

ERSA Research Brief

November 2014

The social and political case for promoting economic growth and broad-based innovation in South Africa

Biniam Egu Bedasso

Summary

Popular protest in South Africa has increased sharply in recent years to the extent that it now seems to have pervaded the floor of parliament. In post-apartheid South Africa, economic slowdown is found to be a precursor of a rise in public protest. Young people are more ready than other age groups to take direct political action. Micro-level evidence shows that ‘unfulfilled expectations’ with respect to one’s own perceived income potential is the strongest predictor of propensity to protest. Limiting protest action to a ‘healthy’ level that does not lead to a downward spiral of instability requires framing the growth agenda as a political imperative. Medium-term remedies may include raising the quality of education, entrenching a meritocratic system of remuneration and promoting broad-based innovation.

II. Introduction

The public display of discontent is an essential feature of a democratic political order. In a democratic society, citizens can employ direct or indirect political action to ensure that their voices on political and economic matters are heard. However, persistent protests might endanger the stability of young democracies particularly because the economic legacies of the old autocratic regimes tend to outlive their political structures, breeding discontent. Unless institutionalized mechanisms to handle economic grievances are sufficiently nimble and adaptive, democratization could lead to an escalator of perpetual protest threatening political and economic instability. In South Africa, the steady increase in direct political action in recent years symptomizes a worrying trend of institutionalized mechanisms failing to address socioeconomic malaise. This policy brief is largely based on the detailed empirical analysis presented in Bedasso (2014). The brief tracks the co-variation of protest action and economic growth performance at a macro level. Subsequently, it examines the micro-level determinants of direct political action since before the fall of apartheid. I will then try to put forward a few policy ideas that could be considered to help maintain social and economic stability in the medium-run.

The roller-coaster of political and economic changes that has characterized many developing countries in the second half of the twentieth century inspired intellectual curiosity regarding the onset of popular dissatisfaction following a supposedly positive societal change. Davies (1962) argues that social upheaval could be a result of a sizable gain in economic progress being curtailed by a sharp decline in growth. Hirschman (1973) attributes the emergence of social unrest following a period of aggregate growth to the realization of the majority that their turn to benefit from the fruits of progress might never come. In Bedasso (2014), I show that the rise in protest action in post-apartheid South Africa tracks the decline in growth performance. At a micro level, the youths are shown to be more likely to take direct political action. Unfulfilled expectations play a major role in raising the propensity for direct political action. The gap between actual income and expected returns to education explains protest potential better than comparison of one’s income with that of a reference group.

Promoting growth should take precedence over other economic and social objectives since it bears immediate effect on social stability which in turn will be needed to address more complicated issues such as inequality. In light of the micro-level analysis, I recommend meritocratic remuneration and broad-based innovation as policy ideas that should be considered to tackle the potentially destabilizing effect of unfulfilled expectations.

II. Approaches and Results

a. Research methods

A two-level approach is used to conduct the empirical analysis. First, I document macro trends. Then I examine the microfoundations of protest. I employ the fairly extensive Global Database of Events, Language and Tone (GDELT) to calculate the level and intensity of protest in South Africa between 1979 and 2012. The machine-coded GDELT provides data on more than 3.8 million events in South Africa alone as reported in local and international newspapers since 1979. I took the count of events coded under the 'protest' category for every year and divided it by the total number of events in that particular year to arrive at the protest ratio. I later complement the GDELT data with data provided in the Social Conflict in Africa Database (SCAD) on the issues and nature of protest in South Africa between 1990 and 2012. For the micro-level analysis, I employ four waves of World Values Survey (WVS) data to disentangle the age, cohort and time effects contributing to the change in protest potential in South Africa since the beginning of the 1990s. Then I use the same survey data to examine the predictors of the individual propensity to engage in direct political action. The indicator that was built using WVS data and used as a dependent variable in the micro-level analysis is 'willingness to take part in a lawful demonstration'.

b. Macro trends

There is clear evidence that protest in post-apartheid South Africa tracks economic slowdown closely. Figure 1 shows that the level of direct political action in South Africa is on the rise again, following a sharp decline around the end of apartheid in 1994. Apparently, protest action before 1994 was mostly driven by political grievances. The coefficient of correlation between protest ratio and per capita GDP growth before the transition stands at 0.25. On the contrary, the correlation becomes -0.1 in the post-apartheid period. The growth declines of the late 1990s and the global recession in 2008 are accompanied by notable increases in protest activity. As far as correlations are concerned, this pattern seems to support Davies's notion of political protest triggered by the anxiety of losing hard-won gains.

Figure 1: Protest ratio and economic growth in South Africa, 1979-2012

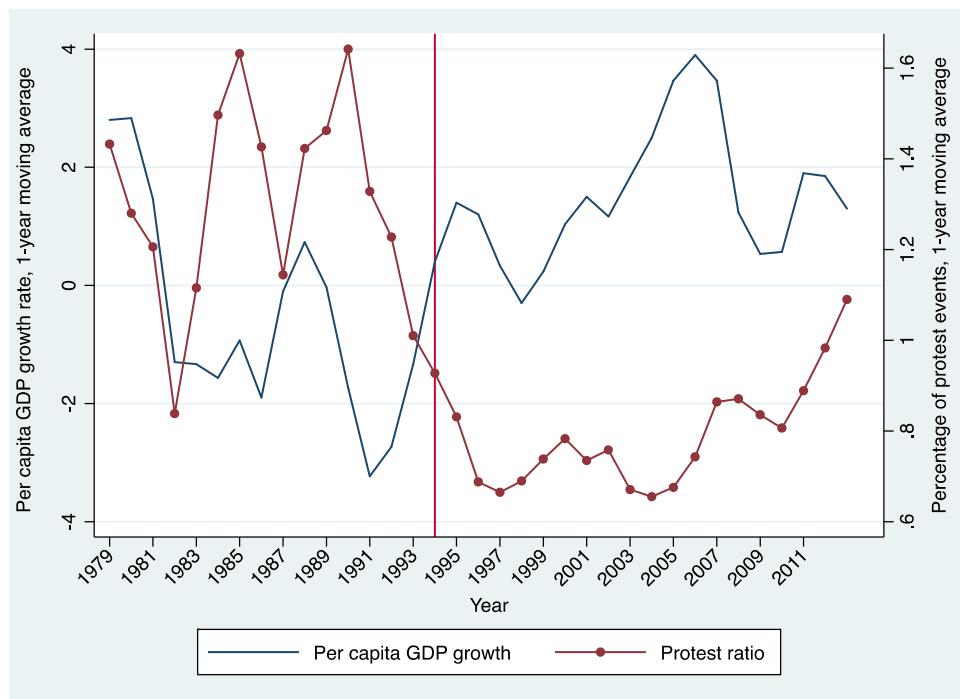
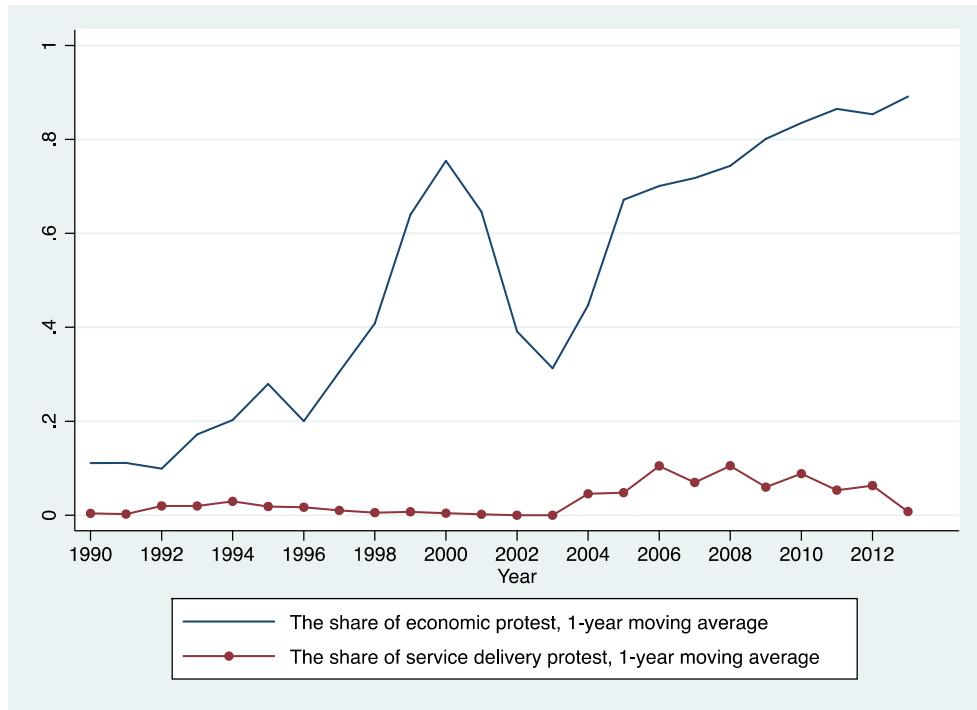


Figure 2: The composition of protest agenda in South Africa, 1990-2012



When it comes to inequality, the little variation in the measures of income inequality over the post-apartheid period does not lend itself to a reliable inference regarding the relationship between the increase in protest activity in recent years and social inequality. However, the dominance of economic issues as the main agenda of protest along with the relative prominence of service delivery issues since 2003 (as shown in Figure 2) indicates that the overlapping of high inequality and low growth might be the culprit for the restiveness in recent years. Analysis of the modes of organization of protest reveals that general economic protests have mostly been organized in the form of strikes. Service delivery protests, on the contrary, are predominantly staged as riots.

c. Micro-level analysis

The Age-Cohort-Period (APC) analysis confirms that youthfulness is positively correlated with the propensity to protest. Controlling for period and cohort effects, the likelihood of participating in direct political action remains positive and significantly high until a person becomes 27 years old. The results of the cohort effects are the mirror image of the political history of South Africa in the second half of the twentieth century. The highest level of political activism is demonstrated by those people who were born in the five years around 1958. This is the generation that came of age at around the Soweto uprising.

Table 1: Coefficient estimates of the baseline specifications (Dependent variable: Willingness to take part in lawful demonstration)

Year	1990	1996	2001	2007
Gender(Male=1)	.137 ^a	.139 ^a	.052	.091 ^a
Racial group (White=1)	-.343 ^a	-.378 ^a	-.323 ^a	-.179 ^a
Racial group (Coloured or Asian=1)	-.340 ^a	-.163 ^a	-.115	.088
Education, middle	.063	.187 ^a	.082	.172 ^a
Education, higher	.124 ^a	.351 ^a	.154	.277 ^a
Household income (below median=1)	.028	-.105 ^b	-.134 ^c	.039
Unemployed	.009	.008	.107 ^c	.035
Ideology (left =1, right=10)	-.015 ^a	.009	.005	-.011
Satisfaction personal finances (unsatisfied=1, satisfied=10)	.011 ^b	-.027 ^a	-.007	-.022 ^a
N	1639	1886	2151	2333

Note: a, b, c signify 1 per cent, 5 per cent, 10 per cent statistical significance, respectively.

The first part of the analysis of the micro-level predictors of direct political action documents the baseline results of a probit regression of 'willingness to take part in lawful demonstration' (see Table 1). Whiteness still remains to be the strongest predictor of political apathy, but with substantial decline since 1996. Ideology was material for political action only before the democratic transition. Among the basic indicators of economic wellbeing, financial dissatisfaction is a significant, albeit a relatively weak, predictor of political action in the transition and post-transition periods. Financial dissatisfaction was immaterial to political action in the apartheid era to the extent that the result for 1990 shows that it was people who were more satisfied with their finances that engaged in direct political action.

In the second part of the analysis of the micro-level predictors of political protest, I attempt to unbundle the financial satisfaction variable into more specific measurements of relative welfare. The first indicator used in the unbundling relates to unfulfilled expectations (UE) with respect to human capital accumulation. This is measured by the difference between actual household income and expected household income conditional on education. The second indicator measures relative deprivation (RD) with respect to the richest 10 percent of households in the same province. The third indicator measures group deprivation (GD) through the comparative standing of the respondent's racial group in the income distribution in a given province. The effect of unfulfilled expectations with respect to human capital accumulation (UE) on the probability of direct political action has been increasing steadily over the years (see Table 2). Even in a year when most other socioeconomic indicators including education are irrelevant to direct political action, unfulfilled expectations grew in strength at predicting political action. Table 2 shows that the only year when both RD and GD are statistically significant is 1996.

**Table 2: Coefficient estimates of specifications with relative welfare (Dependent variable:
Willingness to take part in lawful demonstration)**

Year	1990	1996	2001	2007
Unfulfilled expectations (UE)	-.038	-.108 ^b	-.162 ^b	-.260 ^a
Individual relative deprivation (RD)	--	.056 ^a	-.051	.012
Group relative deprivation (GD)	--	-.083 ^a	.014	-.002
Controls: Gender, Race, Education, Income, Employment status, Ideology				
N	1639	1886	2151	2333

Note: a, b, c signify 1 per cent, 5 per cent, 10 per cent statistical significance, respectively.

III. Conclusion

There is a clear trend of increasing protest in South Africa in recent years as demonstrated by both aggregate and micro-level data. Economic slowdowns are followed by a general increase in restiveness. Young people are more ready than other age groups to take direct political action. The political consciousness of the anti-apartheid struggle is shown to have a durable effect carried through the generations that came of age at the height of the struggle. The motivation for direct political action has shifted from ideology and discontent with established institutions to economic issues after the fall of apartheid. Unfulfilled expectations with respect to one's own human capital accumulation has been the strongest and most significant of all relative welfare indicators to predict a positive probability of political action across the years. When it comes to race, both its direct effect and its indirect effect – through group deprivation – on political action have diminished over time.

IV. Policy ideas

Direct political action can be a double-edged sword. On the upside, it helps maintain the vitality of a democratic system by providing alternatives to sometimes unresponsive institutions. On the downside, it can lead to a downward spiral of chaos and instability. The widespread use of protest action may sometimes overflow to traditionally procedural institutions such as Parliament, threatening to undermine the very foundation of the democratic order.¹ To be sure, protest action is a symptom rather than a cause of a more fundamental social problem. Moreover, in a liberal democracy, the state cannot, or at least should not, routinely suppress protest action. However, treating the root causes of the problem such as social inequality may require a longer time horizon than it would be necessary to maintain order. In what follows, I put forward a few policy ideas that may help limit protest action to a 'healthy' level by addressing its immediate triggers as found out by the above study.

a. Establish the need for sustained growth as a social and political imperative

It is obvious that promoting economic growth should be one of the priorities of any government. However, framing the growth question in the context of social and political stability is particularly relevant

¹ The polarization and chaos that has come to define the South African National Assembly since the 2014 elections is a clear manifestation of the fading boundary between direct political action and institutionalized political action in the country.

for a country like South Africa. Policymakers should recognize the two-way relationship between economic slowdown and protest. Given the fact that growth declines magnify the consequences of inequality and, therefore stoke discontent, maintaining sustained growth should be the first priority of policymakers in South Africa. Addressing historical inequalities can still be approached as a means to create broad-based capabilities and to fuel more sustained growth. But policy making in general should be informed by the recognition that social stability is more responsive in the short run to economic growth than to slow-changing parameters such as inequality.

b. Promote high quality education and meritocratic remuneration

The unfulfilled expectations that may accompany increasing access to education can be destabilizing for a young democracy such as South Africa.² One reason that there is substantial heterogeneity in the returns to education among people with the same years of schooling is differential quality of education. A second reason could be the lack of a meritocratic system of remuneration. Increasing the quality of education in South Africa remains a great challenge for policymakers and practitioners. But, in the meantime, the government should commit to effectively linking remunerations to merit and education at least in the civil service.

c. Promote mass flourishing (a la Edmund Phelps)

There is always a limit to how much education can contribute to promote individual welfare as long as the structural foundations of the economy remain unchanged.³ Conventional education should be supplemented by policy measures to promote “a culture protecting and inspiring individuality, imagination, understanding, and self-expression that drives a nation’s indigenous innovation”.⁴ Such an objective may require a broad set of policy measures running across the realms of social policy, economic policy and innovation policy. The bottom-line is that the power of unfulfilled expectations and the concomitant effect of political instability might not be tackled effectively by relying solely on conventional measures of increasing education quality and creating a meritocratic system.

References

- Bedasso, B.E. (2014). A Dream Deferred: the Microfoundations of Direct Political Action in Pre- and Post-democratization South Africa, *ERSA Working Paper, No. 483*.
- Davies, J. (1962). Toward a Theory of Revolution. *American Sociological Review*, 27, 5-19.
- Hirschman, A. O. (1973). The Changing Tolerance for Income Inequality in the Course of Economic Development. *Quarterly Journal of Economics*, 87, 544-566.
- Huntington, S. P. (1968). *Political Order in Changing Societies*. New Haven and London: Yale University Press.
- Phelps, E. (2013). *Mass Flourishing: How Grassroots Innovation Created Jobs, Challenge, and Change*. Princeton: Princeton University Press.

² In one of the classics of political science of the last century, Samuel Huntington (1968) discusses the disenchantment that access to education may create among the youths in changing societies.

³ In a book discussing the economic dynamism of the last two centuries, Edmund Phelps (2014) pins the origin of modern human progress on grassroots innovation and mass flourishing instead of on isolated scientific discoveries.

⁴ Phelps (2013), pp. ix.