Economic Development: Theory and the Case of South Africa

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Abstract

This article situates South Africa's persistent under-development inside the long heterodox tradition of economic thought running from late-Renaissance Italy to contemporary East Asia. After tracing the canon from Botero (1588) and Serra (1613), through Hamilton (1791) and List (1841), to Chalmers Johnson's study of MITI (1982), Mkandawire's rehabilitation of African developmental statehood (2001), and the Chinese reform path, the article uses the developmental-state literature to interrogate the South African case. Engaging directly with Reddy's (2025) empirical challenge to the Minerals–Energy Complex (MEC) thesis, it argues that mining still produces 6.1 per cent of nominal GDP and roughly 45 per cent of merchandise exports, and that the path-dependent logic identified by Fine and Rustomjee (1996) survives the unbundling of the old conglomerates. South Africa's political-economy is structurally misaligned: a fully transformed, black-led polity sits atop an economic structure organised around the export of cheap minerals and the exploitation of cheap surplus labour. The article identifies three possible futures — developmental alignment, authoritarian reversion, or violent destruction of the political-economic structure — and argues that only the first preserves the constitutional democracy.

1. Introduction: Two Canons, One Argument

Economic development is not a technical question. It is, and has always been, a deeply political and therefore contested terrain on which two paradigmatic schools of economic thought have fought for over four centuries. The first – the heterodox, productionist, activity-specific tradition – runs from the city-state economists of the Italian Renaissance through the German Historical School, the American School of Hamilton and Lincoln, the Japanese developmental state, and the Chinese reform path. The second – the orthodox tradition that includes neo-classical equilibrium economics and the free-trade dogma of contemporary globalisation – runs from Adam Smith and David Ricardo to the Washington Consensus. The first canon has built every now-rich country in modern history; the second canon is what those rich countries preach to poor countries once they have themselves arrived at the top of the ladder (Chang, 2002).

It is important to be precise about what the heterodox tradition opposes. It does not oppose trade. It opposes the dogma of unconditional free trade between countries at radically different levels of development, on a playing field that is not level and under rules that have been written by the dominant powers. List (1841) and Hamilton (1791) were both, in principle, advocates of free trade between equally developed economies; they were opponents of free trade as a doctrine imposed on a catching-up nation by an industrial leader. Fair trade, on a level playing field, with rules agreed in genuinely multilateral negotiation, is the goal; the dogmatic version of free trade is its substitute and its enemy.

This article makes three connected arguments. *First*, the heterodox developmental paradigm is a coherent body of theory and practice with a continuous lineage from Venice to Beijing. *Second*, South Africa's economic trajectory since 1996 has been governed not by this paradigm but by an orthodoxy that is structurally incapable of dissolving the colonial inheritance of the Minerals–Energy Complex (MEC). *Third*, the resulting political-economic misalignment – a fully transformed black-led polity grafted onto an unreconstructed, oligarchic economic structure – is now the most important national-security risk facing the country, and admits of three possible resolutions: a developmental realignment, an authoritarian reversion, or the violent destruction of the political-economic structure as a whole.

2. The Heterodox Developmental Paradigm: From Venice to China

2.1 Botero, Serra and the Two Schools

The earliest systematic statement of the heterodox tradition is Giovanni Botero's *Delle cause della grandezza delle città* (1588), translated into English in 1606. Botero asked which is more important to national wealth, the fertility of the soil or industry, and answered unequivocally in favour of industry, citing Venice – a city-state in which roughly half the inhabitants were engaged in manufacturing – as his paradigmatic case (Reinert, 2008). Twenty-five years later, in Naples, Antonio Serra published the *Breve trattato* (1613), the first treatise in the European tradition to set out a fully causal theory of why some nations are rich and others poor. Serra argued that wealth is generated in the sphere of production, that manufacturing is subject to increasing returns while raw-material extraction is subject to diminishing returns, and that good governance is the indispensable mediator between theory and practice (Reinert, 2007).

Serra's confrontation with the monetarist Marc'Antonio de Santis crystallised the original European debate between two schools that has continued, in different vocabularies, ever since:

> *"the most heated of all mercantilist debates were between these two types of theorists — 'monetarists' and 'productionists' — between de Santis and Serra in Naples (1610–1613) and between Misselden and Malynes in England (1622–1623)."*
>
> (Reinert, 2009: 3)

Serra's analysis was lost to mainstream economics for three centuries but has, since the late twentieth century, been recovered as the theoretical foundation of the heterodox developmental tradition (Reinert, 2007).

2.2 Hamilton and List: The Manufacturing Nation

Alexander Hamilton's *Report on the Subject of Manufactures* (1791) was, in its origin and purpose, a national-security document, prepared at the request of the House of Representatives for advice on means of rendering the United States independent of foreign nations for military and other essential supplies (Heim and Mirowski, 1987). Friedrich List's *The National System of Political Economy* (1841) elevated this insight into a general theory of stages of development built around the concept of "productive powers" (Levi-Faur, 1997). Christopher Freeman (1987) later observed that the same book "might just as well have been called *The National System of Innovation*", anticipating, by a century and a half, the contemporary literature on national innovation systems (Lundvall, 1992). List drew the moral with characteristic clarity:

> *"It is a very common clever device that when anyone has attained the summit of greatness, he kicks away the ladder by which he has climbed up, in order to deprive others of the means of climbing up after him."*
>
> (List, 1885: 295–296, cited in Chang, 2002: 76)

The historical evidence Chang (2002) marshals against the contemporary orthodoxy is unambiguous. The countries that today preach free trade and minimal industrial policy to the developing world built their own industrial supremacy behind tariff walls, infant-industry promotion, public credit and active state guidance:

> *"Britain and the United States — and indeed most other developed countries — had used aggressive infant-industry promotion policies in the early stages of their development. It was only after they achieved their industrial supremacy that they started practicing free trade and laissez-faire policies."*
>
> (Chang, 2002: 90)

2.3 Chalmers Johnson, MITI and the Japanese Study Groups

Chalmers Johnson's *MITI and the Japanese Miracle* (1982) gave us the term "developmental state" and a precise institutional account of how the Japanese Ministry of International Trade and Industry co-ordinated industrial policy from 1925 to 1975 (Fine, 2010). Johnson identified four institutional features: a small, elite, top-quality state management capable of selecting and promoting industries; a political system that insulates this management from short-term political pressures; market-conforming methods of intervention; and a pilot agency such as MITI to effect implementation (Fine, 2010).

Less often discussed in the English-language literature, but central to the Japanese model, is the role of multi-disciplinary study groups. The very concept of "comprehensive security" (sōgō anzen hoshō), which fuses economic, social and military dimensions of national security, was first articulated by such a group:

> *"Japan's security policies must be based on a modified version of 'comprehensive security' strategy. This term was first publicised in the late 1970s in a report by Prime Minister Ohira Masayoshi's study group. The concept was greeted with some skepticism, especially from the security experts, for its ambiguous nature and predominantly economic bias."*
>
> (Nakanishi, 2003: 1)

The Japanese practice of disciplined, government-anchored, multi-disciplinary study groups is what allowed Japan to translate the abstract heterodox canon – transmitted from the German Historical School via the *doitsugaku* tradition (Reinert, 2009) – into operational policy. South Korea, Taiwan and Singapore inherited the same institutional repertoire (Wade, 2018), and South Africa, in the late 1980s and early 1990s, briefly adopted a similar method through what Fine and Rustomjee (1996) describe as the era of "multiple, dedicated study groups on the economy".

2.4 Mkandawire and the African Developmental State

The African case was, for two decades, dismissed in the mainstream literature as inhospitable to developmental statehood. Thandika Mkandawire's essay in the *Cambridge Journal of Economics* (2001) is the foundational rebuttal of that dismissal. He identifies the central pathology of the literature on Africa as the disjuncture between an analytical tradition that denies the possibility of African developmental statehood and a prescriptive literature that nevertheless asks African states to perform tasks that, on its own theoretical premises, they cannot perform:

> *"States whose capacity to pursue any national project is denied at one level (theoretical or diagnostic) are exhorted, at the prescriptive level, to assume roles that are ex definicione beyond their capacity, character or political will. Such states are urged to 'delink', to reduce themselves, to stabilize the economy, to privatise the economy, to engage in 'good governance', to democratise themselves and society, to create an 'enabling environment' for the private sector, etc. In other words, to do what they cannot do."*
>
> (Mkandawire, 2001: 289)

Mkandawire's definition of the developmental state has two components. The first is ideological: a developmental state is one whose elite has the capacity to establish ideological hegemony around a national project of development. The second is structural: it has the institutional, technical, administrative and political capacity to implement that project, with sufficient autonomy from organised social interests (Mkandawire, 2001). Both components are missing in present-day South Africa. The article returns to this diagnosis in section 5.

2.5 China: From Mao to Deng to the Present

China presents the most spectacular contemporary application of the heterodox canon. Under Mao the Chinese state established the institutional and infrastructural pre-conditions of industrial development – literacy, public health, land reform, basic heavy industry – while remaining largely closed to global markets. Under Deng Xiaoping after 1978 China gradually opened, but did so in the manner that List would have recognised: opening was sequenced, selective, and subordinated to the building of national industrial capability rather than to the dictates of comparative advantage (Reinert, 2012).

Reinert (2012) emphasises that China's success against the IMF–Washington Consensus orthodoxy was made possible by precisely the same kind of institutional inertia and intellectual diversity that had earlier protected Japan and South Korea: a critical mass of economists who did not subscribe to neo-classical doctrine and a state apparatus willing to ignore advice that conflicted with the heterodox canon. Under Xi Jinping after 2012, the Chinese leadership has been explicit about the internal threat that bureaucratic and technocratic drift pose even to a developmental state. The campaign against the "Four Bad Work Styles" – formalism, bureaucratism, hedonism and extravagance – has been a continuous feature of Xi's tenure (Lam, 2016). Wade (2018) confirms that, taken as a whole, contemporary East Asia stands as a vindication of the developmental-state argument and an ongoing rebuke to those who pronounced it dead in the 1990s.

3. The South African Case: An Anomaly in the Heterodox Canon

3.1 Colonial Origins and the Minerals–Energy Complex

South Africa's political-economy was forged through the imperial discovery of diamonds at Kimberley (1867) and gold on the Witwatersrand (1886) and the consequent organisation of the entire sub-continent around the supply of cheap black surplus labour to British mining capital (Freund, 2010; Terreblanche, 2002). The state, the migrant-labour system, the pass laws, the homelands and the parastatals were all elements in the construction and reproduction of this political-economy. The most influential analytical formulation of the resulting structure is Ben Fine and Zavareh Rustomjee's *The Political Economy of South Africa: From Minerals–Energy Complex to Industrialisation* (1996). Their thesis is that mining and energy do not constitute one sector among others in the South African economy: they constitute its organising core.

Fine and Rustomjee warn that the South African economy has been chronically misread because conventional analytical frameworks – whether market-fundamentalist or statist – do not fit it:

> *"Whether concerned with state vs market, export vs inward orientation, high or low levels of wages or state expenditure or getting the prices right or not, there has been a tendency to foist associated analytical predispositions upon the South African economy. In general, these have proved inappropriate because, as we have elaborated at length, the economy has been inaccurately specified in terms of its characteristics and dynamics."*
>
> (Fine and Rustomjee, 1996, cited in Fine, 2010: 174)

Freund (2010), studying South Africa as a case in developmental-state historiography, observes that even during the period of strongest state intervention – under Smuts and the National Party – the country was unable to escape the structural weakness imposed by the MEC: a heavy-industrial base that "failed then and indeed has largely continued to fail, to produce competitive industrial products based on know-how and skills" (Freund, 2010: 18). The contrast with the East Asian developmental states is, for Freund, the central pathology of the South African political-economy.

3.2 Rebutting the Empirical Challenge to the MEC Thesis

The MEC thesis has not gone unchallenged. The most rigorous recent attempt to debunk it empirically is Reddy (2025), which argues, in the journal *Development and Change*, that the post-1994 South African economy no longer matches the structural or institutional profile that the continuity thesis requires (Reddy, 2025). The empirical claim is that the share of MEC-related firms in the assets of the top 40 corporations fell from roughly 84 per cent in the 1990s to about 8 per cent by 2022 – a striking datum that is taken to demonstrate that the cohesive, dominant complex described by Fine and Rustomjee no longer exists.

The argument of this article is that the unbundling of the old conglomerate structure does not invalidate the MEC thesis; it modifies it. Three pieces of empirical evidence are decisive. *First*, the mining sector alone contributed 6.1 per cent of nominal GDP in 2024 (Department of Mineral and Petroleum Resources, 2025), and minerals accounted for roughly 45 per cent of total merchandise exports in the same year — a foreign-exchange dependence that has barely shifted since 1993 (Minerals Council South Africa, 2025). *Second*, Eskom and Transnet, the two parastatals at the energy-and-logistics heart of the original MEC, remain decisive to the operating conditions of the entire industrial economy.

Third, manufacturing recorded its second consecutive year of negative growth in 2025, while construction posted its ninth straight year of decline (Statistics South Africa, 2026a). The path-dependent inability of the South African economy to diversify *away* from minerals and the energy-intensive activities clustered around them is the surviving signature of the MEC, even where the corporate vehicles have been re-organised by globalisation and financialisation.

Reddy's observation that "commodity dependence of a form endures today but it is the product, not of well-coordinated corporate power, but of a fragmented, capacity-starved state, a macro-financial regime shaped by global integration, and firm-specific rent" (Reddy, 2025) is itself a vindication of the deeper structural argument, even as it disputes the corporate-coordination story. The MEC is no longer primarily a coalition of conglomerates; it is the structure of an entire economy that has not been industrialised because it was not designed to be.

3.3 Reversion to Orthodoxy and the Two-Tier Economy

After 1996, with the adoption of the Growth, Employment and Redistribution (GEAR) programme, the post-apartheid government effectively abandoned the heterodox elements of the Reconstruction and Development Programme and aligned itself with neo-classical orthodoxy (Fine, 2010). The empirical record over the subsequent three decades is unambiguous. Real GDP grew by an annual average of less than 1.5 per cent during the 2014–2024 decade and by only 1.1 per cent in 2025 — itself a three-year high (Statistics South Africa, 2026a). The official unemployment rate stood at 31.4 per cent in the fourth quarter of 2025, with youth unemployment at 57 per cent and the broader LU3 measure of labour underutilisation at 42.1 per cent (Statistics South Africa, 2026b). The World Bank's most recent Gini coefficient for South Africa, on per-capita consumption, is approximately 0.63, having declined only marginally over the past decade (World Bank, 2022).

These outcomes are not the contingent results of bad luck or external shock. They are the predictable consequence of a policy regime that is structurally incapable of addressing the dual character of the South African economy: a sophisticated, financialised, corporatised first economy and an underdeveloped, poor and predominantly black second economy that supplies the cheap labour on which the first depends. The colonial pattern has been reproduced, not dissolved, by the post-apartheid policy regime. Wendy Brown's analysis of neo-liberal rationality is essential here:

> *"neo-liberalism carries a social analysis that, when deployed as a form of governmentality, reaches from the soul of the citizen-subject to education policy to practices of empire. Neo-liberal rationality, while foregrounding the market, is not only or even primarily focused on the economy; it involves extending and disseminating market values to all institutional and social action, even as the market itself remains a distinctive player."*
>
> (Brown, 2005: 39–40)

Combined with orthodox neo-classical economics and entrenched in South Africa through an oligarchic structure at the apex of the political-economy, this rationality has become hegemonic. Donald Trump's second presidency, in which the polity is openly run as a private corporation, is the most vivid contemporary illustration of where this rationality leads when polity and economy are fully misaligned in favour of private capital. The transactional U.S. minerals diplomacy in the Democratic Republic of the Congo, Mozambique, Madagascar and the Eastern Flank – from the Lobito Corridor to Diego Garcia – is the regional projection of this same logic into Africa (Goldstein, 2026; Ray, 2026).

4. The Argument: Misalignment, Three Futures, and a Developmental Pivot

4.1 Political-Economic Misalignment and Three Possible Futures

South Africa's polity was fully transformed in 1994 in the revolutionary sense: a non-racial, non-sexist, democratic constitutional order was constructed and placed under the sovereign will of a previously excluded majority. The economy was not transformed in the same sense. It was made more racially and gender representative through Black Economic Empowerment and employment-equity legislation, but its structural logic – an MEC resting on cheap surplus labour – was preserved and, in important respects, intensified through globalisation and financialisation. The result is a co-optative reproduction rather than a transformation: the oligarchic character of the structure has been retained while its racial composition has been adjusted at the apex.

The cumulative human consequence of this misalignment can be read through the classic typology of alienation. Seeman (1959) identifies powerlessness, meaninglessness, normlessness, isolation and self-estrangement as the components of the alienation theme; Marx ([1844] 1970) supplies the structural

complement:

> *"the worker is related to the product of labour as to an alien object … the more the worker exerts himself in his work, the more powerful the alien, objective world becomes which he brings into being over against himself, the poorer he and his inner world become, and the less they belong to him."*
>
> (Marx, [1844] 1970: 108, cited in Healy, 2020: 13)

In the South African case, the alien object is not only the commodity but the structure itself — the MEC and its outputs — from which the majority is excluded even as their labour reproduces it. The decline of the African National Congress's share of the popular vote, from 57.5 per cent in 2019 to 40.18 per cent in 2024 (Electoral Commission of South Africa, 2024), tracks the sequence from apathy and anomie towards active frustration and anger.

There are three, not two, possible futures from this misalignment. The *first* is a developmental realignment: a heterodox developmental project that moves the second economy out of underdevelopment and integrates it into a competitive, black-led, national economy in the way that China lifted some 800 million people out of poverty over thirty years (Reinert, 2012; Wade, 2018). The *second* is an authoritarian reversion: the polity, under accumulated pressure, slides towards a post-democratic variant of the apartheid-colonial past. The *third* — and this is the alternative the elite is most reluctant to name — is the violent destruction of what is perceived as the bottleneck: the political-economic structure as a whole. The politicisation of the judiciary and the Constitutional order (visible during the Zondo Commission hearings of former President Zuma), the dominance of a generation of police leadership compromised by the corrupt penetration of the South African Police Service by criminal syndicates and private-sector profiteers, the erosion of strategic and national-security governance capability, and the rising tide of social frustration together constitute a recipe for a slow-brewing disaster. None of these elements is, in itself, decisive; cumulatively they are.

4.2 The Ideological Cleavage at the Apex of the GNU

The Government of National Unity formed after the 2024 election places the ANC and the Democratic Alliance (DA) in a single executive despite a fundamental ideological cleavage. The ANC, on paper, leans towards BRICS, China, Russia and the dynamic Asian and Eurasian heartland. The DA leans towards the declining

West – the United States, the United Kingdom and a crisis-ridden Western Europe. ANC Secretary-General Fikile Mbalula has himself characterised the coalition as a tactical accommodation rather than an ideological convergence:

> *"We characterise the GNU as a tactical intervention … We and the DA are water and oil — we don't mix."*
>
> (Mbalula, 2024, in Report Focus News, 2024)

The ideological coherence implied by the "water and oil" line, however, has not held in practice. Eighteen months later, presenting the ANC's 2026 local-government strategy after a National General Council saturated with the language of "service delivery", the same Secretary-General reduced the ANC's electoral pitch to a single managerial slogan:

> *"Confidence is good … service delivery is better."*
>
> (Mbalula, 2025, in JoburgETC, 2025)

The two quotations sit awkwardly together. If the ANC is "water" and the DA is "oil", they should be running on different programmes; but if the ANC's programme is reducible to service delivery and confidence indicators, it has already adopted the operating language of its liberal adversary. This is the contradiction at the centre of the current ANC: a party still rhetorically committed to the National Democratic Revolution that has, in practice, absorbed the techno-managerialist fetish of the DA and the South African private sector. Ideological incoherence at this level is not a communications problem; it is the symptom of a movement that no longer knows what it is for, and it is the deep cause of the voter exodus tracked in section 4.1.

The international parallel is instructive and uncomfortable. The same techno-managerialist common sense that has captured the ANC's public discourse is, in the United States and the United Kingdom, the soil out of which a far harder political formation has grown. James Pogue's long Vanity Fair report on the "New Right" (Pogue, 2022) traced how a network of Silicon Valley capital, neoreactionary ideologues and MAGA politicians — Peter Thiel, J. D. Vance, Curtis Yarvin and the broader "Dark Enlightenment" tendency — has come to view liberal democracy itself as an obstacle to be dismantled rather than a framework to be defended. The MAGA project, as it has unfolded under Trump's second presidency, is the political vehicle through which this techno-libertarian, anti-state, individualist extremism has acquired institutional power. Behind it

stands a stratum of AI and tech oligarchs — Thiel, Andreessen, Musk, Sacks, the broader "PayPal mafia" with its South African origins — whose substantive programme combines deregulation, the gutting of the administrative state, and a vision of the polity run as a corporation by a CEO. This is the fascist turn of the white right wing in the United States and the United Kingdom: not the brownshirt aesthetics of the twentieth century, but a softer, technocratic authoritarianism in which democracy is to be replaced by what its ideologues openly call a "corporate dictatorship" or a "CEO-led American monarchy".

The point of the comparison is not that the ANC is on the same trajectory as MAGA. It is the opposite: that the ANC, in surrendering its ideological vocabulary to service-delivery proceduralism, is voluntarily ceding the conceptual ground on which a serious developmental project would have to stand. A party that has reduced its self-understanding to confidence indicators and quarterly delivery metrics has no answer to the techno-right when it eventually arrives in South African politics. The DA's technocratic minimalism is not the end of the road; it is the antechamber to something harder. Defending the constitutional democracy from the third future identified in section 4.1 requires, among other things, that the governing party recover an ideological vocabulary capable of distinguishing a developmental project from a managerial one.

The ideological cleavage matters because a developmental project of the kind sketched in section 4.4 cannot be executed by a coalition divided on the most basic question of geo-economic orientation. For the project to succeed, South Africa must lessen its historic and structural integration with the Western economic eco-system and re-orient towards the dynamic and growing Asian and Eurasian heartland. This re-orientation should preferably be undertaken not unilaterally but as part of a regional shift in the Southern African Development Community (SADC) — precisely the shift that the destructive and aggressive Trump administration is pre-emptively trying to prevent through its security-for-minerals interventions in the DRC, Mozambique, Madagascar and the Eastern Flank as far as Diego Garcia in the Chagos Islands (Goldstein, 2026; Ray, 2026).

4.3 Uneven Development and the Theoretical Stakes

The theoretical stakes of this analysis can be summarised through the work of Utsa Patnaik and Prabhat Patnaik (2016), whose *Theory of Imperialism* demonstrates that capitalism in the metropolitan economies has historically

depended on the imposition of income deflation on the peripheries to secure the supply of commodities required at home without destabilising the value of money. The South African second economy is precisely such a periphery, internalised inside a single national territory. Radhika Desai (2013) similarly argues that the global capitalist order is constituted by uneven development, not by tendencies towards convergence. The corollary is that catching-up cannot be left to markets; it requires a deliberate developmental project.

4.4 What a Conjuncturally-Adapted Developmental State Requires

Aligning the political-economy through a conjuncturally and contextually adapted developmental-state project is a forward-looking, four-part agenda. *First*, a policy paradigm shift away from the current orthodoxy of growth-through-liberalisation and towards heterodox developmental economics. The arguments of Reinert (2007), Serra ([1613] 2011), List ([1841] 1885), Hamilton ([1791] 1966) and Chang (2002) need to displace the IMF–World Bank policy package as the operating canon of the South African Treasury and the Reserve Bank. Reinert (2006) is explicit about the alternative on offer in the form of palliative aid:

> *"As long as 'development aid' remains palliative, rather than developmental, seemingly generous and well-intentioned development aid will inevitably become extremely powerful mechanisms by which rich countries end up controlling poor countries. Rather than promoting global democracy, such policies will lead towards global plutocracy."*
>
> (Reinert, 2006: 13)

Second, the shape of the development project itself. The orthodoxy on offer presents South Africa with a false choice between a labour-intensive, low-wage industrialisation path that the rest of the world has already left behind, and a fashionable post-industrial leap into services and digital economy. Both options are dead ends. Dani Rodrik's (2016) work on premature deindustrialisation is decisive on this point:

> *"Premature deindustrialization is not good news for developing nations. It blocks off the main avenue of rapid economic convergence in low-income settings, the shift of workers from the countryside to urban factories where their productivity tends to be much higher."*
>
> (Rodrik, 2016: 2)

Rodrik (2018) further warns that the contemporary "leapfrogging" literature, which urges developing countries to skip industrialisation entirely and ride new technologies into prosperity, consistently underestimates the complementary investments and the social and institutional capabilities that such a leap would actually require. The lesson is not that South Africa should abandon the leap, but that the leap must be a singular focus of a national project anchored in the state, not a market outcome to be hoped for. What is required is therefore a differentiated, simultaneous and synchronised approach with three tracks that develop together, not in sequence:

(i) The *second economy* — predominantly black, township and rural — needs a labour-intensive, production-oriented developmental thrust that absorbs the millions currently outside the formal economy. This track must not be a parallel, "informal" circuit; it must be deliberately connected into the national economy through procurement, supplier development, infrastructure and demand pull from the state and the parastatals. (ii) The *advanced and specialised manufacturing sector* — the automotive industry, defence, chemicals, beneficiation, capital goods — must be re-tooled towards humanoid-robotic manufacturing and AI-enabled production. South Africa cannot meet Japan, Korea or China at their current technological frontier through wage compression; it must meet them through state-coordinated investment in the next generation of machines. (iii) The *distribution of national wealth* must be addressed in parallel through instruments such as a Universal Basic Income. The point of a UBI is not to fight corporate profits; it is to socialise a portion of the national wealth that corporate profits represent, and to compress the obscene CEO-to-worker pay ratios that have become the signature of the South African corporate sector. Corporate profit, properly understood, is a component of the national wealth-creation system, not its private terminus.

Third, a structural pivot away from the traditional MEC towards critical minerals, rare earths and domestic beneficiation, with legal enforcement of localisation. South Africa's mineral endowment is of global strategic significance in the energy transition; under current policy it is being exported in raw form to be beneficiated elsewhere, exactly the pattern that Botero, Serra and List warned against four centuries ago (Reinert, 2008). *Fourth*, the building of *national* wealth rather than *corporate* wealth. Villette and Vuillermot (2009), in their study of the "business hero" figure, expose the contemporary ideology that conflates private accumulation with social benefit:

> *"We propose to consider innovation as a means of consolidating and ensuring the duration of capital, … capital, unless it is inherited, first has to be acquired by other means: by what might be called, provocatively, 'predation.'"*
>
> (Villette and Vuillermot, 2009: 6)

The current South African government's elevation of the private sector to the role of national saviour is, in Villette and Vuillermot's terms, a category mistake. The ANC and the SACP, learning from China rather than from Washington, can reinvigorate their declining electoral fortunes only by becoming the political driver of a new developmental thrust. This is the South African moment in what may be called the Second Wave of Decolonisation: a journey ultimately ending in a global economic paradigm in which people and the environment are no longer commodities to be ruthlessly exploited for private gain.

Heterodox economic theory and praxis must, however, also adapt and innovate. The original canon was written for an age of coal, steel and railways; it has to be re-thought for an age of climate breakdown, AI, robotics, and a re-fragmenting global order. Innovation here cannot be confined to the technological frontier of AI and humanoid robotics; it must extend equally to social and environmental innovation — new forms of public ownership, new arrangements between labour and capital, new instruments for redistributing wealth and risk, new ways of organising production within planetary boundaries. The contrast with the techno-right vision sketched in section 4.2 is sharp: where Silicon Valley's billionaires propose fleeing to Mars as a solution to the limits of life on Earth, a renewed heterodox tradition must propose staying and rebuilding the terrestrial conditions of human flourishing. South Africa, with its mineral endowment, its young population, its still-functioning constitutional order and its strategic location in the Global South, is unusually well placed to reposition itself in this opening and to leapfrog effectively — provided that its political class recovers the ideological clarity to recognise the opening when it appears.

5. The Developmental State as a Strategic-Political Project

A developmental state is a strategic-political project as much as it is an economic and social one. Its antithesis is neo-managerialism and technocratic reductionism — the idea that in a developing country the state must focus on procedural and bureaucratic delivery at the expense of people, ideology and development. The

South African state today is not racialised; it is representative but unfit for developmental purpose. The National School of Government is precisely the kind of instrument that a governing party with its ideological praxis in order, and its capability deficit recognised, would use to train civil servants and rebuild the cadre needed to lead and drive the development process.

Mkandawire (2001) is explicit that the ideological dimension is not optional. A developmental state requires an elite capable of establishing ideological hegemony around the national project of development, not an elite that has reduced politics to administrative service delivery. The contrast with current ANC discourse is sharp. Speaking on the Government of National Unity, Secretary-General Fikile Mbalula has at various moments insisted that the ANC "is not a socialist party" and has emphasised, as the touchstone of ANC performance, "visible service-delivery action" (SABC News, 2025). When ideology is reduced to service delivery, the governing party's ideology effectively converges with that of its liberal adversary, and the political case for voting for the ANC dissolves. This is the deep cause of the ANC's electoral decline and of the SACP's decision to contest the 2026 local government elections independently for the first time outside the by-election context (Mapaila, 2025; Wikipedia, 2026).

The Chinese leadership, to whom the ANC–SACP could productively turn for institutional learning, is explicit on precisely this danger. Xi Jinping has warned, on multiple occasions, against the "Four Bad Work Styles" that hollow out a developmental party-state — formalism, bureaucratism, hedonism and extravagance — and has insisted that the campaign against them is a continuous, not episodic, condition of the survival of the Chinese Communist Party as a developmental instrument (Lam, 2016). The Politburo regulations approved in July 2024 sharpened the same point:

> *"formalism and bureaucratism are stubborn diseases that must be resolutely rectified with great efforts. The grassroots level is the 'last mile' for implementing the decisions and deployments of the Party Central Committee, and it cannot be bound by formalism and bureaucratism."*
>
> (CCP Politburo, 2024, in Gao, 2024)

South Africa's answer to this institutional question, in the late apartheid era, was the multi-disciplinary study group (Fine and Rustomjee, 1996). That capacity has

atrophied. Rebuilding it on a problem-driven basis, anchored in the National School of Government and resourced by a renewed political party with ideological clarity, is the indispensable first step in any serious developmental agenda.

Robert Shiller (2019) calls the second obstacle the narrative economy. South African public discourse has been captured by a recurring narrative intervention – the assertion that the country has "turned the corner" – which serves to defer structural diagnosis and to manage market expectations in the short term. China transformed its economy in thirty years by refusing the reassuring narrative; South Africa, after thirty years of constitutional democracy, is still reproducing the same colonial economic structure under a transformed polity, with the same chronic outputs of poverty, unemployment and inequality.

6. Conclusion

South Africa's most important national-security problem is not external. It is the internal misalignment between a fully transformed black-led polity and an unreformed colonial economic structure of extreme wealth concentration that increasingly gives the appearance of racial and gender representativity while reproducing the same MEC-based logic of cheap surplus labour. The conflation of racial and gender representivity with economic transformation has allowed the structural problem to be camouflaged for thirty years.

The heterodox developmental canon – from Botero (1588) through Serra (1613), Hamilton (1791), List (1841), Johnson (1982), Mkandawire (2001), Chang (2002), Reinert (2007), Patnaik and Patnaik (2016) and the contemporary Chinese experience – offers a coherent, historically validated alternative to the orthodoxy that has governed South African economic policy since 1996. Three futures are now open. The first is a developmental alignment that secures the constitutional democracy by transforming the economy. The second is an authoritarian reversion. The third is the violent destruction of the political-economic structure as a whole — the outcome that becomes more probable each year that the politicisation of the judiciary, the corruption of the police, the erosion of strategic and national-security capability, and the rising tide of social frustration are allowed to compound.

Either the misaligned political-economy will be re-aligned by a developmental project led by a renewed political party with ideological clarity, or one of the other two futures will arrive. The clock is ticking.

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