Unfulfilled Expectations and Populist Politics: Examining the Emergence of the EFF in South Africa

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Abstract

The last decade has seen the resurgence of populism with South Africa not spared. In South Africa, the elections in 2014 saw the emergence of the Economic Freedom Fighters (EFF) which, through its own brand of populist politics, won over 6.5 percent of the vote making it the third largest party in the country. However, the question of what drives people towards populist parties in the South African context has not been answered. In this paper, I show that unfulfilled expectations, measured as the difference between wellbeing relative to expected wellbeing based on the level of education in the municipality, is a key indicator of the likelihood of voting for the EFF. I use the long-term decline in mining activity in South Africa as a source of exogenous variation in the likelihood of unfulfilled expectations. The results help explain some of the factors that lead to the emergence of populist parties.

1 Introduction

The last decade has seen the resurgence of populism in democracies worldwide. From the increasing shares won by populist parties in Europe, to the rise of charismatic leaders preaching populist polices, democracies around the world seem to be turning towards a more populist angle. South Africa has not been spared from the global phenomenon with its own

populist party gaining enough popularity to become the third largest party at the 2014 elections. Questions however still remain on some of the factors which drive voters towards these populist parties and politicians.

In this paper, I argue that unfulfilled expectations play an important part in the emergence of populist parties and politicians. I argue that in South Africa, areas with higher levels of unfulfilled expectations, defined as the difference between the average level of income, and the average level of income people expect based on their level of education, to some extent drives voters to vote for populist parties. I use data from South Africa to show that this unfulfilled expectation is indeed correlated with voting for the Economic Freedom Fighters (EFF) and the loss of votes by the African National Congress (ANC). I use the long-term decline in the mining sector as an exogenous source of variation in the likelihood of unfulfilled expectations to show that it did indeed drive voting for the EFF.

The outline of the paper is as follows: Section two gives a bit of background on the literature on populism around the world, and in the south African context. Section three discusses the data used in this paper. Section four discusses the estimation and results. Section five concludes.

2 Background

The concept of populism is a very broad one. It has been defined based on economic, social, and political features and described from various perspectives. The specific nature of populism depends on the issues being discussed. In general, however, populism worships people (Ionescu and Gellner, 1969). In the context of this paper, and in the context of political parties, populism here refers to the promotion of policies aiming at economic redistribution and nationalization, and typically consisting of anti-establishment and anti-system methods. Specifically, policies that receive support from a significant fraction of the population but that ultimately work against the economic interests of the majority.
Populism in politics is not a new phenomenon. It has been present for as long as democracy has been in existence. As far back as the time of ancient Greece, Plato remarked on the dangers of populism in democracies. Paraphrasing Plato, The demagogue gains power by democratic means, claiming to be a champion of the people and making wild promises; in particular he offers intoxicating quantities of the neat spirit of independence (Plato, 2015). It is clear that populism in democracies has been a recurring feature.

However, the last decade has seen a resurgence in populist politics. New parties have sprung up in Europe promoting relatively populist policies. The UK independence party (UKIP) for instance, sprung from obscurity to win 163 seats in the 2014 local elections, and 27.5 percent of votes in the 2014 European parliamentary elections. In Greece, the far-left SYRIZA party also burst out from relative obscurity to win 3.3 percent of votes in 2004 and rising to 27 percent of votes in 2012. The five-star movement in Italy is another example. All these parties sprung up promoting some far right or left policy, either immigration, or leaving the European union. The rise of populism is not restricted to new parties too, as in many countries well established parties and political systems in general have taken on a populist tinge. Radical leaders have sprung up in Venezuela, Ecuador, Philippines and the United States.

The question then, is why populism is resurging. Authors have tried to tackle this question using different approaches and different contexts. Many explain the rise as a side effect of the rapid expansion of globalization. Rodrick (2017) for instance argues that the advanced stages of globalization were bound to produce political backlash. He argues that the tilt towards redistributive polices is in some way responsible for this. Evidence from other authors provide support for the influence of globalization. Autor et al (2016) for instance show that the China trade shock aggravated political polarization in the US with districts affected moving either further right or further left depending on which way they were leaning. Becker et al (2016) also find that in Britain, austerity and immigration had similar effects, increasing the Brexit vote. Colantone and Stanig (2016) show that, again in Britain, regions
with larger import penetration from China had a larger fraction of people voting to leave the European Union. Colantone and Stanig (2017) show that the phenomenon is repeated across many European countries where a trade shock played a significant role in support for nationalist and right-wing parties.

The explanations for populism are not limited to the effect of globalization though. Acemoglu et. Al. (2011) argue that populist politics are as a result of the weakness of democratic institutions, which make voters believe that politicians, despite their rhetoric, might have a right-wing agenda, or may be unduly influenced by the elite. Kriesi and Pappas (2015) argue that the rise of populism may be a side effect of the great recessions of 2009. Inglehart and Norris (2016) argue that populism is really about economic insecurity, specifically on the consequences profound changes in post-industrial societies, or as a retro reaction by once-predominant sectors of the population to progressive value change.

The broad ideas on the drivers of populism all seem to link to a dissatisfaction with the direction of things, in many cases with respect to the economy. This idea is closely linked to the relative deprivation theories. According to this theory, people rebel as a result of a sense of relative deprivation, defined in terms of perceived entitlement or expectation (Gurr, 1970). According to the theory, unfulfilled expectations cause anger, frustration, and resentment that manifest themselves in protests, violence, and other forms of political actions. Unfulfilled expectations have been fingered as a source of other types of political actions such as protests and riots (Bedasso and Obikili, 2016; Hendrix, Haggard, and Magaloni, 2009).

In this paper, I examine the effect of unfulfilled expectations on the emergence of populist parties, specifically the Economic Freedom Fighters(EFF) party in South Africa. The EFF launched in 2013 and went on to become the third largest party in South Africa, winning 6.35 percent of the votes in the 2014 general elections. Most of the votes were taken from the majority Africa National Congress whose share reduced from 65.9 percent in 2009 to 62.2 percent in 2014 culminating in the loss of 15 seats in parliament. The EFF was formed

1A political theory of populism. Acemoglu, Egorov and Sonin.
as a breakaway faction of the dominant African National Congress youth league. The party officially promotes a socialist ideology claiming to gain inspiration from the Freedom charter promoted by the ANC’s founding members. The cardinal pillars of the party however take on an extreme populist tinge with the expropriation of land for redistribution without compensations, the nationalization of mines, banks, and other strategic sectors without compensations, free education, housing, healthcare, and sanitation, and massive protection of the industrial sector promoted as its major policy objectives (Mbete, 2016). In the global context, the EFF operates similarly to other far left parties such as the SYRIZA party in Europe, with guerrilla tactics, aggressive campaigning, and general disruption as tools to achieve popular support.

However not much is understood about why people do indeed vote for the EFF. In this paper, I explore the role that unfulfilled expectations play in increasing the likelihood that people in municipalities will vote for the EFF. Specifically I look at the difference between wellbeing in municipalities in South Africa and the expectation of well-being given the level of education, as a proxy for unfulfilled expectations, and its effect on increasing the likelihood that people in a particular municipality voted for the EFF.

In order to properly identify the effect of unfulfilled expectations on votes for the EFF, I use the long-term decline in the South African mining sector as a source of exogenous variation in unfulfilled expectations. The South African mining sector has seen a long-term decline in its contribution to economic activities. The sectors contribution to GDP peaked in 1980 at 21 percent with employment in the industry peaking in 1987. This contribution to GDP has declined to about 8 percent as at 2016 (South African Statistics, 2015. Pages 15.1 and 6.1.). The decline in the mining sectors contribution to GDP alone does not make it a good source of exogenous variation in unfulfilled expectations. After all, other sectors such as manufacturing have experienced similar declines over time. However, between 1993 and 2013, the mining sector was the only sector that showed both negative productivity growth and negative employment growth (Arndt, Davies, and Gabriel; 2016). This decline
in productivity and employment is likely due to the exhaustion of easily extractible resources as mining firms must dig deeper and look harder to extract the same volume of products. Importantly, this difficulty in extracting resources are due to endogenous geographic factors.

The decline in the mining sector is however expected to have directly influenced unfulfilled expectations. Municipalities where people have invested significant amounts in human capital accumulation but face bleaker futures because of declining mining sectors are likely to have a larger gap between their expectations and actual outcomes. Indeed, mining has been associated with other types of political actions such as strikes and protest, typically over demands for better pay and living conditions (Bedasso and Obikili, 2016). In this paper, I argue that municipalities with mining activities are much more likely to higher levels of unfulfilled expectations and subsequently, are much more likely to vote for populist parties. In essence, I use the presence of mining activity as an exogenous source of variation in unfulfilled expectations, to identify the effect of unfulfilled expectations on the likelihood of voting for the EFF.

The decline in productivity in the mining sectors is clearly exogenous. However, it is possible that this decline influences electoral outcomes in way other than through unfulfilled expectations. If this is the case, then the instrument will not satisfy the exclusion restriction. In essence, for instruments to be valid, other factors which might influence voters choices, and be influenced by the decline in mining need to be accounted for. To deal with this possibility, I control for the change in various measures of service delivery between 1996 and 2011, as a proxy for change in general economic activity. I also control for protest events over the last three years as a proxy for other types of political actions. Controlling for change in economic activity and other forms of political actions should capture any residual channels through which mining decline might influence voter choices.
3 Data

Data on electoral outcomes is taken from results of the 2014 national and provincial elections\(^2\). The elections were contested by 29 parties with the African National Congress (ANC) winning the most votes at 62.15 percent. The Democratic Alliance (DA) came in second winning 22.23 percent of the votes. Crucially for this paper, the Economic Freedom Fighters (EFF) came in third winning 6.35 percent of the votes. This win gave it 25 of the 400 seats in parliament and made it the third largest party, although with the ANC still with the outright majority. The votes for the EFF were not evenly distributed across the country though. It won more than 10 percent of the vote in Gauteng, Limpopo, and Northwest provinces, beating the DA to second place in Limpopo and Gauteng. Figure 1 shows a distribution of the fraction of votes won by the EFF in municipalities. As is apparent, there is a lot of variation across municipalities with the EFF winning votes in some areas but winning no votes in others. In this paper, I use two measures to capture the likelihood of voting for a populist party. First, I use the fraction of the votes that went to the EFF. Secondly, I use the change in the fraction of the votes that went to the ANC between the 2009 elections and the 2014 elections. Both variables capture the likelihood of the electorate switching their vote away from the status quo to a populist party.

Data on unfulfilled expectation is constructed using data from the 2011 national census. Unfulfilled expectations in the context of this paper is measured with respect to human capital accumulation. In theory, unfulfilled expectations can be estimated by a Mincerian earning function for a population and then calculating each individuals unfulfilled expectations as the difference between his or her actual earnings and the earning predicted by the model. However, a similar equation cannot be estimated at the municipal level. The analysis is restricted to municipal level analysis as I do not have election results for individuals. To get around this problem I estimate a similar measure as used in Bedasso and Obikili (2016).

I estimate the gap between the fraction of the income earners earning below R38,200 per year, and the expected fraction of income earners earning below R38,200 per year given the average level of schooling in that municipality \(^{3}\). Specifically, I estimate a model of the form

\[
y_m = \alpha + \beta_0 S_m + \beta_1 C_m \epsilon_m
\]

(1)

where \(y_m\) is the fraction of the population in the municipality earning below R38,200, \(S_m\) is the average level of schooling, and \(C_m\) includes standard control variables to capture geographic constraints, specifically the distance to the coast, the terrain ruggedness, and agricultural constraints. The results of this estimation are shown in table 1. Unfulfilled expectations by municipality is then calculated as

\[
UE_m = \beta_0 S_m - y_m
\]

(2)

where \(y_m\) is the actual fraction of people earning below the threshold, \(\beta_0\) is the estimated coefficient from equation (1) and \(S_m\) is the average level of schooling in the municipality.

Data on mining activity is taken from the CSIR spatial disaggregation of mining gross value added (GVA) across South Africa. The disaggregation is based on data supplied by Quantec in 2009 and captures the value of goods and services produced in each sector of the economy using techniques in Badenbosrt et al, (2007). I use this data to construct two measures of mining activity in each municipality. First, I construct a dummy variable for if there is any mining activity in that municipality. Secondly, I combine the disaggregated data provided by CSIR into a municipal level measure of GVA for mining. CSIR data is disaggregated at a finer level and the sub-units are summed up to get the GVA for the municipality. I use both measures as instruments for unfulfilled expectations.

Summary statistics for the fraction who voted for the EFF, unfulfilled expectations, the mining variables and other relevant variables are reported in table 2.

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\(^3\)R38,200 is chosen because it is the upper bound of the income bracket in the census where the national poverty line falls (that is R29760 for the average household of four people).
4 Estimation and Results

The main question this paper proposes to answer is the effect of unfulfilled expectations on voting for a populist party, in this paper the likelihood of switching to the EFF. In terms of the relationship between unfulfilled expectations and votes for the EFF, I expect municipalities with higher levels of unfulfilled expectations to show higher vote shares for the EFF in the 2014 elections. I also expect municipalities with higher levels of unfulfilled expectations to show higher reductions in votes for the nationally dominant ANC. To examine the relationship, I estimate a simple OLS model of the form:

\[ V_m = \alpha + \beta_0 U E_m + \beta_1 C_m + \epsilon_m \]  \hspace{1cm} (3)

Where \( V_m \) are the electoral outcomes by municipality, \( \beta_0 \) is the coefficient of interest, \( U E_m \) captures unfulfilled expectations, \( C_m \) is a vector of relevant control variables, and \( \epsilon_m \) is an error term. The results from the OLS regressions are reported in table 3. Column 1 uses the percent of the votes won by the EFF as the outcome variable with no controls. The expected positive correlation between unfulfilled expectations and votes for the EFF is apparent with the coefficient significant at the 1 percent level. In column 2 I control for other factors which might presumably influence electoral outcomes. I control, for the average years of schooling in the municipality, the fraction of the municipality that is African, the fraction of the municipality that was unemployed in 2011, the fraction of the municipality with that lives in formal dwellings, a dummy variable capturing if the municipality was part of historic homelands, and a dummy variable capturing if the municipality is a metropolitan municipality. The results are qualitatively identical with the correlation between unfulfilled expectations and votes for the EFF significant at the one percent level. In column 3 I exclude metropolitan municipalities. These are mostly urban municipalities with very dense populations. I exclude these municipalities to ensure that the results are not driven by these very dense urban areas. The results are qualitatively identical with the positive correlation
between unfulfilled expectations and votes for the EFF still present and significant.

Columns 4 to 6, mirror columns 1 to 3 but use the change in the votes for the dominant ANC as the outcome variable. In this instance, the expectation is that municipalities with higher levels of unfulfilled expectations are likely to be municipalities with the ANC losing voting shares. The results confirm that expectation in all specifications. The negative correlation between unfulfilled expectations and the change in votes for the ANC is significant at the one percent level in all instances.

The results in table 3 only demonstrate a correlation between electoral outcomes and unfulfilled expectations. This could theoretically be driven by unobserved variables not included in the model or it could be the case that unfulfilled expectations are indeed driven by the voting behaviour in municipalities. As explained in section 2 I use the long-term decline in mining sectors as a source of exogenous variation in the likelihood of unfulfilled expectation in municipalities with mining activities. Specifically, I use a dummy variable if there is a mining activity in that municipality, and the gross value added of mining in that municipality, as instruments on unfulfilled expectations.

The first and second stage results from the instrumental variables regressions are reported in table 4. Column 1 uses the percentage that votes for the EFF as the outcome variable, while column 3 uses the change in the votes for the ANC between 2009 and 2014 as the outcome variable. In both cases the full set of control variables are used. The results in column 1 suggest that the unfulfilled expectations does indeed drive people towards populist parties, in this case voting for the EFF, with the coefficient stronger compared to the simple OLS results. The causality story is similar for the relationship between unfulfilled expectations and the vote share loss by the ANC. The results validate the correlations between unfulfilled expectations and the likelihood of voting for a populist party. Columns 2 and 4 include controls for changes in service delivery and protests to capture any residual effects of a decline in mining which may directly influence electoral outcomes. The results are qualitatively identical and suggest that the instruments do satisfy the exclusion restriction condition.
5 Conclusions

In this paper, I provide evidence on an important factor behind the rise of populist parties in South Africa, specifically the growth of the EFF. I show that municipalities with higher levels of unfulfilled expectations are more likely to vote for the EFF, and are more likely to reduce their votes for the ANC. Unfulfilled expectations in this context is defined as the difference between the fraction of the population earning below an income threshold, and the expectation of the fraction of the population below that threshold given the level of education in that municipality. I use the long-term decline in the mining sector in South Africa as a source of exogenous variation in the likelihood that a given municipality would have higher levels of unfulfilled expectations. The results add to the literature on the rise of populist movement in South Africa and around the world, and on the factor behind changing voter behaviour.

Notes

1A political theory of populism. Acemoglu, Egorov and Sonin.


3R38,200 is chosen because it is the upper bound of the income bracket in the census where the national poverty line falls (that is R29760 for the average household of four people).

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vention, New York (August, 2009).

have-nots and cultural backlash.

don: Weidenfeld & Nicolson


Figure 1: Distribution of votes for the EFF

Distribution of votes for the EFF

Tables
Table 1: Unfulfilled expectations

\[
\begin{align*}
\text{temp2} & \quad -0.92^{***} \\
& \quad (0.02) \\
\text{cons} & \quad 84.30^{***} \\
& \quad (0.54) \\
r2 & \quad 0.93 \\
N & \quad 234.00
\end{align*}
\]

Notes. ***, ** and * indicate significance at the 1%, 5%, and 10% levels.

Table 2: Summary Statistics

\[
\begin{array}{lcccc}
\text{mean} & \text{sd} & \text{min} & \text{max} \\
\hline
\text{ratioEFF} & 4.82891 & 4.031729 & 20.21427 & 20.22034 \\
\text{ratioNoANC} & 0.2133648 & 6.462725 & -17.15689 & 22.78999 \\
\text{Unfulfilled Expectations} & 3.26e-08 & 2.917812 & -6.911942 & 8.676964 \\
\text{Average Years of Schooling} & 6.871709 & 7.644133 & 4.676 & 8.724 \\
\text{Presence of Mining Activity Dummy} & 0.7521368 & 0.4326976 & 0 & 1 \\
\text{SUMGVA09} & 1.224824 & 3.891718 & 0.0150148 & 38.62494 \\
\text{Percent Black African} & 75.54103 & 30.306 & 2.8 & 99.7 \\
\text{Percent Unemployed} & 32.54487 & 10.91105 & 6.8 & 62.7 \\
\text{Percent of Household in Formal Dwellings} & 75.94573 & 17.50015 & 24.6 & 97.9 \\
\text{Homelands Dummy} & 0.3888889 & 0.488543 & 0 & 1 \\
\text{Metropolitan Municipality Dummy} & 0.034188 & 0.1821014 & 0 & 1 \\
\text{Observations} & 234 & \\
\end{array}
\]
Table 3: OLS: Electoral outcomes on unfulfilled expectations

<table>
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<tr>
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<th>(1)</th>
<th>(2)</th>
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<th>(4)</th>
<th>(5)</th>
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<td>0.43***</td>
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<td>(0.09)</td>
<td>(0.09)</td>
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<td>(0.39)</td>
<td>(0.59)</td>
<td>(0.60)</td>
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<td>0.08***</td>
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<td>-0.17***</td>
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<td>(0.02)</td>
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<tr>
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<td>-0.04</td>
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<td>0.12**</td>
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<td>Percent of Household in Formal Dwellings</td>
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<td></td>
<td>(0.64)</td>
<td>(0.66)</td>
<td>(0.97)</td>
<td>(1.01)</td>
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<td>r2</td>
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<td>234.00</td>
<td>226.00</td>
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Notes. ***, ** and * indicate significance at the 1%, 5%, and 10% levels.
Table 4: IV regressions: Electoral outcomes on unfulfilled expectations

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<td>(1.92)</td>
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<td>(0.16)</td>
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<td>(0.93)</td>
<td>(1.57)</td>
<td>(1.51)</td>
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<td>(1.86)</td>
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<td>(14.78)</td>
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<td>N</td>
<td>234.00</td>
<td>200.00</td>
<td>234.00</td>
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</tbody>
</table>

First stage

<table>
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<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
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<tbody>
<tr>
<td>Mine Dummy</td>
<td>0.901**</td>
<td>0.720*</td>
<td>0.901**</td>
<td>0.720*</td>
</tr>
<tr>
<td>Mining GVA</td>
<td>0.168**</td>
<td>0.146**</td>
<td>0.168**</td>
<td>0.146**</td>
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<tr>
<td>F-Stat</td>
<td>6.346</td>
<td>4.190</td>
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<tr>
<td>Wu-Hausman</td>
<td>0.002</td>
<td>0.016</td>
<td>0.021</td>
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<tr>
<td>Sargan p-value</td>
<td>0.550</td>
<td>0.211</td>
<td>0.126</td>
<td>0.147</td>
</tr>
</tbody>
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1 Notes. ***, ** and * indicate significance at the 1%, 5%, and 10% levels.