stating that it asks whether the state "has the potential in general, and the independence in particular, to adopt the necessary policies irrespective of what they might be" (Fine, 2013, p14).

In summation, the arguments of the political school are associated with the notion of a 'capable' state, whilst the economic school aligns more with the idea of a developmental state. However, rather than being seen as two separate concepts, the two schools of thought should be combined to form a 'dual prism' through which development can be examined (Mkandawire, 2010). It should also be noted that some developmental states fall into neither of these two groups, focusing instead on putting **programs** and **policies** in place to act as welfare, social development states (**Social School of Thought**) (Chang, 2010). This will be further explained later in this review.

3. Developmental State Attributes and Mechanisms

To present a fuller description of the concept of a developmental state, it is useful to highlight some of its common attributes and the mechanisms often used for market intervention. This paper defines an attribute according to its definition as a noun, being “a quality, character, or characteristic ascribed to someone or something” (Merriam-Webster, 2017). In other words, the attributes of a developmental state are those aspects of governance that are repeatedly found across countries employing this growth strategy.

In addition, this paper uses the term ‘mechanism’ to refer to “processes, techniques or systems for achieving a result” (Merriam-Webster, 2017). Developmental state mechanisms are those tools it uses to intervene in the markets in an attempt to bring about its growth targets.

As a starting point - the 2007 Strategy and Tactics document of the ANC lists four main developmental state attributes. These are: a focus on promoting economic growth; having the capacity to define a common action plan; putting in place the structures and processes needed to implement the plan; and ensuring sufficient technical capacity to turn goals into clear action steps or programs. The larger body of academic literature also highlights these key attributes, as will further be discussed below.

Furthermore, there are no guidelines in the literature regarding how many of the below attributes a state should have before it can be classed as ‘developmental,’ however, for the most part, each can be seen as a necessary yet not sufficient condition. As the attributes and mechanisms can be roughly classified according to the social, economic and political schools of thought, the above comment of viewing them through a ‘dual prism’ should be kept in mind (Mkandawire, 2010).

3.1. Attributes

3.1.1. Common Developmental Vision shared by all Societal Stakeholders (Strategic Direction and Vision)

Developmental states must be able to formulate common national agendas (Vision in Place) which clearly outline developmental goals (Clearly Defined Concept) that resonate not only with policy-makers but also draw in the cooperation of key stakeholders from all sectors of society. These groups should work together to apply the country’s resources towards common development goals through institutionalised engagement processes (Rice Jones, 2013). As advocated by Johnson, a core attribute of a developmental state is its ability to set substantive economic and social goals against realistic outcomes and targets, as well as adopt a “singular focus on economic growth” (Johnson, 1982, p2).

A report produced by the Development Bank of South Africa on Delivering a Democratic Developmental State in Africa points out that not only does this clear strategic direction need to inform the content of policies to ensure they are appropriate for the task at hand, but the timing of their implementation, their flexibility and responsiveness to the need for change are also crucial elements that will impact upon a developmental state’s success (Gumede, 2009).

3.1.2. State-Societal Synergy: Insulated yet Socially Embedded Autonomy

Most importantly, the NDP highlights the need for a capable, developmental state to be sufficiently embedded within society for its policies to be contextually rooted and effective, but at the same time shielded from political influence (Embedded & Autonomous State). It must have sufficient autonomy, “the political will and legitimate mandate” to implement development policies that don’t favour any one particular societal group (Rice Jones, 2013).

A developmental state should seek to foster strong relationships between itself and its citizens (Social Partnerships and Relations), encouraging human development and acting as an enabler for businesses and civil society organisations to operate in optimal conditions (Fine, 2010). At the same time, the state should not be held captive by rent seekers or parties with alternative agendas (Political Insulation). As highlighted in a report by the DBSA, successful developmental states differ from other developing countries in that they are able to better control levels of corruption within their borders and prevent it from regressing development efforts (Gumedde, 2009).

Evans refers to the existing state-citizen relationships in developmental states as a “specific kind of ‘embeddedness’ or ‘state-social synergy’ involving “dense networks of ties connecting the state to industrial elites” (Evans, 2014, p 3). He further contends that this synergy needs to morph into more extensive, inclusionary and bottom-up relationships between the state and the broader society if countries wish to be developmentally successful in this day and age (Evans, 2014). Edigheji elaborates on state autonomy, referring to it as “the ability of the state to behave as a coherent collective actor that is able to identify and implement developmental goals” (Edigheji, 2005, 8). Embedded State autonomy is important as it “prevents states from using their sovereignty in a predatory manner” (Mkandawire, 2010, 290) and it holds governments accountable to the people they serve.

3.1.3. Structure and capacity of the State (Organisational Capacity)

Even the most well-thought out developmental policies will have limited impact if a state lacks the capacity to implement them effectively. Often, there is a key institution or government department put in charge of driving the developmental agenda and coordinating the various parties involved. Organisational capacity can be separated into the following categories:

Structural Cohesion and Process Clarity

To effectively implement developmental policies, states must ensure their internal operations are structured effectively to create cohesion and foster collaboration between different levels of government. This is particularly relevant in South Africa’s three-tiered system of government. Furthermore, the correct operational procedures and systems must be put in place to assist the state in achieving its developmental goals.

Evans emphasises the idea that a Weberian bureaucracy¹ is essential for developmental states to prosper and shows that this was indeed the form of governance prevailing in Japan, South Korea and Taiwan at the time of their growth (Evans, 1995). Together with Rauch, he conducted a study of over 35 developing countries and further concludes that “the key factor in economic development may be the quality of state bureaucracy, rather than any particular model of development” (von Holdt, 2010, p4; Evans & Rauch, 1999).

Human Resources and Technical Capacity

The NDP describes a developmental state as a “well-run and effectively coordinated state institutions with skilled public servants who are committed to the public good and capable of delivering high-quality services, whilst prioritizing the nation’s developmental objectives” (NPC, 2011, p409). It highlights that the public service should be cultivated into a career of choice for talented, young graduates, thereby attracting critical technical skills into the state’s workforce. Hiring and promotion criteria should all be merit based.

Moreover, government staff need to be equipped with appropriate technical skills and resources so that they are able to operationalise the objectives outlined in development plans such as the NDP. Johnson (1995) describes this as “a small, elite top-quality management team to select and promote industries and supervise competition.” Interestingly, after examining the human resources available in countries like Taiwan and Korea during their peak developmental periods, Chang concludes that “the competence needed to ‘do’ a successful developmental state seems to be, somewhat counter-intuitively, that of a generalist rather than an economist” as the ability to make good judgements on critical issues outweighs specialist knowledge (Chang, 2010, p 93).

3.1.4. Prevailing Political Regime and Governance System

Within the developmental state literature, there has typically been very little discussion about the role of democracy and whether it is a necessary criteria for success. As Edigheji explains, “the initial conception of the developmental state paid no attention to the nature of the political regime” (Edigheji, 2005, p 13). There are also arguments that it was in fact East Asia’s ‘soft authoritarian character’ which enabled it to be autonomous, securing buy in from stakeholders who had relatively limited choice in the matter (Fine, 2013). It was generally thought that development and democracy were opposed to one another.

However, Huang shows that economic growth in China and India was always correlated to periods during which politics were more relaxed, less authoritarian and the economy more open (Gumede, 2013 ; Huang, 2008). Furthermore, Evans and Weiss emphasise the idea that a developmental state must, in addition to being autonomous, be embedded within its society to “consult, negotiate and elicit consensus and cooperation from its social partners in the task of national economic reforms and adjustments” (**Political Stability**) (Edigheji, 2005, p12).

¹A Weberian bureaucracy, a concept coined by Max Weber in 1922, is a system of public administration that operates within a set of well-defined rules, clear lines of authority and competent, skilled staff whose career progression within the organisation is determined by their level of technical skills.

Hence, Robinson and White (1998) extended the definition of a developmental state to include a democratic element - a comprehensive 'approach to public policy-making' termed "inclusive embeddedness" whilst Edigheji sees the development state as embodying "the principles and practices of electoral democracy and ensuring citizen participation in the development and governance processes" (Edigheji, 2005). In other words, a developmental state that is also democratic ensures that its growth policies improve the incomes and standards of living of the majority of its citizens, rather than an elite few.

The political regime in a country is thus an important attribute of any developmental state as it determines the amount of **influence** and **control** a government has over its citizens. For example, whilst a democracy has a significant amount of influence over its voters, its control of the economy is limited whereas an authoritarian state has almost absolute control over the economy but little influence with respect to its citizens.

In particular, Edigheji argues that what is preferable is a "political system that promotes horizontal and programmatic relationships between political parties and their members, between elected officials and citizens and between state and society" (Edigheji, 2005, p16). The political regime should accommodate diversity and allow for multiple voices to be represented, rather than just having a one state party.

Edigheji's argument also alludes to the relevance of the type of governance system a country adopts – it could be a **centralised** or **decentralised** system. Whether a developmental state intends to run its country from one, centralised location of power or whether it chooses to devolve some of its power to structures lower down the governance hierarchy influences the way in which its developmental agenda will play out. In modern times, there has been a move towards more decentralised systems of governance however there is debate as to the effectiveness of such structures (Siddle, 2011).

3.1.5. A Unified Populous (Social Unity and Cohesion)

A united nation with a common sense of national identity helps a developmental state in terms of generating support for the government's grand vision and greater levels of cooperation amongst citizens. As stated by Hirsch, "citizens imbued with strong nationalistic values are prepared to give up more sovereignty than perhaps is typical in liberal democratic states" so as to assist in a "widely believed-in revolutionary project." (Hirsch, 2014, p3).

3.2. Mechanisms

3.2.1. Industrialisation Policies and Domestic Investment

Developmental states often pursue export-led growth models and adopt a **protectionist** stance - which requires them to develop strong industrial policies, including shielding and nurturing certain infant industries (**Industrialisation Incentives and Subsidies**) (Gumede, 2009). Export promotion strategies are often accompanied by the development of Special Economic Zones (**SEZ**) to encourage greater levels of local production and manufacturing.

Moreover, in most of the countries typically classified as developmental states, there were varying degrees of control over the banking sector (**Control & Influence of Banking Sector**). Although not a ubiquitous mechanism, it was that case that in the East Asian developmental states and a few other counterparts, governments were able to wield considerable influence over their financial sector, guiding investments into necessary sectors that aligned with their grand developmental vision. This goes hand-in-hand with the need for high consumer savings rates, which enables the government to make larger investments and pursue capital-deepening strategies (Gumedde, 2009).

It can't do this on its own though. For a developmental state to work effectively, it must have strong links to both corporates and stakeholders in the private sector as well as key agents within its civil society. These actors are necessary implementing partners for the government's agenda, and are crucial for turning policy plans into action. A plethora of **public private partnerships** should thus fill the artillery of any developmental state. It should also ensure it is investing in policies or programs that will expand its capacity to act as a developmental state, and promote initiatives relating to **research, development** and the **acquisition of technology** (Edigheji, 2010).

3.2.2. Human Capital Development and Macro-Fiscal Management

As mentioned above, Evans argues that the 21st century modern developmental state will be far more knowledge-based and revolve around 'enhancing human capabilities' (**Human Capital Development**). Investments into building human capital and enhancing economic growth through skills based activities should thus be a key attribute of any developmental state, as opposed to them focusing solely on industrialised strategies in isolation. Developmental states need to focus on creating efficient labour markets (**Wages and Labour market Policies**) and **strong schooling systems** that can feed productive human capital into the developmental growth plan. The use of **Skills Development Incentives** is a popular method of promoting human capital development amongst corporates and the manufacturing sector.

Furthermore, there are often efforts made by developmental states to keep key economic indicators affecting investments stable and attract greater levels of foreign direct investment, such as **stable inflation** and **favourable interest rates**, along with competitive exchange rates (**Exchange Rate Controls**).

3.2.4. Social policies focused on developmental objectives (Redistribution)

If one considers that the definition of 'developmentalism' refers not only to a state-interventionist industrialisation policy, but also to the achievement of social goals – such as **redistribution** of income through **egalitarian wage structures** and **progressive taxation policies** - then another intervention of the developmental state is the type of welfare policies it adopts (Murakami, 1992). The purpose of these is to encourage equitable growth and ensure that all citizens benefit from a country's economic progress. It does this in four ways – by facilitating protection, production, reproduction and redistribution.

A significant amount of the early developmental state literature did not refer to the social aspects of a developmental state's profile, not mentioning factors like quality public health systems (**Affordable and**

Accessible healthcare) and **social protection** policies (unemployment insurance, state pensions etc), nor discussing the welfare policies put in place by countries like Japan and South Korea in the post-war period. However, as the body of work has grown, it has evolved to include far more recognition in 'second generation' developmental state literature of the role played by social policies in stimulating economic growth. Mechanisms for redistribution and social welfare include.

3.2.5. Execution and Planning Agencies with Public Sector Reforms

It is imperative for a developmental state to have direct ownership over economic structures in a country, such as **State Owned Enterprises** (SOEs) (Mkandawire, 2010). These play a key role in enabling the state to advance its developmental objectives and act as implementing arms for its policies. They do this in two ways – firstly as a driver of production and secondly as a provider of capital. According to the Education and Training Unit – a not-for-profit organisation aimed at promoting development and democracy in South Africa – developmental states should use state owned enterprises and government structures to, amongst other things, attract foreign investment, enhance the competitiveness of our economy and promote small business development.

Moreover, each developmental state typically had a specific organisation or group (**Central Planning Agency**) charged with driving its development agenda forward. For example, in Korea between the 1960s and 1980s, the Economic Planning Board played the role of the lead agency directing the activities of Ministry of Commerce and Industry and SOEs (Evans, 2010). Furthermore, as all the banks in Korea were owned and controlled by the state between 1961 and 1983, the EPB was able to plan their operations too, making "private financial capital subordinate to industrial capital" (Gumede, 2009, p4; Chang, 2010). Similarly, in France, it was the Commissariat Général du Plan which played these roles and the state also wielded significant influence over its banking sector. Slightly more constrained was Japan's Ministry of International Trade and Industry, which had very limited relations with the banking sector and even fewer SOEs (Chang, 2010). Taiwan had a coordinating committee in the form of its Industrial Development Bureau (IDB) and whilst this was very limited in terms of power, like Korea the state had the entire banking sector under its control (Chang, 2010; Evans, 2010).

Although typically seen as an attribute of a developmental state, should a government decide to undertake public sector reforms in an attempt to increase the capacity of its bureaucracy and to utilise the public service as a key platform through which to drive their development goals – this can also be classified as a mechanism. Building a strong Weberian bureaucracy would typically involve government hiring **highly skilled staff** based upon a **meritorical hiring and promotion policy** and ensuring there are **strong corruption controls** in place.

4. Country Examples

It is interesting to consider how countries classified as developmental states began their growth journey, what the impetus for their economic progress was and the outcomes of their efforts. Below is a list of countries that have demonstrated varying degrees of commitment to 'developmentalism'². Bullet points of their main characteristics is provided, rather than a detailed description.

4.1 East Asian Nations

As the countries that gave rise to the conception of a 'developmental state,' the East Asian nations set the tone for interventionist governments and moving away from laissez-faire economics. Following an export-oriented growth path, these states picked 'winning' industries to protect and nurture so as to ensure competitiveness in international trade markets. Wade (1990) highlights several other mechanisms used to drive their development, including:

- ◆ Redistribution of agricultural land after the war period
- ◆ Control over their financial system
- ◆ Stability in key economic indicators
- ◆ Import substitution and export promotion trade strategies
- ◆ Promotion of technological acquisition

It is worth looking at each country's developmental state profile in a little more detail. This information is comprehensively covered in Chang's seminal piece: 'How to do a Developmental State' (Chang, 2010).

4.1.1. Japan

- ◆ Heavy reliance upon Ministry of International Trade and Industry
- ◆ Industrial policies conducted through coordination and regulation rather than subsidies
- ◆ Few SOEs and limited control over the banking sector

4.1.2. South Korea

- ◆ 1960-1980: industrial policies targeting selected sectors in which there was no apparent established competitive advantage
- ◆ Strong pilot agency – the Economic Planning Board
- ◆ Strongest use of state owned organisations for developmental activities
- ◆ Complete government ownership of the banking sector
- ◆ Political dominance led by General Park

² Whilst not usually associated as such, during its formative years the United States was indeed a pioneer of aspects of the developmental state concept (Chang, 2010). In fact, the "infant industry argument", a strategy embraced by many developmental state in an attempt to encourage manufacturing and production activities, was pioneered by Alexander Hamilton, the first American finance minister, in 1791.

4.1.3. Taiwan

- ◆ Less interventionist approach, although there were also fewer large private firms to work with
- ◆ More emphasis on using State Owned Enterprises (SOEs) and state-financed research and development
- ◆ Research and Development (R&D) to generate growth
- ◆ Pilot agency was the Industrial Development Bureau, but had limited role to play. It had a reputation for being inefficient and corrupt
- ◆ Total control over the banking sector
- ◆ Significant role played by SOEs

4.1.4. Singapore

- ◆ Emphasis on free trade
- ◆ Emphasis on attracting foreign direct investment
- ◆ Reliance on a very large SOE sector

4.2. Scandinavian Countries

It is understood that these countries do not fit the 'classical' profile of a developmental state. Rather than derive political legitimacy from realising economic growth, their validity and authority comes from the fact that they have achieved full employment levels and act as welfare states, able to provide safety nets for their marginalised, vulnerable citizens (Chang, 2010). With their development being driven by the aftermath of the Second World War, these countries had the following characteristics:

- ◆ Engagement with selective industrial policies
- ◆ Strong support for R&D – some of the highest expenditure on R&D in the world
- ◆ No central piloting agency however there was use of public-private partnerships, SOEs and sectoral marketing boards
- ◆ Implemented upgrading policies in a structural manner through labour-market and welfare policies
- ◆ Encouragement for structural change within production sector to involve more high-productivity and sophisticated activities through egalitarian wage policies, where all workers were paid the same wages regardless of company or sector, and many training opportunities whereby workers could upskill themselves.

5.3. Other Developmental States

5.3.1. France

- ◆ Central planning by pilot agency, the Commissariat General du Plan
- ◆ Return of the Gaullist type state after World War Two
- ◆ Promotion of industrial policy in certain sectors
- ◆ Significant emphasis on SOEs as implementing agents of growth strategies

5.3.2. Botswana (Shumuye, 2015)

- ◆ Strong political leadership
- ◆ A professionalised, politically insulated bureaucracy with stable, efficient institutions
- ◆ Small, ethnically homogenous population
- ◆ Low levels of corruption and high degree of policy coordination
- ◆ Pilot agency – Botswana Development Corporation
- ◆ Expansion of infrastructure and public service provision
- ◆ Strong alliance between public, private and civil sector leaders that also incorporates civilians such as cattle owners

5.3.3. Mauritius (Shumuye, 2015)

- ◆ Committed leadership with a strong developmental vision
- ◆ The adoption of appropriate development ideology
- ◆ High-functioning public institutions staffed with strong managerial and technical expertise
- ◆ High levels of investment into human capital development
- ◆ Strong focus upon diversifying the economy and structural transformation

5.3.4. Cape Verde (Verde, 2014)

- ◆ A clear development strategy and a unified sense of belonging amongst citizens
- ◆ Ensuring peace and security for economic development to occur
- ◆ Reformed banking sector and the creation of an investor-friendly economic environment
- ◆ A sound and effective bureaucracy with low levels of corruption
- ◆ Ensuring macroeconomic stability through fiscal robustness and a competitive exchange rate
- ◆ Building strong relationships with diaspora and emerging global powers

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5. Applying the Developmental State to South Africa

South Africa's self-identification as a 'developmental state' is relatively unique. For example, the East Asian countries first formulated their grand development vision, forged ahead with implementing the relevant policies and were then retrospectively labelled as developmental states by academics such as Johnson (1982). In contrast, South Africa has first adopted the 'developmental state' label and is now attempting to understand how it applies to the country and what policies would be appropriate to bring about the desired outcomes (Spector, 2013).

This embrace of a 'developmental state' identity should in fact be quite appropriate for South Africa, as the country has many of the attributes listed above. It has a clear mandate to embrace developmentalism through chapter 13 of the NDP. It has a uniquely strong support base for the majority political party, a plethora of social protection policies and several capable institutions it could call upon to implement its developmental agenda (Chang, 2010).

However, the establishment of a development state must occur within the context of a country's particular historical endowments and surrounding social structure (Evans, 1995). In South Africa, there are numerous factors that hamper South Africa's progress towards becoming a developmental state. Firstly, and most obviously, unlike the East Asian States which had relatively homogenous standards of living when they began their growth efforts, albeit they poor, South Africa is one of the most unequal societies in the world. The current poverty divide in the South African social context does little to help create cohesion and buy-in to the state's policies and plans.

Furthermore, South Africa is currently in the midst of an identity crisis in the sense that the society is fractured along racial lines and no real sense of common belonging or patriotism exists. This will make it difficult for the government to bind the different parts of society together and attempt to get them all working towards the same growth goals (Evans, 1995). In addition, South Africa's democracy is still very young, meaning that "the state must deliver development in both the economic and democratic spheres" (Gumede, 2009).

South Africa must therefore first address its inequality through redistributive measures before focusing on becoming a developmental state as growing with its current base will just exacerbate the imbalanced situation (Gumede, 2009). According to Creamer (2010), to become more of a developmental state, South Africa needs to provide greater levels of access to basic services and physical infrastructure, as this is a "necessary precondition for broad-based participation in economic processes" (Creamer, 2010, p 205). Hence, Creamer's contention that South Africa's macroeconomic policy must focus on the country's 'legacy of dispossession' (Edigheji, 2010).

Moreover, South Africa's historical reliance on its energy-minerals complex to generate economic growth and create jobs means that our economy is significantly globalised and dependent upon its international market links (Fine, 2010). These market forces limit the actions a state can take without upsetting South

Africa's private sector.

In terms of the requirement for a Weberian state, there are many skilled and proficient people who would be able to assist with the implementation of the government's strategies within South Africa. However, von Holdt finds that the South African bureaucracy to be alternate to a 'normal Weberian' government, "overlaid with other, informal meanings and practices, which tend to slow down, divert or retard achieving the goals that would be ascribed to a 'rational' Weberian bureaucracy" (von Holdt, 2010, p 20). Consequently there should be an effort by the South African state to promote greater coherence and efficiency within its operations so as to have a stronger base for equitable growth (Shumuye, 2015).

von Holdt also argues that South Africa is less like the East Asian developmental states and more like the 'intermediate states' of Brazil and India (von Holdt, 2010). He defines 'intermediate states' as being "between developmental and predatory states, which have less coherent or effective bureaucracies as well as less productive relationships with society than do developmental states" (von Holdt, 2010, p258). However, South Africa, as an intermediate state, is able to act developmentally in certain circumstances, relying on its 'pockets of efficiency' to do so (Evans, 1995). One such example is South Africa's advanced tax collection system, which can be relied upon to effectively amass tax revenue to fund developmental policies. Butler is in agreement with this, saying that further capacity should be built around these pockets and they should be extended, rather than trying to overhaul the entire operations of government (Edigheji, 2010).

Fine is stronger in his arguments, stating that "to put it pithily, and symbolically, developmental states do not run out of electricity." He is referring to the way in which the recent electricity crisis in South Africa was handled, which he views as primarily being a result of a lack of leadership and investment decisions on the part of the state (Fine, 2013).

Fine is also concerned about the emphasis around financialisation in South Africa's policies. He views this as being a significant challenge to the formation of a developmental state because it has a short term focus and does not address the underlying structure of the economy, which should be the focus of a developmentally orientated government (Fine, 2013). Financialisation refers to the opening of an economy's financial markets up to the rest of the world, and to the growth of a country's financial sector in relation to the overall economy's size (Investopedia.com, 2016). However, this process leaves an economy vulnerable to the movements of global capital in and out of the country, with major investment often occurring offshore. Furthermore, gains from financialisation result in jobless growth and rising inequality – both detrimental issues facing South Africa at the moment.

6. Critique of the Developmental State Paradigm

It should be noted that there are various critiques of the development state theory, many of which are outlined by Fine (2007). Firstly, he highlights that the theory is mostly concerned with countries that have already become successful developmental states, or latecomers to the party. It says little about countries

before these stages and offers limited advice in terms of how they transition from say, an economy based upon agriculture to one reliant upon high-tech exports. It ignores that development is a process that occurs in stages.

It also has a narrow emphasis on industrialisation, with little reference made to the way in which health, education, political and labour factors impact upon a country's growth strategy. The body of literature skims over the issue of states acquiring, adapting and advancing their technological resources and capabilities, and how this intersects with the role of a development state (Fine, 2010). Furthermore, the paradigm only focusses on successful states, and says little about those which have tried and failed to become developmental states.

Predicated upon an opposition between governmental states and free markets, the biggest criticism of the developmental state is perhaps that it assumes convergence of global economies "as long as the right policies are adopted" (Fine, 2013). Fine (2013) contends that the developmental state paradigm operates as if in a bubble, with utmost faith placed in the capabilities of a developmental state and little regard for how it might be affected by the prevailing international context.

7. Commentary on Points of Departure

In terms of the assigning the attributes important to this study, a very clear point of departure needs to be agreed on. Are we going to draw on the experience of other countries to set the parameters for what has historically been the attributes and interventions of a developmental state, OR are we going to use the specific needs and aspirations of South Africa as our starting point. The uniqueness of the South African situation may result in certain priorities not being examined, if we are led mostly by 'international experience'.

South Africa is the first state to self-consciously set out to declare itself a 'developmental state' before having actually become one. It also faces additional unique challenges that may not be fully appreciated unless explicitly stated. The developmental state is an intentionally interventionist state, something that might be easier to achieve from an authoritarian position. This has to be carefully counter-balanced by our democratic constitutional imperatives. South Africa is also a country that is committed to redress and transformation – but a transformation based on overcome deep fault lines of race, gender and geography. This type of 'redress' imperative is not a typical characteristics a developmental state.

The National Development Plan clearly sets out a vision for a capable and developmental state, and includes a diagnosis of what we are doing wrong. It comes from a strong perspective on engaging in the role that public sector employees play, and states that "weaknesses in how these structures function [i.e. the public service] constrain the state's ability to pursue developmental objectives (408)". This aligns with the political school that focuses in the public sector as its starting point. For the purposes of this discussion, it could be

argued that our focus for informing how South Africa moves towards being a ‘capable and developmental state’, is not a critique of past, current and future economic policy options, but a more detailed appreciation of what role ‘the state’ plays in achieving developmental aspirations. The NDP states that the purpose of a capable state is one that “has the capacity to formulate and implement policies that service the national interest; developmental in that those policies focus on overcoming the root causes of poverty and inequality, and building the state’s capacity to fulfil this role” (p. 409).

From the literature that has been presented, and the country case studies that have emerged, it appears that three dominant points of departure exist. There are those that are led by the industrialisation approach to drive economic growth, a ‘political’ drive, which actually focuses on the competencies and capacity of the state, and the social-solidarity domain, which is driven by an egalitarian agenda. None of these states exist in their ‘purest’ form, each country is usually a mix of the three, but with different combinations and emphases. There is a certain degree of interdependency across all three. The attached table is a first attempt at articulating what this looks like, although it is currently incomplete.

Table 1 Summary of Schools of Thought

| Schools of Thought | | | |
|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Type of intervention: | Economic - led | Political – public service led | Social – solidarity led |
| Primary Objective: | Industrialisation / Knowledge Economy | Highly functional & independent Public Sector (PS) | Equality |
| Secondary Objectives | <ul style="list-style-type: none"> • Rapid economic growth • Restructuring of the economy | <ul style="list-style-type: none"> • Economy performs in a socially optimal measure • Good functionality between the different tiers of government • PS is insulated from political & personal interference | <ul style="list-style-type: none"> • Reduced poverty • Social inclusion • Financial inclusion • Transform unjust structures (social & economic) • Equitable economic growth |
| Attributes / Characteristics | <ul style="list-style-type: none"> • Centralised government which directs private sector • Assumes functional independent public sector exists to implement economic policies • Export-led growth • Central planning bureau • Population committed to the cause | <ul style="list-style-type: none"> • Cohesion and collaboration between local, provincial and national government • PS willing to implement unpopular policies • Key government department which coordinates and plans • Autonomous PS but responsive to political principals | <ul style="list-style-type: none"> • People centred • People driven • Population committed to the cause • Collaboration over state planning/direction |
| Methods: | <ul style="list-style-type: none"> • Protect infant industries / import substitution • Manipulate market incentives • Control financial sector & banks (to varying degrees) • Large state capital investments • State Owned Enterprises to help: attract foreign investment, enhance | <ul style="list-style-type: none"> • Formulate and implement sound policies that serve national interest • Appoint highly skilled employees on merit basis who are committed to public good • Clear lines of authority within PS • Clear career paths for PS employees based on performance – is a career | <ul style="list-style-type: none"> • Welfare policies • Universal access to high quality education • Universal access to high quality health care • Universal forms of social protection • Large state investments in human capital • High investments in Research and Development |

| | | | |
|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | competitiveness & assist small business development <ul style="list-style-type: none"> • Keep inflation, interest rates and exchange rates stable • Promotion of technology acquisition | choice for talented young graduates <ul style="list-style-type: none"> • Appropriate technical skills • PS embedded in society and not 'out of touch' with constituents | <ul style="list-style-type: none"> • Public-private partnerships, SOEs & Marketing boards • Emphasis on labour productivity and egalitarian wage policies |
| Measures: | <ul style="list-style-type: none"> • Rate of economic growth | | <ul style="list-style-type: none"> • Gini coefficient • Human development index |
| Democratic or Authoritarian | Soft authoritarian | Combination of both – long term commitment requires a strong political leadership to make unpopular decisions, but democratic style required to achieve legitimacy | Highly democratic – leftist / social democrat |
| Country examples | <ul style="list-style-type: none"> • Japan • Singapore • Hong Kong • South Korea • Taiwan | <ul style="list-style-type: none"> • South Africa? | <ul style="list-style-type: none"> • Finland • Demark • Norway • Netherlands • Sweden |
| Assumptions / Preconditions | <ul style="list-style-type: none"> • Efficient labour markets • Effective schooling systems • High rates of consumer savings • High levels of social cohesion & strong national identity • Assumes political domain is in existence • Land redistribution | <ul style="list-style-type: none"> • Effective schooling systems | <ul style="list-style-type: none"> • Existing high levels of employment • High levels of employment • Effective schooling systems • High levels of social cohesion & strong national identity |

A note on attributes:

Some attributes are common across all domains, but will be applied in a different manner according to their domain. They must be able to strong leadership that mobilises society around a national vision, committed to a common objective (industrialisation, redistribution). This may require sacrifices and putting the common good above individual interests. This might be more pertinent to the economic and social domain, than to the political, wherein it is an imperative that the public service has a strong leadership that mobilises its staff to commit to the public good.

All three domains refer to having the correct policy mix, having identified the correct policies and how they combined and coordinated is important. The objectives of these policies will vary according to the predominate domain. They all acknowledge the role of an effective schooling system and the importance of a highly skilled workforce. It is generally accepted that technical capacity is crucial (both inside and outside government).

Key Words

- ◆ Inclusiveness
- ◆ Accountability

- ◆ Stability
- ◆ Authoritative and autonomous governance
- ◆ Broad and grassroots participation in the democratic process
- ◆ Strategic Vision, Direction and Action Plan
- ◆ Correct Policy Mix
- ◆ Industrialisation Drive
- ◆ Investment Enhancing Factors
- ◆ Socio-Economic policies focused on development
- ◆ Organisational Capacity
- ◆ Structural Cohesion
- ◆ Process Clarity
- ◆ Human Resources
- ◆ Technical Capacity
- ◆ State Owned Enterprises
- ◆ Embeddedness
- ◆ State autonomy
- ◆ Political Insulation
- ◆ Control of financial system and banking sector
- ◆ Macroeconomic stability – fiscal robustness and competitive exchange rate
- ◆ Strong partnerships between the private, public and civil sector

Proposed Databases

- ◆ African Journals Online (AJOL)
- ◆ Arts and Humanitarian Citation Index
- ◆ Book Review Index Online
- ◆ Econ Biz
- ◆ EconStor
- ◆ IBSS: International Bibliography of the Social Sciences
- ◆ IngentaConnect
- ◆ Isidore
- ◆ JSTOR
- ◆ NBER: National Bureau of Economic Research
- ◆ RePEc: Research Papers in Economics
- ◆ PAIS International
- ◆ Political Science Complete
- ◆ Social Science Citation Index
- ◆ SSRN: Social Science Research Network

- ◆ Social Science Web of Knowledge
- ◆ World Development Index
- ◆ Worldwide Political Science Abstract

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