

https://dspace.org/

Understanding the process of policy formulation: the National Development Plan and its post-Washington consensus influences

Skosana, Mpumelelo

2015-02-02
http://hdl.handle.net/10539/16847

Downloaded from a DSpace repository. https://dspace.org/

2014

Student Number:

0600716g

Mpumelelo Skosana

[Understanding the Process of Policy Formulation: The National Development Plan and its Post-Washington Consensus Influences]

Contents

Declaration 3
Acknowledgements 4
Introduction 5
Research Method 7
Literature Review 8
Findings 15
The Shift to the Post-Washington Consensus 15
The National Development Plan 25
The Process of Policy Formulation 33
Recommendations and Conclusion 36
Reference List 38

Declaration

This is a declaration indicates that the candidate, Mpumelelo Skosana understands what plagiarism entails and is aware of the University's policy in this regard.

I, Mpumelelo Skosana, declare that this Master's thesis is entirely my own, original work. Where someone else's work was used due acknowledgement was given and reference was made according to departmental and university requirements.

_____

Mpumelelo Skosana

Acknowledgements

This paper has been a result of hard work and I would like to acknowledge the following people for the critical roles they played in the development of this thesis. Firstly, I would like to acknowledge Dr Samantha Ashman, my supervisor who put up with me even though she didn't have to. She gave guidance whilst not once believing the product would be anything less than great. Thank you for the inspiration for this paper and for all the support. My family, uMama, uYona, uKhensani, Andile and Rashika for giving me the support I needed to finish the thesis and their endless love. To Karabo, thanks for being there for me when I needed it most. I would also like to thank the good people at the Department of Trade and Industry and the Corporate Strategy and Industrial Policy Research Unit at the University of the Witwatersrand for the good work of setting up the Programme in Development Policy and Theory. Lastly, I would also like to thank Mariaan and Deon, thanks for understanding. To all those mentioned I shall be eternally grateful.

Introduction

This paper will be a general study into how theory informs policy. It is also a specific study into the National Development Plan and the Post Washington Consensus. It will come to general conclusions about how the policy formulation process informs the eventual policy that is adopted and how dominant trends in thinking can find themselves in development strategy. These conclusions will be based on the specific data obtained regarding the Post Washington Consensus, The National Development Plan (NDP) and literature about how policy is formulated and realized. The three main themes will be exploring the nature of the Post Washington Consensus, the nature of the Development Plan and how this relationship came to be.

The National Development Plan is the latest incarnation of ANC economic policy; this time around it is being advanced as a credible plan that outlines the path that must be taken by the country for us to address the plethora of problems South African society is facing. This policy differs from previous incarnations of economic policy in two critical respects that make it a worthwhile subject of study. The first is in how the policy has been packaged and presented, not as an economic policy but rather an all encompassing developmental strategy. The second critical difference is in how the policy was formulated, shifting completely from the closed technocratic process of the previous incarnations to the ostensibly more open and participatory National Development Plan, incorporating the views of a multitude of experts as well as opening up the process to limited public participation. The Plan has found a resounding amount of approval having being vetted by the African National Congress, government, the Democratic Alliance (the country's official opposition) and significant amounts of private sector leadership. The only significant resistance to the plan has come from COSATU, and most vociferously from its affiliate NUMSA. The process of the NDP's development has been unique in post-apartheid economic policy formulation, being drafted by commissioners from varying theoretical orientations, in this regard, ostensibly sharing some of the consultative elements of the RDP.

Paradoxically then, the economic policy that emerges from the plan largely follows the progression of ANC economic policy post GEAR whilst completely sidelining the Industrial Policy Action Plan

and to a lesser yet still significant extent the New Growth Path. Departing from the top-down 'non-negotiable' GEAR strategy, the NDP was supposed to represent South Africa more comprehensively and draw up a plan to adequately address the problems of South Africa. Alongside these developments in South African economic policy, dominant global mainstream economic thinking has not remained static. Parallel to the changes in domestic economic policies have been changes in mainstream economic policy advice to developing nations. The most important of these changes has been the once dominate Washington Consensus gradually being supplanted by the seemingly more palatable post-Washington Consensus.

This thesis is thus concerned with three sets of interrelating issues. Generally they are the issues of the broad theoretical framework which informs the economic policy contained within the NDP. How these are viewed is through an analysis of the Post Washington Consensus, the National Development Plan's economic policy and literature concerning how theory informs policy. Meaning that an investigation of how and to what extent the parallel developments in the internationally dominant economic policy advice have been incorporated into the NDP and how this has affected the potential efficacy of the economic policy in the South African context. The findings of this phase of the investigation will come from an examination of the economic policy itself and selected literature describing the shift from the Washington Consensus to the Post-Washington Consensus.

The second set of issues relate to how and to what extent this theoretical orientation or framework affected the process of drafting and adopting the NDP. How much of the plan is influenced by the developments in international mainstream economic thinking and how do these influences affect how the policy implementation and its efficacy. The conclusions of this phase of the investigation will also come from the NDPs economic policy and literature focusing on the shift in the mainstream economic thinking. The final phase of the investigation looks briefly at the policy formulation process and sees to what extent the novelty of the NDP process made a substantial difference to the policy prescriptions of the NDP.

This thesis will then conclude with a determination, based on the available literature on which theoretical perspective informs the policy prescriptions of the National Development Plan. This will be complemented by a determination of whether this policy formulation process was successful in bringing about the developmental policy that South Africa requires and whether it was substantially different to the preceding policy formation processes.

Research Method

This thesis has been conducted using secondary data, which was sufficient for achieving the aims and objectives of the thesis. The method that will be used to address the first set of issues relating to the theoretical foundation of the National Development Plan will be a review of the National Development Plan itself, focusing specifically on Chapter 3 of the plan. Alongside the plan itself, interpretations and critiques of the plan will also be examined. Secondly, The Post-Washington Consensus literature will also be read and contrasted with the policy recommendations made in the chapters of the NDP that will be reviewed. The last set of literature that is to be explored relates to the making of policy and how theory feeds into the process. The literature will be used to determine the concerns of the study.

Literature Review

This literature review will explore three principal themes, each of which has an associated set of literature. This chapter aims to gives a review of the literature that was analysed in the course of this investigation.

The first theme that will be explored is the policy prescriptions of the National Development Plan focused on employment and the economy. Specifically, it will home in on Chapter 3 of the National Development Plan. The set of literature that will be explored for this theme is Chapter 3 of Development Plan, the commissioned and existing literature which was used as the academic basis for the plan, known collectively as the diagnostic reports, as well as the literature that has developed around it, including the associated critiques. The core of the analysis of this set of literature will understand the economy and employment as envisaged by the plan, whilst understanding it as the latest incarnation of the African National Congress's economic policy.

Policy prescriptions of the National Development Plan

After an analysis of the chapter, a critical examination of the major problem areas will be explored in the findings chapter. Chapter 3 of the NDP begins with an identification of the 'economic challenge', the structural constraints faced by our economy. The first and most crucial issue that the plan identifies is the fragile nature of our economy, expressed through the skewed pattern of ownership and control of key economic resources, patterns that have been inherited from the Apartheid dispensation NDP (2011, p110).

The consequences of this are the differences in employment levels and income differentials, where the differences have been "...principally racially defined but also include skill levels, gender and location NDP (2011, p110). Proceeding from this insight, the plan's analysis places South Africa in "...a low growth, middle income trap." What is meant by this is explained by the low growth, middle income trap is summarized into four elements that are described as reinforcing each other, and these four elements are the low levels of competition for goods and services, large numbers of work seekers who cannot enter the labour market, low savings and a poor skills profile. Additionally, there is considerable pressure on natural resources, energy constraints, spatial misalignments, and limited access to large markets because of geographical distance which are identified as further weaknesses NDP (2011, p.113) An immediate insight is that even though the plan correct indentifies these income and skills differentials, the intellectual foundations of the

employment scenarios used in the diagnostic, in this case *Evidence-based Employment Scenarios* by Dr. Miriam Altman, are suspect. More specifically, there is a central methodological problem with the paper, as can be seen with one of the assumptions "In this light, the South African government has adopted targets of halving unemployment and poverty by 2014. This would reduce unemployment from about 26% in 2004 to 13% in 2014. This paper assembles a set of possible scenarios for 2024, on the basis of the assumption that the 2014 target is met. It is assumed that Government would like to see "full employment" by 2024, which in these scenarios is assumed to an unemployment rate of 6.5%" Altman (2008, p.3). It is clear that the halving of the unemployment rate has not happened (now in 2014), and on reflection, seems like it was very optimistic target. More problematically, the employment scenarios consider employment in the "Informal sector" (which Altman sees as including subsistence agriculture, domestic work … shops or informal mechanics). These employment scenarios include the idea of absorbing considerable amounts of the unemployed into the informal sector. Not only does this make us seriously question the employment targets that are set in the NDP, it also invites more serious questions about the quality of work envisaged both by Dr Altman and the NDP (a policy she was instrumental in writing).

The plan places South Africa in the advantageous position of having specific areas of comparative advantage. Listed as the areas of comparative advantage are its natural endowments (including minerals), a strong fiscal position, its location on the continent, a strong and deep financial services sector, quality universities and a small yet extremely developed services industry NDP (2011, p. 115) These insights are used to set the stage for the structural challenges that we face that are similar to those of other countries and this is used to drive the analysis of the structural challenges faced specifically by the South African economy. According to the plan, the structural challenges that are similar to other developing economies are the fact that we share the 'Resource curse, Middle-income trap, Global economic downturn, the youth bulge, the changing nature of work and our resource intensive economy NDP (2011, p. 116).

The plan goes on to identify the key elements for employment creation NDP (2011, p117) as establishing an environment for sustainable employment and economic growth. It aims to achieve this by concentrating on labour-absorbing industries. This is done alongside promoting exports and competitiveness. Drastic improvements in the capacity of the government would be also be required, especially in its ability to implement economic policy. The government is seen as playing a strategic leadership role, mobilising key stakeholders around the vision expressed in the chapter described in the plan as a national vision NDP (2011, p121). The key elements of employment creation are in line with those advocated for by Altman in the 2008 HSRC report; however, the

mechanism that is being offered is puzzling. The plan tells us that more than 90% of the new jobs that will be created will be by SMME's. This seems beyond optimistic, especially without detailing how the support structures for these businesses will be strengthened.

Two strategies on how to develop and maintain growth acceleration are offered, albeit not in depth. There are to increase the rate of investment and raising our proportion of the global market share. This is to be done by stimulating exports and more crucially promoting domestically oriented economic activity. Our economy is argued to be an integral part of regional growth. Labour relations are seen in a 'responsive labour market' explained as governed by civil relations, equitable dispensations of value generated. Public sector labour should be conducive to delivery and employment objectives. An increase in the skills supply is alluded to, and more thoroughly argued in Chapter 8. Lastly, improvements are suggested to the Commission of Conciliation, Mediation and Arbitration (CCMA), bargaining councils and the labour court to address the inflexibility of our labour market NDP (2011, p133).

Following this, the character of the economic transformation that is desired is developed. The essential features are workplace opportunity and employment equity, which is a defence of the Employment Equity Act of 1998. Changing patterns of ownership in the economy is a priority. Concentration is identified as "...a barrier to business entry and expansion in key markets, which are essential for employment creation NDP (2011, p114)." It argues that in its current manifestation, black economic empowerment (BEE) has not been successful in achieving its intended consequences, chief among which was reducing the amounts of concentration so as to facilitate employment creation. The reduction of concentration in the long-term will lead to rapid economic growth that will somehow "...focus on spreading opportunities for black people as it grows NDP (2011, p114)" They argue that this would involve enhancing the quality of education, business advice and guidance for entrepreneurs, an increased emphasis on career mobility, workplace training and financial inclusion for the marginalized. Three avenues are identified as the potential solutions namely, "[g]overnment procurement, licensing and other forms of economic rents should help reduce racial patterns of ownership of wealth and income" NDP (2011, p114). Economic Transformation in the South African context is a subject that the NDP looks at cursorily; however, recent work in the heterodoxy has resulted in useful ways of examining and understanding the South African economy. The minerals energy complex is a concept which allows for a more targeted understanding of the pattern of accumulation in the South African economy, a concept that could have added analytically to the plan. This concept is not used by the plan however.

Other features of economic transformation are successful land reform, improved business support to SMMEs, creating an agro-industrial cluster, minerals and metals cluster, manufacturing, the

construction-infrastructure cluster, the green economy, the finance sector, retail and business services, tourism and culture, public sector employment and public employment schemes. The chapter is concluded with the recommendation that there should be a social compact which is characterised increased trust between the state and business, this seen as key to eliminating poverty, reducing inequality and create jobs. The social compact, made up of critical role players and society at large, will use the NDP as its basis NDP (2011, p156). SMMEs are seen as being the key drivers of the economy and will be responsible for 90% of the jobs created. This is despite their current position as job shedders, also research suggests that people with a matric level education are less likely to be employed by SMMEs than their lesser educated counterparts Amra et al (2013, p. 4). Simply put they loss instead of creating jobs, therefore relying on them for job creation without a clear plan of how to improve this seems strange.

There are several major issues with the chapter as economic policy. There is no simple discussion, let alone analysis of macroeconomic variables. There is no formal economic modelling, and concerningly no reason is given as to why this is the case. Alternatives were not modelled and tested against different scenarios with different policy inputs. This glaring omission leaves open the door of speculation, were there attempts to model that went horribly wrong or that produced conclusions that we never going to be trusted. The fact is we do not know why this omission was made, but if it was intentional, the NDP should have documented and explained the decision and the merits of their approach. Alarmingly, the NDP again seems to have been fuelled by the notion that South Africa needs to adopt policy that will attract Foreign Direct Investment (FDI) so as to make up for the saving-investment deficit. The literature reveals, however, that levels of FDI in South Africa have been appallingly low Mosia (2012, p. 3). This is the case despite attracting FDI being a central policy objective of GEAR and AsgiSA Mosia (2012, p. 2). The economy has managed to attract short-term, volatile, high interest flows to back long-term capital outflows. Another grave charge that is dealt with later on in this paper is that the NDP ignores the impact, scale or even existence of these long term capital outflows. What is not in doubt is that certainly doesn't contain any analysis of them.

In addition, the plan's attempt at addressing the unemployment is very weak. It has been well documented that one of the gravest challenges that South Africa is facing is the issue of widespread unemployment, with the Quarterly Labour Force Survey (QLFS) for the second quarter of 2013 placing the official figure at 25.6 % and the broader definition being considerably higher Amra et al (2013, p. 1). This clearly means that the economic policy that is pursued by South Africa must, in the first instance, address issues relating to unemployment. How is the problem of unemployment

addressed in the NDP? The solution that is proposed, as described earlier, ignores the established work regarding the increasing rates of return in the manufacturing sector, thus deserving an adequate industrial policy. This results in the plan under-emphasising the role of industrialization in the process of development and employment generation. This is a consequence that is clearly demonstrated by the sidelining of the Department of Trade and Industry's Industrial Policy Action Plan.

Additional oversights are that the plan itself neglects any significant analysis of macroeconomic variables but, more problematically it does not direct any analysis to the issue of capital flight. The proposed strategic interventions in the finance sector fall far short of addressing the genuine problem of capital flight. Furthermore, the plan misunderstands the developmental impact of local procurement NDP (2001, p.40). Even though it is mentioned, it is seemingly not understood as having the possibility of being part of an integrated manufacturing sector, with linkages based on policies like preferential local procurement, especially in strategically important sectors like production of capital goods. Research has shown that the impact on the development of small businesses of developmental procurement can be profound Foresti et al (2005, p.2). This indicates that the there is enormous potential for local procurement to play a pivotal role in economic policy, the NDP, fails to recognize this.

The Post-Washington Consensus

The second theme that will be explored is The Post-Washington Consensus whether the policy can be broadly characterised as being part of. The Washington Consensus argues that effective and feasible economic reforms need a politico-institutional foundation. The work of Joseph Stiglitz has been incredibly influential in terms of defining and articulating the Post Washington Consensus. Assistance has been provided "...by other major figures within the dominant academic and policy-making circles of North America have also played a significant role. Dani Rodrik, Paul Krugman, Stanley Fischer, William Easterly and Ravi Kanbur... Öniş and Şenses (2005, p274)" Broadly, this literature attempts to argue that the failures in policy reform, poor public management, and rent seeking can be interpreted as instances of institutional failure and therefore addressing these failures will lead to smoother functioning of markets. Stiglitz argues that the Post-Washington Consensus understands and builds on the failures of the Washington Consensus. This formulation emphasises effective governance structures, which provide adequate incentive structures to cope with the failures of public management, policy reform and rent seeking Ahrens (2008, p. 3). Their focus is

on the interaction of the economy and the polity. The resulting concept of governance is developed; Ahrens goes on to argue that this concept is pivotal component of a post-Washington Consensus.

The question of whether this conception of government is the one expressed in the NDP, the answer is the affirmative. The most striking characteristic of the conception of governance in the Post-Washington Consensus is the facilitative role that government plays for the market, expressed by the limitations of the interventions that government are bound by. Both Stiglitz and Ahrens argue that the state's role is to address the market failures that clearly exist. However, a common thread amongst the Post-Washington Consensus literature is that the scope of government intervention is not wide enough to accommodate extensive industrial policy. It is also important to bear in mind that even there are significant similarities in the literature to allow us to analyse it, however "...it would be wrong to talk about the PWC as a monolithic entity (Öniş and Şenses 2005, p274)." This is true as although the particularly facilitative role of government is emphasised, departure from market fundamentalism is evident. Additional components of Stigliz's conception include provisions for a particular economy's context to be a guide in policy making, a significant departure from the orthodox economic policy of the Washington Consensus. Stiglitz acknowledges that "...that one size fits all policies are doomed to failure. (Stiglitz 2008, p9)"

Focusing particularly on the cluster strategy for manufacturing as an example of the limits of the scope and scale that the government is given in terms of interventions by the NDP is the next task. The plan suggests that "[t]he most important contributions to manufacturing expansion will be in relation to the business environment NDP (2011, p148)." First, it must be noted that this is complete accordance with the conception of the role of government, as described above. Second, none of the known strategies to promote industrial activity are explored; there is no mention of infant industry protection. However, research and development is identified as being necessary however, no government plans on how to ensure it is actually there and adequately resourced are presented.

This leave no other option but to draw a link between the conception of state intervention in the development plan and the conception of state intervention in this literature, and thus classifying the plan as an example of Post-Washington Consensus thinking.

Policy Formulation

The third set of literature that will be explored focuses on the process of policy formulation and

how the NDP fits into the economic policy continuum of the ANC in post-apartheid South Africa. Guiding the thinking of how the NDP relates to the economic policy continuum of the ANC in post-apartheid South Africa is Economist Ben Turok, who has worked extensively on the subject. For the process of policy formulation, Ingram, Schneider & Deleon's thinking was both incredibly instructive and useful.

The process of developing the plan represented a marked departure from the way economic policy has been developed in post-apartheid South Africa (Turok 2008, 45). The planning commission was set up by President Zuma to author a national development plan. How this commission came to the policy is a crucial part of this research enquiry. It is important to be able to "...explain why public policy, which can have such a positive effect on society, sometimes-and often deliberately-fails in its nominal purposes, fails to solve important public problems, perpetuates injustice, fails to support democratic institutions, and produces an unequal citizenship." (Ingram, Schneider and Deleon, 1999 in Sabitier 2007, page). This insight is important because it confirms that in order to successfully develop policy; it is of paramount importance to understand the causes for failure of the preceding policies. Has this been done by the NPC? Perhaps, however, the conclusions from that thinking are not made available in the NDP.

Even with that analysis missing, the structure of how the plan was to be formulated was novel and ostensibly far more consultative than any previous process. The question that follows is was there a corresponding shift in the policy that reflected its new consultative form? Not as significant as the change in the process. The question of why this was the case cannot be settled by the literature and can only be explored once data has been collected from participants of the process, which shall be done in the findings chapter. These three sets of literature all coalesce to frame the concern of this research enquiry.

Findings

The findings chapter will be presented as an examination and discussion of the critical issues that are brought out by the literature which was reviewed in the previous chapter. In this sense, the chapter aims to come to a determination on important questions relating to the intellectual foundations of the Post-Washington Consensus, the National Development Plan and the process that was used to arrive at it. All these sets of interrelating issues will be exposed by a critical examination of the three sets of literature. The chapter will begin with the critical issues facing the Post-Washington Consensus, so as to develop an appropriate contextual and theoretical understanding of the Policy. The main issues in this part of the analysis will revolve around understanding the shift from the Washington Consensus to the Post-Washington Consensus and the essential features of the Post-Washington Consensus. Here the determination will be that there is very little conceptual difference between the prescripts of the Washington and Post-Washington Consensuses and that the essential, neo-liberal prescripts of the consensus are so similar to those of the Washington Consensus that it should not be thought of a policy shift as much as policy augmentation, with the revolution/evolution dichotomy proving useful to differentiate them. The essential features of the Post-Washington Consensus will then be laid bare. Determinations here will be that even the PWC is a genuine change in mainstream; however, the change is not effectual in any meaningful sense. Once this has been determined, the analysis will then shift to a stripping down of the essential features of the National Development Plan. The plan will then be compared with the Post-Washington Consensus where it will become evident that the NDP shares too significant an amount of overlap to not think that one influenced the other. These will be because of the nature of role of that government is seen to play, competition policy, regulation and controlling inflation. The final part of this chapter will examine how the policy formulation process played a role in the linkage between the NDP and PWC.

The Shift to the Post-Washington Consensus

The Post-Washington Consensus is the counterpoint for this thesis and thus deserves appropriate attention, especially if the task is to determine whether the NDP is founded on the same principles. In order to make this determination we shall explore two avenues of analysis. The first avenue of analysis centres on what relationship the Post-Washington Consensus has with the Washington-consensus itself. This contextual clarification will result in an improved understanding of how and to what extent a shift the policy orientation of international development policy advice had on eventual South African development policy. The second avenue of analysis centres on the essential features of the Post-Washington Consensus. After this analysis, the link between the NDP and the Post-Washington Consensus will firmly be established. Because the plan shares thinking concerning controlling inflation, encouraging competition and enacting competition policy, continuing privatization, reducing the size of government, budget deficit and the current account deficit and other significant areas it will be argued that this makes the NDP, economic policy that broadly conforms with the Post-Washington Consensus and, as shall be argued Washington Consensus ideals, this leads to has implications for the potential success of the development strategy. These implications are negative for South Africa, as will become evident and more explicit later (Page Whatever I write the explanations of the implications). It will be argued that this link can only be as a result of the nature of the policy formulation.

To begin, Standing (2000) gives a usefully succinct account of the various components of the Washington Consensus; this account lays the perfect foundation for a discussion about the shift to the PWC. The components of WC

> *"...are trade liberalisation, financial liberalisation, privatisation, "deregulation", foreign capital liberalisation (elimination of barriers to FDI), secure property rights, unified and competitive exchange rates, diminished public spending (fiscal discipline), public expenditure switching (to health, schooling and infrastructure), tax reform (broadening the tax base, cutting marginal tax rates, less progressive tax), and a "social safety net" (selective state transfers for the needy)* Standing (1999) in Fine (2002, p.134).

Understanding the shift then between the PWC and the WC is assisted by understanding why the policy shift was made. Was the Washington Consensus struggling and reeling, at crisis point? Had the loss of legitimacy as the failure of Structural Adjustment Programs become more apparent led the shift to the PWC? What role does Stiglitz' own work, relating to his information theoretic approach, play in the PWC? In articulating the Post-Washington Consensus, the Senior Vice President and Chief Economist to the World Bank, Joseph Stiglitz argued at his now famous talk titled *More Instruments and Broader Goals: Moving Toward the Post–Washington Consensus* that the Washington Consensus' focus on inflation has had two significant results, first being that it

produced macroeconomic policies that were not necessarily the most conducive for long-term economic growth. Second was that it reduced focus on other major sources of macro-instability Stiglitz (1997, p.12) He goes on to argue that the Washington Consensus neglected competition as a factor to consider

> *"...in focusing on trade liberalization, deregulation, and privatization, policymakers ignored other important ingredients, most notably competition, that are required to make an effective market economy and which may be at least as important as the standard economic prescriptions in determining long- term economic success"* Stiglitz (1997, p.12)

Fine (2001) points out that this being argued by Stiglitz, whom was a clearly a Washington insider at the time meant that "...the Washington Consensus was under assault from within" Fine (2001, p.2) This allows us to to understand that the PWC sees itself at addressing this single-minded obsession with inflation and the ignorance of competition of the original Washington Consensus or introducing new aspects of the problem to address. Stiglitz conceived it as a broadening of the goals and tools of the Washington-Consensus. This is important because Stiglitz' re-conceptualisation of the economic development agenda was seen by him, as anchoring policy in a sounder understanding of the economy. Whether or not this is actually the case is a question that is central in determining which interpretation of the shift is more implausible.

Ultimately, the interpretation the nature of the shift from the Washington-consensus and the Post-Washington Consensus is dominated by two broads and opposing schools of thought. In short, does it represent a departure from neoliberal thinking or merely more of the same? The answers to this question play a large role in determining the trends in thinking. Ruckert 2006 choosing not to take sides between the mainstream and the heterodoxy, he argues that the shift is more complex than it initially appears. He notes that there is a significant impasse in understanding the relevance of this policy shift Ruckert (2006, p13). He argues that the Post-Washington Consensus neither represents a fundamental rupture with the Washington Consensus nor an attempt to reproduce the same neoliberal policy regime. Rather, he suggests an alternative, an idea of 'inclusive neoliberalism' and maintains that the Post-Washington Consensus is the first step towards the emergence of an inclusive-neoliberal regime of development in the global economy. His evidence for this claim however is questionable at best. The first problem with Ruckert's inclusive neoliberalism is not only the fact that it has failed, in empirical terms, to materialise, but also its foundation in Ruckert's neo-Gramscian understanding of the neoliberal development regime.

The most compelling interpretation is that the shift is presented by critics of the development establishment that argue that the policy changes that it involve the Post-Washington Consensus do not represent a fundamental shift away from neoliberal policy practices examples include Fine (2001) Neither Washington Consensus nor the Post-Washington Consensus. It is compelling because the shift was made to broaden the tools and goals of the Washington Consensus and not in order to review its founding neoliberal principles. This is important, because the reasons for the failure of the Washington Consensus are disputed. Proponents of the PWC argue that the Washington Consensus failed due to its narrow goals and tools; however, a more detailed reading of the evidence suggests that the shortcomings of the Washington Consensus were not its limited scope, but rather its intellectual foundations, foundations, which are not addressed never mind reviewed by the Post Washington Consensus. Secondly, critics of the consensus do not argue that it offers no change; rather that it does actually broaden the scope by finally acknowledging market failures. However, the critics do point out that even though this is done by an approach tied to its own understanding of market imperfections it completely ignores the criticism of the Washington Consensus. It suffers from a lot of the same weaknesses as a result, and thus it represents a false discontinuity of policy.

Essential features of the Post-Washington Consensus

After having developed an understanding the shift in IMF and World Bank policy, it can be seen that there was in fact a shift in policy that has been characterised as the Post-Washington Consensus. What are the essential features of this PWC and what are the intellectual foundations of the PWC. This is an important step in our analysis as it will provide the criteria which will be used to compare the NDP, that is, the essential features of the PWC will be compared with the pronouncements of the NDP to establish if there is significant enough overlap to conclude that the NDP was influenced by the PWC. The central thrust of the PWC is reconceptualing the centrality of the State v Market thinking of the WC, by replacing it the thinking that sees government acting as a complement to markets. Said in simple terms, the Washington Consensus prescribed that the state should not intervene in the market whereas as the PWC suggests that the government can, in fact, intervene in the market, however, this intervention is limited to steps to steps that would improve the workings of the market.

The theoretical or intellectual foundation of the Post-Washington can be traced back to the involvement of Joseph Stiglitz. Ruckert 2006 views the Post-Washington Consensus as being the

convergence between the neoliberal concepts of the Washington-Consensus and the theory of information theoretic approach pioneered by Joseph Stiglitz. Fine concurs with this understanding by himself suggesting that central to the PWC is the connection between Stiglitz' own academic work and essentials from "...laissez-faire dogma". Fine argues that the motivating idea of the PWC can readily be identified in Stiglitz' work over the preceding two decades. That motivating idea is market imperfections are the only possible justification for state intervention Fine (2001, p. 4). He points out that this line of thinking has been around for a while, what is novel in this approach is the conceptualisation of a market failure. Along with this, market failure is seen in terms only of the conditions of neoliberal constraints including the presence of externalities or monopolistic pricing. Asymmetries of information of multiple kinds like transactional costs can also be the cause of market failure. In addition Fine contends that "...in formal modelling, the analytical basis for the PWC is extremely narrow and weak, especially from the perspective of anyone not wedded to mainstream economics" Fine (2001, p. 6). The two fundamental characteristics of the analytical basis of the PWC are; firstly a reductionism to individual behaviour and secondly a reductionism to market imperfections based on informational imperfections.

An understanding of the theoretical foundations of the PWC can only be complemented with an explication of the concepts that are essential to this approach. What are these concepts and which ones originate from the original consensus and which are anchored in Stiglitz' own work. What follows is an analytical explication of these concepts in order to make these determinations. In addition, this phase of the analysis is also important because it is these central concepts that will be compared to the policy prescriptions of the NDP in order to determine the relationship between the PWC and the NDP.

Controlling inflation

First on the menu is the critical idea that the management of the inflation rate is vitally important to the maintenance of macroeconomic stability. Stiglitz tries to reduce the importance of the policy of inflation targeting by still insisting that it is important to make sure that the inflation rate is controlled yet it should not be the only focus when stabilising the macroeconomic environment. Specifically, Stiglitz states that "In [his] view the conclusion to be drawn from this research is that controlling high and medium-rate inflation should be a fundamental policy priority but that pushing low inflation even lower is not likely to significantly improve the functioning of markets" Stiglitz (1998, p. 7). This concession to the work of Akerlof, Dickens, and Perry (1996) that finds that low levels of inflation may even improve economic performance relative to what it would have been

with zero inflation, does not mean that the Stiglitz doesn't argue for aggressive, pre-emptive strikes against inflation. The question, left unaddressed by Stiglitz, is still how to ensure that these aggressive, pre-emptive strikes do not turn into the single-minded obsession with controlling the inflation rate that has become characteristic of Washington Consensus influenced Central Banks like the South African Reserve Bank.

It is clear that this concept was central to the Washington Consensus and has been slightly modified in the PWC. However, as discussed earlier, these modifications are not significant enough to ensure an understanding in respective central banks that their work is not limited to the maintenance of acceptable levels of inflation. As shall be shown later, if the neoclassical roots of the WC had been discarded, some literature in the heterodoxy has important suggestions of how central banks can plausibly expand their scope to target and focus on other, arguably more important macroeconomic variables, not least unemployment. The PWC doesn't discard the neoclassical roots of the WC and thus doesn't contain these crucial strategies.

Encouraging competition and enacting competition policy

The emphasis on competition and competition policy is a strong component of the PWC. Competition policy is in fact one of the main reasons that Stiglitz cited as one of the crucial factors for the shift of to the PWC. He argues that competition is central to the successful functioning of a market economy. He maintains that trade liberalization is important, but full benefits of liberalizing trade will not be achieved in the absence of creating a competitive economy. Developing countries are seen by Stiglitz as being characterised by imperfect competition, meaning their economies exhibit competition that is suppressed, for reasons including implicit collusion and predatory pricing. The enacting of effective antitrust laws for developing countries is argued as being essential to their economic development. Stiglitz notes that competition policy also has considerable implications for trade policy; however he doesn't make the connection that these two policies can be part of a comprehensive development strategy. What is true is that when it comes to competition and competition policy is that their analytical importance (from the Washington Consensus to the Post Washington Consensus) has grown considerably over time. Cramer (1999, p.10) notes that "[c]ompetition and regulation policies are central to the Post-Washington Consensus, having been peripheral at best to the Washington Consensus".

Weaknesses with the PWC understanding of competition come from a failure of this theory to adequately interact with the broader discussion of industrial policy. Cramer goes as far as arguing that there is no reason to believe that there is a difference between the Washington Consensus' view

of the relationship between privatization and industrial policy and the PWC conception of the very same relationship. He suggests that the Washington Consensus' view of this relationship was simplistic and reductionist in the sense that privatization was not presented as one amongst many tools that exist for a government's industrial policy rather privatization is presented *as* industrial policy. The same problem applies to the PWC.

Cramer (1999) however argues that Stiglitz is, in his conception of the Post-Washington Consensus, guilty of over-identifying a basic conception of competition with developmental objectives Cramer (1999, p. 8) He describes it as basic because the important delineation of the source of the competition is not made or in other terms, there is a difference between internal, domestic competition and external, foreign competition that is not accounted for. This is a problem, especially because a strong case can be made for a developing economy government to foster domestic competition whilst limiting foreign competition for an initial, finite period of time. This kind of thinking has its roots with Friedrich List, Alexander Hamilton and Ha-Joon Chang in more recent times. The importance of the infant industry protection literature on ideas of economic development cannot be overstated, however, due to the PWCs simplistic view of competition the argument that some kinds of competition should be suppressed for strategic reasons cannot be understood in its framework. Therefore experiences like the Madagascan government's intervention of limiting external competition from its vanilla sector in the 1960s to guarantee the quality and regularity of supply leading to the country gaining more than 90% of the market share cannot be sensibly understood. Cramer (1999, p. 9) goes on to insist that was is missing from the Washington approach is the absence of the comprehension that restricted competition and industrial regulation might be highly effective especially if when concerning the daunting process of technological upgrading, as an example he mentions the governments of the East Asian Newly Industrialised Countries (NICs).

The importance of financial market regulation

The concept of regulation is closely related to that of competition policy and it this is the first considerable departure from the original consensus. The original consensus for deregulation, especially of the financial markets, however, the insistence on regulation. As shall be made clear a bit later, the Post-Washington Consensus supports trade liberalization and privatization as key building blocks of successful economic policy, however Stiglitz is careful to show that they that they are not goals in and of themselves noting that "...[privatisation and trade liberalisation] are not ends in themselves" Stiglitz (1998, p.6). This is the same thinking that is applied to regulation.

Regulation, along with competition and adequate competition policy are seen as being necessary for "...a less distorted, more competitive, more efficient marketplace" (1998, p.6)
According to Stiglitz, regulation serves four main purposes in the functioning of efficient financial markets. The first main purpose of regulation has is prudential regulation, this kind of regulation ensures safety and soundness of financial markets. Secondly, regulation is responsible for promoting competition. Third, regulation protects the consumers in the financial markets. Lastly, it ensures that underserved groups have some access to capital. How it achieves some of these goals, especially the last one, seems dubious. The American Community Reinvestment Act is given as example of how regulation ensured that minorities and poor communities received funds and how the Federal National Mortgage Association provided easier access to home loans. The problem with these examples is that it is not make clear how regulation can assist in a context where the underserved groups are in fact the bulk of the population, as is the case with most developing nations.

Additionally, the PWC insists that in developing countries market failure is more common resulting in a scenario where they require greater reliance on regulation, competition and anti-trust legislation for privatisation's supposed benefits to be realised. Cramer notes that if this thinking taken to its logical conclusion, markets in low-income countries need to rely more on intervention, an argument that the PWC fails to make. More importantly however, Cramer considers regulation ineffective to actual development. There is no room in the Post-Washington Consensus for consideration of the complex policies that are required for effective sectoral growth. These go beyond relative prices to marketing, branding, quality, R&D, raw material supply renovation, supportive infrastructure, diverse relationships between participants in an industry or a commodity chain, and organisational capabilities. Responses to these issues tend to involve the creation of imperfect competition structures rather than regulation to respond to the sorry inevitability of imperfect competition by ensuring fairness.

Reducing the size of government, budget deficit and the current account deficit

A second component of the PWC's strategy to ensure macroeconomic stability has the suggestion of reducing the size of government, the budget deficit, and the current account deficit. This component is premised on reducing the size of three crucial factors of the macroeconomy; the size of government, the budget deficit and the current account deficit. . The details of the argument of why the deficits need reduction are not explicitly argued; rather the thinking seems to follow in the

mould of its neoliberal predecessor. Thinking that guides these two policy prescriptions is the idea that the There is no simple formula for determining the optimum level of the current account and budget deficit

The argument for the reduction of the size of government is in fitting with the central thrust of the PWC, which envisages the role of government as beginning and ending at facilitating the market and ensuring that market failures are corrected. Because of this, government size must be limited to what it necessary only for facilitating the market. When discussing the failures of the Washington Consensus, Stiglitz (1999, p.18) opines that some state enterprises were inefficient, their losses contributed to the government's budget deficit, adding to macroeconomic instability. In an example about reducing the size of the fiscal deficit, Ghana's privatisation of the banking sector was designed to improve competition and by so doing improve credit allocation to the private sector. Cramer (1999) argues that the actual results have, however, been disappointing because of the government's fiscal deficit has meant that public borrowing has increased and Treasury bills offer high interest rates at low risk so banks are holding nearly 70 per cent of deposits in treasury bills

Promoting free trade

Trade liberalization that would eventually lead to free trade was a fundamental part of the Washington Consensus and so is the case for the PWC. This component was clearly central the original Washington Consensus. Arguing that the emphasis on free trade was inevitable, Stiglitz asserts "...that import substitution proved a highly ineffective strategy for development" Stiglitz (1998, p. 18). Its inefficiencies could be seen by some countries industries showing the twin effects of stunted innovation and production taking place with negative value added. Acknowledging the potentially disastrous effects of unbridled competition on burgeoning industries, especially those in the technological sector, Stiglitz states "... that competition from abroad would have provided an important source of competition. But it is possible that in the one-sided race, domestic firms would have dropped out of the competition rather than enter the fray" and "trade liberalization is thus neither necessary nor sufficient for creating a competitive and innovative economy Stiglitz (1998, p. 18) important sense of its having evolved to embrace further components:
However, equally as clear is that protection and subsidy is a crucial component of successful productive growth, they have played an important part of virtually every successful industrialisation experience. Chang suggests that free trade is preferable only at a certain and certainly very advanced stage of economic development otherwise free trade has the potential of undermining the domestic manufacturing sector in developing economies.

Facilitating privatization

The PWC reforms the thinking behind the thrust for privatization however the PWC doesn't discard the actual the thrust itself. Rather the strategy that is used is insisting that the emphasis on privatization over the last decade of the WC had been the result of a focus on profit incentives rather than from the genuine concern over the lack of competition. Therefore an important aspect the Post-Washington Consensus is its continued support for privatization. Cramer (1999, p1) are that the Post-Washington Consensus conception of privatisation initially seems like it differs from the WC view that was reflected in the structural adjustment programmes of the 1980s and 1990s. He maintains that it differs primarily in that it contains "... a less ideologically dogmatic attachment to privatisation as developmental panacea" Cramer (1999, p1). Cramer goes on to suggest that the PWC expresses the seemingly more pragmatic need to combine privatisation with regulation and competition policy.

The National Development Plan

The National Development Plan and the Post-Washington Consensus

Having developed an understanding of the Post Washington Consensus throughout the literature review and the discussion, the analytical now work moves to the important task of establishing whether this policy shift in particular is the broader economic thinking that the National Development Plan is influenced by. This task has been made simpler by our analysis of the PWC, as this has brought the central concepts that shall be compared with the development plan. As an initial disclaimer, it is important to understand that the suggestion that the policy shift in mainstream economics influenced the NDP and did not completely frame it, as such, differences between the two (PWC and NDP) whilst not plentiful, still exist.

The National Development Plan is a developmental strategy that essentially is made up of three significant phases, the diagnostic stage, where the commission examined existing research and commission some reports to ascertain the scale and nature of their task. Following that was the planning stage, the various workshops that gave rise to the actual NDP. The commission see themselves as being in the final stage of the plan, the implementation phase. Before we begin to strip the essential features of the NDP, some disclaimers are in order. The idea that the PWC could have influenced the NDP is a completely separate one to the idea that the PWC caused the NDP. The argument being made in this paper is that the PWC influenced the NDP and not that these international developments somehow having a causal role in the development of the policy. The nature of that influence and how it came to influence are issues that can only be determined after the extent of the intellectual overlap has been found. What now follows is an analytical examination of the NDP framed by the essential features of the Post Washington Consensus. Framing the discussion with these concepts will give us a clearer picture of the relationship between the plan and the trends in international development institutions policy.

Controlling inflation

The extent to which the policy of inflation targeting is discussed as the reserve bank strategy is very minimal in the actual NDP. However, some clues on how the topic of inflation ought to be controlled, or more importantly how what levels of inflation are permitted and which are too excessive are alluded to. The plan briefly argues that a possible recession in the European Union would dampen the levels of growth in the South African economy predominantly because of their

position as South Africa's biggest trade partner. The steps South Africa can take to mitigate the risks of this in the medium term are to use monetary policy to balance the conflicting needs between curbing inflation and keeping the maintaining adequate levels of economic growth. In addition, using counter-cyclical fiscal policy would enable the government to build in "macro-policy cushions" that would allow our economy to counteract the effects of the financial crisis. A hint that the conservative fiscal policies first introduced by GEAR are to be still be supported in the NDP is evident, as the following quote indicates "[c]ontinued fiscal discipline is important, though a more expansionary stance might be necessary if the EU contracts" NDP (, p.113). In additional the plan prescribes that "Counter-cyclical fiscal policy and low and stable inflation are key elements of this supportive macroeconomic approach. This is especially true in a minerals-exporting economy where external prices can have a destabilising impact on the non-minerals sector."
From this then, it becomes clear that the NDP prescribes that South Africa continues using the policy of inflation targeting. As is the case in the intellectual foundations of the PWC, this is not done explicitly. However, ideas from the heterodoxy are not explored; a patent example is the failure to investigate the implications of the employment targeting. This situation leaves us with little room to not acknowledge that both the both the PWC and NDP tacitly argue for the *status quo* due to the minimal thinking on the strategies of monetary policy.

Encouraging competition and enacting competition policy

One of the key proposals in Chapter 3 is the suggestion that we should take steps to increase competition in the regulated sectors. This should be done in addition to extending price regulation to sectors that are natural monopolies. Simultaneously, the government should promote more robust competition it should ensure this result using competition laws. Bizarrely the NDP claims that "industrial policy should allow for learnings and for timely exit strategies." NDP (2011, p. 118) this is not incorrect; however, it certainly is bizarre because the first levels of the argument are not made. This realisation is one that adds the caveat to policy that aims to promote domestic manufacturing by limiting foreign competition, the infant industry protection argument. What is strange is that the argument is not made however the exit strategies are still insisted upon. The NDP goes further to argue certain features of our economy mean that there is a high cost structure. These features include our relatively small market and distance from major trading partners. These, and the fact that major sectors of the South African economy have developed in an uncompetitive manner mean additional challenges to competition in our economy.

In arguing for increased competition, the NDP states that monopolies have developed in a considerable amount of public and private of sectors. As a result they have used their market dominance to charge excessively high prices. The biggest impact of this is in the sectors, such as electricity or steel, those provide the crucial inputs of the production process. The NDP therefore makes several proposals in the areas of regulatory reform, infrastructure investment, competition law and the quality of public services to address these structural features, thereby contributing to lower costs for businesses that aim to address this lack of competition. Critical here is that all these actions are designed to be facilitative of the market, very much in line with PWC thinking. Cramer insight is crucial to note however , he references Chang that "What the analytical underpinning of the Washington approach misses is that restricted competition, industrial regulation aimed not at stimulating maximum competition but at reducing some dimensions of competition while perhaps stimulating rivalry, and indeed policies to provoke co-operation, might be highly effective..."Cramer (1999, p.8)

The importance of labour market regulation

The NDP goes into considerable depth with the idea of regulation. Whilst the explicit topic of regulation of the financial market is not as dominant in the NDP, it is not even mentioned or discussed; the idea of regulation is discussed by the plan with particular emphasis on the labour market. Looking at the idea in the labour market provides a useful parallel to the emphasis on financial market regulation in the PWC literature. It would therefore be important to note that this must be considered a point of similarity, especially in regard to the envisaged role of regulation. The reason why financial market regulation is not as important a theme in the NDP has a got to do with context. South Africa, unlike the United States, has tight financial market controls and did not undergo an extreme deregulation during the period of the original consensus. The economic infrastructure chapter NDP (2011, p.163) of the plan argues that regulation has the best results in environments where there is sufficient political will supporting it. The environment would be one where regulators are legally independent have public accountability whilst making transparent decisions and where the regulator is backed by adequate institutional, and human capacity. NDP (2011, p.163)

Improved regulatory performance is vital for national development. Capacity building remains a core challenge, requiring sustained training to improve leadership and technical capabilities. The plan goes on to give proposals to improving regulation including conducting reviews of infrastructure regulators to clarify roles, strengthen accountability, update legislation and regulations, and reform institutional design. Exploring the possibilities of further consolidation of regulators are strategies that are also suggested. One suggestion that was made by the NDP which

has since been implemented is the idea to establish a monitoring and evaluation unit in the Presidency that is to undertake periodic regulatory impact reviews and provide advice and support to the regulatory authorities. How much actual support has been provided is still to be determined. Quite usefully for our purposes, when prescribing the role of the state the NDP states that "Among other actions, the state must enhance regulation of market participation, identify and resolve market failures, provide appropriate public infrastructure and services, and help to lower transaction costs across the economy" NDP (, p. 157) These sentences serve as evidence of the idea that there is a link between the NDP and PWC thinking. These are the shared goals of both the NDP and the PWC, giving credence to the idea that the NDP is considerably influenced by.

Reducing the size of government, budget deficit and the current account deficit

In this regard, the NDP is considerably different to the PWC. The size of government is not emphasised or in fact explored in the NDP, rather the focus squarely lies with the capabilities of the state. For the conception of government, it is not possible to rely only, or even mostly on Chapter 3, rather Chapter 13 titled "*Building a capable and developmental state*" is more useful. The chapter argues for a state that looks significantly different to the one that is currently in place at the moment. It is a conception of the government that is not a mirror image of the one that the PWC suggests.

The first main difference is that the NDP develops a different view of the role of government. Even though the view has been influenced by the PWC thinking, it has departed significantly from the prescriptions of the PWC. The NDP prescribes a state that is capable of playing a developmental and transformative role. It prescribes a public service needs an understanding of the development agenda. This public service would also need protection from political interference. This approach focuses on the long-term skills development to create capable members of the public service. Improving relations between national, provincial and local government requires a proactive approach to resolving coordination problem another critical goal is synthesizing the activities of the different spheres of government. Lastly, Chapter 13 also argues for improved governance structures for state-owned enterprises (SOEs) that ensure accountability and stable leadership.

Macroeconomic Stabilisation and Long Term Output

The NDP argues that there has been successful macroeconomic stabilisation in the past; this perhaps isn't surprising knowing that the former finance minister responsible for that is now the chair of the

NPC. This claim extremely is questionable, especially because of the rampant poverty that continued unabated, unemployment remained unacceptably high, inequality still characterises the economy. Thus the claim that stabilisation has been successful is untrue on the balance of the evidence. Very high levels of capital flight, entrenched patterns of owners, considerable financialisation of the economy and a lack of developmental elite make us seriously question the success of the previous period of economic policy.

Facilitating privatization

The topic of privatization is dealt with in any meaningful depth in the NDP. This however can be put down to the significant success of the privatization that was so central to GEAR and AsgiSa. The NDP is reads like policy made in a post-privatization context. No attempts at reversing some of the problems caused by this privatization are offered in the NDP, presumably because it tacitly supposes the facilitation of privatization.

Promoting free trade

The issue of free trade is similar to issue of privatization which was dealt with substantially with previous economic policies that had the same influences from international orthodox institutions. Therefore it also receives little attention in the NDP whilst taking it for granted that our economy exists in a free trade context. No alternatives to this policy standpoint are explored.

An evaluation of the NDP

This section will just reconcile what the literature revealed about the NDP and how it fares as a developmental strategy for South Africa, based on the insights that have been garnered from the preceding investigation. Here, the aim is to offer an evaluation of the NDP and investigate more clearly what the actual implications are of it having the intellectual influence that has been argued for in the course of this paper. The style of the document is discussed and is followed by a discussion about the substantive issues that give rise to various implications. These implications are explicated and used to make a determination on the potential efficacy of the NDP's economic policy.

On first reading, the National Development Plan seems to offer a holistic approach to developmental strategy and planning even though it is a difficult text to read. It is arduous to read for two significant reasons. The first is that the policy is clearly a result of the thinking of a varied amount of people (26 Commissioners) and therefore does not read like a single, unified document. The presence of inconsistencies is also attributable to this. The second reason why the document is not easily read is due to its lack of scholarliness. The incorrect application of concepts is the first sign of this, concepts like developmental state, comparative advantage and whatever else to name but a few, makes it seem like terms were used so that the NDP could cash in on buzzwords, rather than academically addressing their applicability to the South African context. The document contains no direct references and important information like the theoretical influences is not made available and can thus only be found after an extensive research investigation such as this one. These two issues combined make the task of reading the NDP a significantly difficult one, so difficult in fact it is inconceivable that the ordinary South African read it unless they had to. The problem that this creates is that the policy then becomes inaccessible to those people it is purportedly trying to help and becomes fodder for those residing in ivory towers. These problems with the way the NDP is written, significant as they are, do not begin to compare with the enormous scale of the substantive problems with the document as economic policy.

Substantively the NDP discusses competition, competition policy and regulation. The analysis of these policies is, as has been proved, heavily reliant on the Post Washington Consensus. This analysis falls short however. The lack of delineation of what kind of competition, whether it is domestic internal competition or international external, makes the analysis simplistic and removed from actual development challenges. As mentioned, a case can be made to limit international external competition whilst encouraging domestic competition, especially in strategically determined sectors, such as manufacturing. When determining what the South African economy needs, it is puzzling to think that the NDP doesn't focus on manufacturing as the lynch pin for development, simply because of the tremendous rewards that can be reaped if this is done successfully, South Korea being an immediate example. The South African economy needs manufacturing to be assisted to renew production for our domestic market, as the country is overly reliant on exports. An enhanced strategy for industrialization that integrates local inputs in upstream and downstream industries is essential. Beneficiation and enhancing agro-industry are also suggestions that have been made in the heterodoxy but are not significantly explored in the NDP. Problems with a having treasury that is too powerful are also not acknowledged in the plan.

Another major problem with the NDP is that it does not create an institutional centre for

government-wide economic planning. Even though this was clearly the attempt, the NPC falls short of this. The first reason for this is that the NPC does not have an institutional basis. The commission, like all other commissions assembled by the president, is an ad hoc body that came together to formulate the NDP and not a permanent centre that will ensure consistency in economic policy across all relevant government departments, the NPC secretariat notwithstanding. Because of this, it does not have the ability to address the issue of policy incoherence and clutter; rather it simply contributes to this problem. Additionally, the scope and scale of NDP and NPC. One prong in a multi-prong' strategy that should serve to reinforce the other prongs instead our NDP dilutes it. Secondly and more problematically, the externalisation of the NPC has limited its power and to some extents its adoption as effective government policy.

The important issue of capital flight is not dealt with or explored by the plan either, again, hindering its ability to address issues at the heart of our economy's underdevelopment. The scale and implications on developmental strategy of this problem cannot be overstated. Capital flight levels in South Africa are astonishingly high, at levels higher than 20% of GDP in 2007, at the same time and not unrelated; levels of investment in the economy have been dismally low. The link between these two facts is identified by Ashman et al (2014) where the authors note that problems with investment levels in South Africa are not due to an inadequate surplus, rather they are due to high levels of the surplus being removed from the economy, with a considerable amount of it being removed illegally Ashman et al (2014, p. 2). Closely related to this issue is the problem of the financialisation of the South African economy, another crucial reality of our economy that was not picked up by the diagnostic reports or the plan itself. The argument made by Ashman et al (2014, p. 2) is that the increasing financialisation has significant implications for the economy, including bolstering the strength of domestic and international financial elites and importantly for this study the effect it is has had on policy making viz. the displacement of decision making to financial elites to the detriment of the rest of society because of the influence of neoliberal thinking. The only that I would add is that the NDP is clear evidence of this.

Additionally, another weakness of the NDP is their analysis of the economy, that doesn't use the Minerals-Energy Complex (MEC) concept in its thinking. Originally pioneered by Fine, & Rustomjee (1998), the concept relates to the entrenched accumulation pattern in South Africa. The MEC is an incredibly useful concept, especially taking into account recent updates to it that argue that at the core of the financialisation MEC has been financialized. The failure to use this concept leaves the NDP without the structural dimensions of the South African accumulation, which weakens the analysis unnecessarily. This analytical weakness was identified by Ashman et al

(2014).

A problem that was identified in during the course of the study is the externalisation of planning capacity that is one of the biggest shortcomings of the NPC and therefore also of the NDP. The planning commission is has no power to co-ordinate economic policy *within* government, and this being the case, means that the NDP does nothing to relieve the policy congestion in South Africa. Furthermore, the impact that it has on the implementation of the NDP should not be underestimated. The government departments that are tasked with implementing the plan have had no say in its development, and there is no one from the NPC in each of the departments to ensure implementation.

The final issue affecting the NDP is the general dissonance between the theory and practice of the Post Washington Consensus. One of the critical problems of the original consensus was that the practise of the consensus was so removed from the theory that was supposed to be informing it. The same weakness is present with the PWC and considering how much of the NDP is influenced by the PWC, there is a gap between what the NDP has achieved and what it is envisaged to achieve is massive.

The Process of Policy Formulation

The final part of the study takes us from the Post-Washington Consensus and the National Development Plan and asks questions that are far more abstract in nature. How is policy formed, and more importantly, how was the National Development Plan formed? Having now found that the NDP is heavily influenced by the Post Washington Consensus, it is reasonable to then ask if the process by which the plan was developed was somehow responsible for this link. Did it facilitate the link? These are questions that will be answered once the literature that was alluded to in the literature review has been analysed in the context of what we know of the process that gave rise to the NDP.

This subsection will begin with analysis of the policy process in general terms, examining the theories that explain the process. This will be done so as to be able to select the appropriate analytical framework to apply to the NDP's policy. This will be followed by an examination of the NDP's particular process.

Policy Process

To begin, as we have seen, Sabatier (1999) argues that public necessarily goes through four steps that make a cycle. Initially, problems are articulated either by government or presented to government for solution. The governmental institutions formulate alternatives and select policy solutions. Finally, the proposed solutions are then implemented, evaluated, and revised. Whilst the circumstances of the NDP are not the same as they would be under normal governmental policy, the general cycle holds true for the NDP. How things unfolded in the NDP shall be explored in greater detail in the following section, for now, it is important simply to note that its development has tracked the cycle as presented by Sabatier.

There are a multitude of theories in the social sciences that are used to explain how policy is formed. Due to the plethora of possibilities, there is a wide range of theories that can be used to understand the dynamics of what is often an unclear and protracted process. For the purposes of this study, it is not necessary to explore all of the different possibilities; rather, we will explore the two theories that can aid our understanding of the NDP process. The two theories that will suite this purpose will be the Coalition Theory or Advocacy Coalition Framework propagated chiefly by Sabatier and Jenkins-Smith and the "Power Politics" or Power Elites Theory pioneered C. Wright Mills and Domhoff. The Coalition Theory or Advocacy Coalition Framework, work that is rooted

in political studies, maintains that policy change comes about through coordinated activity among a range of individuals with the same core policy beliefs and this coalition is then responsible for bringing about the relevant policy change. Stachowiak (1999, p. 7) suggests that this theory is most useful in instances where a sympathetic administration is incumbent or a strong group of allies with a common goal is in place or can be formed. On the other hand, the "Power Politics" theory, a theory that is based in sociology argues that policy change comes as a result of working directly with those with power to make decisions or influence decision making Stachowiak (1999, p. 10).

The coalition theory is brought into this analysis so as to provide a clear counterpoint to the process that was followed in making the NDP. This theory proposes that a policy coalition is formed when individuals have core beliefs about policy areas, including a problem's severity, its root causes, and mounts a concerted effort to developing solutions for addressing it Stachowiak (1999, p. 10). It is known that this was not the case in the NDP. The individuals that were part of the development of this policy were not united by an overarching ideal to identify the South African problems that needed addressing. Rather the individuals or the National Planning Commissioners were tasked to develop the NDP by Presidential decree. This, in itself, affects the dynamics of the task. However, what is clear from the onset is that the coalition theory does not apply when thinking of the NDP policy process.

NDP Policy Process

As has been described, the National Development Plan originated with the President of the Republic setting up the National Planning Commission. The logic that was used to establish the commission was as follows. The commission was to be made up of stakeholders and experts from a vast array of backgrounds and ideological orientations. The National Planning Commission would be supported by a small bureaucratic team stationed in the presidency called the NPC secretariat. The commission would meet in plenary discussions and break away into working groups focussing on specialised areas, like the economy, education, health etc. Crucially, the commission was to be chaired by ex-finance minister and well known Washington sympathiser, Mr Trevor Manuel. It would be Vice Chaired by Mr Cyril Ramaphosa, one of the richest men in South Africa and calling him a BEE beneficiary would be an understatement, the commission also included Mr Joel Netshitenzhe, Dr Miriam Altman, Mr Robert Godsell, Professor Anton Adriaan Eberhard and Mr Elias Masilela. This cohort of commissioners are the most likely to have driven the Post-Washington Consensus agenda in the NDP. These commissioners were balanced out by Prof. Christopher Malikane, whose ideological clashes with the dominant cohort resulted in talk that he

stopped attending workshops and silently withdrew from the planning process and Professor. Karl von Holdt, who, like Professor Malikane is a University of Witwatersrand academic whose track record suggests he attempted to limit the PWC thinking in the Plan. As the nature of the ideological clashes is not known and there was no minority report produced, the truth of these claims is still undetermined. The most important point however is that the process of drafting the actual plan, the intellectual haggling over ideas, deciding what is important enough to go in, what should be left out, why? This entire process has not been revealed and the only information relating to this is with the individual commissioners themselves.

Once the commission had been set up, their first task was to ascertain the scale and nature of the challenges facing South Africa. The commission achieved this through examining commissioned and existing research around the subject matter. The diagnostic reports are introduced as being a set of analyses that seek to identify high-level issues that are critical to determining an economic path that will benefit all South Africans. It is informed by work that has been done by a range of agencies, including: The Macroeconomic Research Group in the early 1990s, The Department of Finance in 1996, The government's Ten and Fifteen Year Reviews, The International Growth Advisory Panel (the so-called Harvard Group) The Human Sciences Research Council's Employment Scenarios, The Organisation for Economic Cooperation and Development (OECD) and the IMF. Interestingly, the plan lists other economic research on the South African economy, such as the Congress of South African Trade Unions growth path document and the New Growth Path. Importantly, to what extent each influenced the final Plan is not mentioned.

Recommendations and Conclusion

The preceding investigation has established a clear link between the Post Washington Consensus and the National Development Plan. These links were identified most strongly in the how the plan understands the role of government and competition, competition policy and regulation. This has the result of the NDP suffering from weaknesses from its influencing theory that compromise the plan's ability to meaningfully address the plethora of problems facing South African society. The effect that these links have had on the policy making process are vast. Not only has orthodox economic policy maintained its stronghold in South Africa, but the failure to acquire the ability to integrate ideas from the heterodoxy has come at the expense of the South African people. The policy process therefore can be explained by neither the coalition theory but can be cursorily explained by the power politics theory. In order to make a determination on whether commissioners with dominant economic positions represent the powerful interests in the economy and thus the adoption of such market friendly policy with a minimal developmental impact another study that contains interviews with national planning commissioners would be need to be conducted. This investigation did not determine that the entire NDP is useless, or that there are no positives to it, rather that the weakness that have been highlighted have the result of compromising its potential success. Therefore the NDP is not successful in charting a development trajectory to drastically improve our economy and our society.

In order to more adequately address the issues in our economy, based on the insights gained from this study, the recommendations are as follows:

- **Internalize the economic policy and general development strategy planning capacity** to the government. This important function needs to have a robust institutional basis. This is essential to co-ordinating economic policy within government and ensuring the implementation of the decided strategy.
- **Develop policy based on the realities of the economy**, more accurate and useful set of diagnostic reports. The use of concepts like the Minerals-Energy Complex and financialisation could have been explored to get to grips with the very concerning levels of capital flight from our economy.
- **Establish a clearer approach to industrial policy** and how it interacts with development strategy. The NDP fails to come up with a long term strategy for increasing industrial activity in our economy. It also fails to develop strategies of how best to support the

Department of Trade and Industry's Industrial Policy Action Plan. These are absolutely essential to the development process.

- **Limit the influence of IMF and World Bank theory on development strategy.** These Washington based institutions have no track record of successfully aiding development in developing countries, no matter how much they argue the opposite. The political economy reasons of why these institutions are significant, but not to the present study. For our purposes it is simply enough to acknowledge that these institutions are dominated by developed countries and thus are unlikely to genuinely represent developing country interests. It is the duty of the NDP to represent South Africa's interests and not the interests of these institutions.
- **Further study into the extent to which this influence was conscious or deliberate.** Whilst this study has revealed that there was definitely a link between the NDP and the PWC, it was not the within the ambit of the investigation to investigate the nature of this link. Further study could examine the nature of this link and how conscious the commissioners were that they were influencing the NDP with the PWC. This can be done whilst examining the nature of how the prescriptions were arrived at. This study would not be possible without in depth qualitative interviews with individual commissioners. These interviews were originally supposed to be part of the study; however, logistical constraints and a general lack of availability of the commissioners inhibited this. The study was then accordingly modified.

Reference List

- Ashman, S., Fine, B., & Newman, S. (2011). Amnesty international? The nature, scale and impact of capital flight from South Africa. *Journal of Southern African Studies*, *37*(01), 7-25.
- Ashman, S., Fine, B., Kanbur, R. & Ncube, M., (2014) The Political Economy of Restructuring in South Africa in *The Oxford Companion to the Economics of South Africa*, Oxford: Oxford University Press
- Altman, M. (2006). Evidence-based Employment Scenarios. Employment Growth & Development Initiative, HSRC
- Amra, R., Hlatshwayo, A. and McMillan, L., (2013) SMME Employment in South Africa, Presented at Economic Society of South Africa, Bloemfontein, 25-27th September 2013, www.essa2013.org.za/fullpaper/essa2013_2768.pdf
- Ahrens, J (2000) "Toward a Post-Washington Consensus: The Importance of Governance Structures in Less Developed Countries and Economies in Transition." *Journal for Institutional Innovation, Development and Transition* (IB Review), Vol. 4
- Cammack, P. (2003). What the World Bank means by poverty reduction. *Staying Poor: Chronic Poverty and Development Policy, IDPM, University of Manchester*, 7-9.
- Carroll, T., (2012), Neo-liberal development policy in Asia beyond the post-Washington Consensus, *Journal of contemporary Asia*, Vol. 42, No. 3, pp:350
- Cramer, C., (1999) Privatisation and the Post-Washington Consensus: Between The Lab And The Real World?, CDPR DISCUSSION PAPER 0799,
- Craig, D., and Porter, D (2006), Development beyond neoliberalism?: Governance, poverty reduction and political economy, Cambridge University Press
- Fine, B., & Rustomjee, Z. (1998). Debate 1: Debating the South African minerals-energy complex: A response to Bell and Farrell. *Development Southern Africa*, *15*(4), 689-701.

- Fine, B. (2001) 'Neither the Washington nor the post-Washington Consensus: an introduction.' In: Fine, Ben and Lapavitsas, C. and Pincus, J., (eds.), *Development policy in the 21st century: beyond the post-Washington Consensus.* London: Routledge, pp. 1-27.
- Fine, B. (2002*). Social capital versus social theory*. Routledge.
- Fine, B., & Hailu, D. (2003). Convergence and consensus: The political economy of stabilisation, poverty and growth.
- Fine, B., (2012), "Chronicle of a developmental transformation foretold: South Africa's National Development Plan in hindsight", Transformation: Critical Perspectives on Southern Africa, No. 78, 2012
- Foresti, L. F., Arantes, R. S., & Rossetto, V. (2005). The Use of the Public Procurement Power to Promote the Development of Small Businesses: The Brazilian Experience.
- Gore, C., (2000) "The rise and fall of the Washington Consensus as a paradigm for developing countries", World Development, vol. 28, No. 5 pp:789
- Gould, J., (2005): Conclusion: the politics of consultation. In: Gould, Jeremy (2005) (Hg.): The New Conditionality. The Politics of Poverty Reduction Strategies. London / New York: Zed Books., S.134-151.
- Ingram, H., Schneider, A. L., & Deleon, P. (2007) *'Social construction and policy design'.* In P. A. Sabatier (Ed.), Theories of the policy process, pp. 93-126. Boulder, CO: Westview Press
- Jomo, K. S. and Fine, B. (2005) *The new development economics: After the Washington Consensus*, London: Zed Books
- Kenny, C. and Williams, D. (2001) 'What do we know about economic growth? Or, why we don't know very much?', World Development, Vol. 29, No. 1, pp.1-22
- Öniş, Z. and Şenses, F. (2005), Rethinking the Emerging Post-Washington Consensus, *Development and Change*, vol. 36, issue 2, pp263–290.
- Mosia, J. (2012). When is Foreign Direct Investment Beneficial to a Country and When Is It Not? The Case of South Africa, Economic Diplomacy Programme: POLICY BRIEFING 44, South African Institute of International Affairs
- National Planning Commission. (2011). National Development Plan Vision 2030. Chapters 3, 4 and 13
- NUMSA (2012) Chronicle of a developmental transformation foretold: South Africa's National Development Plan in hindsight, NUMSA 2012 National Congress Policy Discussion Documents

- Rodrik, Dani (2001) “Trading in Illusions” Foreign Affairs, March/April (55-62)
- Ruckert, A. (2006) Towards an inclusive neo-liberal regime of development: from the Washington to the post-Washington Consensus, Labour, Capital and Society 39(1): 35-67
- Rustomjee, Z. and Hanival, S (2008) A review of Industry Policy, Instruments and Support Programmes: 1994-2008: a contribution to the Presidency’s 15-year review of government performance
- Sabatier, P. A. (Ed.). (1999). *Theories of the policy process* (pp. 117-166). Boulder, Colorado: Westview Press.
- Sender, J.(1998) “Analysis of Sub-Saharan Africa's Economic Performance: Limitations of the Current Consensus”, mimeo, School of Oriental and African Studies
- Sender, J., (2012), “Fictions and elephants in the rondawel: a response to a brief chapter in South Africa's National Development Plan", Transformation: Critical Perspectives on Southern Africa, No. 78, 2012
- Standing, G. (2000). ‘Brave new words? A critique of Stiglitz’s World Bank rethink’, Development and Change, vol. 31, pp. 737-763.
- Stachowiak
- Stiglitz, J. E. (2002). Towards a new paradigm for development: strategies, policies and processes. *Applied Econometrics and International Development*, *2* (1), 116-122.
- Stiglitz, J.E. (1998) 'More Instruments and Broader Goals: Moving Toward the Post-Washington Consensus', THE 1998 WIDER Annual Lecture, Helsinki, January
- Stiglitz, J. E. (2008) "Is there a Post-Washington Consensus?" *The Washington Consensus reconsidered: towards a new global governance* (2008): 41-56.
- Turok, B (2008) *From the Freedom Charter to Polokwane: The Evolution of ANC Economic Policy*. Cape Town: New Agenda: South African Journal of Social and Economic Policy.
- Wade, R., (1999) “Governing the Market: A Decade Later” a Preface to the Spanish edition of Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization, Princeton UP: Princeton