Present at the Creation: Founding Party Dominance in South Africa and Beyond

By

Mark Yaron Rosenberg

A dissertation submitted in partial satisfaction of the
requirements for the degree of

Doctor of Philosophy

in

Political Science

in the

Graduate Division

of the

University of California, Berkeley

Committee in charge:

Professor Leonardo Arriola, Co-Chair
Professor Robert Price, Co-Chair
Professor Robert Powell
Professor Edward Miguel

Fall 2012
Abstract

Present at the Creation: Founding Party Dominance in South Africa and Beyond

By

Mark Yaron Rosenberg

Doctor of Philosophy in Political Science

University of California, Berkeley

Professor Leonardo Arriola, Co-Chair
Professor Robert Price, Co-Chair

This dissertation develops an economic theory of founding party dominance and validates its main implications via an in-depth analysis of South Africa under the ANC. At its core, the theory explains how a founding party like the ANC maintains the credibility of its economic promises in the longer term while generally failing to deliver on them in the shorter term. Ultimately, the credibility of these promises is determined by citizens’ beliefs about the party, which they update by observing economic outcomes. In order to maintain favorable beliefs among the citizenry, the party strategically allocates state resources and economic propaganda across its broad coalition of voters.

Just as the theory predicts, ANC governments have shown a clear resource bias toward their higher-information supporters, who are better able to observe the state of the economy and the extent of government corruption. The country’s post-apartheid economic policies starkly favor the more urban, better-informed elements in the ANC’s coalition. Moreover, we demonstrate that the stronger is the economy, the more state resources are allocated to higher-information provinces as compared to their lower-information counterparts. In the same vein, we show that instances of official corruption—particularly the maladministration of social services—are far more prevalent in lower-information provinces, exacerbating the relative deprivation of citizens living in these environments. The theory also implies that founding party rulers like the ANC will allocate a greater share of state resources to its less partisan supporters, in line with the “swing voter” school of distributional politics. While the overall evidence is mixed, we do find that the ANC directs more resources to provinces in which its support among Africans has lagged the most (or increased the least) between elections.

Even more interestingly, our theory’s unconventional prediction about the ANC’s use of economic propaganda—namely, that the incumbent will strategically downplay the state of the economy in order justify the low provision of state resources—is borne out by the data. Particularly in period surrounding elections, the South African government systematically underestimates the country’s rate of economic growth, only to revise those estimates upward at a later date. We also show that state-owned television outlets downplay the state of the South African economy in their coverage—and that they do so more than privately owned newspapers. Indeed, the stronger the economy, the more negative/less positive is the economic reporting by
the state-owned South African Broadcasting Corporation (SABC). What’s more, SABC broadcasts in African languages are even more negative in tone than equivalent reporting in European languages, while a newspaper outlet widely regarded as pro-government is less likely to report positively during “good times” than more neutral publications. All of this evidence indicates that the ANC is targeting economic propaganda at African citizens with middling access to information, the precise group predicted by our theory.

Given these facts and conditions, we should not be surprised that the ANC—despite its widespread failure to deliver on its material promises—continues to so thoroughly dominate South African politics nearly 20 years after the advent of majority rule. Nor should we be surprised that provinces where the ANC enjoys the most electoral support are also those where the average (African) citizen is most likely to believe that her personal economic conditions reflect those of the broader national economy, as revealed in Chapter 5. Finally, we should be encouraged by an explanation of ANC dominance that goes beyond the traditional emphasis on race, not only because race is a ‘red herring’ explanation that obscures a raft of political and economic dynamics, but also because it allows us to place South Africa’s founding party dominance in a larger scholastic and historical context. As such, we speculate on how this study helps explain other examples political dominance, as well as what those examples suggest for the future of South African politics.
Acknowledgements

My deepest thanks and appreciation to my dissertation committee, without whom this study would not have been possible. Prof. Robert Price—with whom I took my first political science course in 1999—helped sneak me into the esteemed Berkeley political science department and provided me with the best Brooklyn-style advice a graduate student could hope for. Meanwhile, Prof. Leo Arriola advised me with a rare and extremely effective combination of inspiration and practicality, encouraging me to take on an ambitious project while helping me execute it efficiently and effectively. He also tolerated my San Diego-to-Berkeley commutes and occasional bouts of professional despair with tremendous grace, encouragement and flexibility, and I am privileged to consider him both a mentor and a friend. The same goes for Prof. Robert Powell, who was kind (and patient!) enough to ignore my lackluster classroom performances and mathematical ignorance to help me build and solve the game theoretic model at the core of this dissertation. Simply put, Prof. Powell—whom I followed to Harvard during his sabbatical—taught me how to think in an entirely new and extremely useful way, and I am honored to have worked with him. External member Prof. Edward Miguel (Economics) is one of the most creative, intelligent and prolific social scientists I’ve ever come across, and I am grateful to have gotten to know him during my time at Berkeley.

I benefitted from a tremendous amount of help, input, interest and good will (not to mention free data) during my field research in South Africa. Among others, I am deeply grateful to Marco MacFarlane at the South African Institute for Race Relations; Wadim Scheiner and Theresa Lotter at MediaTenor SA; Prof. Jaap de Visser at the University of Cape Town’s Community Law Centre; Ebrahim Fakir at the Centre for Policy Studies; Professors Robert Mattes, Anthony Butler, and Thiven Reddy at the University of Cape Town; Professor Steven Friedman of Rhodes University and the Institute for Democracy in Southern Africa (Idasa); Khabele Matlosa at the Electoral Institute for Southern Africa (EISA); Ann Bernstein at the Centre for Development and Enterprise (CDE); Karl Beck at Freedom House South Africa; Jonathan Faul at Idasa; Hennie van Vuuren at the Institute for Security Studies (ISS) and Transparency International; Raymond Louw at the South Africa News Editor Forum (SANEF); Tony Leon, former Leader of the Democratic Alliance (DA); Joe Seremane, former Deputy Leader of the DA; Jessie Duarte, former Spokeswoman for the African National Congress (ANC); the late Prof. Kader Asmal, former Minister of Education and ANC executive committee member; and Fundiswa Ngubentombi (ANC), Executive Mayor of Metsimaholo Municipality.

I am also indebted to a number of fellow students in the political science department, especially Rodrigo Zarazaga, with whom I worked closely from start to finish. Thank you also to Beth Neitzel and Devin Caughey.

Finally, I am deeply grateful for research funding from the National Science Foundation (NSF) Graduate Fellowship, the UC Berkeley Center for African Studies Rocca Fellowship, and the UC Berkeley Graduate Division Dean’s Normative Time Fellowship.
“The ANC is going to help us. They are taking a long time, but I still hope they will come one day.”
~Resident of Munsieville township, Gauteng

Chapter 1: Introduction

In 2009, the African National Congress (ANC) swept to victory in South Africa’s national and provincial elections, winning over 66 percent of the national vote and outright control of eight of nine provinces. The election brought the party its fourth consecutive super-majority since the end of apartheid in 1994. While South Africa’s economy has expanded significantly during this span, economic and social conditions for millions of South Africans have deteriorated: levels of economic inequality, income poverty, unemployment, violent crime, and HIV/AIDS prevalence have all increased. Under such conditions, why are politics in South Africa so thoroughly dominated by the ANC? Why do mostly poor citizens continue to vote for the ANC, and why has no credible opposition challenger emerged?

As in South Africa, this dissertation addresses the phenomenon of political dominance by founding parties. By founding party we mean a political party widely associated with the advent of independence or majority rule in a country. This association—based on the party’s lead role in some nationalist or revolutionary movement (Duverger 1954; Zolberg 1964, 1966; Huntington 1968; Arian & Barnes 1974)—imbues a party with an initially high level of political support among the citizenry and a dominant position in the country’s political arena. This dissertation investigates how such founding party dominance is maintained.

More specifically, we explore how a founding party maintains dominance while failing to deliver on its material promises to large swaths of the citizenry. Along with pledges of political and civil rights, such promises are generally at the core of a founding party’s appeal for popular support during its conflict with the ancien regime (Apter 1955, 1965; Wallerstein 1961; Zolberg 1964, 1966; Beinen 1970; Huntington 1968). As a result, we should expect the persistence of that support—particularly in a relatively competitive setting—to be contingent on the extent of delivery.

At the same time, the party’s ability to deliver can be constrained, particularly given the developing-economy contexts in which most founding parties operate. As a result, we argue that the maintenance of founding party dominance depends ultimately on the credibility of its economic promises. So long as a citizen believes the party can and will deliver on them, she will support the party politically. Thus, even a citizen with access to very few government goods and services in the present will vote for the party if she believes its rule will bring her greater benefits

---

2 GDP per capita was $3,480 in 1994 and $5,800 in 2009, reflecting an average GDP growth of 3.5 percent.
3 The comparative politics literature has produced a number of definitions of political dominance—variously called ‘single-party dominance’ or the existence of a ‘dominant party system’—all of which include (very similar) temporal or multi-election thresholds. Thus, Sartori (1976) defines a ‘predominant’-party as one that wins absolute legislative majorities and controls the executive branch in three consecutive elections. For Pempel (1990), dominance must endure for a ‘substantial period’—defined informally as 30 to 50 years—while the threshold for dominance is only a plurality. Similarly, Blondel (1972) requires a dominant party to win 40 to 50 percent of the vote for at least 20 years. Greene (2007) argues that single-party dominance “combine[s] meaningful electoral competition with continuous executive and legislative rule by a single party for at least 20 years or at least four consecutive elections.” In all of these definitions, multi-party competition is explicit: dominant parties enforce a de-jure one-party regime (i.e. ban opposition parties) or are displaced by military coups are not included. We follow Greene’s definition, which stands as the most considered and formulaic in the literature.
in the future. By contrast, a similarly deprived citizen who does not believe the party’s promises to be credible—and thus does not expect to benefit from its continued rule—is likely to stop supporting it.

Put another way, a dominant founding party is one that maintains its monopoly on economic legitimacy in a new polity. Given its historical role and reputation, the party is initially regarded as the authority best suited to govern and allocate resources among competing interests. In order to maintain this position, a majority of citizens must believe that the party is governing in their economic interests; from above, the party must either deliver on its material promises or convince citizens that it will do so in the future. If it does not, citizens are likely to consider alternate authorities and allocations, robbing the party of its unique status and hastening the end of founding party dominance.

Existing Approaches to Founding Party Dominance

Our study of founding party dominance in South Africa speaks to (and builds upon) an extensive body of scholarship on dominant parties in general and founding parties in particular. We briefly review this scholarship below.

Historical Roles and Reputations

The idea that a political party’s historical role undergirds its success in the political arena is firmly entrenched in the literature on both dominant parties in general and founding parties in particular. In a much-quoted phrase, Duverger (1954) argues “a dominant party is dominant because people believe it is so…The party is associated with an epoch.” (308). Analyzing a dominant party’s ability to fuse voters’ identification with the party with that of the state, Arian and Barnes (1974) assert that “it may be virtually necessary for a party to preside over the establishment of a polity” (594).

In his landmark study Political Order in Changing Societies (1968), Samuel Huntington argues that “the stability of the one-party [and dominant party] system derives more from its origins than its character” (424, 429), and that “the strength of the party derives from its struggle for power.” (426). According to Huntington, nationalist and/or revolutionary (i.e. “founding) party strength doesn’t come simply from its achievement of some over-arching political objective, like independence or majority rule (though that certainly helps). In addition, the party is often the first to mobilize major population groups, especially those living in rural areas. As such, the party (1) enjoys an initial monopoly on the political loyalties of large swaths of new citizens; and (2) serves a unifying structure for diverse groups of future citizens. Even more crucially for our purposes, Huntington also claims that founding parties inspire a so-called “politics of aspiration” (324) among its newly politicized constituents, whereby the delivery of current benefits may matter less than the hope of future gains. Essentially, Huntington contends

---

4 Of course, for a citizen with access to substantial government goods and services in the present, those promises are effectively being fulfilled, and her continued support for the party will be firmly intact.

5 Interestingly, both Lipset (1984) and O’Donnell (1986) have made similar arguments regarding the consolidation of democracy. Per O’Donnell (pg. 11): “The inability of these regimes to deal with at least the more extreme or politically demanding inequalities, or their inability to persuade the population that, even if they can do little for the moment, they are firmly committed to tackling these problems in the not-so-distant future, would augur poorly for their medium- and long-term chances of consolidation.”

6 The longer the “struggle,” he writes, the stronger the party the longer its political dominance will last.
that a founding party’s delivery of some regime-level political good (i.e. independence, regime change, or majority rule) not only makes their promises of economic goods more credible, but also buys the party time to deliver them.

Huntington’s arguments about the relationship between a founding party’s reputation and its political fortunes⁷ are echoed in analyses of single-party and dominant-party regimes in sub-Saharan Africa’s immediate post-colonial period (Apter 1955, 1965; Wallerstein 1961; Zolberg 1964, 1966; Beinen 1970). These works demonstrate how nationalist/liberation parties established varying degrees of dominance based on (1) the extent and nature, apropro Huntington, of their “struggle for power;” (2) their first mover advantage in mobilizing previously unpoliticized populations; (3) their ability to maintain resulting “broad church” coalitions; and (4) the credibility of their promises of (re-)distribution and economic development. Though tied less directly to a party’s reputation, Collier (1982) demonstrates how “independence regimes” (100) in tropical Africa that established themselves by way of elections—in other words, by mobilizing voters—were more likely to survive than those that emerged via more top-down processes like merging contesting parties or by force of arms.

Indeed, almost every major study of single-party dominance holds that nationalist and/or liberation parties establish political dominance due largely to their status as what we call a “founding party” [see, among others Tucker (1961), Blondel (1972), Pempel (1990), Giliomee & Simkins (1999), Magaloni (2006) and Greene (2007)]. At the same time, most of these works—pointing to the lack of clear mechanisms between a party’s historical credentials and its longer-term success⁸—highlight other factors in explaining the maintenance of such dominance. Most prominently, scholars have emphasized the strategic choices of party leaders—particularly centrism and adaptability (Riker 1976; Arian & Barnes 1974; Pempel 1990)—and the competition-stifling effects of incumbency resource advantages and patronage (Magaloni 2006; Greene 2007).⁹

**Strategic Elites: Centrism, Adaptability, and the Exploitation of State Resources**

Many of the most compelling explanations for single-party dominance emphasize the type of strategic choices made by party leaders to maintain their dominant positions. More

---

⁷ Also expressed in the 1974 compilation, w/ Henry Bienen, “Authoritarian Politics in Modern Societies.”

⁸ These scholars treat dominant parties’ status as ‘founding’ or ‘liberation’ parties as epiphenomenal and generally immaterial to the maintenance of dominance in the long term. Greene (2007) represents this position well in arguing that it is “unlikely that the mechanisms that produce dominant rule [‘incumbents’ initial legitimacy as harbingers of national transformation’] also reproduce it over time.” As evidence, scholars cite dominant parties’ general pragmatism and their relatively rapid abandonment of ‘founding ideologies’ in the interest of maintaining office (Tucker 1961; Magaloni 2006). Pempel (1990) claims that single-party dominance only really becomes a puzzle at all after the effects of founding party reputation fade away. By contrast, I argue that even (and, arguably, especially) a pragmatic and non-ideological dominant party has a clear stake in sustaining its founding party status.

⁹ Still others have pointed to the effects of political institutions. Scholars of African and Latin American politics have argued that first-past-the-post (FPTP) presidential elections reduce the size of a party system, as parties organize around presidential candidates or are co-opted, post-election, by a powerful executive (Mozzafar 2004; van de Walle 2003; Mainwaring & Shugart 1996). At the same time, scholars of single-party dominance in Southern Africa contend that parliamentary elections governed by closed-list proportional representation (PR) allow dominant parties to mobilize large coalitions as one overwhelming bloc (Giliomee & Simkins 1999; du Toit 1999; Piombo 2005).⁹ While both logics make sense, institutional explanations for dominance are empirically inadequate. Although most instances of single-party dominance have occurred in FPTP presidential systems, South Africa and Namibia employ PR, while India and Malaysia are FPTP parliamentary systems. More broadly, according to empirical work by Greene (2007) and Magaloni (2006), there is no statistically significant relationship between electoral institutions (measured by district magnitude) and the incidence of single-party dominance.
specifically, these studies point to a dominant party’s centrism and its related ability to keep opposition parties on the margins of the political arena. Riker’s (1976) landmark analysis of the Indian Congress Party cites party elites’ consistent centrism as key to maintaining its umbrella structure and ensuring its position as a Condorcet winner against any potential competitor. In the same vein, Arian and Barnes (1974) contend that dominant parties in Italy and Israel maintained sufficiently “flexible boundaries” to capture and remain in the political center, keeping opposition parties on the periphery of the issue space. Pempel’s (1990) wide-ranging study of dominant-party democracies similarly emphasizes the benefits of ideological flexibility and cultivating broad-based support. According to Pempel, a “dominant party is the one that plays this game well enough to keep itself in power long enough so that it can continue enacting and implementing policies that reinforce its power base” (pg. 12).

How do dominant parties defend these centrist, flexible positions over time? The most recent approach to dominant party systems focuses on the party’s exploitation of state resources. The fusion of party and state in a dominant party system, and the party’s use of state resources to ensure re-election, is a component of each of the earlier studies mentioned above. However, none of these articulate a positive theory of how such exploitation leads to single-party dominance, as Kenneth Greene’s (2007) work purports to do. Greene argues that dominant parties use state resources to co-opt the bulk of voters and potential oppositionists, driving remaining opposition parties to the margins of a left-right issue space. Parties must “create a large public sector and politicize the public bureaucracy” (27) to sustain this “dominant party equilibrium.” When the state shrinks, so goes dominance.

Beatriz Magaloni’s (2006) study of “hegemonic-party survival”—which, like Greene’s, is also based on Mexico’s PRI—also highlights the central role of a dominant party’s patronage machine in buying off voters and potential oppositionists, and exacerbating coordination failure among the opposition. Because Magaloni puts greater emphasis than Greene on the mechanisms of voter support for the party, she emphasizes overall economic growth—as opposed to the size of the state—as the ultimate foundation of patronage-based dominance. If times are good, Magaloni argues, most voters will not risk access to an incumbent’s patronage in order to support an unknown challenger. If times are bad, defection is less risky, and the dominant party’s patronage-based ‘punishment regime’—whereby disloyal localities are deprived of spoils—is less effective. In the latter case, Magaloni echoes Greene in pointing to the size of the public sector (as well as electoral fraud) as critical to dominance.

We build on the resource- and patronage-based explanations of political dominance by introducing an additional dimension—a founding party’s historical reputation and the beliefs they inspire among the citizenry—into the standard state resources model. Indeed, by elucidating the missing mechanisms of founding party dominance, our study serves to unify the classic, qualitative works of Huntington and Durverger with the more contemporary, formal analyses offered by Magaloni and Greene. As demonstrated in detail below, we argue that the party’s strategic allocation of state resources is driven by citizens’ beliefs about the party, beliefs based first and foremost on the party’s historical credentials. Because citizens update their beliefs over time, we further argue that variation in citizens’ access to information—and thus their abilities to update accurately—impacts not only the allocation of resources, but also the party’s decision to manipulate information by investing in economic propaganda. In this way, we view founding party status as a valuable strategic (albeit more ‘bottom-up’) resource for an incumbent fortunate enough to enjoy it. Like any other incumbency advantage, we expect founding party elites to
exploit this resource in order to keep winning votes, deter challengers, and maximize their own share of state resources.

**Founding Party Dominance: Theory and Implications**

*Theory*

We exploit the case of ANC dominance in South Africa to formulate and test a theory of founding party dominance. We reserve a full exposition of that theory—and the formal model on which it is based—for Chapter Two. Here, we summarize the theory and its core implications.

Our theory explores how citizens’ beliefs about the founding party and their access to information impact the party’s allocation of state resources and economic propaganda among voters in its coalition. Based on a founding party’s reputation as leader of a revolution or national liberation struggle, citizens hold beliefs about whether the party will deliver on the economic promises of that revolution or struggle. Citizens update these beliefs by observing the government’s provision of good and services, as well as the state of the economy (and/or the state of the government’s budget). If a citizen has access to few government goods and services while observing indications of an otherwise resource-rich state—including robust economic growth, increased government spending, or official rent seeking—she’ll likely surmise that the party is willfully failing to deliver on it promises, and will update her beliefs accordingly. By contrast, if this same citizen observes a weak economy or a cash-strapped state, she may well conclude that the government is providing as best it can. As a result, she will maintain (or strengthen) her beliefs that the founding party will deliver on its promises when it is more possible to do so. In other words, she will maintain her beliefs about the credibility of the party’s promise to deliver in the future.

We contend (and demonstrate) that while all citizens are imperfect observers of the state of the economy, they vary in the extent of their uncertainty. Citizens with access to more information—for example, more educated citizens or those with greater media access—will be better able to observe the true state of the economy, while those with access to less information will be less so. As a result, different types of citizens will update their beliefs about the party in different ways.

Given this context, a founding party like the ANC can influence citizens’ beliefs by strategically allocating state resources and manipulating information about the economy among different types of voters in its (generally broad) coalition. More specifically, we theorize that the party aims to secure a so-called “benefit of the doubt” among as many citizens as possible, whereby the party can deliver few goods and services in the present while maintaining voters’ expectations of a much larger delivery in the future. This “benefit” helps maintain the credibility of the party’s promises while freeing up resources for rent seeking and for courting less forgiving voters in its coalition. To achieve it, the party may very well aim to downplay the state of the economy by manipulating economic information, a counter-intuitive interpretation of a government’s use of economic propaganda.12

---

10 In Chapter 3, we demonstrate that the size of the government’s budget is tied directly to the state of the economy.
11 Or, more intuitively, by obscuring information about government corruption.
12 Following a prominent work in the field of political communication, I define the economic propaganda as “the deliberate, systematic attempt to shape perceptions and manipulate cognitions” [Jowett & O’Donnell (1999)] about economic outcomes in order to achieve explicit political goal. In this case, the founding party’s goal is to
Implications

Our theory generates a number of observable implications about the distribution of state resources; the use of economic propaganda; citizens’ varying abilities to observe economic outcomes; and the conditions under which a citizen will reject a founding party in favor of some alternate ruler. In summary, the theory implies that:

1. A founding party maintains the support of citizens in low-information environments (for example, rural citizens) by providing them with fewer goods and services than citizens in high-information environments (for example, more urban citizens).
   a. The stronger the economy (i.e. the larger the incumbent’s budget), the more positive the relationship between a citizen’s access to information and her access to goods and services from the state.
2. The party maintains the support of citizens with more favorable beliefs by providing them with fewer goods and services than citizens with less favorable beliefs.
3. Low-information groups with highly favorable beliefs (i.e. rural partisans) are the ‘cheapest’ backers of the Founding Party: they are most likely to accept a minimal amount of goods and services from the government, even without the party investing in propaganda. In short, they are the most likely to give the party “the benefit of the doubt.”
   a. The more low information, favorable-beliefs voters a founding party counts among its supporters, the greater rents it can accrue while maintaining popular support—and vice-versa.
4. High-information groups with relatively unfavorable beliefs (i.e. urban “swing” voters) are the most costly backers of the Founding Party: they require a large amount of goods and services from the government to maintain their support. They are least likely to give the party the “benefit of the doubt.”
5. Ceteris paribus, the Founding Party will be more likely to target economic propaganda at citizens in lower-information environments than at citizens in higher-information environments. Citizens with middling access to information are most likely to be targeted.
6. Citizens with more favorable beliefs about the opposition will require more goods and services to continue supporting the incumbent. They are also less likely to be targeted with propaganda.
7. If citizens’ beliefs are unfavorable, citizens will reject the founding party if provided with relatively few government goods and services. In this case, we anticipate that the party will stop providing to these citizens altogether.
8. Citizens with more favorable beliefs about the opposition will be more likely to reject the incumbent.

The Puzzle of ANC Dominance

We began this chapter by asking how the ANC maintains political dominance while failing to deliver on material promises to large swathes of its African base. In what follows, we detail the puzzle of ANC dominance in South Africa. We then review the literature’s influence how citizens’ about their beliefs about the party, and thus help maintain the credibility of its economic promises.
overwhelming emphasis on race as an explanation, pointing out both why these arguments fall short and how our theory incorporates their most persuasive elements.

Promises Unmet

Under white minority rule—first in the guise of European colonialism, then as an apartheid state—South Africa was a notoriously unequal society. Particularly after the discovery of large gold reserves in the mid 19th century, South Africa’s political economy was effectively based on the extraction of the country’s natural resources for the benefit of the white ruling class. Exploiting easy access to capital and a low wage labor force (maintained via restrictive legislation on the movement, education and employment of African workers), white business and political leaders not only developed vibrant economies in mining and agricultural, but also relatively sophisticated manufacturing and financial services sectors. And while a significant goal of the National Party’s apartheid system (in place from 1948 to 1994) was to transfer the country’s resources from British to Afrikaner control, its raison d’être was enforcing a society-wide separation between whites and their African, Coloured, and Asian compatriots. As a result, a small minority controlled the vast majority of the country’s wealth, and most Africans were left mired in poverty.  

Founded in 1912, the ANC was long at the forefront of efforts to improve the lot of South Africa’s African majority. More specifically, the organization aimed to achieve majority rule in South Africa and transform the country into a non-racialist, social democratic state in which resources were to be re-distributed among the population. This two-tier strategy was enshrined in the ANC’s 1955 Freedom Charter, which declared that “South Africa belongs to all who live in it, black and white, and that no government can claim authority unless it is based on the will of the people”, and further that: “the national wealth of our country…shall be restored to the people; The mineral wealth beneath the soil, the banks, and monopoly industry shall be transferred to the ownership of the people as a whole; All other industries and trade shall be controlled…(ANC 1955: 82).” Similarly, the ANC’s (less well-known) outline for a “national democratic revolution” (NDR)—formulated in coordination with the Congress of South African Trade Unions (COSATU)—envisions a two-stage process. First, the achievement of “political freedom” for the African majority via the overthrow of apartheid; and second, the achievement of “economic freedom” via redistribution of the country’s significant assets (Habib & Taylor 2001; Southall 2004).

The ANC championed both of these objectives in agitating for—and ultimately leading—the ‘struggle’ against the apartheid state. The coterminous decline of support from the

13 Jeremy Seekings summarizes this scenario well: “Apartheid had perpetuated income poverty and exacerbated income inequality in very obvious ways. African people had been dispossessed of most of their land, faced restricted opportunities for employment or self-employment, were limited to low-quality public education and health care, and were physically confined to impoverished parts of the countryside or cities. At the same time, the white minority had benefited from discriminatory public policies.” (Seekings 2006)

14 To be sure, the ANC was far from the only game in town during the length of the African fight against white minority rule. The more Africanist Pan African Congress (PAC) commanded significant loyalty among urban Africans in the 1950s and 1960s, as did the Black Consciousness (BC) movement in the 1970’s (the ANC and PAC were banned in 1960, after which the bulk of their leadership was arrested or went into exile). More concretely, the broad-based United Democratic Front (UDF), along with COSATU, led the bulk of domestic opposition (including a well-coordinated campaign of protests, strikes and boycotts) to apartheid in the 1980s. At the same time, rural Africans were often loyal to traditional leaders, both those recognized by the government in Pretoria (the leaders of the so-called “homelands”) and those at odds with it. Nonetheless, as the oppositionist organization with (a) the broadest support among the members of other (and at times competing) organizations and the South African
Soviet Union and the warming of the ANC’s relations with Western governments saw the party soften much of its more explicit communist rhetoric and objectives. Nevertheless, the party put the Freedom Charter—as well as more specific promises of redistribution and material improvements for the African majority—at the front and center of its appeal for popular support following its unbanning in 1990 (Marx 1992, Lodge 1983). What’s more, the ANC’s decision to enter into a formal political alliance with COSATU and the South African Communist Party (SACP) sent a seemingly clear signal about the statist, redistributionist bent of its future economic policies (Stedman 1994).

Heading into the country’s first democratic election in 1994, the ANC formulated its Reconstruction and Development Plan (RDP) in consultation with COSATU economists and published it as the party’s election manifesto. The RDP was a Keynesian strategy aimed at achieving “growth through redistribution” to address the stark inequalities of apartheid while jump-starting South Africa’s stagnant, sanction-heavy economy. The plan promised that the first priority of the democratic government would be “attacking poverty and deprivation” and to “meet the basic needs of the people: jobs, land, housing, water, electricity, telecommunications, transport, a clean and healthy environment, nutrition, health care, and social welfare.” (ANC 1994). These kinds of pledges featured prominently in the ANC’s campaign (Lodge 2004), including ANC leader Nelson Mandela’s famously televised debate with incumbent prime minister and National Party leader FW de Klerk. More prosaically, they were captured by the ANC’s campaign slogan, plastered ubiquitously across the country: “A better life for all.”

As mentioned above, after nearly 20 years of ANC rule these promises have not been fulfilled for large swathes of the African population, a fact demonstrated by many scholars of poverty and inequality in South Africa (Bhorat & Kanbur 2005, Bhorat et al. 2009, Leibbrandt et al 2008). In short—and despite (moderate) economic growth—South Africa has actually become a more economically unequal society since 1994: poverty rates among Africans have effectively remained the same, while unemployment has increased significantly. Bhorat et al. (2009) sum up the scenario well:

South Africa has historically been ranked as one of the most unequal societies in the world and, while the country has experienced sustained positive economic growth since 1994, the impact of this growth on poverty, and particularly inequality, has been disappointing (pg. 1) . . . [We find] a significant increase in income inequality over the period and, further, that this increase in inequality eroded any significant poverty-reduction gains from higher economic growth.

Similarly, Leibbrandt et al. (2008) demonstrate that:

South Africa’s high aggregate level of income inequality increased between 1993 and 2008. The same is true of inequality within each of South Africa’s four major racial groups. Income poverty has fallen slightly in the aggregate but it persists at acute levels

---

population at large; (b) the most significant international recognition and support; (c) a ‘national’ (as opposed to ethnic or class-based) identity; and (d) a widely respected leadership, the ANC was the most suitable umbrella for the various coalitions and movements that made up the anti-apartheid movement (Marx, Lodge). Ultimately, the ANC’s most significant challenge came from the Zulu-nationalist Inkatha Freedom Party (IFP), which fought pitched battles with the ANC for control of urban areas throughout the country and rural areas in Natal.

15 A (unfortunately edited) video of the debate can be found here: http://video.agaclip.com/w=0Ngw2mHJrQ3.
for the African and Coloured racial groups . . . intra-African inequality and poverty trends increasingly dominate aggregate inequality and poverty in South Africa (pg.2).

Tables 1-1 through 1-5 present a concise summary of the data underlying these trends.

### Table 1-1: Changes in Per Capita Income by Race of Household Head, 1995-2005

<table>
<thead>
<tr>
<th></th>
<th>Nominal 1995</th>
<th>2005</th>
<th>Real 1995</th>
<th>2005</th>
<th>% Change Nominal</th>
<th>% Change Real</th>
</tr>
</thead>
<tbody>
<tr>
<td>African</td>
<td>5,144.68</td>
<td>9,156.97</td>
<td>7,105.91</td>
<td>6,979.40</td>
<td>77.99%</td>
<td>-1.78%</td>
</tr>
<tr>
<td>Coloured</td>
<td>7,075.80</td>
<td>17,335.16</td>
<td>9,773.20</td>
<td>13,212.78</td>
<td>144.99%</td>
<td>35.19%</td>
</tr>
<tr>
<td>Asian</td>
<td>16,688.50</td>
<td>32,415.41</td>
<td>23,050.42</td>
<td>24,706.87</td>
<td>94.24%</td>
<td>7.19%</td>
</tr>
<tr>
<td>White</td>
<td>35,907.41</td>
<td>91,420.28</td>
<td>49,595.87</td>
<td>69,680.09</td>
<td>154.60%</td>
<td>40.50%</td>
</tr>
</tbody>
</table>

Source: Bhorat et al. 2006 [Stats SA 1995, 2005]

### Table 1-2: Gini Coefficients for Income Inequality by Race, 1993-2008

<table>
<thead>
<tr>
<th></th>
<th>1993</th>
<th>2008</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>African</td>
<td>0.54</td>
<td>0.62</td>
<td>15%</td>
</tr>
<tr>
<td>Coloured</td>
<td>0.44</td>
<td>0.54</td>
<td>23%</td>
</tr>
<tr>
<td>Asian</td>
<td>0.47</td>
<td>0.61</td>
<td>29%</td>
</tr>
<tr>
<td>White</td>
<td>0.43</td>
<td>0.50</td>
<td>14%</td>
</tr>
<tr>
<td>Overall</td>
<td>0.66</td>
<td>0.70</td>
<td>6%</td>
</tr>
</tbody>
</table>


### Table 1-3: Theil Index for Income Inequality by Race, 1995-2005

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Within Race</td>
<td>0.50</td>
<td>57.4%</td>
<td>0.63</td>
<td>55.6%</td>
</tr>
<tr>
<td>Between Race</td>
<td>0.37</td>
<td>42.6%</td>
<td>0.51</td>
<td>44.4%</td>
</tr>
<tr>
<td>Overall (Theil-( T ))</td>
<td>0.87</td>
<td>1.14</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Bhorat et al. 2006 [Stats SA 1995, 2005]

In Table 1-1, we see that African incomes have increased the least among all major racial groups since the advent of majority rule. Indeed, when taking inflation into account, African incomes have actually decreased in real terms, a stark contrast to the real expansion of Coloured and White (and to a lesser extent Asian) incomes during the same period. Relatedly, Table 1-2 demonstrates concretely that income inequality in South Africa has increased (both overall and within all racial groups) under the ANC, with inequality among Africans remaining the highest. Employing the Theil index—a broader measure of income inequality than the more traditional Gini coefficients used in Table 1-2—Table 1-3 shows not only an overall increase in income inequality, but also that, over time, income inequality between racial groups has actually contributed more to overall inequality than income inequality within groups, a striking finding in light of both persistent African poverty and the redistributionist promises of the ANC.
While not as clear-cut as the evidence on income inequality, the most recent evidence suggests that poverty levels in South Africa have decreased only slightly under ANC rule. Borrowed from Leibbrandt et al. (2008), Table 1-4 presents changes in two well-known poverty indicators between 1993 and 2008. Looking at the more liberal version of the poverty line (R949), we see that the poverty headcount ratio has effectively remained constant since 1993, while the mean poverty gap has shown a slight improvement. Similarly, the more conservative poverty line measure (R515) shows small improvements in both indicators—though very little between 2000 and 2008. Indeed, as we will discuss in Chapter 3, the minor improvements in poverty are attributable almost completely to the expansion of South Africa’s social grant system (including child, old age, and disability grants) to the African population between 1994 and 1999. These relatively minimal transfers generally account for the vast majority of household income among the poor and are often used to support entire families, particularly in rural areas where employment is particularly scarce. (Seekings & Nattrass 2005; Seekings 2006; Bhorat et al 2009).

Table 1-5: Unemployment Rates by Income Decile, 1993-2008

<table>
<thead>
<tr>
<th>Decile</th>
<th>1993</th>
<th>2000</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>49.1%</td>
<td>44.2%</td>
<td>69.4%</td>
</tr>
<tr>
<td>2</td>
<td>33.6%</td>
<td>44.2%</td>
<td>46.0%</td>
</tr>
<tr>
<td>3</td>
<td>26.8%</td>
<td>41.3%</td>
<td>46.7%</td>
</tr>
<tr>
<td>4</td>
<td>22.0%</td>
<td>39.2%</td>
<td>36.9%</td>
</tr>
<tr>
<td>5</td>
<td>23.4%</td>
<td>34.3%</td>
<td>30.3%</td>
</tr>
<tr>
<td>6</td>
<td>18.7%</td>
<td>32.6%</td>
<td>26.1%</td>
</tr>
<tr>
<td>7</td>
<td>14.5%</td>
<td>26.3%</td>
<td>20.1%</td>
</tr>
<tr>
<td>8</td>
<td>9.4%</td>
<td>20.7%</td>
<td>16.4%</td>
</tr>
<tr>
<td>9</td>
<td>4.3%</td>
<td>12.5%</td>
<td>9.0%</td>
</tr>
<tr>
<td>10</td>
<td>1.5%</td>
<td>4.1%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Overall</td>
<td>13.7%</td>
<td>25.7%</td>
<td>24.4%</td>
</tr>
</tbody>
</table>


\[\text{While there is scholarly consensus that poverty increased from 1993 to 2000, there is a significant debate among economists [particularly van der Berg et al. (2006) and Meth (2006, 2007)] about whether poverty decreased slightly or increased slightly between 2000-2004.}\]
In that vein, Table 1-5 reveals what many economists believe to be the most powerful driver of both income inequality and poverty in the post-apartheid era: the stark and increasing deficit of employment among poorer South Africans. While unemployment has clearly increased among all ten income groups included in the table, the increases among the lower deciles—not to the mention the unemployment levels themselves—are strikingly large. In light of the ANC’s emphasis on providing jobs for Africans who suffered from strict employment restrictions under apartheid, the centrality of creating jobs to the RDP, and the well-established ties between unemployment and persistent African poverty, these data represent a glaring failure of the ANC to fulfill its core economic promises.

Table 1-6: Access to Housing, Water, Electricity, & Sanitation 1993-2004

<table>
<thead>
<tr>
<th></th>
<th>Formal Dwelling</th>
<th>Piped Water</th>
<th>Electricity for Lighting</th>
<th>Electricity for Cooking</th>
<th>Flush/Chemical Toilets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>68.3%</td>
<td>59.3%</td>
<td>51.9%</td>
<td>45.2%</td>
<td>52.6%</td>
</tr>
<tr>
<td>1999</td>
<td>74.2%</td>
<td>65.7%</td>
<td>69.5%</td>
<td>52.7%</td>
<td>55.5%</td>
</tr>
<tr>
<td>2004</td>
<td>73.6%</td>
<td>67.8%</td>
<td>80.2%</td>
<td>59.4%</td>
<td>57.2%</td>
</tr>
</tbody>
</table>


To be sure, ANC-led governments have improved access to social assistance and basic services as compared to the apartheid regime, particularly for the African population. Nevertheless, these improvements have been both halting and unevenly distributed. As revealed by Table 1-6, significant and consistent progress has been made in access to electricity, both for lighting and cooking. However, despite a slight increase between 1995 and 1999, access to formal dwellings has largely stalled, as has the provision of water (at an even lower level than housing). In addition, access to flush or chemical toilets remained markedly low in 2004 after increasing only slightly since 1995.

Beyond the Racial Census

Given the ANC’s failure to fulfill its economic promises to large portions of its African vote base—as well as the generally poor economic conditions of many of these voters—how has the party maintained such a dominant position in South Africa’s political arena? The leading explanation in the academic literature and among more popular observers is race: in short, the ANC enjoys political dominance because Africans make up nearly 80 percent of South Africa’s population, an argument given substantial weight by the power of race as a predictor of vote choice (see Table 1-6). As a result, South African elections have typically been defined as a “racial census” (Johnson & Schlemmer 1996; Lodge 2004; Mattes 1995; Mattes & Piombo 2001; Friedman 2004; Ferree 2006, 2011), whereby citizens of different racial groups vote for separate political parties.

Scholars and other observers have put forward a few mechanisms that undergird the “racial census” in South Africa. First, some scholars argue that Africans vote for the ANC because it is in their economic interest to do so. Proponents of this instrumentalist approach point to data which indicates that—despite the litany of failed promises presented above—most Africans approve of the ANC’s performance in office and believe the party’s platform best represents their economic preferences (Mattes 1995; Mattes and Piombo 2001; Bratton & Mattes 2003). Second (and more commonly), others argue that Africans vote for the ANC in order to express their primary political identity as blacks (Johnson and Schlemmer 1996; 17 This issue is discussed in more detail in Chapter 3.}

17 This issue is discussed in more detail in Chapter 3.
These “identity voting” approaches are inspired by two classic (and related) theories of group voting: Lipset and Rokkan’s (1967) work on party systems and Horowitz’s (1985) theory of ethnic voting. Lipset and Rokkan hold that the “social cleavages” most salient at the time of party system formation will be reflected in the number and ideological scope of parties in a given system. Horowitz’s argues that citizens vote for ethnic parties in order to most effectively express themselves politically. Clearly, both can be applied to South Africa, where the apartheid system (and the ‘struggle’ against it) made race extremely salient in South African politics. By extension, then, these approaches suggest that ANC dominance will end only when South Africa’s ‘foundational’ racial cleavages is subsumed by some more salient cleavage, or when Africans’ identification with that cleavage is sufficiently diluted.

As alluded to above and explained below, we include elements of both of these mechanisms in formulating a more general theory of founding party dominance. Nonetheless, neither is strong enough to stand on its own as an explanation for ANC dominance in South Africa. As Ferree (2011) and Mattes (1995) have convincingly shown, the majority of Africans do not self-identify as such, with most opting for national or ethno-linguistic identities instead. Moreover, most Africans view the ANC as a racially and ethnically inclusive party (Idasa 1999), largely precluding the idea of the party as a vessel for the expression of black identity.

More instrumental explanations are also difficult to swallow on their own—and not only because so many Africans appear to have derived so little economic benefit from ANC rule. Additionally, the assumption of essentially homogenous policy preferences among South African blacks—crucial to the application of the “racial census” approach—is very difficult to justify given entrenched intra-African ethnic rivalries (Stedman 1994; Lodge 2004; McLaughlin 2007) and the rise of intra-racial inequalities, the last of which have produced politically salient class cleavages (Habib & Naidu 2006; Seeking & Natrass 2005; Seekings 2006). What’s more—and especially following the ANC’s effective abandonment of the RDP (see Chapter 3)—only minimal economic policy differences separate the ANC from its potential rivals (Mattes 1995; Habib & Taylor 2001).

Citing many of these same reasons, Ferree’s (2011) recent study of South African politics holds that “race and identity are red herrings: an exclusive focus on them ignores the hard political work underlying the racial-census outcome in South African elections.” Instead, Ferree claims that Africans vote for the ANC because of “a political strategy employed by the ruling party to discredit and delegitimize the opposition” by depicting it as “white” (pg. 2). More specifically, she argues that:

In South Africa, a particular set of beliefs about political parties drives the racial census. These beliefs originate in apartheid, but politics drives their preservation: the active and resourceful efforts of the ANC, through campaigns [both media and electoral] and the

---

18 Indeed, Horowitz coined the term “ethnic census” to describe ethnically-determined elections.
19 The authors identified urban-rural, economic (i.e. class), and religious cleavages as potential sources of political competition and party system structure.
20 More recently, a similar argument has been made by Bartolini and Mair (1990) to explain variation on party system stability in Western Europe.
21 Indeed, if the “expressive voting” approach were accurate, one might expect black voters to opt for another, explicitly “black” party, such as the Pan Africanist Congress or the (Black Conciousness-inspired) Azazian People’s Organization, both of which split-off from the ANC in order to pursue a more racialized agenda and both of which enjoyed significant support at various stages of the “struggle” (see fn. 4).
control of African political talent, to prevent its competitors from altering their images to become more credible in the eyes of African voters. (pg. 2)

In short, African’s beliefs about the ‘racial images’ of the ANC versus the opposition—kept intact by the ANC—determine racial census elections and thus ANC dominance in South Africa.

In many ways, we follow Ferree’s dismissal of race itself as a ‘red herring’ explanation, as well as her emphasis on citizens’ beliefs about political parties and the ANC’s intentional manipulation of information to preserve such beliefs. We, too, argue that ANC dominance is a product of directed political strategies intended to preserve the party’s initially dominant position. We depart from Ferre, however, in a number of important ways.

To start, we employ a broader, more instrumental approach to citizens’ beliefs than that tied explicitly to the racial image of a party; we also focus far more on beliefs about the ANC itself than about its opposition. In our formulation, citizens hold beliefs about whether the founding party (i.e. the ANC) is governing in their economic interests, beliefs that they can update over time by observing a series of economic outcomes. While South African history may certainly have conflated many Africans’ conceptions of “best interest” with that of their racial identity, both that identity and that conception are vulnerable to significant change—especially in light of the economic facts presented above. Moreover, given much of Ferree’s own evidence about Africans’ disparate identities and their perceptions of the ANC as a comparatively inclusive party, as well as the party history discussed briefly above, we believe it is instructive to think of the ANC not as an ‘African’ party but instead as a broad-church national liberation party incorporating a number of (mostly African) groups. Thus, the ANC’s belief-inspiring credentials are tied more to its achievement of African liberation (and as a promised harbinger of economic change) than they are to its image as a racially African party per se. This distinction allows us to incorporate Ferree’s argument about the ANC’s de-legitimization of its main opposition with racially charged rhetoric while also shedding light on why other, more racially ‘African’ parties have not been able to challenge the ANC (and why none will likely do so in the near future). It also helps us place the South African case in a more general context, along with the scores of new regimes that have emerged in the post-colonial era and the founding parties that have tried (and occasionally succeeded) to dominate them.

Plan of the Dissertation/Summary of Findings

This dissertation proceeds as follows:

In Chapter 2, we formalize our theory of founding party dominance by modeling a simple, one-period strategic interaction between a founding party and a group of citizens. After laying out the model’s preliminaries, we present its equilibria, both individually and in relation to one another. We then use this presentation to derive a series of observable implications for

---

22 For more on the malleability of ethnic identities, see Posner (2005).
23 In this way, we follow Latin Americanists like Coppedge (1994) and Roberts and Wibbels (1999) who emphasize the depth and strength of parties’ historical roles and coalitional structures as keys to party survival in volatile economic settings.
24 Readers should note that the ANC’s main opposition—first the New National Party, and now the Democratic Alliance—are both direct descendants of parties which operated under the apartheid regime (with the National Party being the architect of that regime).
founding party dominance in general and South Africa in particular (detailed above). We conclude the chapter by discussing potential extensions of the model.

Chapters 3 and 4 harness a wide range of empirics to check the theory’s assumptions and test its implications for founding party behavior. In Chapter 3, we explore the (re-) distribution of resources in South Africa’s ‘founding party system.’ We begin by taking a broader look at post-apartheid South Africa’s political economy, demonstrating how the economic “winners” in the post-apartheid era are precisely those expected by our theory—more urban, educated and informed African groups, including organized labor. In other words, we show that the allocation of state resource favors the more information-rich and ideologically discerning groups in the ANC’s coalition, in contrast to the populist expectations (of both citizens and observers) that accompanied South Africa’s transition to democracy.

Next, we validate the core distributional assumption of our theory—that the size of ANC government’s budget is driven by the size of the economy at large—before demonstrating why South Africa’s nine provinces make fertile testing grounds for the theory’s resource-based predictions. We explain how provincial spending—strictly determined by the central government but covering the provision of most state goods and services—is a particularly appropriate measure of state resource distribution, and we show that the provinces vary in terms of citizens’ access to information and (less substantially) their beliefs about the ANC. We then use longitudinal data on provincial spending to confirm the ANC’s resource bias toward more information-rich provinces. More specifically, we show that the more information-rich a province, the greater the increase in resources allocated to that province when the national government enjoys a larger budget—precisely the outcome predicted by our theory. The evidence surrounding the theory’s beliefs-driven predictions is less conclusive, although we do find that the ANC has increased post-election spending in provinces where its electoral support has weakened. In addition, our evidence suggests that provinces where more favorable beliefs overlap with less access to information are also those that enjoy relatively lower levels of per capita spending, especially in “good” economic times. In addition, Chapter 3 employs a number of data sources to demonstrate how rent seeking among government officials is far more prevalent in more information-poor provinces, a core prediction of the theory.

Chapter 4 tackles the other hypothesized tool used by a founding party to maintain dominance: economic propaganda, or the manipulation of citizens’ information about the economy. We begin the chapter by discussing two methods by which the ANC can execute these manipulations: directly, by distorting official economic data, and less directly, by interfering with (and restricting) reporting in state-owned and private media. We demonstrate how the South African government systematically underreports quarterly GDP growth rates, and how this underreporting is most severe during election periods. We then detail the structure, and composition of the South African media environment—which combines a widely accessible, mostly state-owned broadcast sector with a less accessible, privately-owned print sector—and explain how this environment informs the ANC’s strategic deployment of economic propaganda via the state’s South African Broadcasting Corporation (SABC). As a result, we expect that SABC outlets will report more negatively (or less positively) on the economy than independent print outlets, especially in relatively “good times.” We also expect that broadcasts in African languages will be more likely to reflect such manipulations than those in European languages.

---

25 As measured by urbanity, education levels, and media penetration rates.
26 As such, we complement the largely structural description of South African information environments in Chapter 3 with a more strategic analysis.
Exploiting a unique database of media reports on the economy, we conduct a thorough empirical analysis that largely confirms our expectations. We find substantial evidence that broadcast media downplays the state of the South African economy—and that it does so more than print media. Furthermore, we find that this trend—measured by the tone of economic reporting by various media outlets—is stronger in “good” economic times than “bad” economic times, the counter-intuitive expectation generated by our theory.\textsuperscript{27} What’s more, among state-owned television outlets, “good times” economic reports in African languages are more likely to be negative in tone than reports in European languages, while a newspaper outlet widely regarded as (relatively) pro-government is less likely to report positively during “good times” than more neutral publications.

In Chapter 5, we use a series of public opinion surveys to validate our assumptions and expectations concerning South Africans’ observations of the economy and government corruption. We find that citizens with more access to information—i.e. urban citizens, those with more education, and those with greater exposure to news media—evaluate economic outcomes with more accuracy than those with less access, a critical expectation of our theory and one that undergirds our predictions for both citizen and founding party behavior. Specifically, we show that information-poor citizens are more likely to evaluate a strong economy as comparatively weak and a weak economy as comparatively strong. What’s more, we show that these same information-poor citizens believe government officials to be less corrupt than their more information-rich counterparts, another validation of the theory and a particularly striking finding given the weight of evidence on corruption presented in Chapter 3.

In the second half of the chapter, we explore how citizens’ economic observations relate to (a) their beliefs about the ANC; and (b) inter-provincial variation in electoral support for the party. More specifically, we examine the gap between citizens’ evaluation of the national economy and their personal living conditions, and analyze this measure in relation to our proxies for ANC beliefs and ANC vote counts. While some of the evidence supports our theory—namely, that smaller gaps in citizens’ respective economic evaluations are associated with more support for the ANC—overall the results are mixed.

Chapter 6 concludes the dissertation in four parts. First, we summarize the ANC’s maintenance of founding party dominance in South Africa. We then take our theory beyond the South African case to briefly examine founding party dominance in a diversity of settings, including Botswana, Malaysia, Mexico and China. While we give these cases only superficial treatments, these broader applications of speak to compelling future opportunities to test the generalizability and external validity of the theory. Next, examine a number of African cases in which founding party dominance has ended, including Ghana, Zambia and Zimbabwe. Exploiting our theory’s ‘Reject’ equilibrium, we highlight two consistent features of founding party demise: first, economically driven discontent among higher-information (i.e. more urban) citizens; and second, the (related) emergence of a more viable, generally urban-led opposition. Finally, we speculate on the future of ANC dominance in South Africa, paying particular attention to a recent spate of delivery- and corruption-related protests among the country’s urban poor.

\textsuperscript{27} In addition, broadcast media cover topics related to budget and general economic issues more negatively than those concerning the more objective financial markets.
Chapter 2: A Formal Theory of Founding Party Dominance

In the previous chapter, we introduced our theory of founding party dominance: by strategically allocating state resources and economic propaganda among voters in its coalition, we argue that a founding party maintains dominance by maintaining favorable beliefs—and thus the credibility of its economic promises—among the citizenry. We explained how this theory builds upon existing literature on single-party dominance in general and “founding parties” in particular. We also presented the puzzle of ANC dominance in post-apartheid South Africa, the case which inspires the theory and to which we turn in detail in Chapter 3.

In what follows, we formalize our theory by modeling a simple, one-period strategic interaction between a founding party incumbent and a group of citizens. Citizens hold beliefs about the incumbent’s type, which they update by observing a set of economic outcomes; the incumbent influences these outcomes via the strategic allocation of resources and propaganda. After laying out the model’s preliminaries, we present and analyze its equilibria, indentifying the conditions under which founding party dominance is more likely to be sustained and under which it is more likely to end. We then use this presentation to derive a series of observable implications for founding party dominance, in South Africa and beyond.

The Model

Preliminaries

In what follows, we present a simple game-theoretic model of strategic interaction between an Incumbent founding party (I) and a Citizen Group (J). In this single-period game, I attempts to secure re-election by J by offering the group a bundle of goods and services (hereafter the “offer,” and labeled $x$). If $J$ accepts $x$, I wins the group's electoral support; if $J$ rejects $x$, the group opts to support some Opposition ($O$). In addition to offering $x$, I can invest in manipulating $J$'s information environment; we label such manipulation propaganda. Figure 2-1—displayed on the following page—presents the game’s extensive form and order of play.

As we can see, our model features a dynamic economy, the state of which (denoted by $\pi$) is revealed by Nature at the beginning of the game. In the interest of parsimony, there are two possible states: a high growth state ($\pi^H$, or "good times"), and a low growth state ($\pi^L$, or “bad times”), $\pi \in [\pi^L, \pi^H]$. The former occurs with probability $p$, while the latter occurs with probability $1-p$. Whichever state, I observes it perfectly while $J$ does not. Formally, $J$ observes the wrong state of the economy with probability $\varepsilon$ and observes the correct state with probability $1-\varepsilon$. In effect, $\varepsilon$ captures $J$'s information environment: the lower $\varepsilon$, the more information $J$ has about the true state of the economy, and the more likely $J$ is to observe that state accurately. In substantive terms, $\varepsilon$ is reduced (and accuracy is increased) by structural characteristics like $J$'s level of education; access to media; and exposure to members of other citizen groups.

---

28 A Citizen Group is defined demographically according to ethnic, economic, and/or spatial criteria, and is assumed to vote as a bloc. The model can also be applied if we define $J$ as an individual citizen.
Note: Payoffs listed as $I; J$

Figure 2-1: General Extensive Form
We denote the state observed by $J$ (whether correct or incorrect) as $\hat{x}$. From above, we know that $J$ observes $\hat{x}^H$ with probability $p \times (1-\epsilon)$ or $(1-p) \times \epsilon$. Similarly, $J$ observes $\hat{x}^L$ with probability $(1-p) \times (1-\epsilon)$ or $p \times \epsilon$.

As described above, the model assumes that citizens hold beliefs about the founding party. Inspired by the party’s founding role—or, more concretely, its delivery of some regime-level political good like independence or majority rule—these beliefs represent a citizen’s judgment about whether the party is governing in her best interest or not. More concretely, we posit that the founding party can be one of two types: 'True' ($I^T$) or 'Rent-Seeking' ($I^R$), $I \in [I^T, I^R]$. A 'True' incumbent (a) always offers citizens a level of goods and services that reflects the actual state of the economy; and thus (b) will deliver on its material promises whenever it has the resources to do so. A 'Rent Seeking' incumbent, by contrast, seeks to exploit its status as a founding party to extract rents from office. As a result, it offers citizens the minimal level of goods and services needed to secure re-election. Formally, we summarize $J$’s beliefs as beliefs about $I$’s type and denote them with $\beta$. At the beginning of the game, $\beta$ captures $J$’s prior belief that the founding party is of type $I$. Conversely, $1-\beta$ represents $J$’s prior belief that the party is of type $I$.

$J$’s beliefs are dynamic; in other words, $J$ can update its beliefs about $I$’s type. In this framework, $J$ observes two pieces of information on which to base that updating. First, $J$ observes $I$’s offer $x$, and second, $J$ observes the state of the economy, $\hat{x}$. $J$ updates its belief about $I$’s type before deciding whether or not to support $I$. We denote $J$’s posterior beliefs as $\hat{\beta}$ and $1-\hat{\beta}$, respectively.

We model $J$’s payoff to supporting the founding party as $x = \beta f$, where the flow payoff $f$ represents $J$’s future benefits from being governed by an ‘True’ founding party. Although these benefits may only become material in the future, they nonetheless represent significant value in the present by way of $J$’s expectations about the potential of the party to deliver down the line. In other words, $f$ incorporates Huntington’s “politics of aspirations” (1968) into the model. Straightforwardly, the value of $f$ is mediated by $J$’s (posterior) beliefs about the party’s type. If $\beta = 1$, $J$ is certain that it will always receive the highest possible level of goods and services from the government; as a result, $J$ is certain that the founding party will ultimately deliver on its economic promises. If $\beta = 0$, $J$ knows that the party will never deliver on its material promises, eliminating the value of those promises to $J$. Put simply, the product $\beta f$ summarizes the value of $J$’s material expectations of being governed by the founding party.

We can interpret the (current) offer $x$ not only as a bundle of goods and services transferred from $I$ to $J$, but also as a signal about $I$’s type—and thus the value to $J$ of $I$’s future promises. Moreover, because $J$ observes the state of the economy (and, by A1 below, the size of $I$’s budget) with varying degrees of uncertainty (i.e $\epsilon$), the signal $x$ is noisy: $J$ is uncertain about the extent to which the offer reflects the state of the economy. This noise/uncertainty opens space for a so-called “benefit of the doubt,” whereby $J$ accepts a ‘low’ offer in the present while maintaining its expectations of a larger payoff in the future. Such acceptance is based on $J$’s belief that $I$’s offer is the best it can do given the government’s economic constraints. More simply, it is based on $J$’s beliefs about the type of founding party it is facing. For example, if $J$ receives a ‘low’ offer but observes a government with ample resources, it is reasonable for $J$ to

---

29 These pieces of information are related, as $x$ can be interpreted as $I$’s signal to $J$ about $\pi$.

30 To use language employed in Chapter 1, if $J$ gives $I$ the “benefit of the doubt,” $J$ believes that $I$’s economic promises are still credible despite receiving a low offer.
update its beliefs away from believing \( I \) is governing in its interest (i.e. that \( I \) is ‘True’) and toward believing that \( I \) is willfully failing to deliver (i.e. that \( I \) is ‘Rent-Seeking’), thus reducing any “benefit of the doubt.”

Given this context, we posit that \( I \) may very well have an incentive to increase the noise around its offer \( x \)—and thus influence the ability of \( J \) to update its beliefs—by manipulating \( J \)'s ability to observe the true state of the economy. We label such manipulation economic propaganda and assume it carries a cost \( m \). Thus, \( I \) can invest \( m \) monies in increasing \( \varepsilon \) by some amount \( k \). While \( k \) will vary according to the effectiveness of the propaganda, \( (\varepsilon + k) \) is bounded by 1: no group can be more than \( 100 \) percent inaccurate.\(^{31} \) Because \( I \) always makes a state-reflecting offer, it has no incentive to invest in propaganda.

If re-elected, we posit that \( I \) receives—in addition to any rents—the flow payoff \( \rho \), which represents both \( I \)'s ability to divide the budget in future rounds and any non-material benefits from holding office. We can now express the incumbent's utility function as follows:

\[
U_i = (B - x - m) + \rho
\]  
(1)

where \( B \) represents the government’s budget and is roughly equal to \( \pi \). Because a ‘True’ founding party will always make a truthful, state-reflecting offer and does not invest in propaganda, \( (B - x - m) \) always equals 0 and \( I \) maximizes only \( \rho \).

Out of office and without access to state resources—including (most of) the levers of propaganda—the Opposition (\( O \)) can only compete with the incumbent in the realm of \( f \). \( J \)'s expectations of future benefits from an opposition-ruled government. While \( J \) cannot hold beliefs about \( O \) as a type of founding party per se, it can certainly hold beliefs about how \( O \) would govern were it in power. More specifically, we posit that \( J \) holds a belief \( \delta \) about whether \( O \) is a 'good' type of party, i.e. whether \( O \) would govern in its interest and make truthful, state reflecting offers. Conversely, \( 1 - \delta \) captures \( J \)'s belief that \( O \) is a 'bad' type, i.e. that it is corrupt—or simply planning to govern in the interest of another group. Like \( \beta \), \( \delta \sim [0,1] \), and \( J \)'s expected payoff from rejecting the founding party and supporting \( O \) is summarized by \( \delta f \).

We can now express \( J \)'s utility functions as follows:

\[
U_J = \begin{cases} 
      x + \beta f & \text{if } J \text{'Accepts'} \ I \text{'s offer (and votes for the Founding Party)} \\
      \delta f & \text{if } J \text{'Rejects'} \ I \text{'s offer (and votes for the Opposition)} 
    \end{cases}
\]  
(2)

Thus, \( J \) re-elects \( I \) if \( x + \beta f \geq \delta f \). Below, we refer to this as the "accept condition."

Order of Play

Summarizing Figure 2-1 and the description above, the game is played as follows:

1. Nature (\( N \)) reveals the state of the economy (\( \pi \)), \( I \)'s type (\( I^R \) or \( I^L \)), and \( J \)'s prior beliefs about \( I \)'s type (\( \beta \) and \( 1 - \beta \)).
2. \( I \) offers \( x \) to \( J \); \( I \) decides whether or not to invest amount \( m \) in economic propaganda (\( k \))
3. \( J \) observes \( x \) and the state of the economy (\( \hat{\pi} \)); \( J \) updates its beliefs about \( I \)'s type
4. \( J \) Accepts (\( A \)) or Rejects (\( R \)) \( I \)'s offer

\(^{31} \) Or, of course, more than \( 100\% \) accurate: \( (\varepsilon + k) \sim [0,1] \).
Strategy Profiles

A strategy profile for \( I \) specifies an action \( a_I \) at each state of the economy, \( \pi^H \) and \( \pi^L \) : \( s_i = [a_i(\pi^H);a_i(\pi^L)] \). If \( \pi = \pi^H \), \( I \) can (i) make a 'high' offer \( x^H \) and invest \( m \) in propaganda; (ii) offer \( x^H \) without investing in propaganda (i.e. \( m = 0 \)); (iii) make a 'low' offer \( x^L \) and invest \( m \) in propaganda; (iv) offer \( x^L \) without investing in propaganda; or (v) abscond with the entire budget. Thus: \( a_i(\pi^H) = [(x^H,m);(x^H,0);(x^L,m);(x^L,0);(0,0)] \). If \( \pi = \pi^L \), \( I \) can (i) make a 'low' offer \( x^L \) and invest \( m \) in propaganda; (ii) offer \( x^L \) without investing in propaganda; or (iii) abscond with the entire budget. Thus: \( a_i(\pi^L) = [(x^L,m);(x^L,0);(0,0)] \).

A strategy profile for \( J \) specifies one of two actions—Accept or Reject—at each of \( J \)'s information sets: \( a_j(\sigma_j) \in \{\text{Accept, Reject}\} \). Denoted \( \sigma_j \), these sets include all (feasible) combinations of \( I \)'s offer \( x \) and \( J \)'s observed state \( \hat{\pi} \).

Thus: \( \sigma_j^1 \Rightarrow (x^H,\hat{\pi}^H); \sigma_j^2 \Rightarrow (x^L,\hat{\pi}^H); \sigma_j^3 \Rightarrow (x^L,\hat{\pi}^L); \sigma_j^4 \Rightarrow (0,\hat{\pi}^H); \) and \( \sigma_j^5 \Rightarrow (0,\hat{\pi}^L) \). The information set \( (x^H,\hat{\pi}^L) \) is not feasible because the high offer \( x^H \) is not possible if \( \pi = \pi^L \) (see A1 below). As a result, if \( J \) observes \( x^H \), it will be certain that \( \pi = \pi^H \). In addition, in the interest of parsimony it makes sense to combine \( \sigma_j^4 \) and \( \sigma_j^5 \) into one information set, \( \sigma_j^* \Rightarrow (0,\hat{\pi}) \). If \( I \) absconds with the budget, it fully reveals its type as \( I \), making \( J \)'s observed state irrelevant to its strategic calculation (see below).

Assumptions

In light of the model’s preliminaries, we make the following assumptions:

A1. \( I \) faces a fixed budget constraint. In the interest of simplicity, this budget is roughly determined by the true state of the economy, i.e. \( B = \pi \). As a result, \( I \) cannot offer \( x^H \) if \( \pi = \pi^L \).\(^{32}\)

A2. \( I \) observes \( \pi \) and its own type perfectly, and has full information about \( p, \beta, \epsilon, \) and \( k \).

A3. \( I \) strictly prefers re-election to absconding with the entire budget. Thus: \( \rho > B = \pi \).

A4. \( J \) strictly prefers to support \( I \) and vote out \( I \), regardless of \( x \). Thus, \( J \) strictly prefers to Reject any \( x \) if \( \beta = 0 \) (i.e. if \( J \) believes \( I = I \) with certainty) and Accept any \( x \) if \( \beta = 1 \) (i.e. if \( J \) believes \( I = I' \) with certainty). More formally, \( x^H < \delta f < x^L + f \), or \( \frac{x^H}{f} < \delta < \frac{x^L}{f} + 1 \).

\(^{32}\) Returning briefly to the formal treatments of single-party dominance by Magaloni (2006) and Greene (2007), note how this assumption tracks Magaloni’s supposition that the incumbent’s budget is determined more by the size of the economy in general than by the size of the public sector in particular. This treatment is more appropriate for explaining the maintenance of (and, in some cases, expansion of) single-party dominance in contemporary environments of economic liberalization and public sector reform. In South Africa (Hirsch 2005)—along with Botswana (Robinson & Parsons 2006) and Namibia (du Toit 1999)—the dominant party (the BDP and SWAPO, respectively) has implemented a number of liberal economic reforms without significant reductions in electoral support (or resorting to widespread electoral fraud or repression); a similar, though admittedly more ambiguous case, can be made for the UNMO in Malaysia (Ritchie 2004). In addition, the main opposition challengers in these systems have generally advocated for centrist economic policies that do not differ greatly from that of the dominant party.
**Pure Strategy Nash Equilibria**

In order to identify the pure strategy equilibria of the game, it is important to note four ‘facts’ of the model. First, facing a high offer \( x^H \), J’s dominant strategy is to Accept. Given A1, if J observes \( x^H \) it can be certain that \( \pi = \pi^H \) (i.e. that times are “good”). Because such a high, state-reflecting offer is made by \( I^* \) or by \( I \) exactly mimicking \( I^* \), \( \beta \) will always be large enough to satisfy the “accept condition” \( x + \beta f \geq \delta f \). In terms of Figure 2-1, J always plays Accept at \( \sigma^*_J \).

Second, and relatedly, I’s action \((x^H,m)\)—combining a high offer with propaganda—is not feasible. Because observing \( x^H \) eliminates any uncertainty about the state of the economy, \( \varepsilon \) is forced to 0 and investing in propaganda becomes nonsensical.

Third, J’s dominant strategy is to Reject the incumbent if it absconds with the entire budget (i.e. offers \( x = 0 \)). This action fully reveals the incumbent’s type as \( I \) and yields J zero utility, regardless of the observed state. Clearly, investing in propaganda in this case would only reduce the size of \( I \)'s payoff without affecting \( J \)'s decision to Reject, so \( m = k = 0 \). In Figure 1, J always plays Reject at \( \sigma^4_J \).

Fourth, if I offers \( x^L \), both Accept and Reject are potential best responses for J. Thus, for any pure strategy equilibrium to hold, J's actions must be consistent across the two low-offer information sets, \( \sigma^2_J \) and \( \sigma^3_J \).

In light of these 'facts,' the model has three Pure Strategy Nash Equilibria (PSNE). The first of these is incredibly straightforward and flows directly from the definition of a ‘True’ founding party; if \( \pi = \pi^H \) and \( I = I^* \), \{\( (x^H,0); \text{Accept} \}\) is a PSNE. In good times, \( I^* \) will always make a high offer, and \( J \) will always accept it, regardless of \( \beta \) or \( \varepsilon \) (see Proof 1c in Appendix). Thus, a True founding party blessed with a high growth economy will always be re-elected.

More interestingly, we can also identify a PSNE at \{\( (x^L,0), (x^L,0); \text{Accept} \}\), whereby \( I \) wins re-election by making a low offer in both states and does not invest in propaganda. Given that \( J \) is playing Accept, \( (x^L,0) \) is \( I \)'s lowest-cost action (recall A3) and the incumbent has no incentive to deviate to another strategy. For the equilibrium to hold, the same must be true for \( J \), requiring that the “accept condition” hold at both \( \sigma^2_J \) and \( \sigma^3_J \). Specifically:

**Proposition 1:** \{\( (x^L,0), (x^L,0); \text{Accept} \}\) is a PSNE iff:

\[
\begin{align*}
\frac{\beta(1-p)\varepsilon}{(1-\beta)p(1-\varepsilon) + \beta(1-p)\varepsilon + (1-\beta)(1-p)\varepsilon} f \geq \delta f \quad \text{at } \sigma^2_J; \quad \text{and} \\
\frac{\beta(1-p)(1-\varepsilon)}{(1-\beta)p\varepsilon + \beta(1-p)(1-\varepsilon) + (1-\beta)(1-p)(1-\varepsilon)} f \geq \delta f \quad \text{at } \sigma^3_J,
\end{align*}
\]

where the terms in parentheses capture \( J \)'s posterior beliefs (\( \beta \), via Baye's Rule) at the specified information sets. Mathematically, it is clear that, ceteris paribus, Proposition 1 requires a

---

33 In general, equilibria are notated as \{I’s strategy; J’s strategy\}. Below, equilibria are notated more precisely as \{I’s action at \( \pi^H \); I’s action at \( \pi^L \); J’s action at \( \sigma^2_J \); J’s action at \( \sigma^3_J \)\}. We employ this form because \( J \)'s actions at \( \sigma^1_J \) and \( \sigma^4_J \) are constant (always Accept and always Reject, respectively) given the ‘facts’ of the model presented above.
relatively large $\beta$. Intuitively, if $I$ is to secure re-election with a low offer and without employing propaganda, $J$’s prior belief that the incumbent is ‘True’ must be relatively firm. Rearranging Equations 3 and 4 to pin down thresholds for $\beta$ (i.e. $\beta^*$), we find:

$$
\beta^* \geq \frac{\delta f - x^L}{f} \left[ p(1 - \varepsilon) + (1 - p)\varepsilon \right]
\quad \text{at } \sigma_j^2; \quad \text{and}
$$

$$
\beta^* \geq \frac{\delta f - x^L}{f} \left[ pe + (1 - p)(1 - \varepsilon) \right]
\quad \text{at } \sigma_j^3.
$$

To help interpret this equilibrium, we assume that $\varepsilon \leq \frac{1}{2}$; this restriction makes sense for two reasons. First, outside of totalitarian settings, it is highly unlikely that $J$ is so inaccurate about the state of the economy that $\varepsilon$—the probability that $J$ observes the opposite state from reality—is greater than $\frac{1}{2}$. Second, the restriction ensures that $\beta^*$ at $\sigma_j^2$—where $J$ receives a low offer while observing a growing economy—must be greater than $\beta^*$ at $\sigma_j^3$—where $J$ gets a low offer and observes a stagnant economy. To accept a low offer, it is totally reasonable that $J$’s priors about $I$’s type would have to be more favorable when observing $\hat{x}^H$ than when observing $\hat{x}^L$. Indeed, in the former scenario, $J$’s prior belief that the incumbent is ‘True’ must be quite robust to withstand clear evidence to the contrary.

Given our restriction on $\varepsilon$, we can determine the values of $p$ and $\beta$ for which $\{ (x^L, 0), (x^L, 0); \text{Accept} \}$ is Nash. In the top panel of Figure 2.2, we hold $\varepsilon$ at 0.25 (in the middle of the restricted range) and plot $p$ against $\beta$. Lines 2a and 2b track the values of $\beta$ that satisfy inequalities 5 and 6, respectively, with the areas above each line capturing $\beta^*$ at the specified information sets. As the area above Line 2a satisfies both inequalities—again, if $J$ accepts $x^L$ at $\sigma_j^2$, it must do so at $\sigma_j^3$ as well—this area summarizes the conditions for $p$ and $\beta$ under which $\{ (x^L, 0), (x^L, 0); \text{Accept} \}$ is a PSNE.  

---

34 The analysis in Figures 2.2 and 2.3 (below) is conducted with $\delta$—$J$’s belief that the Opposition is “good”—set at 0.3, a value that satisfies Assumption 4 but still implies an opposition held in relative disregard by $J$. This parameterization is realistic for a founding party system, particularly if the opposition is believed to represent the ancien regime (Huntington 1968); in these cases, $J$ is unlikely to vest much credibility in the opposition’s promises of future benefits from its rule. Ceteris paribus, higher values of $\delta$ (i.e. a better-regarded opposition) would make Proposition 1 (i.e. the Accept PSNE) more difficult to satisfy, reducing a founding party’s scope for rent seeking.
Figure 2-2
Nash Equilibria: $\varepsilon = 0.25$

- PSNE: $x_l, x_l$; Accept
- Line 2a
- MSNE
- Line 2b
- PSNE: $x_h, x = 0$; Reject

Nash Equilibria: $\varepsilon = 0.35$

- PSNE: $x_l, x_l$; Accept
- PSNE: $x_h, x = 0$; Reject

Nash Equilibria: $\varepsilon = 0.45$

- PSNE: $x_l, x_l$; Accept
- PSNE: $x_h, x = 0$; Reject
Figure 2-3
Nash Equilibria: $\varepsilon = 0.25$

Nash Equilibria: $\varepsilon = 0.15$

Nash Equilibria: $\varepsilon = 0.05$
These conditions are characterized by a positive, “push-pull” relationship between \( p \) and \( \beta \); holding \( \varepsilon \) constant, the more likely it is that \( \pi = \pi^H \) (i.e. the higher is \( p \)), the stronger must be \( J \)’s belief that \( I = I^+ \) (i.e. the higher must be \( \beta \)) for the equilibrium to hold. In good times, then, only a group with very favorable prior beliefs about the founding party will accept a low, rent accruing offer from \( I \); groups with less favorable beliefs will reject it.\(^{35}\) In this way, the equilibrium conforms to the “swing” voter approach to party responsiveness and accountability (Lindbeck & Weibull 1987; Dixit & Londégran 1996), whereby a party neglects its “core” supporters—who are likely to vote for the party regardless—in favor of less partisan groups. In the founding party context, this equilibrium also presents us with a variation on the “benefit of the doubt” scenario discussed above. In this case, \( J \) is sufficiently wedded to the founding party that it believes the party will deliver in the future despite receiving a obviously low-ball offer in the present.

In bad times, \( I \) mimics \( I^+ \) with a low, state-reflecting offer. Per Figure 2-2, a low offer will secure acceptance by groups with a wide range of priors when times are bad and the incumbent’s budget is small.

The two lower panels of Figure 2-2 reveal how the \( \{(x^L, 0), (x^H, 0); \text{Accept}\} \) equilibrium space changes in response to increases in \( \varepsilon \). As \( J \) becomes less accurate, Line 2a shifts downward: the \( \beta \) threshold (\( \beta^* \)) for each value of \( p \) is lowered, and the equilibrium space grows. At the same time, Line 2b—which, recall, summarizes \( \beta^* \) at the more permissive \( \sigma_j^3 \)—shifts up closer to Line 2a, reflecting the fact that as \( \varepsilon \) increases, the probabilities that \( J \) observes \( \hat{\pi}^H \) (at \( \sigma_j^2 \)) and \( \hat{\pi}^L \) (at \( \sigma_j^3 \)) will converge. In words, a less accurate \( J \) has greater difficulty discerning good times from bad times—and vice-versa. Notably, as \( \varepsilon \) increases, the downward shift \( \beta^* \) is larger in “good times” \( (p > 0.5) \) than in “bad times” \( (p < 0.5) \), revealing how \( J \)’s uncertainty about the state of the economy grants \( I \) greater scope to make a “low-ball” offer.

At lower values of \( \varepsilon \) (i.e. as \( J \) becomes more accurate; see Figure 2-3),\(^{36}\) \( J \) is increasingly able to distinguish different states of the economy; in these cases, the probabilities that \( J \) observes \( \hat{\pi}^H \) and \( \hat{\pi}^L \) diverge. As a result, Line 3a quickly loses convexity,\(^{37}\) revealing a rising \( \beta^* \) at \( \sigma_j^2 \) and a shrinking equilibrium space. At the same time, Line 3b flattens out, more starkly separating \( \beta^* \) at \( \sigma_j^3 \) from \( \sigma_j^2 \). In good times, then, only a group with extremely favorable prior beliefs about the founding party will accept a low offer.\(^{38}\) In bad times, the equilibrium conditions specified in Proposition 1 become much less probable.\(^{39}\)

The third and final PSNE of the game (see Proof 1 in Appendix) is found at \( \{ (x^H, 0), (0, 0); \text{Reject} \} \). Here—with \( J \) playing \( \text{Reject} \) at \( \sigma_j^2 \) and \( \sigma_j^3 \)—\( I \)’s best response depends on the state of the economy. If \( \pi = \pi^H \), \( I \) can avoid rejection by mimicking \( I^+ \) and offering \( x^H \), in effect “moving” \( J \) to \( \sigma_j^1 \) (where, as mentioned above, \( J \) always plays \( \text{Accept} \)). If \( \pi = \pi^L \), \( I \) cannot buy its way out of rejection: the most it can offer is \( x^L \), which \( J \) will surely reject. As a result, \( I \)

\(^{35}\) And require the party to make a higher offer to retain its support; see Proposition 2 below,

\(^{36}\) See footnote 6.

\(^{37}\) Indeed, Line 4a becomes concave as \( \varepsilon \) approaches 0.

\(^{38}\) Other groups will update their beliefs sufficiently toward \( I \) such that the mediated value of \( \pi \) will be extremely low, causing rejection.

\(^{39}\) Because an increasingly accurate \( J \) is very likely to identify bad times as such, it is very unlikely that \( J \) will update its beliefs at \( \sigma_j^2 \) [(\( x^L, \hat{\pi}^H \))], doing so at \( \sigma_j^3 \) [(\( x^L, \hat{\pi}^L \))] instead. As a result, the equilibrium area above Line 4a (the equilibrium conditions specified by Equations 3 and 5, i.e. at \( (x^L, \hat{\pi}^H) \)) is unlikely to apply to \( J \).
prefers to reveal its type and abscond with the entire budget, “moving” $J$ to $\sigma_J^{-1}$ (where $J$, observing $x = 0$, always plays Reject). As revealed by Proposition 2 below, the conditions for the $\{(x^H,0),(0,0); \text{Reject}\}$ PSNE are simply the mirror images of those for $\{(x^L,0),(x^L,0); \text{Accept}\}$.

**Proposition 2:** $\{(x^H,0),(0,0); \text{Reject}\}$ is a PSNE iff:

\[
x^L + \left( \frac{\beta(1-p)\varepsilon}{(1-\beta)p(1-\varepsilon) + \beta(1-p)\varepsilon + (1-\beta)(1-p)\varepsilon} \right) f \leq \Delta f \quad \text{at } \sigma^2_J; \quad \text{and}
\]

\[
x^L + \left( \frac{\beta(1-p)(1-\varepsilon)}{(1-\beta)p\varepsilon + \beta(1-p)(1-\varepsilon) + (1-\beta)(1-p)(1-\varepsilon)} \right) f \leq \Delta f \quad \text{at } \sigma^3_J. \tag{7}
\]

Re-arranging the equations to solve for the (upper) $\beta$ thresholds yields:

\[
\frac{\Delta f - x^L}{f} \left[ p(1-\varepsilon) + (1-p)\varepsilon \right] \leq \beta \quad \text{at } \sigma^2_J ; \quad \text{and}
\]

\[
\frac{\Delta f - x^L}{f} p(1-\varepsilon) + (1-p)\varepsilon
\]

\[
\frac{\Delta f - x^L}{f} \left[ p\varepsilon + (1-p)(1-\varepsilon) \right] \leq \beta \quad \text{at } \sigma^3_J. \tag{9}
\]

For the converse reasons from Proposition 1, Proposition 2 requires a relatively low $\beta'$ to sustain the equilibrium (i.e. to sustain rejection at the low-offer information sets $\sigma^2_J$ and $\sigma^3_J$). As above, we assume that $\varepsilon < 1/2$, ensuring that $\beta'$ at $\sigma^3_J [(x^L,\hat{x}^L)]$ must be less than $\beta'$ at $\sigma^2_J [(x^L,\hat{x}^H)]$: if $J$ is going to reject $I$ at the former, it will always do so at the latter. The top panels of Figure 2-2 (and Figure 2-3) graphs the $\{(x^H,0),(0,0); \text{Reject}\}$ equilibrium with $\varepsilon = 0.25$. The area below Line 2b satisfies Equations 8 and 10, which (for reasons just specified) must satisfy Equations 7 and 9 as well. As a result, this area summarizes the conditions under which $\{(x^H,0),(0,0); \text{Reject}\}$ is a PSNE.$^{40}$

To help interpret these conditions, recall that in this equilibrium $J$ will reject any low offer. Predictably, the more likely it is that times are good (i.e. the higher is $p$), the more likely it is than even a group with favorable priors will reject $x^L$, requiring $I$ to make a high offer to maintain its support.$^{41}$ In bad times, the relationship between $p$ and $\beta$ flattens out substantially: only a group with decidedly unfavorable priors about the party will reject a low offer. If it does, $I$ will abscond with the budget.

Changes in $\varepsilon$ affect the equilibrium conditions under which the $\{(x^H,0),(0,0); \text{Reject}\}$ is sustained. As with the $\{(x^L,0),(x^L,0); \text{Accept}\}$ equilibrium above, higher values of $\varepsilon$ (i.e. a less accurate $J$) force the probabilities that $J$ observes $\hat{x}^H$ and $\hat{x}^L$ to converge for every value of $p$.

---

$^{40}$ See footnote 6 re: the value of $\Delta$ (set at 0.3) is figures 2-2 and 2-3. *Ceteris paribus*, higher values of $\Delta$ (i.e. a better-regarded opposition) will make Proposition 2 easier to satisfy. As a result, a more credible opposition will make sustaining $J$'s support more challenging for $I$ in “bad times.”

$^{41}$ As is clear in Figures 2 and 3, as $p$ approaches 1 *every group* will reject $I$'s low offer in equilibrium.
Returning to Figure 2, we now look to the space below Line 2b to summarize the equilibrium space, which grows along with the range of $\beta$ below which $J$ will reject a low offer.

At the same time, we already know that higher values of $\epsilon$ also decrease the range of $\beta$ above which $J$ will accept a low offer, increasing the scope of the $\{(x^L,0),(x^L,0); \text{Accept}\}$ equilibrium. What’s more, increases in $\epsilon$ actually increase the applicability of the Accept PSNE more than that of the Reject PSNE at nearly every value of $p$.\(^{42}\) In good times, then, $J$’s uncertainty about the state of the economy is more likely to help $I$ ‘low-ball’ $J$ than it is to force to make $J$ a high, state-reflecting offer. In bad times, a less accurate $J$ (ceteris paribus) is still more likely to accept a low offer than to reject it and stop supporting the incumbent (unless, of course, $\beta$ is sufficiently low).\(^{43}\)

Lower values of $\epsilon$ (i.e. a more accurate $J$) shrink the equilibrium space and pull apart the “reject” conditions at $\sigma_j^2$ and $\sigma_j^3$ (see Figure 2-3): the lower is $\epsilon$, the better is $J$ at distinguishing bad times from good times, and vice-versa. In good times, the equilibrium conditions specified in Proposition 2—whereby $J$ updates its beliefs at the “wrong” $\sigma_j^3[(x^L,\hat{x}^L)]$—become much less applicable as $\epsilon$ decreases.\(^{44}\) In bad times, as $J$ becomes increasingly certain of the state of the economy, $J$’s beliefs about $I$ must be increasingly unfavorable to sustain rejection of a low offer.

In “good times,” then, the theory does not allow for rejection—given adequate resources, a ‘Rent-Seeking’ incumbent always prefer to give $J$ a high offer (mimicking a ‘True’ incumbent and foregoing rents) rather than lose its support. While $J$ might believe the incumbent to be corrupt before observing such an offer, this belief is countered by the high-offer signal, which $J$ is sure to accept. In bad times, however, the rent-seeking incumbent no longer has the resources to “buy” acceptance in this way, and a citizen or group with sufficiently unfavorable beliefs about the party will reject the party even if given a state-reflecting offer. In other words, bad times force a rent-seeking incumbent to “face the music” of its failure to deliver to its constituents. Stepping briefly outside the strict confines of the model, we can imagine the entirely realistic scenario whereby a founding party which is able to maintain its coalition while collecting rents in “good times” is suddenly unable to do either when times turns bad.\(^{45}\)

However it occurs, a founding party facing rejection abandons any claim to support and legitimacy among $J$ and opts to pursue blatantly kleptocratic policies vis-à-vis the group. Of course, the party may still be able to maintain power over $J$ via coercion and/or by incorporating other groups into its coalition. The model is currently silent on these possibilities; below, we speculate on them in more detail.

Still, it is important to note that, ceteris paribus, higher values of $\delta$ (i.e. a better-regarded opposition) would make Proposition 1 (i.e. the Accept PSNE) more difficult to satisfy while making Proposition 2 (i.e. the Reject PSNE) easier to satisfy. As a result, a more credible opposition will reduce a founding party’s scope for rent seeking in “good times” and make

\(^{42}\) This generalization breaks down as $p$ approaches 1.

\(^{43}\) This accords with our restriction on $\epsilon$: in bad times when resources are scarce, even an extremely inaccurate $J$ is unlikely to believe the incumbent’s budget is very big—there are simply fewer resources to observe.

\(^{44}\) Because an increasingly accurate $J$ is very likely to identify good times as such, it is very unlikely that $J$ will update its beliefs at $\sigma_j^3[(x^L,\hat{x}^L)]$, doing so at $\sigma_j^2[(x^L,\hat{x}^H)]$ instead. As a result, the equilibrium area below Line 4b (the equilibrium conditions specified by Equations 3 and 5, i.e. at $(x^L,\hat{x}^L)$) is unlikely to apply to $J$.

\(^{45}\) We explore this scenario in greater depth in Chapter 6.
sustaining J’s support more challenging in “bad times.”

**Mixed Strategy Nash Equilibrium**

Where our PSNE do not exist—note the areas between the equilibrium spaces in Figures 2 and 3—we must look for mixed strategy Nash equilibria (MSNE). The game features a unique MSNE at \( \{\mu^*(x^L,m), (1-\mu^*)(x^H,0), (x^L,0); \gamma(\text{Accept}), (1-\gamma)(\text{Reject}), \text{Accept}\} \) (see Proof 2 in Appendix). In words, this equilibrium requires \( I \) to mix between its action \((x^L,m)\) and \((x^H,0)\) if \( \pi = \pi^H \) (with probabilities \( \mu^* \) and \( 1-\mu^* \), respectively) and to play the pure strategy \((x^L,0)\) if \( \pi = \pi^L \). At the same time, \( J \) mixes between its actions \( \text{Accept} \) and \( \text{Reject} \) at \( \sigma_j^2 \) (with probabilities \( \gamma \) and \( 1-\gamma \), respectively) and plays the pure strategy \( \text{Accept} \) at \( \sigma_j^3 \) (with probability \( \lambda = 1 \)). As above, \( I^* \) always makes state-reflecting offers; \( J \) always accepts \( x^H \) and rejects \( x = 0 \); and \( \varepsilon \leq \frac{1}{2} \).

To construct this equilibrium, we assume an \( m/k \) ratio—the cost-to-effect ratio of propaganda—that is small enough to ensure that \((x^L,m)\) strictly dominates \((x^L,0)\) at \( \pi^H \) (we label this assumption A5; see Appendix for proof). In words, we assume propaganda is sufficiently effective at influencing \( J \)’s ability to observe the state of the economy that \( I \) will bear its costs when \( J \)’s acceptance of a low offer is uncertain. At \( \pi^L \), \((x^L,0)\) strictly dominates \((x^L,m)\), and \( J \) does not invest in propaganda; constrained to making a low offer, the incumbent has no incentive to increase the probability that \( J \) observes a high growth economy when times are in fact bad. Because \((x^L,0)\) also strictly dominates \((0,0)\) in the mixed strategy parameter space, \( J \) plays the former with probability 1 (see Appendix for proofs).

Amending Equations 1 and 3 to find the conditions under which \( I \) and \( J \) play mixed strategies, we characterize the equilibrium as follows:

**Proposition 3:** \( \{\mu^*(x^L,m), (1-\mu^*)(x^H,0), (x^L,0); \gamma(\text{Accept}), (1-\gamma)(\text{Reject}), \text{Accept}\} \) is a MSNE if \( \varepsilon < \frac{1}{2} \) and:

\[
\mu^* = \frac{(1-p)\varepsilon \left[ \beta - \frac{\delta f - x^L}{f} \right]}{(1-\beta)p(1-(\varepsilon + k))}; \quad \text{and} \quad \frac{\rho + m}{f} - \lambda(\varepsilon + k)
\]

\[
\gamma = \frac{\rho + r}{1-(\varepsilon + k)}, \quad \text{where} \quad \lambda = 1.
\]

---

46 Given A3, we already know that \((x^H,0)\) strictly dominates \((0,0)\) at \( \pi^H \).

47 Somewhat counter-intuitively, then, the incumbent employs economic propaganda only to downplay the state of the economy and never to inflate the state of the economy. We discuss this conclusion in greater detail Chapter 4.

48 I.e., the conditions under which \( I \) is indifferent between \((x^L,m)\) and \((x^H,0)\) at \( \pi^H \) and \( J \) is indifferent between \( \text{Accept} \) and \( \text{Reject} \) at \( \sigma_j^2 \).
To interpret this equilibrium, we conduct comparative statics on Equations 11.\textsuperscript{49} Note that these analyses apply when $\pi = \pi^H$ (i.e. in “good times,” when $I$ is playing mixed strategies).

\textit{Ceteris paribus:}

1. $\partial \mu / \partial \beta > 0$

The more favorable a group's prior beliefs about the incumbent's type, the more likely is the incumbent to invest in propaganda and make a low offer to that group. By contrast, a group with less favorable prior beliefs is more likely to receive the state-reflecting offer $x^H$.

2. $\partial \mu / \partial \epsilon > 0$

The less accurate a group, the more likely it is to be targeted with propaganda and a low offer by the incumbent. As $J$ becomes more accurate, the incumbent is more likely to make a high offer instead.

3. $\partial \mu / \partial k > 0$

As the effectiveness of propaganda increases, the incumbent is more likely to invest in it (and make a low offer).

4. $\partial \mu / \partial \delta < 0$

The more favorable a group’s beliefs about the opposition, the less likely is the incumbent to "low-ball" the group with a low offer and propaganda, and the more likely the group will receive a high offer instead. The less favorable a group’s beliefs about the opposition, the more likely it will be targeted with a low offer and propaganda.

To better understand this MSNE, it is useful to consider all the equilibria in toto\textsuperscript{50} and to recall that increases in $\epsilon$ force the probabilities that $J$ observes $\hat{\pi}^H$ and $\hat{\pi}^L$ to converge. As a result, the gap between $\beta^*$ for the Accept PSNE (determined at $\sigma_j^2$) and $\beta^*$ for the Reject PSNE (determined at $\sigma_j^3$) is reduced, and the mixed strategy equilibrium space is shrunk (see Figure 2-3). At the same time, we know that increases in $\epsilon$ increase the likelihood that $I$ will target $J$ with propaganda and a low offer in that space. In other words—and in good times—higher values of $\epsilon$ increase the probability that the (reduced) mixed strategy equilibrium space will be “filled” with propaganda and low offers.

In this vein, it is helpful to think of $I$'s investment in propaganda as a way to “push” $J$ toward the Accept equilibrium—where the group will accept a low offer—and away from the Reject equilibrium—where the group will reject that offer and receives a high offer instead. Because the distance between these two equilibria is small, the propaganda is more likely to be

\textsuperscript{49} Conducting the only relevant comparative static on Equation 12 ($\partial \gamma / \partial \epsilon < 0$) produces non-sensible results that are artifacts of the two state set-up of the model. Specifically, the results imply that, as $J$ becomes a more accurate observer of the state of the economy, the group will be more likely to accept $x^H$ at $\sigma_j^2 (\{x^L, \hat{\pi}^H\})$. This does not make sense is either good or bad times: a more accurate group would never be more likely to accept a low offer at $\sigma_j^2$.

\textsuperscript{50} To help do so, return briefly to Figures 2-2 and 2-3, and recall that: a) the areas above Line 2a and 3a summarize the conditions (for $p, \beta$, and $\epsilon$) under which the Accept PSNE is satisfied; b) the areas below Lines 2b and 3b summarize the conditions under which the Reject PSNE is satisfied; and c) the MSNE applies to the areas in between the lines (where no PSNE apply).
effective. Put more concretely, propaganda simply increases the probability that $J$ observes $I$'s low offer at $\sigma_j^2$ rather than $\sigma_j^3$ — the larger is $k$, the higher that probability. In this way, propaganda is a tool employed by the founding party to justify a low offer in good times. This conception is simply the formal expression of the intuition spelled out above: in order to maintain its “benefit of the doubt” while low-balling $J$, the founding party has a clear incentive to invest in ‘doubt.’

Lower values of $\varepsilon$ force the probabilities that $J$ observes $\hat{\pi}^H$ and $\hat{\pi}^L$ to diverge, expanding the ‘space’ between the pure strategy and the mixed strategy equilibria (Figure 2-3). In addition, we know that an increasing $\varepsilon$ reduces the probability that $I$ will invest in propaganda and increases the probability that it will make a high offer instead. In light of the discussion above, this makes a lot of sense: if $J$ is a more accurate observer of the economy, propaganda is less likely to “push” $J$ toward accepting a low offer, making it less likely to be a worthwhile investment.

Independent of $\varepsilon$, it is clear that the more effective the founding party’s propaganda (i.e. the higher is $k$ given $m$), the more likely that the party will invest in it. Thus, should the party possess a technology that greatly obscures $J$’s ability to observe the state of the economy (i.e. one that drives $k$ toward its upper-bound of $\frac{1}{2}$), it may be targeted even at otherwise accurate groups. Put another way, $k$ represents the size of the “push” made possible by propaganda. The larger the potential push, the more likely it will be worthwhile for the founding party to shove.

Using this framework to interpret how variation in $\beta$ effects a founding party’s strategy is rather straightforward. Looking at the mixed equilibrium spaces in Figures 2-2 and 2-3, it is clear that the larger is $\beta$, the more likely $J$ will be located “near” Line 2a/3a and the Accept PSNE. Thus, the more likely it is that $J$ can be “pushed” into accepting a low offer in good times by the incumbent’s propaganda. Of course, the reverse is true for variation in $\delta$.

**Observable Implications**

The first observable implications of the theory stem from our definitions of $\varepsilon$:

1. Citizens in low-information environments are less accurate observers of the state of the economy—and thus the size of the incumbent’s budget—than citizens in high-information environments.
   a. Citizens in lower-information environments are less likely to observe incumbent rent seeking than citizens in higher-information environments.

To help explain further implications, consider Figure 2-4, which consolidates the equilibrium analyses discussed above (and presented in Figures 2-2 and 2-3). In essence, the figure summarizes “who gets what” and how the party maintains dominance among different types of groups.

In general, note that, ceteris paribus:

2. A founding party maintains the support of citizens in low-information environments (for example, rural citizens) by providing them with fewer goods and services than citizens in high-information environments (for example, more urban citizens).
   a. The stronger the economy (i.e. the larger the incumbent’s budget), the more positive the relationship between a citizen’s access to information and her access to goods and services from the state.
3. The founding party maintains the support of citizens with more favorable beliefs by providing them with fewer goods and services than citizens with less favorable beliefs.

**Figure 2-4: Who Gets What?**

![Diagram showing two graphs with axes labeled $\beta$ on the y-axis and $1 - \varepsilon$ on the x-axis. The top graph illustrates the Benefit of the Doubt with points $(x^L, 0); \text{Accept}$ and $(x^H, 0); \text{Accept}$. The bottom graph illustrates the Doubt via Propaganda with points $(x^L, m); \gamma \text{Accept}$ and $(x^H, 0); \text{Accept}$. The equations $\pi = \pi^H$ and $\pi = \pi^L$ are indicated.]
4. Low-information groups with highly favorable beliefs are the ‘cheapest’ backers of the founding party: they are most likely to accept a minimal amount of goods and services from the government, even without the party investing in propaganda. In short, they are the most likely to give the party “the benefit of the doubt.”

   a. The more low-information, “core” voters a founding party counts among its supporters, the more rents it can accrue while maintaining popular support—and vice-versa.

5. High-information groups with relatively unfavorable beliefs (i.e. “swing” voters) are the most costly backers of the founding party: they require a large amount of goods and services from the government to maintain their support. They are least likely to give the party the “benefit of the doubt.”

6. *Ceteris paribus*, the founding party will be more likely to target economic propaganda (i.e. increase ‘doubt’) at citizens in lower-information environments than at citizens in higher-information environments. Citizens with middling access to information are most likely to be targeted.

7. Citizens with middling access to information and mid-range beliefs about the founding party are the most likely citizens to be targeted with propaganda.

   a. Propaganda is more likely to be targeted at high-information citizens if they are also very partisan supporters of the incumbent.

   b. Among low-information citizens, propaganda will be targeted at those with middle-to-low beliefs about the founding party.

8. Citizens with more favorable beliefs about the opposition will require more goods and services to continue supporting to the incumbent. They are also less likely to be targeted with propaganda.

In “bad times:”

9. If citizens’ beliefs are relatively favorable, the founding party maintains popular support despite the government’s provision of few good and services to its citizens.

   a. In this case, the founding party accrues fewer rents than in “good times.”

10. If citizens’ beliefs are unfavorable, citizens will reject the founding party if provided with relatively few government goods and services. In this case, we anticipate that the party will stop providing to these citizens altogether.

11. Citizens with more favorable beliefs about the opposition will be more likely to reject the founding party.
Appendix to Chapter 2

Proof 1: \{ (x^L,0),(x^L,0); Accept \}, \{ (x^H,0),(0,0); Reject \}, and \{ (x^H,0); Accept \} (if \( \pi = \pi^H \) and \( I=I^+ \)) are the only PSNE of the game.

(a) If \( J \) is playing Accept (i.e. accepting \( x^L \) for sure), \( I \)'s best response is to always play \( (x^L,0) \). If acceptance is ensured, \( J \) has no incentive to ever invest in \( k \), to offer \( x^H \), or to abscond (which ensures rejection).

(b) If \( J \) is playing Reject, (i.e. rejecting \( x^L \) for sure), A3 tells us that \( I \)'s best response is to always avoid rejection by offering \( x^H \) whenever feasible (i.e. in “good” times); investing in \( m \) does nothing to avoid rejection in this case. If \( x^H \) is not feasible (i.e. in “bad” times), \( I \)'s best response is to abscond; investing in \( k \) does nothing to prevent rejection.

(c) If \( I=I^+ \) and \( \pi = \pi^H \), \( I \) will always make the state-reflecting offer \( x^H \) and \( J \) will always accept it, regardless of \( \beta \) or \( \epsilon \). Given A1, the offer \( x^H \) fully reveals \( I \)'s type (and that \( \pi = \pi^H \)), and by A4, we know that \( J \) will always accept it.

Proof 2: \( \{ \mu' (x^L,m), (1 - \mu')(x^H,0), (x^L,0); \gamma(Accept), (1 - \gamma)(Reject), Accept \} \) is a unique MSNE.

2a.

Given A3, \( I \)'s action \( (x^H,0) \) strictly dominantes \( (0,0) \) if \( \pi = \pi^H \). In addition, 
\((x^L,m) \) strictly dominantes \( (x^L,0) \) so long as:\(^{51}\)
\[
((1 - (\epsilon + k))\gamma(r + \rho) + (\epsilon + k)\lambda(r + \rho) > (1 - \epsilon)\gamma(r + \rho) + \epsilon\lambda(r + \rho)
\]
\[
k(\lambda - \gamma)(r + \rho) > m
\]
\[
k > \frac{m}{(\lambda - \gamma)(r + \rho)}
\]

By contrast, \( (x^L,m) \) cannot dominante \( (x^L,0) \) when \( \pi = \pi^L \) because:\(^{52}\)
\[
(\epsilon + k)(\gamma\rho - m) + (1 - (\epsilon + k))(\lambda\rho - m) > \epsilon\gamma\rho + (1 - \epsilon)\lambda\rho
\]
\[
k(\gamma - \lambda)\rho > m
\]
\[
k > \frac{m}{(\gamma - \lambda)\rho} \text{ is non-sensical}
\]

---

51 Because \( k \) must be positive this condition is sensible. \( \lambda \) - the probability that \( J \) accepts a low offer at \( \Omega_j^3(x^L,\hat{\pi}^L) \) should always be larger than \( \gamma \) - the probability that \( J \) accepts a low offer at \( \Omega_j^3(x^L,\hat{\pi}^H) \)

52 The condition is nonsensical because \( \gamma \) - the probability that \( J \) accepts a low offer at \( \Omega_j^3(x^L,\hat{\pi}^H) \) - cannot be higher than \( \lambda \) - the probability that \( J \) accepts a low offer at \( \Omega_j^3(x^L,\hat{\pi}^L) \).
For a similar reason, we know that \( I \) cannot be indifferent between \((x^L,0)\) and \((0,0)\) when \( \pi = \pi^L \):

\[
\rho\left[\gamma - (\lambda(1-\varepsilon))\right] = \pi^L
\]

\[
\lambda = \frac{\gamma - \pi^L}{\rho}
\]

2b.

If \( J \) is indifferent between \textit{Accept} and \textit{Reject} at \( \sigma_j^2(x^L,\hat{\pi}^H) \), \( J \) will play \textit{Accept} for certain at \( \sigma_j^3(x^L,\hat{\pi}^L) \):

\( J \)'s indifference condition at \( \sigma_j^2 \) is:

\[
x^L + \frac{\beta(1-p)^2}{(\beta(1-p)(1-\varepsilon) + (1-\beta)p\mu(1-(\varepsilon+k)) + (1-\beta)(1-p)(1-\varepsilon))} f = \delta f
\]

\( J \)'s indifference condition at \( \sigma_j^3 \) is:

\[
x^L + \frac{\beta(1-p)^2}{(\beta(1-p)(1-\varepsilon) + (1-\beta)p\mu(1+(\varepsilon+k)) + (1-\beta)(1-p)(1-\varepsilon))} f = \delta f
\]

Given that \( \varepsilon \leq \frac{1}{2} \), we know that if \( J \) is indifferent at \( \sigma_j^2 \) the indifference condition at \( \sigma_j^3 \) cannot hold. More specifically, we know the LHS will be greater than \( \delta f \), such that \( J \) will always accept \( x^L \) at \( \sigma_j^3 \).

By the same token, we know that if \( J \) is indifferent at \( \sigma_j^3(x^L,\hat{\pi}^L) \), \( J \) will always reject \( x^L \) (i.e. play \textit{Reject} for certain) at \( \sigma_j^2(x^L,\hat{\pi}^H) \). This possibility, however, is nonsensical: if \( \gamma \) (the probability that \( J \) accepts \( x^L \) at \( \sigma_j^2 \)) equals 0, then \( I \)'s best response function when \( \pi = \pi^H \) requires that \( \lambda \) (the probability that \( J \) accepts \( x^L \) at \( \sigma_j^3 \)) is greater than 1:

Per Equation 12:

\[
\gamma = \frac{\rho + m}{\rho + r} \quad \lambda = \frac{\rho + m}{\rho + r} - \gamma
\]

53 Again, \( \gamma \) cannot be higher than \( \lambda \).
Chapter 3: Re-distribution in a Founding Party System

Our theory of founding party dominance generated a number of predictions concerning a founding party’s allocation of state resources among citizens in its coalition. First, we expect that—particularly in “good times”—a founding party will provide citizens in higher-information environments with more goods and services than citizens in lower-information environments to maintain their support. We thus predict that the stronger the economy (i.e. the larger the incumbent’s budget), the more positive the relationship between a citizen’s access to information and her access to goods and services from the state. Lower-information citizens—for example, citizens living in rural areas—are easier to “low-ball”: their support can be secured with less goods and services than their higher-information counterparts. In other words, lower-information citizens are more likely to give the founding party the “benefit of the doubt.” As a result, they are cheaper supporters for the party.

Second, we predict that the party will allocate more goods and services to citizens with less favorable beliefs about the party than to those with more favorable beliefs about the party; ceteris paribus, the latter likely require access to fewer resources to keep supporting the founding party. As stated, this prediction concerns citizens within the party’s coalition of supporters; because they are unlikely to vote for the party under any circumstances, we expect citizens with highly unfavorable beliefs about the party (or, conversely, highly favorable beliefs about the opposition) to be left out of the party’s distributional calculus. This part of the theory speaks quite clearly to the “swing voter” school (Dixit & Londregan 1987) of distributional politics.

Third, and relatedly, we expect party elites to source rents from the resource differential between the government’s “low ball” offers to citizens and the (higher) state-reflecting offers provided by a “true” founding party; as a result, elites’ capacity for rent seeking will be larger in good times than in bad times. As always, the mechanism underlying this prediction is variation in citizens’ abilities to observe the state of the economy incumbent behavior. Putting this expectation predictions in more substantive terms, we expect (a) higher levels of corruption among party leaders and government officials operating in low-information environments than those operating in high-information environments; and (b) higher levels of corruption in good times than in bad times.

South Africa’s political economy provides a uniquely appropriate landscape on which to test these predictions. While we already know that South African elections (particularly at the national level) approximate a “racial census”, we also know that there are also a number of politically important ethnic, economic, and spatial cleavages beneath that of “race”. As a result, there is significant variation among the ANC’s African voter base (Garcia-Rivero 2006, McLaughlin 2007), including variation along the two dimensions in which we are most interested: first, citizens’ access to information ($\epsilon$), and second, citizens beliefs about the ANC ($\beta$). In fact, the racial dynamics of South African politics allow us to easily isolate the (general) boundaries of the ANC’s coalition—black South Africans—and then investigate how that coalition is maintained across different types of voters.\footnote{To that end, throughout this chapter we narrow our analysis to “black” or “African” South Africans whenever possible.}

What’s more, South Africa’s federalist system provides us with nine provinces that not only vary across our dimensions of interest, but are also in a fiscally ideal situation for our
analysis. As we discuss below, provincial governments are charged with distributing the bulk of the country’s state-provided social services. At the same time, they are almost completely dependant on the national government for finances and enjoy very little discretion in allocations. As a result, looking at government spending at the provincial level will allow us to analyze the ANC’s distributon decisions in a theoretically and analytically meaningful way.

To begin the chapter, we take a broad look at South Africa’s political economy, demonstrating how the economic “winners” in the post-apartheid era are precisely those expected by our theory: more urban, educated and informed African groups, including organized labor. In other words, we show that the allocation of state resource favors the more information-rich and ideologically discerning groups in the ANC’s coalition, in contrast to the populist expectations (of both citizens and observers) that accompanied South Africa’s transition to democracy. Next, we validate the theory’s core assumption—that the size of ANC government’s budget is driven by the size of the economy at large—and make the empirical case for South Africa’s provinces as fertile testing grounds for the theory’s distributional implications.

We then systematically explore those implications by examining government spending across provinces, demonstrating the government’s clear resource bias in favor of higher-information provinces: the stronger the economy, the more the government allocates to higher-information provinces as compared to their lower-information counterparts—a finding that challenges the conventional wisdom on resource distribution in South Africa. We go on to present less conclusive evidence that the government rewards provinces where Africans’ beliefs are less favorable, ala the “swing voter” school of distributional politics. We conclude our empirical analysis by showing that official corruption is indeed more common in less information-rich provinces. Throughout the chapter, we consider (and dismiss) alternative explanations for our largely theory-corroborating evidence.

A Bird’s Eye View: Post-Apartheid South Africa’s Political Economy

Before delving into the details of national and provincial spending by ANC governments, in this section we investigate broader, economy-wide patterns of resource distribution in democratic South Africa’s political economy. In other words, we take a look at the “forest” before heading into the “trees.” In both, we find evidence to corroborate the core prediction of our theory: namely, that the allocation of resources in ANC-ruled South Africa clearly favors the more information-rich and ideologically discerning groups in the party’s coalition.55

As discussed in the introduction, perhaps no measure better sums up democratic South Africa’s political economy—as well as the ANC’s failure to fulfill its redistributionist promises—than the fact income inequality in South Africa has actually increased since the advent of majority rule. Just as strikingly, such inequality has increased both between races and within the African population itself, with income poverty among Africans barely improving since the end of apartheid (see Tables 1-1 through 1-3).

According to a litany of analyses (Marais 1998; Bond 2000; Meth & Dias 2004; Southall 2004; Seekings & Natrass 2005; Hirsch 2005; Rodrik 2006; Bhorat et al 2009; Leibbrandt et al 2009), this trend has been driven by three sets of government policies. First, ANC governments

55 In this section, we soften the distinction between “good” economic times and “bad” economic times that features so prominently above, focusing instead on the general orientation of South Africa’s political economy. That being said, we will point out any relevant bad times/good times dynamics when appropriate.
have largely traded in the party’s statist, social democratic traditions for a generally liberal macro-economic orientation aimed at taming inflation, encouraging private investment, and managing deficits. Second, the ANC has pursued a largely elite-level approach to economic “transformation,” redistributing corporate capital and high-skilled labor from “white” South Africans to “black” South Africans while taking a far more hands off approach to redistributing land or creating opportunities for low-skilled workers. And third, the party’s “governing alliance” with the Congress of South African Trade Unions (COSATU) has seen it implement a raft of pro-union labor laws and reward union leaders with privileged positions in business and government. Unsurprisingly, all three of these policy sets have favored higher-information (i.e. more urbanized and well-educated) black South Africans over their lower-information counterparts.

**Liberal Macro-Economic Policies**

As discussed in Chapter 1, most analysts the advent of majority rule and the ANC’s arrival in the hall of power would soon be followed by a comprehensive program of state-led redistribution (Price 1991, 1994; Herbst 1994; Stedman 1994), an expectation fortified by the ruling party’s embrace of its Reconstruction and Development Program (RDP), a Keynesian development strategy aimed at achieving “growth through redistribution”. Even after revisions by more liberal ANC leaders, the RDP “was a blueprint for a productive social democratic haven” (Hirsch 2005); less rhetorically, the RDP was a program for encouraging economic growth and employment via large-scale public works projects, particularly the construction of housing. The government soon established an RDP office in the Office of President Nelson Mandela and budgeted substantial resources for the construction of housing and the provision of basic services throughout the country, focusing on the most rural, under-developed communities (Adler & Webster 1999; Habib & Taylor 2001).

Nevertheless, just two years later the ANC abandoned the RDP for the liberal Growth, Employment, and Redistribution (GEAR). As evident from the plan’s title, the rhetoric of social democracy and redistribution remained; what changed was the proposed means to achieve GEAR’s eponymous goals. Instead of embracing the Keynesian, demand-led growth strategy of the RDP, GEAR focused on encouraging capital-driven growth by way of an accelerated fiscal reduction program; budget reform; tariff reductions; moderate wage demands; gradual relaxation of exchange controls; an anti-inflationary monetary policy; reduced capital taxes; and more extensive privatization of state assets (Ministry of Finance 1996, 1-2). Like the RDP, GEAR also promised to redistribute income through the fiscus and to extend social services to the poor and unemployed. However, the emphasis was now on a decidedly capitalist “redistribution through growth”, rather than “growth through redistribution.”

With some changes at the margins, GEAR has remained the central economic strategy of successive ANC governments—the 2006 introduction of the Accelerated and Shared Growth Initiative for South Africa (ASGI-SA) was explicitly intended as an elaboration on (and not a

56 Officially, “black” South Africans include all non-white races who suffered official discrimination under apartheid, including Coloured, Indian, and (as of 2009) Chinese South Africans. In practice, most of these policies target black Africans.

57 Indeed, South Africa’s post-apartheid labor laws are arguably the government’s most significant deviation from orthodox economic policy (Bond 2000; Hirsch 2005).
replacement of) GEAR. What’s more, the severe factionalism that marked the passage of the ANC presidency from the technocratic Thabo Mbeki to the populist Jacob Zuma—including the sacking of Mbeki by Parliament; the near total replacement of the ANC’s powerful National Executive Committee (NEC); a number of cabinet shake-ups; and the splintering of the Mbeki-aligned Congress of the People (COPE) party from the ANC—has not had a significant impact on South Africa’s macro-economic approach. Although the Zuma administration has taken light steps toward a more state-centric development program (often referred to in ANC circles as the “developmental state” approach), the core policies of inflation targeting, restrained deficit spending, and relatively open capital markets remain. Despite fears to the contrary, calls for the nationalization of mines and abandoning the current “willing buyer, willing seller” approach to land reform from the party’s more radical elements (particularly the ANC Youth League) have been rhetorically indulged but politically dismissed by the ANC under Zuma. As such, GEAR and AGRI-SA inspired budgets have shied away from re-distributing resources to the country’s rural and peri-urban areas (via either large public works programs or nationalization) in favor of policies designed to promote (mostly) free market, investment-driven growth based in South Africa’s urban centers.

**BEE and Black Diamonds**

In contrast to the lack of aggressive redistributionist policies aimed at benefitting its mass of supporters among the rural and peri-urban poor, the ANC has made a very concerted effort to effect racial “transformation” of the country’s white-dominated corporate sector. Ostensibly to achieve “significant increases in the numbers of black people that manage, own and control the country’s economy, as well as significant decreases in income inequalities,” the government has implemented two main types of so-called “Black Economic Empowerment” (BEE) policies. The first consists of extensive affirmative action laws and racial quotas covering both employment and education, with a particular focus on management positions and higher education. All state and state-affiliated institutions must comply with the laws, while private entities must do so in order to gain access to many licenses; all government tenders; and any bid for an ownership stake in a previously state-owned enterprise.

Likewise, the second type of BEE policy requires private entities seeking such access to meet racial ownership and equity quotas. Typically, BEE requirements lead to so-called “empowerment” deals, whereby consortiums of black-owned capital—heavily subsidized by the government—purchase a targeted percentage of shares in a traditionally white-owned company. Explicitly intended to expand the size and resources of the African middle class, these policies are clearly targeted at the party’s most urbanized, well-informed, and well-educated supporters. Indeed, given the huge number of unskilled, unemployed South Africans living in both rural and urban areas throughout the country, BEE policies are arguably better designed to create an African upper class than a middle class, as typically defined. And while in practice white South Africans still control most of the country’s capital and South Africa still features a relatively

---

58 The primary difference between GEAR and ASGI-SA is in projected levels of government spending: consistently reduced budget deficits have freed up funds that the government intends to spend mostly on improving social service delivery and skills training.

60 I.e. the 2nd through 4th quintiles of a country’s distribution of assets (UNDP Human Development Indicators, 2006).
small official “middle class,” BEE has surely succeeded increasing the size and resources of
the country’s African economic elite, a group of politically connected, middle- and upper-class
South Africans known colloquially as the “black diamonds” (Southall 2004; Goyal 2010).

More generally, it is interesting to note that unlike more organically developed “middle
classes” in developing countries, South Africa’s black middle class is relatively dependant on the
government for its economic status. As a result, it enjoys less of the economic autonomy so often
cited as the source of middle class power vis-à-vis (and sometimes opposition to) the state
(Lipset 1959; Moore 1966; Acemoglu & Robinson 2006). To wit, in his study of patterns in party
support during the 2006 municipal elections, Garcia-Rivero finds that—contrary to his
expectations—loyalties toward the ANC among relatively affluent African voters had actually
strengthened over time. The author goes on to demonstrate how this trend is most attributable to
the opportunities afforded relatively well-educated, politically connected blacks by the BEE
policies of the ANC government (Garcia-Rivero 2006).

Organized Labor

Despite the ANC’s practical (if not rhetorical) embrace of liberal macro-economic
policies, another clear winner in South Africa’s post-apartheid political economy is organized
labor, both (and particularly) the leadership and rank-and-file member. As discussed briefly in
Chapter 1, the presence of COSATU in the ANC’s governing alliance (along with the SACP) is
integral to the party’s continued dominance of South African politics. Even more than its ability
to mobilize voters come election day, the ANC’s alliance with COSATU facilitates ANC
dominance by keeping a potentially powerful opposition force within its fold. Indeed, analysts of
South African politics have long argued that the most viable challengers to the ANC are, in fact,
the party’s governing allies: COSATU and the SACP (Adler and Webster 1995, 1999, 2000;
Habib & Taylor 2001; Maylam 2001; Mattes 2002). The strongly redistributionist platforms of
these groups, coupled with their large and well-known roles in the anti-apartheid struggle (Marx
1992), make them potentially attractive representatives to millions of poor, unemployed South
Africans. As a result, the tripartite alliance is generally considered “the principal obstacle to the
emergence of a viable opposition and the establishment of truly competitive politics in South
Africa.” (Habib 2001, 219)

We argue that the ANC has kept COSATU inside the tripartite alliance by allocating
sufficient resources to its leaders and members. Although COSATU has been very vocal (and
vociferous) in its opposition to the government’s macro-economic policies, material inducements
have pushed it—in the spirit of Albert Hirschman—to chose “voice over exit.” (Rosenberg
2007). Specifically, the ANC has (1) deviated from its general liberal orientation to implement a
raft of pro-union labor laws; and (2) helped reward union leaders with plum position in politics
and business. We summarize briefly below.

Via inclusion in the alliance, COSATU has been able to secure a set of pro-union labor
laws that give organized labor considerable power over collective bargaining, extensive
associational rights, and relatively robust job protections. As a result, union workers enjoy

---

61 The middle class (of all races) makes up only 34.6 percent of the population (UNDP Human Development
Indicators, 2006).
62 Inspired by the Mbeki administration and carried forward by the Zuma administration.
63 While COSATU and the SACP are separate organizations, I treat them as joint actors throughout this paper. This
treatment is justified both by the close coordination of policy and action between the two groups, as well as the large
portion of cross-membership amongst them (particularly amongst the groups’ leadership).
relatively high (and steadily increasing) real wages—often achieved after large and economically debilitating strikes—and South Africa features wage rigidities on par with far more developed economies (see Table 3-1 and Figure 3-1). In fact, a number of economists cite the country’s formal sector labor laws, wages, and wage rigidities as the major drivers of its persistently high rate of unemployment and low number of small businesses (see especially Kingdon and Knight 2001; Levinsohn et al 2008). Faced with comparatively high labor costs and the likely prospect of costly strikes, many companies (both foreign and domestic)—particularly those involved with low or semi-skilled manufacturing—have chosen to produce in another country or move into the informal sector, decreasing opportunities for employment. In sum, “rising inequality within the labour market—due both to rising unemployment and rising earnings inequality—lies behind rising levels of aggregate inequality” in the African population (Leibbrandt et al 2008, Abstract). In this way, we see how resources enjoyed by highly urban, relatively high-information union members (many of which are loyalists of COSATU rather than the ANC per se) are at odds with the material advancement of their more rural, lower-information, more ANC-aligned counterparts. Based on the logic of our theory and the weight of the evidence presented below, we believe this dynamic is directly related to the ANC’s efforts at maintaining founding party dominance.

### Table 3-1: Labor Market Rigidity (100 = most rigid)

<table>
<thead>
<tr>
<th>Region</th>
<th>Difficulty of Hiring Index</th>
<th>Rigidity of Hours</th>
<th>Difficulty of Dismissal Procedures</th>
<th>Rigidity of Employment Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia</td>
<td>20</td>
<td>30</td>
<td>23</td>
<td>24</td>
</tr>
<tr>
<td>Eastern and Central Europe</td>
<td>31</td>
<td>51</td>
<td>42</td>
<td>41</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>44</td>
<td>53</td>
<td>34</td>
<td>44</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>22</td>
<td>52</td>
<td>40</td>
<td>38</td>
</tr>
<tr>
<td>OECD</td>
<td>36</td>
<td>50</td>
<td>26</td>
<td>34</td>
</tr>
<tr>
<td>South Asia</td>
<td>37</td>
<td>36</td>
<td>53</td>
<td>42</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>53</td>
<td>64</td>
<td>50</td>
<td>56</td>
</tr>
<tr>
<td>South Africa</td>
<td><strong>56</strong></td>
<td><strong>40</strong></td>
<td><strong>60</strong></td>
<td><strong>52</strong></td>
</tr>
</tbody>
</table>

Source: World Bank 2004

---

64 Particularly among public employees. In Chapter 5, we discuss these strikes (and their timing re: good times vs. bad times) in more detail.

65 Along with the massive shortage of skilled labor and semi-skilled as a result of apartheid labor policies (Price 1990).

66 See also Bhorat et al. 2009 (pg. 57) for a concise summary of how wage rigidities are the primary driver of inequality among Africans.

67 See Buhlungu 2006

68 It is these South Africans who would ostensibly take up employment in a more flexible labor regime, in the course of which, of course, they would likely move into a higher-information, more urban area to work.
So too are the economic and political benefits enjoyed by the COSATU leadership. Since 1994, COSATU leaders have been placed high on ANC party lists and elected to parliament as representatives of the ANC.\textsuperscript{69} Despite vocal and highly public spats in the governing alliance, 53 of the ANC’s 279 MPs in the 2004-2009 National Assembly were former members of COSATU.\textsuperscript{70} Moreover, of the Mbeki administration’s 25 cabinet ministers, 5 were former COSATU leaders, as were four of nine provincial premiers (GCIS 2006). Most prominently, Kgalema Motlanthe—deputy president of the ANC under Jacob Zuma and president of South Africa between Mbeki’s sacking and the election of Zuma—is the former secretary general of the National Union of Mineworkers (NUM), arguably the most influential union in COSATU. In addition to Motlanthe, at least 6 of Zuma’s other cabinet members were once COSATU officials, as were two current provincial premiers.

COSATU leaders (both current and former) have also staked out privileged positions in business, at least partially due to the ANC’s Black Economic Empowerment (BEE) program. The most prominent among them is Cyril Ramaphosa; the former Secretary General of both the NUM and the ANC is now considered one of the richest men in South Africa. After losing out to Thabo Mbeki in the intra-ANC battle to replace President Nelson Mandela, Ramaphosa decided to enter the private sector, heading the empowerment consortium New Africa Investments Limited, renamed the Shanduka group in 2000. Ramaphosa has also acquired the media firm

\textsuperscript{69}In an article analyzing the post-transition state of COSATU, Wood has labeled the election of COSATU leaders to parliament a de facto union “brain drain” and a cause of COSATU’s reduced influence (Wood 2004).

\textsuperscript{70}COSATU leaders must give up their position in the federation upon entering government.
Johnic and taken BEE-related investment stakes in a range of sectors, including mining, finance, advertising, information technology, property, telecoms and retail (Southall 2004). Ramaphosa is long-time and influential member of the ANC’s NEC, and remains a much-discussed candidate for president of party and government.

Another prominent example is Jay Naidoo, who was elected Secretary General of COSATU upon its formation in 1985. After the transition to majority rule, Naidoo resigned his position to serve as an ANC MP and, as a Minister without Portfolio, to oversee the implementation of the RDP from the Office of President Nelson Mandela. The replacement of the RDP with GEAR saw Naidoo given the Minister of Posts, Telecommunications and Broadcasting in 1996. In 1999, Naidoo left politics and founded the J&J Group, a “strategic investment and management company” aimed at helping South African corporations meet black ownership requirements under the BEE program. While retaining his association with the J&J Group, Naidoo became the (well-compensated) executive chairman of the Development Bank of Southern Africa in 2006.

In addition, the advent of BEE was soon followed by the creation of union investment companies, first outside of the auspices of COSATU but later with the blessings on the federation’s leadership. The companies aimed to harness union retirement funds to generate higher returns for workers and take advantage of commercial opportunities presented by BEE; in addition, the companies’ (well-compensated) executives were drawn from union leadership, ostensibly to maintain the “worker-focused” mission of their investments. (Southall and Tangri 2006). Subsequently, the Mineworkers Investment Company (MIC), South African Clothing and Textiles Workers Union (Sactwu) Investment Holdings, South African Democratic Teacher’s Union (Sadtu) Investment Holdings, Kopano Ke Matla (COSATU’s investment arm), South African Railways and Harbours Workers’ Union (SARHWU) Investment Holdings, and the National Union of Metalworkers (Numsa) Investment Company (NIC) “have linked arms with both established and empowerment capital to enter a diversity of investment areas, most particularly media, financial services, and information technology.” (Southall and Tangri 2006: 133). While MIC and Sactwu Investment Holdings are listed on the JSE and have generated relatively high returns, the vast majority of union investment companies are struggling to do so. Nonetheless, their creation and commercial activities have firmly entrenched union executives in the middle of the ANC’s efforts to facilitate the development of black capital.

Summary

Of course, our analysis does not argue that information-poor South Africans receive no state resources, but merely that they receive a smaller share than their information-rich counterparts. As reviewed in Chapter 1, the ANC oversaw significant increases in electrification and (to a lesser extent) housing during the first half of its rule, while the government has successfully extended apartheid South Africa’s relatively well-developed system of social assistance—including old age pensions, child grants, and disability grants—to most of the

---

71 Ironically, Naidoo himself is of Indian descent.

72 After significant debate within COSATU leadership structures (Southall and Tangri 2006)

73 Some typical examples: Paul Nkuna, CEO of MIC, was the long time Treasurer General of NUM. He is currently on the board of BP Southern Africa, FirstRand, Primedia, as well as numerous other BEE investment groups (http://www.mic.co.za/executive-directors.php). John Copely, CEO of Sactwu Investment Holdings (also CEO of Johnic Communications) was formerly Secretary General of Sactwu (1980-1994) and an ANC MP (http://www.whoswhosa.co.za/john-copelyn-987). The Executive Director of NIC, Irvin Jim, is still the General Secretary of the NUM. And so on.
African population. Indeed, large chunks of the provincial spending analyzed below is dedicated (at least ostensibly; see our discussion of rent-seeking below) to social grants and to providing social services like health care and education. Particularly for the poorest households in rural and peri-urban areas, government grants make up the bulk of income in South Africa’s lowest income deciles and have had a clearly suppressive effect on income inequality, both between and within races (Bhorat et al 2009, pg 45-48).

Nevertheless, the bulk of the evidence presented above shows that successive ANC governments have pursued economic policies aimed at benefiting its most information-rich, politically discerning supporters while moving away from policies that would re-distribute resources toward its base of (mostly poor) Africans living in lower-information environments. As we will demonstrate below, this resource bias is mirrored by our extensive analysis of provincial spending and is right in line with the general predictions of our theory. Because high-information voters are better able to update their beliefs about the founding party, they are thus more likely to “defect” from the party’s coalition if denied a relatively large slice of the economic pie (particularly when that pie is relatively large). As a result, these citizens are more likely targets of state-linked economic resources than their lower-information counterparts.

In fact, there is evidence that the ANC’s resource bias toward high-information groups has paid off politically. Fortifying some of the findings presented below, Figure 3-2 plots changes in ANC support against the level of urbanity in each province. The panels show differences between the first democratic (national) election in 1994 and subsequent elections in 2004 and 2009, respectively; the bottom two panels replace a province’s overall urbanity with African urbanity on the x-axis. As we can see, there is a highly positive relationship between urbanity and the change in provincial support for the ANC between the elections of 1994 and 2004. Because of the large difference in ANC support from KZN following the ascendance of Jacob Zuma to the ANC presidency, the positive relationship levels off when looking at the 2009 elections. Nevertheless, the trend is still positive, and without KZN it would be about the same as that in the first column of graphs.

---

74 It is also important to consider the large portions of this spending that are “captured” by public sector workers (Nattrass 2001; Seekings 2004; Seekings & Nattrass 2005). As noted above, provinces are responsible for distributing about 80 percent of national expenditures on public education and 93 percent of spending on public health, two powerful sectors within COSATU’s public sector membership. Notably, 66 percent of spending in education and about 75 percent of spending in health goes to employee salaries, both of which are high proportions in comparison to other middle-income countries (Armstrong 2009). Moreover, in a 2004 study, Jeremy Seekings—investigating the concurrence of increased government spending on education and decreased educational achievement in public schools—found that the “lion’s share” of provincial education spending between 1996 and 2002 had been “captured” by the South African Democratic Teachers’ Union (SADTU): while personnel expenditure increased by 20%, “non-personnel budgets—including spending on textbooks and teacher support programmes—were squeezed to the bone.” (Seekings 2004, 305) According to Seekings, the wage agreements that led to these outcomes were secured by SADTU leaders who sat on the parliamentary Education Portfolio Committee as ANC MPs and served as the then-Minister of Labor and Director-General of the Department of Education. More recently, Armstrong (2009) demonstrates that this same trend—i.e. greater increases in spending on salaries than non-personnel costs—has continued in the last decade.
The Size of the Pie

Before proceeding with more empirical tests of our theory’s predictions, we must validate its core distributional assumption: namely, that the size of a founding party incumbent’s budget is driven by the size of the economy at large (see Assumption 1 in Chapter 2). More specifically, we must inspect whether the incumbent’s budget is in fact larger when the economy is growing more rapidly than when the economy is growing slowly or stagnant. In the South African case, this is not a particularly heroic assumption: the South African Revenue Service, or SARS, is the largest and most efficient tax authority in sub-Saharan Africa and one of the most effective among all middle-income counties (Lieberman 2003; Global Integrity 2010). What’s more, South Africa features a relatively small informal sector, particularly for an economy marked by very high unemployment and inequality. As such, we should expect that periods of general economic expansion should be mirrored by increases in the government’s revenues, while periods of slow growth should see decreased revenues.
To wit, Figure 3-3\textsuperscript{75} demonstrates the clear, positive relationship between South Africa’s economic growth rate and the government’s revenues. In “good times,” the government clearly has more money than it does in comparatively “bad times.” In addition—and critically—by adding expenditures to the plot we confirm not only that the government also spends more money in good times than in bad times, but also that its spending levels do not deviate much from its revenues. In other words, the ANC government is neither sitting on its money nor spending much beyond its means, making the link between economic performance and the incumbent’s budget that much tighter.

**Figure 3-3**

GDP Growth & Government Spending

South Africa’s Provinces: Dependent Distributors and Diverse Information Environments

In order to investigate how the ANC government distributes its budget, we examine spending patterns across South Africa’s nine provinces. As mentioned above, these provinces provide us with fertile testing grounds for our theory’s distributional implications. Firstly, South African provinces are what we call dependent distributors: while provincial governments are responsible for distributing nearly all social grants and services to its citizens, they are also almost completely dependant on the national government to formulate the relevant policies and fund the allocations. Secondly, there is significant inter-provincial variation in provincial levels of urbanity, media penetration, and education, presenting us with a diverse set of information.

\textsuperscript{75} All data on national and provincial growth rates in this chapter are based on data from the South African Institute for Race Relations annual *South Africa Survey* (SAIRR). All data on national and provincial revenues and expenditures come from national and provincial budgets published the Ministry of Finance’s National Treasury Department.
environments. Finally—though to a lesser extent than above—the provinces exhibit differing levels of support for, and beliefs about, the ANC.

In what follows, we substantiate our contentions that provinces are (a) dependant distributors of state resources; and that (b) they represent a wide range of information environments. In the next section, we present empirical evidence validating our theory’s information-based predictions about the ANC’s distribution of state resources. Separately, we discuss our (more ambiguous) evidence on variation in beliefs about the ANC across provinces, and examine a number of beliefs-based spending patterns to check the applicability of our theory.

**Provinces as Dependent Distributors**

South Africa’s 1996 constitution strengthened the country’s “fiscal federalism” by decentralizing the drafting and implementation of budgets to provincial authorities and making these authorities responsible for a raft of state expenditures. As revealed by Table 3-2, provincial governments are the primary administrators of goods and services relating to primary and secondary education, health care, and social welfare, while also distributing funds assigned to provincial roads, police, industry and agriculture.

### Table 3-2: Constitutional Expenditure Assignments

<table>
<thead>
<tr>
<th>Expenditure Category</th>
<th>Regulation*</th>
<th>Administration*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defense</td>
<td>National</td>
<td>National</td>
</tr>
<tr>
<td>Foreign Affairs</td>
<td>National</td>
<td>National</td>
</tr>
<tr>
<td>Currency and Banking</td>
<td>National</td>
<td>National</td>
</tr>
<tr>
<td>Immigration</td>
<td>National</td>
<td>National</td>
</tr>
<tr>
<td>Unemployment Insurance</td>
<td>National</td>
<td>National</td>
</tr>
<tr>
<td>Airlines and Rail</td>
<td>National</td>
<td>National</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>National</td>
<td>National</td>
</tr>
<tr>
<td>Environment</td>
<td>National, Provincial</td>
<td>Provincial</td>
</tr>
<tr>
<td>Industry</td>
<td>National, Provincial</td>
<td>National, Provincial</td>
</tr>
<tr>
<td>Agriculture</td>
<td>National, Provincial</td>
<td>Provincial</td>
</tr>
<tr>
<td>Education</td>
<td>National, Provincial</td>
<td>Provincial, National</td>
</tr>
<tr>
<td>Health</td>
<td>National, Provincial</td>
<td>Provincial, National, Municipal</td>
</tr>
<tr>
<td>Social Welfare</td>
<td>National, Provincial</td>
<td>Provincial</td>
</tr>
<tr>
<td>Highways and Roads</td>
<td>National, Provincial</td>
<td>National, Provincial, Municipal</td>
</tr>
<tr>
<td>Police</td>
<td>National, Provincial</td>
<td>National, Provincial, Municipal</td>
</tr>
<tr>
<td>Fire</td>
<td>Municipal</td>
<td>Municipal</td>
</tr>
<tr>
<td>Water, Refuge, Sewage</td>
<td>Municipal</td>
<td>Municipal</td>
</tr>
</tbody>
</table>

*Listed in order of regulatory or administrative responsibility

At the same time, policy for all these programs are determined at the national level, while transfers from the central government account for nearly all of the provincial government revenues used to fund them (Wehner 2000; Elhiraika 2007). Unlike municipalities, which can

---

76 Adapted from Wehner (2000), based on the Constitution of the Republic of South Africa, schedules 4 and 5.
77 From 1996-2004, provincial governments administered an average of 94 percent of national health spending and 80 percent of national education spending (Elhiraika 2007).
levy property taxes and surcharges on fees for services (mostly water, electricity, and sewage), provinces are constitutionally prohibited from levying taxes on almost all categories of economic activity. With the exception of gaming. Provinces do collect user fees collected from health and education services, yet these “province-own” revenues account for less than 4 percent of total annual revenues on average (Wehner 2000). What’s more, the largest chunks of provincial expenditures—welfare payments and personnel—are determined directly by the national authorities, while greatly limiting provincial discretion. Notably, the national government’s control over provincial budgets is substantial more extensive in South Africa than in other developing countries with sub-national governments. While transfers from the national government account for 96 percent of provincial revenue in South Africa, they account for only 42 percent of sub-national government revenue in other ‘developing countries’ (as classified by the World Bank and Shaw and Thompson 2004).

In addition, provincial governments have extremely limited abilities to borrow or issue debt and are rarely direct recipients of funds from foreign aid programs (Elhiraika 2007).

Thus, while provincial governments are tasked with administering the bulk of state goods and services to citizens, they are effectively dependant on the central government for the resources to do so. To quote Adam Elhiraika of the African Trade Commission, “South Africa has a unique system of fiscal decentralization in which relatively large expenditure assignments to provincial governments are associated with very limited revenue assignments” (Elhiraika 2007, pg. 21). As a result, analyzing provincial expenditures allows us capture relevant allocation decisions by the national government while minimizing (although by no means eliminating) the intervention of factors like the power of local tax authorities, borrowing and debt, the discretion of spending agents, and—perhaps most importantly—the political agendas of regional actors.

To help elucidate these points, Figure 3-4 plots annual spending for each province against both national and provincial rates of economic growth for 2001 to 2006, an economically volatile period that we will exploit throughout this analysis. If provincial budgets are determined primarily by the central government, we should expect a strong, positive relationship between provincial spending and the state of the national economy, which we already know is an effective proxy for the size of the national budget (per Figure 3-3). By the same token, we should expect a weaker relationship between provincial spending and the state of the provincial economy—particularly if provincial growth differs significantly from that at the national level.

78 With the exception of gaming.
79 What’s more, sub-national governments in other developing countries generate an average of 17 percent of their own revenue, compared to 4 percent for South African provinces (Shaw & Thompson 2004).
80 All data on national and provincial growth rates come from reports published by the South African Reserve Bank.
All data on provincial spending come from national and provincial budgets published the Ministry of Finance’s National Treasury department.
As we can see, our expectations are born out by the data: for just about every province, the relationship between provincial spending and the state of the national economy (black points, black line) is clearly more positive than that between provincial spending and the state of the provincial economy (grey points, dotted grey line). In addition, in provinces that feature larger gaps between provincial and national growth rates (Limpopo, Northern Cape, and Western Cape), provincial spending appears to be even more closely related to the national economy than in provinces where such gaps are smaller. Finally, it is interesting to note that, in general, provincial and national growth rates are quite closely aligned, providing another tranche of evidence for treating provinces primarily as regional reflections of national-level economic outcomes and regional administrators of national-level largesse.81

81 On a side note, South Africa’s “top-down” fiscal institutions also speak to the raft of literature on single party dominance and dominant party systems that emphasize the incumbent’s control (and strategic distribution) of state resources (see, among many others, Arian & Barnes 1974; Pempel 1991; Scheiner 2006; Magaloni 2006; Greene
Provinces as Diverse Information Environments\(^{82}\)

South Africa’s provinces also present us with a diverse sample of information environments, which, recall, we defined above as a function of citizens’ access to diverse media and levels of education in Chapter 2. We also generalized that rural citizens live in less information rich environments than their urban counterparts. Below, we verify both the information diversity of South African provinces and the validity our rural-urban assumption. Note that our current investigation focuses only on the basic structural elements of South Africans’ information environments. We will address the strategic manipulation of these environments (and thus provide more details on their structure and politics) in Chapter Four.

Using data from the South African Advertising Research Foundation’s 2008 AMPS survey, which captures media audience data across a number of outlets and sectors, Figure 3-5 displays media penetration rates for radio, newspapers, and television in each province. These “media penetration rates” (on the y-axes) are simply the percentage of AMPS respondents\(^{83}\) which reported reading, listening to, or watching each media sector within the past seven days; on the x-axes, we plot levels of urbanity for each province.\(^{84}\) The fourth panel of the figure combines the penetration rates for all three sources into a single average for the entire media.

Table 3-3: Independent Media Outlets by Province

<table>
<thead>
<tr>
<th>Province</th>
<th>Community Radio</th>
<th>Commercial Radio</th>
<th>Small Newspaper</th>
<th>Mainstream Newspaper</th>
<th>Commercial Television</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Cape</td>
<td>18</td>
<td>6</td>
<td>57</td>
<td>28</td>
<td>3</td>
</tr>
<tr>
<td>Gauteng</td>
<td>26</td>
<td>22</td>
<td>91</td>
<td>24</td>
<td>3</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>5</td>
<td>0</td>
<td>17</td>
<td>20</td>
<td>3</td>
</tr>
<tr>
<td>Free State</td>
<td>11</td>
<td>1</td>
<td>37</td>
<td>20</td>
<td>3</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>11</td>
<td>2</td>
<td>33</td>
<td>19</td>
<td>3</td>
</tr>
<tr>
<td>KZN</td>
<td>15</td>
<td>4</td>
<td>85</td>
<td>27</td>
<td>3</td>
</tr>
<tr>
<td>North West</td>
<td>8</td>
<td>2</td>
<td>22</td>
<td>18</td>
<td>3</td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>16</td>
<td>3</td>
<td>35</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Limpopo</td>
<td>13</td>
<td>4</td>
<td>33</td>
<td>19</td>
<td>3</td>
</tr>
</tbody>
</table>


2007). As discussed in Chapter 2, our theory builds on this previous work to better identify the mechanisms of maintaining dominance in founding party systems.

\(^{82}\) I.e. variation on ε.

\(^{83}\) The AMPS survey is conducted twice a year on a representative national sample. For more information on the AMPS methodology, see http://www.saarf.co.za/.

\(^{84}\) The data on both general and African urbanity come from the South African Institute of Race Relations’ (SAIRR) *South Africa Survey.*
As we can see, South Africa’s provinces exhibit substantial variation in media environments, particularly when it comes to the penetration of newspapers and television into their respective populations; by comparison, radio audiences are more evenly distributed (we will investigate these differences more deeply in Chapter 4). Moreover, it is clear that this variation tracks variation in the spatial distribution of the population, with more urban provinces enjoying significantly richer media environments than more rural provinces (again, with the exception of radio). Table 3-3, which lists the number of independent media outlets by province, provides additional evidence in this regard, as does Figure 3-6, which is effectively a geographical summary of Table 3-3.

Figure 3-7 demonstrates similar variation among provincial levels of education. Keeping the proportion of urbanites on the x-axis, the y-axis marks the percentage of over-20 year olds in each province who have completed Grade 7 (the South African equivalent of 8th grade—or the year before high school—in the U.S.) or higher. Clearly, and sensibly, the more urban the province, the more educated the population.
Figure 3-6: Media Penetration by Province

Figure 3-7
Education Level and Urbanity
In order to focus our analysis on black South Africans, Figure 3-8 mimics Figure 3-5 but switches out overall levels of urbanity for levels of African urbanity, plotting the percentage of each province’s African population that live in urban areas along the y-axis. Given that the x-axes in the plots still capture overall media penetration rates, this is clearly a highly imperfect way to narrow the analysis on the ANC’s vote base. To improve the situation, we remove the two provinces with the lowest African populations—Western Cape (27.3 percent) and Northern Cape (38.5 percent) provinces—from the figures; all other provinces feature African populations of over 75 percent (or, excluding Gauteng, over 85 percent). Note that positive relationships between urbanity and media penetration from Figure 3-5 are even stronger in Figure 3-8. Indeed, even the negative best-fit line for radio in Figure 3-5 becomes slightly positive in Figure 3-8.

**Evidence: Information and Resources**

Given the empirical context presented above, in this section we test our information-based predictions about the distribution of resources in ANC-ruled South Africa. To begin, we test our expectation that—particularly in good times, when the incumbent enjoys a larger budget)—the ANC will provide citizens in higher-information environments with more good and services than citizens in lower-information environments to maintain their support. In other
words, we predict that the stronger is the economy, the more positive the relationship between a citizen’s access to information and her access to goods and services from the state.

It is important to note that this expectation runs against many scholarly perceptions of provincial-level re-distribution and spending in South Africa. Much has been written about both South Africa’s relatively well-developed welfare state in general (Seekings & Nattrass 1997; van der Berg 2001; van der Berg & Louw 2003; Hirsch 2005) and its explicitly regressive approach to determining transfers between national and provincial governments in particular (Wehner 2000, Smoke 2000, Momoniat 2001, Elhiraika 2007). Indeed, in determining the distribution of so-called “equitable share” and the “rest conditional” grants to provinces—which make up some 70 percent of transfers between national and provincial governments (Elhiraika 2007)—the size of a province’s rural population is used as the primary proxy for its level of poverty, which is in turn the primary element in an official government formula for determining provincial outlays (Wehner 2000). While some scholars have pointed out that this formula—devised by the Financial and Fiscal Commission (FFC) and intended to shield parliament’s provincial allocation decision from explicit political interference—is not always perfectly adhered to by parliament’s Budget Council (Momoniat 2001), it is nonetheless assumed to guide the bulk of such decisions. This conventional wisdom not only supposes a generally negative relationship between the richness of a province’s information environments and its (per capita) level of government spending, but it also expects that relationship to remain consistent across different states of the economy or government budgets. In this context, any findings to the contrary would indicate another force—in our estimation, the resource logic of founding party politics—at work.

Figures 3-9 and 3-10 help us adjudicate among these conflicting expectations. The first panel of Figure 3-9 plots average provincial spending versus levels of urbanity for the period 2001-2003, while the second panel plots the same data for the period 2004-2007. Returning briefly to Figure 3-3 we observe that GDP growth from 2001-2003 averaged 3.1 percent, while GDP growth between 2004 and 2007 averaged 5.3 percent, with corresponding fluctuations in government revenues and spending. As a result, we can safely classify the former period as relatively “bad times” and the latter period as relatively “good times,” allowing us to test our contention that any information-based bias in resource allocation is more prevalent in good times than in bad times.

To further that end, the third panel in Figure 3-9 tracks the average change in spending between “good times” and “bad times”85 for each province on the y-axis, keeping level of urbanity on the x-axis. While our theory anticipates that spending will increase across all provinces during good times, it also expects—contra the conventional wisdom—that the magnitude of that change will increase with the information-richness of each province. Finally, to (once again) focus our analysis on the ANC’s largely African coalition of voters, panels 4-6 switch out overall levels of urbanity for levels of African urbanity across provinces.

The data go a substantial way toward validating our predictions. In “bad times,” we observe a negative relationship between spending and urbanity, with the more rural provincial governments spending more per capita than more urban provincial governments, as expected by the national government’s official formula for determining provincial outlays and the conventional wisdom sketched out above. Strikingly, however, in “good times” this relationship becomes significantly more positive, particularly when we limit our urbanity measure to Africans only; indeed, the best-fit line in Panel 5 exhibits almost zero slope. In “good times,” apparently—and in contrast to conventional expectations—more rural, information-poor

85 I.e. the difference in average spending for the 2004-2007 period and the 2001-2003 period.
provinces actually enjoy less of a spending advantage over their more urban, information-rich counterparts than they do in “bad times,” a divergent outcome predicted by our theory.

Unsurprisingly, then, the third and sixth panels of the figure demonstrate that the difference in per capita provincial spending between “good times” and “bad times” is in fact larger (i.e. more positive) in more urban provinces than in more rural provinces. In general, the more urban (and information-rich) the province, the larger the increase allocated to that province by the national government when it enjoys a larger budget—precisely the outcome predicted by our theory.

Figure 3-9: Provincial Spending (in Good Times and Bad) vs. Urbanity

To investigate this finding more deeply, Figure 3-10 replaces the urbanity on the x-axis with the overall media penetration rate (for radio, newspapers, and television) introduced above. Given the clear relationship between access to diverse media and access to information, the media penetration rate is in many ways a more direct proxy for the state of a province’s information environment than urbanity. Unsurprisingly, then, the figure speaks to the same dynamics identified above: a negative relationship between media penetration and provincial outlays in “bad times;” a significantly more positive relationship in “good times;” and a clearly positive relationship between the “good times effect” on spending—i.e. the change in spending between good times and bad times—and the media-richness of each province.
Information and Rent-Seeking Behavior

Implicit in our theory’s predictions about the ANC’s distribution of resources among the citizenry are predictions about the founding party’s collection of rents. Technically, the theory expects party elites to source rents from the resource differential between the minimal (i.e. “low ball”) offers of a “rent-seeking” incumbent and the maximal offers provided by a “true” incumbent. As always, the mechanism underlying this expectation is variation in citizens’ abilities to observe the state of the economy and incumbent behavior. Better able to observe both the size of the incumbent’s budget and instances of corruption, higher-information citizens are less susceptible to “low ball” offers than their lower-information counterparts. As a result, our theory predicts higher levels of corruption among ANC leaders and government officials operating in low-information environments than those operating in high-information environments.

Once again, South Africa’s provinces provide substantial evidence for our theory’s resource-related predictions. In recent years, journalists and civil society activists have decried the state of official corruption in South Africa’s provincial governments (van Vuuren 2005; Rosenberg 2009; Global Integrity 2010; Mail & Guardian 2011; Polgreen 2012). Notably, representatives and administrators of the country’s most rural (and majority African) provinces are widely reported to be the most corrupt, the most prominent example of which is Limpopo province. Despite receiving comparatively large (per capita) budget allocations from the central government (see Figure 3-4 and 3-9), Limpopo’s government has persistently failed to meet its service and social grants delivery targets, and in 2011 the province overspend its budget by over R2 billion (about $250 million), using up its R760 million overdraft facility and appealing to the national government for R1.5 billion in assistance. In response, the executive took control of the province’s major departments (Education, Health, Treasury, Public Works, and Roads and Transport) and—under significant public pressure—conducted a comprehensive audit of the province’s finances. Among other markers of official rent seeking, auditors uncovered over R2.8 billion in unauthorized payments and tens of millions of Rand of contracts had been awarded without public bidding.
Figure 3-11 goes beyond the case of Limpopo to explore relevant patterns in corruption across South Africa’s provinces. The graphs in the figure—which plot different measures of official corruption against levels of (African) urbanity—employ data from a number of different sources. The first two panels pull data on corrupt practices in the awarding of social grants and driver’s licenses from the 2006 annual report of the government’s Special Investigation Unit, a statutory entity established by the government in 1996 to “to investigate, recover, and prevent financial losses to the state due to various acts of corruption, fraud, and maladministration” (SIU Act 1996). Specifically, the first panel looks at the number of civil servants fraudulently claiming social grants from provincial governments, while the second shows the number of illegal drivers licenses identified by an SIU audit of the Department of Transportation. The third panel tracks the number of cases lodged by the Public Service Commission—a constitutionally-mandated body tasked with “investigating, monitoring, and evaluating” the civil service—and referred to the provinces for further investigation. In the fourth panel, we see data (originally from the PSC) on the proportions of government officials that comply with South Africa’s (relatively weak) financial disclosure laws. Finally, the fifth panel includes a summary of corruption cases investigated by the SIU in 1999, as first reported in Wehner (2000).

**Figure 3-11: Corruption Cases by Province**

---

86 www.psc.org.za

87 See Global Integrity 2010 and Rosenberg 2009
The data presented in each of the first three panels clearly include an outlying province. In Figure 3-12, we remove these outliers (KZN, Limpopo, and Gauteng respectively) from each sample to get another look at the data. As is clear from all the evidence, the relationship between corruption and African urbanity—our proxy from information access—moves in the expected direction in just about every case. The more rural the province, the greater the measure of corruption, whether that measure is the number of fraudulent social grant recipients or illegal drivers licenses; the lack of financial disclosures by public officials; or SIU-initiated investigations at the provincial level. While the third panel of Figure 3-11 reveals a positive relationship between African urbanity and the number of PSC investigations across provinces, that relationship becomes negative once we remove the Gauteng outlier from the sample (the third panel of Figure 3-12).

Per Figure 3-13, we get even stronger results if we change out African urbanity on the x-axis for our measure of overall media penetration.

---

88 The fifth panel (with data from the SIU) includes two data points—that for Eastern Cape and KZN—with values much higher than the rest. Because we only have nine data points in total, I do not re-plot the panel (without Eastern Cape and KZN) in Figure 3-12.
In addition to demonstrating that corruption is indeed more likely in information-poor provinces than their information-richer counterparts, these provincial patterns in rent seeking validate our theory in two ways. First, because South African provinces are responsible for administering the bulk of social services and assistance to citizens, these patterns provide real-world evidence the types of rent seeking described by even the most technical interpretation of the theory, i.e. rents culled from resources otherwise budgeted for everyday citizens. Second—and relatedly—they help reinforce our previous findings regarding the relationship between citizen’s information environments and their access to provincially allocated state resources. Because provincial corruption is effectively a proxy for the party and/or government elites’ slice of provincial spending, we know that actual state spending on a province’s citizens may very well be significantly lower than that reported by the government. And because such corruption tends to be worse in rural, more information poor provinces than in urban, more information rich provinces, we can safely speculate that the theory validating relationships between spending and information access presented above are probably even stronger than those revealed by the data.

**Beliefs and Resources in ANC-ruled South Africa**

In addition to the information-based implications tested above, our theory predicts that the ANC government will allocate more goods and services to citizens with less favorable beliefs about the party than to those with more favorable beliefs. Furthermore, it predicts that this discrepancy will be larger the better is the state of the economy. As already mentioned, these expectations are squarely in line with the “swing voter” school of distributional politics, which holds that an efficient party will direct redistributive policy and resources toward voters whose ideological preferences place them on the margins of the party’s support base. Because voters with ideologies more closely aligned with the party will vote for it without additional material inducements, such resources are best spent on voters that need more convincing to secure their support (Lindbeck and Weibull 1987). In the same vein, our theory implies that, ceteris paribus, ANC supporters with more favorable beliefs about the party are more likely targets for “low-ball” offers from the government than supporters with less favorable beliefs. Because more favorable prior beliefs are more robust to ‘negative’ signals (like a low supply of goods and services in “good times”) than less favorable priors, the ANC should be able to maintain the support of citizens with the former more cheaply than citizens with the latter.

Opposite the “swing voter” school is the “core voter” school (Cox & McCubbins 1986), which argues that parties will target resources and policy not at the margins of their vote base but at its ‘core,’ i.e. at the voters most likely to support the party come election time. This strategy is driven by uncertainty over the ultimate voting behavior of swing voters, as well as the (related) goal of maximizing turnout. Thus, “core” voters have been depicted as both ideologically aligned with a party (Cox & McCubbins 1986) and simply as groups of voters with which the party is familiar and to which they can easily distribute resources (Dixit & Londregan 1987). In either case, though, the “core voter” logic would predicts that, ceteris paribus, the ANC government will allocate more goods and services to citizens with more favorable beliefs than to their less pro-ANC counterparts.

Both logics, of course, could apply to the South African case. Following our theory, the ANC government may direct resources to provinces housing the party’s less committed
supporters in order to shore up the borders of its dominant coalition. On the flip side, the government may direct its resources at its most ‘loyal’ provinces to encourage turnout, arguably the most important outcome for maintaining dominance given the weakness of the ANC’s opposition and thus the lack of viable alternatives for “swing” voters (Mattes & Piombo 2001; Feree 2011). Finally, in light of this dominance, it is quite possible that neither approach—formulated, after all, to analyze more competitive electoral systems—is germane to South Africa. Indeed, rather than distributing rewards (one way or the other) according to beliefs or partisanship, the ANC may employ a so-called “punishment regime” (Magaloni 2006), withdrawing (or threatening to withdraw) resources from less supportive provinces in order to maintain its dominant position through a kind of resource-based coercion.

In this section, we adjudicate among these hypotheses by employing our data on South African provinces. First, we examine the extent to which provinces vary in their citizens’ support for, and beliefs about, the ANC. We then look at patterns of provincial spending to test our theory’s “swing voter” prediction against its competitors. Overall, the results are ambiguous but insightful.

Provincial Variation in Support for the ANC

Clearly, citizens in a founding party system like South Africa hold relatively favorable beliefs about the ANC; after all, we argue that such beliefs (and their maintenance) are critical for ANC dominance. At the same time, we also argue that beliefs among ANC supporters vary in their extent of favorability, and that such variation impacts the distribution of resources from government to citizen. To check the extent of this variation, we begin by looking at election results from the four national and provincial elections since post-apartheid South Africa’s first election in 1994 (see Table 3-4). Given South Africa’s strict proportional representation (Reynolds 1999); the fact that national and provincial elections are held conterminously; and that half a party’s awarded seats are drawn from provincial candidate lists, these counts are highly reliable proxies for the amount of political support generated by each province for the ANC. They are less direct proxies, however, for citizens’ beliefs about the ANC per se, particularly for their prior beliefs, i.e. their beliefs about the party before the government distributes resources (and propaganda) with the goal of securing votes. Nevertheless—and in light of the ANC’s general dominance of South African elections—examining variation in the extent of political support for the ANC across provinces should give us some insight into variation in beliefs about the party among its supporters.

Table 3-4—which presents the percentage of votes won by the ANC in each province and each election—reveals significant variation in ANC support by province. Unsurprisingly, much of the variation in provincial support for the ANC is strongly related to the size of the African population in each province. To wit, in Figure 3-14 we take the vote counts from the last column in Table 3-3 (average ANC support across all four elections in each province) and plot it against

89 On the national level, South Africa’s single district PR electoral system makes this scenario particularly appealing for the ANC. At the same time, the fact that provincial governments are determined by the same vote (national and provincial elections are held co-terminously) reduces the party’s incentives for this approach.

90 i.e. variation on beta.

91 More comprehensively, we argue (1) that variation in beliefs drives variation in both resource distribution and information manipulation by the founding party; and that (2) both these tools are employed to maintain favorable beliefs over time. In this section, we focus on a static relationship between beliefs and resources.

92 Which, recall, capture citizens’ expectations that the ANC will deliver on their material promises.

93 We present similar data from the country’s three municipal elections in the appendix to this chapter.
African population size. For comparison’s sake, we create the same plot for democratic South Africa’s three municipal elections in the second panel. The results do show some spread among highly African provinces, particularly in the municipal elections plot. Nonetheless, the main patterns are quite clear: not only does support for the ANC increase with a province’s African population, but variation in the extent of that support decreases along with it. The bottom rows of Table 3-3 re-calculate the standard deviation and variance for the ANC’s vote share across provinces excluding the Western Cape and KZN (see footnote 41). As we can see, among provinces where ANC support is (on average) greater than 50 percent, there is not much variance in the extent of support.

<table>
<thead>
<tr>
<th></th>
<th>1994</th>
<th>1999</th>
<th>2004</th>
<th>2009</th>
<th>All (avg)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>84%</td>
<td>74%</td>
<td>79%</td>
<td>70%</td>
<td>77%</td>
</tr>
<tr>
<td>Free State</td>
<td>77%</td>
<td>81%</td>
<td>82%</td>
<td>72%</td>
<td>78%</td>
</tr>
<tr>
<td>Gauteng</td>
<td>59%</td>
<td>68%</td>
<td>69%</td>
<td>65%</td>
<td>65%</td>
</tr>
<tr>
<td>KZN</td>
<td>32%</td>
<td>40%</td>
<td>47%</td>
<td>64%</td>
<td>46%</td>
</tr>
<tr>
<td>Limpopo</td>
<td>93%</td>
<td>89%</td>
<td>90%</td>
<td>85%</td>
<td>89%</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>82%</td>
<td>85%</td>
<td>86%</td>
<td>86%</td>
<td>85%</td>
</tr>
<tr>
<td>North West</td>
<td>83%</td>
<td>81%</td>
<td>82%</td>
<td>73%</td>
<td>80%</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>50%</td>
<td>64%</td>
<td>69%</td>
<td>61%</td>
<td>61%</td>
</tr>
<tr>
<td>Western Cape</td>
<td>34%</td>
<td>43%</td>
<td>46%</td>
<td>33%</td>
<td>39%</td>
</tr>
<tr>
<td>SD</td>
<td>23%</td>
<td>18%</td>
<td>16%</td>
<td>16%</td>
<td>18%</td>
</tr>
<tr>
<td>Variance</td>
<td>5.3%</td>
<td>3.2%</td>
<td>2.6%</td>
<td>2.5%</td>
<td>3.1%</td>
</tr>
<tr>
<td>SD (w/o WC &amp; KZN)</td>
<td>15%</td>
<td>9%</td>
<td>8%</td>
<td>9.5%</td>
<td>10%</td>
</tr>
<tr>
<td>Variance (w/o WC &amp; KZN)</td>
<td>2%</td>
<td>0.8%</td>
<td>0.6%</td>
<td>0.8%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: Independent Electoral Commission of South Africa (www.elections.gov.za)

94 When examining the data it is critical to recall a few facts of South African demography and politics—especially those concerning the role of race. For instance, the Western Cape is the country’s least African province: largely for historical reasons—under the apartheid regime, the region was one of the most thoroughly enforcers of the Group Areas Act, which (among other things) demarcated residential areas by race—only 27 percent of the population is African. We can thus generally disregard the ANC’s relatively low vote counts in the area: simply put, most Western Cape voters are not African, and thus are not in the ANC’s coalition. [This being said, the ANC had partial or outright control of the provincial government until the 2009 election, in which the Democratic Alliance took full control.] Similarly, extensive political violence between the ANC and the Zulu-nationalist Inkatha Freedom Party (IFP) in the years immediately preceding and following the transition to majority rule, leaving many ethnic Zulus in Kwa-Zulu Natal (KZN) outside the ANC’s coalition. Indeed, though significantly less intense, violent incidents between supporters of the parties continue to this day, even as the ascendance of Zulu traditionalist Jacob Zuma has brought more and more Zulus into the ANC’s fold (as is clear from Table 3-3). In short, many ethnic Zulus in KZN do not support—and never have supported—the ANC, particularly those living in the province’s conservative and ethnically homogenous rural areas (Lodge 1999). Like KZN, the Northern Cape is an outlier to the “racial census” trend, though in this case the province’s substantial support for the ANC is out of sync with its relatively low African population share. The explanation lies within the politics of South Africa’s Coloured population, whose population share is largest in the Northern Cape. Most simply, most Coloureds voted for the National Party in the inaugural 1994 election, the fusion of the NP with the ANC before the 1999 elections transferred many of these votes to the ruling party. At the same time, many Coloureds in the Western Cape switched did not follow suit, instead transferring their votes to the DA or the newly formed Independent Democrats (ID).
A potentially better measure of citizens’ beliefs about the ANC comes from the Afrobarometer (AB) public opinion surveys in South Africa, which have been conducted every two years between 2002 and 2008. In all four rounds of the survey, respondents were asked to evaluate how much they “trust the ruling party:” ‘Not at all,’ ‘Just a little,’ ‘Somewhat,’ or ‘A lot’. Given our portrayal of beliefs as capturing citizens’ (1) conceptions that the ANC is a “good” party; and (2) expectations that the ANC will deliver on their material promises, this question about “trust” is the best proxy offered by the survey. Fortunately, AB allows us to isolate African respondents only, giving us a tighter look at answers among the ANC’s core constituents.

Table 3-5: ‘Trust’ of the ANC

<table>
<thead>
<tr>
<th>Province</th>
<th>2002</th>
<th>2004</th>
<th>2006</th>
<th>2008</th>
<th>All (avg)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>1.13</td>
<td>2.05</td>
<td>2.2</td>
<td>1.80</td>
<td>1.80</td>
</tr>
<tr>
<td>Free State</td>
<td>1.89</td>
<td>2.09</td>
<td>2.27</td>
<td>1.73</td>
<td>1.99</td>
</tr>
<tr>
<td>Gauteng</td>
<td>1.39</td>
<td>2.08</td>
<td>1.85</td>
<td>1.74</td>
<td>1.76</td>
</tr>
<tr>
<td>KZN</td>
<td>1.17</td>
<td>1.88</td>
<td>1.69</td>
<td>2.06</td>
<td>1.70</td>
</tr>
<tr>
<td>Limpopo</td>
<td>1.49</td>
<td>2.18</td>
<td>2.08</td>
<td>1.46</td>
<td>1.80</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>1.56</td>
<td>2.22</td>
<td>2</td>
<td>2.01</td>
<td>1.95</td>
</tr>
<tr>
<td>North West</td>
<td>1.33</td>
<td>2.23</td>
<td>2.02</td>
<td>1.71</td>
<td>1.82</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>1.21</td>
<td>1.92</td>
<td>1.97</td>
<td>2.03</td>
<td>1.78</td>
</tr>
<tr>
<td>Western Cape</td>
<td>1.01</td>
<td>1.89</td>
<td>2.36</td>
<td>1.73</td>
<td>1.75</td>
</tr>
<tr>
<td>SD</td>
<td>.27</td>
<td>.14</td>
<td>.21</td>
<td>.19</td>
<td>.09</td>
</tr>
<tr>
<td>Variance</td>
<td>.07</td>
<td>.04</td>
<td>.04</td>
<td>.04</td>
<td>.01</td>
</tr>
</tbody>
</table>


Table 3-5 summarizes the results within and across surveys, presenting averages for each province (the survey responses described above are coded on a four-point scale, 0-3). Apparently, Africans’ “trust” of the ANC varies even less across provinces than ANC vote share. Only the 2002 survey shows any significant spread in provincial averages, with “trust” ranging from 1.01 in the Western Cape and 1.89 in the Free State (and with a relatively even distribution in between).
Still, it interesting to note that the 2004 and 2006 data—culled from two “good times” surveys collected in near proximity to those years’ national and local elections,\(^95\) respectively—feature “trust” averages that are significantly higher across the board than the averages from 2002, a “bad times” survey conducted in a kind of electoral ‘dead spot.’\(^96\) Moreover, these averages generally drop down in the “bad times” 2008 survey, which was conducted about a year before national elections in 2009. We will explore possible reasons behind these differences in subsequent chapters. For the moment, we are concerned primarily with the fact that, although inter-province variation in beliefs is quite low,\(^97\) there may nonetheless be some interesting variation in the data that speaks to our theory.

**Evidence: Beliefs and Resources**

We begin our examination of the data with Figures 3-15 and 3-16, which closely follows Figures 3-9 and 3-10 above. Instead of proxies for information access, we plot our measures of support for, and beliefs about, the ANC on the figures’ x-axes: Figure 3-15 uses ANC vote counts, while Figure 3-16 uses the AB survey question about “trust” of the ANC.\(^98\) In addition, because these measures are temporarily distinct (unlike the measures for urbanity and media penetration), the first panel in each figure presents an overall summary of the relationships, averaging provincial spending across the 2000-2007 timeframe and plotting it against averages of ANC vote counts (from national elections in 1999 and 2004) and “trust” of the ANC (from AB surveys in 2002, 2004, and 2006). Once again, the second panels in each figure present the relevant results for relatively “bad” economic times while the third panels present the results for comparatively “good” economic times. Finally, to better explore the theory’s implications about resource allocation in different economic states, the fourth panels plot differences between provincial spending in good times and bad times against across-time averages (for ANC vote counts and ANC Trust, respectively) on the x-axes.\(^99\)

---

\(^95\) The 2004 survey was conducted just after the 2004 national elections, while the 2006 survey was conducted just before that year’s municipal elections.

\(^96\) The 2002 survey was conducted well after the most recent national (1999) and local (2000) elections and well before any subsequent polls (the 2004 national elections).

\(^97\) Given the difficulties involved with capturing beliefs in public opinion surveys (Zaller 1992) and untangling prior from posterior beliefs in non-experimental data (Gerber and Green 1998, 1999; Dickson 2006), as well as the clear dominance of the ANC among South Africa’s majority African population, this limitation is not surprising.

\(^98\) As noted in the figures title, the AB data in Figure 3-10 is isolated the Africans only.

\(^99\) As noted in the figures, these are the same averages used in the first panels of each row.
As we can see, the relationships between provincial spending and ANC vote counts are weak across the board. While there is a slightly positive (contra-theory) relationship between electoral support for the ANC and per capita spending at the provincial level, there is also a slightly negative (pro-theory) relationship between such support and any increases in spending between good times and bad. Either way, however, the findings are too weak to be given much weight, an outcome foreshadowed by the lack of variation in ANC vote counts across provinces discussed above.

By contrast—and despite a similar lack of variation—the plotted relationships between ANC Trust and provincial spending yield some stronger results. Recall that, because we are able to isolate Africans in the AB surveys, the data in Figure 3-16 represent Africans only. The first panel reveals an overall positive relationship between ANC Trust and per capita government spending at the provincial level, a finding that supports the “core voter” approach to distributional politics and runs counter to our theory’s expectations. Likewise, the second and third panels reveal that this general relationship appears to be driven by “good times,” where provincial-level trust of the ANC (captured by an average of the 2004 and 2006 AB surveys) exhibits a clearly positive relationship with government spending; in “bad times,” the relationship (based on the 2002 AB survey) is actually slightly negative. Clearly, these panels suggest that, when privileged with a bigger budget in good times, the ANC may choose to allocate more resources to the party’s ‘core’ provinces, in contrast to the theory’s prediction.

The fourth panel, however, helps temper this conjecture. The panel mimics Panel 2 but replaces average provincial spending on the y-axis with our measure of spending differentials good times and bad. As such, it is perhaps the best test of our theory’s “swing voter” expectation, which holds that provinces with less favorable beliefs will be especially favored in relatively “good times.” In fact, the relationship in Panel 4 is slightly negative, indicating that higher trust provinces are not rewarded in good times versus bad. Indeed, the results in Figure 3-16 bring our attention back to Table 3-5, where we note that the AB trust data is consistently higher in 2004 and 2006 than in 2002. Given the non-finding in panel 4, it seems likely that the relatively high trust data in the two “good times” AB surveys are driving the provocative “core voter” suggestions revealed in panels 2 and 3.

Continuing in this vein, we see two interpretations for this “good times boost” in ANC trust that are worth exploring. First, perhaps comparatively higher provincial spending in “good times” is driving the higher trust figures across provinces. In this case—which, per Chapter Two, may speak to citizens’ favorably ‘updating’ their beliefs about the ANC—we should see a positive relationship between changes in spending (between good times and bad) and changes in ANC trust (likewise, between good times and bad) across provinces. To that end, we create the
first panel of Figure 3-17, where we plot good times-bad times changes in ANC Trust against corresponding changes in provincial spending.\footnote{For ANC Trust, the change is between the “bad times” survey in 2002 and an average of the two good times surveys in 2004 and 2006.} Strikingly, the relationship turns out to be negative: the smaller a province’s increase in per capita spending between good times and bad, the greater the increase in ANC Trust in the AB surveys (and vice versa).\footnote{In addition to helping dispel the proposition that higher spending is driving higher trust, this result can be interpreted as supporting our “swing-voter” type prediction that the ANC will direct more resources to provinces where beliefs about the party are less favorable. Specifically, the figure suggests that, in “good times”, the government is directing a greater share of resources to provinces where trust of the ANC has decreased the most.}

Second, it could be the case that respondents in the 2004 and 2006 surveys simply trusted the ANC more than those in the 2002 survey, independent of changes in government spending across provinces. This “trust boost” could be driven by the generally improved state of the economy or by the proximity of elections to both the 2004 and 2006 surveys. And, indeed, we do have some evidence for the conjecture that these survey data are systematically more positive, regardless of government expenditures. To wit, if we plot our “good times” ANC Trust scores against per capita provincial spending in bad times, we see the same (if slightly weaker) positive relationship as present when we plotted it against per capita spending in good times (see the second panel of Figure 3-17).\footnote{Third, and less interestingly, it could also be the case that the discrepancies in ANC Trust between surveys are driven by differences in AB’s survey methods across rounds.} Apparently, the higher trust enjoyed by the ANC in “good times” is not related to accompanying shifts in provincial spending.

**Figure 3-17**

### Does Higher Spending Boost ANC Trust?

![Graph showing the relationship between change in ANC Trust and change in spending/cap (R1k).](image)

### Good Times Trust, Bad Times Spending

![Graph showing the relationship between ANC Trust in GT (Avg: 2004 & 2006) and spending/cap in BT (Avg: 2000-2003, R1k).](image)

**Punishment or Reward?**

We will explore a possible link between citizens’ beliefs about the ANC and proximity to elections in the subsequent chapter. For now, we maintain our focus on re-distribution and check whether our data on provincial spending indicate the ANC’s use of a so-called “punishment regime,” whereby the party withdraws government resources from less supportive provinces in order to “punish” defectors and maintain dominance. To that end, we turn to Figure 3-18. In the
first panel, we plot ANC vote counts from the 1999 national election against average post-election spending (for the years 2000-2003) by province; the second panel repeats the same exercise for the 2004 election, averaging spending for the years 2005-2008. Both panels reveal slightly positive relationships, telling us that, on average, more supportive provinces enjoyed slightly higher post-election per capita spending than less supportive provinces. That being said, not only are these trends quite weak, but we also have no way of knowing if they are a signal of the ANC punishing less supportive provinces or rewarding more supportive provinces.

Taking another angle, in the third panel we look at changes in ANC support between the 2004 and 1999 elections and plot this data against the post-2004 spending from panel 2. If the ANC is employing a punishment regime, provinces in which support dropped more (or increased less) between the elections should receive relatively less government spending after 2004. Instead, panel 4 reveals the opposite outcome: across provinces, the smaller the increases in support for the ANC, the (slightly) larger the allocation of per capita spending in subsequent years. Likewise, the fourth panel of Figure 3-18 plots differences between the 1999 and 1994 elections against post-1999 (and pre-2004) spending. Notably, the ANC actually lost support in a number of provinces between these two elections, making this panel a particularly interesting look into the punishment regime hypothesis. Strikingly, the relationship in panel 4 is even more negative than that in panel 2: clearly, the more ground the ANC lost (or the less ground the party gained) in a province, the larger that province’s subsequent average level of per capita spending. This finding, of course, echoes our theory’s expectation, which holds that citizens with less favorable beliefs about the party will have access to more state resources than their more partisan counterparts.\(^{103}\)

Taking a step back, the four panels in Figure 3-18 provide an effective summary of our evidence about the relationship between citizens’ beliefs about the ANC and resource distribution. While there is some weak evidence pointing towards a “core-voter” dynamic—whereby the ANC rewards its most supportive provinces—there is stronger (albeit hardly clear-cut) evidence that the ANC directs resources to provinces where its support is decreasing or not as strong, in line with our theory’s “swing voter”-like prediction.

\(^{103}\) In addition, the first panel in Figure 3-17 supports the “swing-voter” prediction; see fn. 48.
Resource Overlap: Information + Beliefs

Before leaving our analysis of provincial spending, recall that our theory does not always treat a citizen’s access to information and her beliefs about the founding party in isolation from one another. To the contrary, Chapter 2 includes a number of expectations about how the ANC government will distribute resources taking both factors into account (see Figure 2-4). In sum, we predict that the ANC’s resource bias toward information-riche citizens will be heightened if those citizens hold relatively unfavorable beliefs about the party, and reduced if they hold relatively favorable beliefs about the party (and vice-versa). Likewise, the ANC’s resource bias against its more partisan supporters will be heightened if those citizens also live in information-poor environments and reduced if they live in information-rich environments (and vice-versa).

Fortunately for our purposes, recent scholarship on South African “racial census” elections has shown not only that information (or lack thereof) plays a major role in race-based voting, but also that African “swing voters” have more access to information than more stolid ANC supporters—and vice-versa. According to Ferree (2011), race serves as an “information heuristic” for (typically information-poor) African voters, helping to communicate not only that the ANC best represents their interests, but also that opposition parties—particularly the typically white-led Democratic Alliance—do not. As she demonstrates, the better educated and better informed the African voter—in other words, the richer her information environment—the more likely she is to “cross-over” and vote for a “white” party like the DA, ostensibly taking into
account other factors besides race in making her decision. While our analysis is driven by different mechanisms and focused more on issues of economy and distribution, we too argue that information-rich citizens are likely to be less stolid (i.e. more expensive) supporters of the ANC than their more information-poor counterparts.

Specifically, we argue that the ultimate driver of this overlap—and the reason why it matters for the ANC’s strategic distribution of resources—is the superior ability of information-rich citizens to update their beliefs about the party. We will examine this conjecture in Chapter 5 when we tackle the citizen-based, ‘bottom-up’ elements of our theory. For the moment, we seek simply to point out that our (mostly theory-validating) findings concerning the relationship between access to information and resource distribution may very well inform our (ambiguous) findings about resources and beliefs.

**Evidence: Information + Beliefs**

To that end, the first panel of Figure 3-19 re-plots the third panel of Figure 3-9, tracking levels of African urbanity for each province against changes in per capita provincial spending in good time versus bad. As discussed above, the positive relationship demonstrates the ANC government’s resource bias toward more urban provinces, as predicted by the theory. By contrast—and as revealed by the next two panels of Figure 3-19—the relationships between African urbanity and our proxies for beliefs about the ANC are decidedly negative: both electoral support and (African) citizens’ trust of the party are positively skewed toward rural provinces. Moreover, if we remove KZN from these two plots, the relationships between African urbanity and the proxies become even more negative (see the gray dotted lines). In general, these plots provide some basic evidence for the conjectures that (1) there is overlap between citizens’ relative lack of information and their strength of beliefs (and vice-versa); and (2) the rural provinces in which spending increases the least between good times and bad are also those where support for the ANC runs highest.

Return to the first panel of Figure 3-19 to inspect this second conjecture more closely. Focusing on provinces in the lower left quadrant of the figure—i.e. rural provinces with received relatively small increases in provincial spending during good times—we see that both the Eastern Cape and North West provinces rank quite high among all provinces in terms of citizens’ trust of the ANC and their support for the ANC in national elections. By contrast, most provinces in the upper-right quadrant of the figure—Northern Cape, Gauteng, and Western Cape—rank relatively low. The clear exception in this case is Free State, a relatively urban province that falls above the ‘resource bias’ line in Figure 3-19 but which features the highest ANC Trust average among the provinces and comparably high levels of electoral support for the ANC. Still, it is instructive to compare Free State to Mpumalanga, two more-or-less equally “pro-ANC” provinces where the more urban of the pair enjoys a significantly larger “good times” resource gap than its more rural counterpart.

It is also interesting to look at Limpopo, the country’s most rural province and also the province where the ANC’s average vote count is highest. Contrary to our theory’s predictions, Limpopo features a surprisingly large positive gap between per capita provincial spending in good times versus bad. One potential (and within-theory) explanation for this outcome is that

---

104 Recall that our data on ANC trust is limited to Africans only, while the vote count data includes all races. Thus, the relatively low vote counts in Western Cape, Northern Cape, and (to a lesser extent) Gauteng is driven in part by the large number of non-African citizens in those provinces.

105 See Figure 3-20 for a graphical comparison of ANC electoral support and ANC Trust in each province.
while Limpopo is granted larger allocations of spending in good times by the ANC government, significant chunks of that spending never reach the citizens themselves; instead, they are siphoned off as rents by party elites. And, indeed, Limpopo is arguably South Africa’s most corrupt provincial government—a fact we addressed in detail above.

**Figure 3-19: Information + Beliefs**

<table>
<thead>
<tr>
<th>Spending and African Urbanity</th>
<th>ANC Votes and African Urbanity</th>
<th>ANC Trust and African Urbanity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changing provincial spending (Good Times-Bad Times, R1k)</td>
<td>ANC Votes (avg. 1994-2009)</td>
<td>ANC Trust (avg. 2002-2008)</td>
</tr>
<tr>
<td>African Urbanity (%)</td>
<td>African Urbanity (%)</td>
<td>African Urbanity (%)</td>
</tr>
<tr>
<td>20</td>
<td>0.4</td>
<td>1.70</td>
</tr>
<tr>
<td>40</td>
<td>0.5</td>
<td>1.75</td>
</tr>
<tr>
<td>60</td>
<td>0.7</td>
<td>1.80</td>
</tr>
<tr>
<td>80</td>
<td>1.0</td>
<td>1.85</td>
</tr>
<tr>
<td>1.2</td>
<td>1.90</td>
<td></td>
</tr>
</tbody>
</table>

**Figure 3-20: ANC Support/Trust by Province**

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>KZN WC GP NC LP EC NW MP FS</td>
<td>WC KZN NC GP EC FS NW MP LP</td>
</tr>
</tbody>
</table>

**Summary**

Based on a diverse set of data from ANC-rulled South Africa, this chapter has largely confirmed our theory’s expectations about the (re-) distribution of state resources by a dominant founding party. Beginning with our broad look at the country’s post-apartheid political economy and continuing with a deep examination of provincial spending across time and space, we have demonstrated the ANC government’s clear resource bias in favor of more information-rich citizens and against their information-poorer counterparts. In the same vein, we have shown how official corrupt and rent-seeking behavior is more starkly common in lower-information
provinces than higher-information provinces. While our evidence for the theory’s beliefs-based, “swing voter” implication is not as clear cut, we do show that the ANC (a) directs more resources (per capita) to provinces where its electoral support has decreased; and (b) it exhibits a slight resource bias toward provinces where (African) citizens trust the party less. We also show how the overlap between information and beliefs shed further light on our theory-confirming patterns of provincial spending.
Chapter 4: Manipulating Economic Information

In this chapter we explore the ANC government’s manipulation of information about the state of the economy in general and its budget in particular, testing our theory’s implications about the role of economic propaganda in the maintenance of founding party dominance. In sum, the theory predicts that the ANC will try to *downplay the state of the economy and the size of its budget in order to justify low provisions of government goods and services to its supporters and maintain their favorable beliefs about the party.*\(^{106}\) For the same reasons, the ANC will also aim to *obscure information about government rent-seeking* and corruption. As a result, we expect these manipulations to be employed more frequently in relatively “good times”—when the economy is strong and the government’s budget robust—than in relatively “bad times.” While our theory predicts that, in general, the ANC will be more likely to *target such manipulations at citizens in lower-information environments* than at citizens in higher-information environments, we expect that citizens with middling access to information will be the most common targets. Finally, per Figure 2-4, we expect that citizens’ beliefs about the ANC will impact the government’s allocation of propaganda, with favorable beliefs decreasing the likelihood of manipulation among lower-information citizens while increasing its likelihood among higher-information citizens.

The expectation that the government will strategically *downplay* the state of the economy runs counter to the conventional wisdom in political science and political communications. Based on the near-axiom that citizens will reward incumbents for a strong economy (e.g. Downs 1957; Hibbs 1982; Popkin 1991; Page & Shapiro 1992; Lewis-Beck & Stegmaier 2000), scholars have long argued and assumed that incumbents which manipulate economic information will in fact overplay the state of the economy to win or maintain political support (e.g. Converse 1990; Krosnick & Kinder 1990; Sorokaa 2006; Lau & Heldman 2009). Moreover, from the voter side, behavioralists have repeatedly demonstrated that pro-incumbent partisans tend to have more positive current\(^{107}\) evaluations of the economy than independent voters or anti-incumbent partisans (e.g. Popkin 1991; Bartels 2002; Evans & Andersen 2006). Our theory, by contrast, implies a number of scenarios where pro-ANC partisans may evaluate a relatively vibrant economy more negatively than their less partisan counterparts—an outcome that may very well be driven by intentional and strategic manipulation by the incumbent.

Below, we test our theory’s counter-conventional implications via an in-depth analysis of South Africa’s media environment, a particularly appropriate arena for a number of reasons. First, the media landscape is diverse while featuring a large state presence, with significant variation in diversity and state control among the major media sectors: print (many outlets, all privately-owned); radio (a number of commercial and community stations, but dominated by the state broadcaster); and television (a few outlets, mostly state-owned). Second, this variation in ownership and control is neatly matched by variation in access according to spatial and economic factors: while high-cost print media are mostly consumed in urban (information-rich) areas, free-to-air radio and television are more widely accessible, with radio predominating in the most rural (and information-poor) areas and television falling in between. Third—and unlike other state mechanisms for communicating with citizens, like election campaigns—media reporting on the

\(^{106}\) Using language deployed in previous chapters, the party will employ economic propaganda to maintain a “benefit of the doubt”—and thus the credibility of its economic promises—among its supporters.

\(^{107}\) As well as future.
economy and corruption is extremely frequent and occurs consistently across time and space. Fourth (and, again, unlike election campaign communications), data on the South African media is relatively easy to find and analyze. Fifth, and finally, the media has (and continues to be) an arena of political and economic contestation since the advent of majority (and thus ANC) rule in South Africa, particularly concerning the government’s role vis-à-vis the state-owned South African Broadcasting Corporation (SABC); reporting on official corruption and rent-seeking; and the racial “transformation” of the ownership and employment profiles of the country’s major media outlets.

This chapter proceeds as follows. First, we overview two different ways by which the ANC can manipulate information about the economy: first, by directly distorting official economic data, and second, by interfering with (and restricting) reporting in state-owned and private media. Next, we detail the composition of the South African media environment, which combines a widely accessible, mostly state-owned broadcast sector with a less accessible, privately-owned print sector. As such, we complement the largely structural description of South African information environments in Chapter 3 with a more strategic analysis highlighting how the structure of the media informs the ANC’s use of economic propaganda. Due to ANC manipulation, we expect that SABC outlets will report more negatively (or less positively) on the economy than independent print outlets, especially in relatively “good times.” We also expect that broadcasts in African languages will be more likely to reflect such manipulations than those in European languages.

Exploiting a unique database of media reports on the economy, we conduct an empirical analysis that largely confirms our predictions. We present substantial evidence that television outlets downplay the state of the South African economy in their coverage—and that they do so more than newspapers. Furthermore, we find that this trend—measured by the tone of reporting on the economy—is significantly stronger in “good” times than in “bad” times, and that television outlets cover topics related to government budgets and the general state of the economy more negatively than those concerning financial and commodity markets. In addition, among state-owned television outlets, we show that “good times” economic reports in African languages are more likely to be negative in tone than reports in European languages, while a newspaper outlet widely regarded as pro-government is less likely to report positively during “good times” than more neutral publications.

Two Methods of Economic Manipulation: Direct and Media

In order to justify low provisions of goods and services and maintain the credibility of its economic promises, we predict that ANC governments will manipulate citizens’ information about the state of the economy. In this section, we explore two methods by which the government can accomplish such manipulations. Most straightforwardly, the government can distort the economic data published by government authorities (i.e. ‘direct manipulation’). More indirectly, the government can attempt to influence reporting on economic topics—including corruption—by the country’s media outlets (i.e. ‘media manipulation’). Of course, the two methods are related, as government efforts at direct manipulation will only be effective if media outlets report the distorted information. Nonetheless, they are sufficiently distinct in evidence and execution as to warrant separate investigations.
Because it is both more difficult and interesting to demonstrate, we devote the majority of this chapter to the empirics of media manipulation. Here, we present evidence for the government’s direct manipulation of economic information, in the downward direction anticipated by our theory. We also describe the political context that enables ANC efforts at media manipulation, reserving the deeper empirical analysis for future sections.

**Direct Manipulation: Downplaying GDP Growth**

To examine the ANC’s use of direct manipulation, we look at the publication of quarterly GDP growth data by Statistics South Africa (StatsSA), the state’s official statistical agency and the source of economic data for most South African media outlets, particularly the SABC and the state-run press agency, SAPA (South African Press Agency). StatsSA compiles quarterly GDP rates by collecting output data from firms and government agencies spread across the South African economy.\(^{108}\) As in most relatively developed economies, the frequency and breadth of quarterly GDP growth makes it a frequently cited measure of the state of the South African economy. For each quarter, StatsSA publishes an initial estimate of GDP growth two months after its end and published revises estimates every quarter thereafter for one year.

In Figure 4-1, we plot the initial estimates of quarterly GDP growth (labeled ‘current’) against revised estimates one year later (labeled ‘ex-post’). If our theory’s prediction about government manipulation is correct—namely, that the ANC government will intentionally downplay the state of the economy in relatively “good times”—we expect that current estimates will be lower than ex-post estimates, especially when quarterly GDP growth is highest. Not only are media outlets more likely to report current estimates than revised estimates (especially those published one-year later), but upward revisions of otherwise deflated GDP estimates would

allow the government to save economic face and re-assure market-oriented audiences like investors, donors, risk analysts and policy analysts.\textsuperscript{109}

The patterns revealed by Figure 4-1 strikingly confirm our expectations. First, note that while the current GDP estimates are generally lower than the ex-post estimates, the gaps during periods of higher or increasing growth rates are (in general) more pronounced than those during periods of lower or decreasing growth rates. Thus, we can safely conclude that StatsSA’s under-estimates of quarterly GDP growth are more severe in “good times” than in relatively “bad times.” Second—and as noted in the figure—the two most pronounced gaps in the figure correspond with the periods surrounding the 2004 national and provincial elections and the 2006 municipal elections. If our theory about the political utility of downplaying the state of the economy is correct, the ANC has a particularly clear incentive to do so in periods surrounding elections.

\textit{The ANC and the SABC}\textsuperscript{110}

Unlike direct manipulation—whereby the government distorts or restricts information at the source—media manipulation involves ANC efforts to influence the substance and the tone of economic reporting. As a result, any investigation must begin by demonstrating that the ANC in fact has the ability to interfere with media content in South Africa. Here, we examine how the ANC has steadily encroached on the independence of the state-owned South African Broadcasting Corporation (SABC)—which, as we demonstrate in detail below, dominates the country’s broadcast sector—using a variety of legal and political tools. We then discuss the ANC’s efforts to impinge on the freedom of South Africa’s privately owned (and often fiercely independent) print media.\textsuperscript{111}

Notably, the SABC was the first state-affiliated institution to undergo systematic reform during South Africa’s transition from minority to majority rule. Because severing the tight link between the apartheid government’s National Party and the SABC was deemed a critical precondition for the country’s first democratic election, representatives from political parties and prominent civic groups (including the recently unbanned ANC) negotiated to appoint a multi-racial SABC board in 1993, one year before the landmark election. Led by veteran activist Zwelankhe Sisulu, the board was charged first and foremost with helping to transform the SABC from a “state broadcaster” serving the needs of the (apartheid) government to a “public broadcaster” serving the needs of the South African people. This objective was also the driving force behind the Independent Broadcasting Authority Act, passed that same year by (the National Party-dominated) parliament. To protect the SABC from government interference, the Act defined the role of the state vis-à-vis the broadcaster as primarily regulatory, leaving the active development of programming and policies to the SABC itself.

As with many of the negotiated reforms during this period—including, most prominently, the 1993 Constitution—the reform of the SABC was backed by the ANC as a means to an end (i.e. regime change) and not necessarily as a reflection of their preferred outcome (Bond 2000; Lodge 2004). In anticipation of a sweeping victory in any democratic election, the ANC had a clear incentive to maintain a tighter link between broadcaster and state under the new

\footnotesize{\textsuperscript{109} Many thanks to Professor Craig MacIntosh (UCSD, Dept. of Economics) for this suggestion.}
\footnotesize{\textsuperscript{110} Much of the information in this section comes from two sources: the South Africa survey in the Public Broadcasting in Africa Series (OSI 2010) and the author’s contribution to the Freedom House annual publications \textit{Freedom in the World} and \textit{Freedom of the Press}.}
\footnotesize{\textsuperscript{111} We analyze South Africa’s media landscape in detail in the following section.}
dispensation. At the same time, both the National Party (also anticipating ANC rule) and civil society organizations pushed hard for a more independent SABC, and the ANC itself knew that the old broadcaster—long a mouth piece for the apartheid regime—had to be fundamentally changed in order to be function credibly and effectively in the “new” South Africa (Harber 2007).

Many of these tensions are reflected in the ANC government’s 1999 amendment to the old Broadcasting Act of 1976, which introduced a formal charter for the SABC; prescribed the conversion of the SABC into a public company; and moved primary regulatory responsibility from parliament to a statutory broadcasting authority. The Charter affirms that the SABC “enjoys freedom of expression and journalistic, creative, and programming independence as enshrined in the Constitution” (SABC 1999). At the same time, it mandates that the SABC make it services available throughout the country and in all official languages and determine programming according to a quota system developed by the broadcasting authority. Likewise, the editorial code required by a 2002 amendment to the Act affirms the SABC’s editorial independence from government while also committing it to “serving the national and the public interest” of South Africa (SABC 2009). Notably, the government’s original draft of the amendment made the Minister of Communications the ultimate arbiter of these editorial policies. Due to opposition from civic groups and opposition parties, however, responsibility for vetting editorial policies was given to the state’s Broadcasting Authority.

This legislative seesaw between the SABC’s independence and its control by the state was far less balanced in the section of the amended Act (1999) specifying the conversion of the SABC into a public company. Executed only in 2004, this section significantly expanded the government’s (especially the Minister of Communication’s) role in the SABC by designating the state as the SABC’s sole shareholder and empowering the Minister of Communications with determining the company’s articles of incorporation and memoranda (without public input). Critically, those articles grant the Minister the right to determine the appointment of all three of the Board’s executive members (CEO, CFO, and COO) and approve their employment contract and remuneration (Article 11.1.2). Because the CEO is also designated as the SABC’s overall editor-in-chief, the article effectively gives the minister control over the employment of the corporation’s editorial head, clearly impinging on editorial independence.

Unsurprisingly, this legislation ushered in a period of greater government interference in the SABC, both editorially and via its relationship with the SABC board (as well as via further legislation). In 2006, for instance—a year after former government spokesman Snuki Zikalala was appointed Head of News at the SABC—an internal SABC report (leaked to the Mail & Guardian newspaper) accused Zikalala of making of repeated and inappropriate interventions in the SABC’s news programs and found that prominent government critics—included then President Mbeki’s

---

112 Given the reach of the SABC (se above), the reasons behind this incentive are myriad including communicating the new government’s message to a broad and new coalition of voters; managing citizens’ expectations; promoting national unity in a fractured society; and countering the power of a largely white-controlled print media, among others.
113 Notably, the SABC itself is not mentioned in the 1996 Constitution itself, instead being designated in Schedule 2 as a “Major National Public Entity” (Constitution of South Africa 1996)
114 This system divides up programming between six major content categories: children’s programming, current affairs, drama, documentary, education, and knowledge building. The quotas also include mandates on proportions of South African-produced content.
115 Candidates are recommended by the board’s non-executive members.
116 See the The SABC’s Mandate: Powers, Functions, Rights, and Obligations, pg. 4.
brother—had been barred from the broadcaster’s airwaves. The next year, following a number of controversial sackings, a raft of civic and press freedom groups (including ANC alliance partner COSATU and the well-respected Freedom of Expression Institute) accused Zikala of conducting political purges at the SABC at the behest of the Mbeki administration. In addition, both the Mbeki and Zuma administrations have intervened to block broadcasts of potentially critical programs, including a documentary about Mbeki and a special report on the political (and generally anti-Zuma) cartoons of Jonathan Shapiro. Most controversially, in 2009 SABC internal auditors—investigating the leak of an axed program to the Mail & Guardian—searched the offices of the SABC investigative reporting unit (Special Assignment) and subjected staff to lie-detector tests.

Along with the appointment of Zikala, the government also exerted most explicit political influence on the make-up and operations of the SABC board. According to the Open society Institute’s (OSI) survey of the SABC, in 2007 “ANC parliamentarians told journalists they had been forced by government to support the [Mbeki] Presidency’s favoured candidates for appointment to the board of the SABC” (OSI 2010, 110). Reflecting both intra-ANC rivalries and the ruling party’s interest in attaining greater control over the SABC, political machinations involving the SABC Board came to a head with a 2008 amendment to the Broadcasting Act, which gave parliament the power to fire a board member or dismiss the entire board by majority vote. The amendment was passed soon after the forced resignation of Mbeki and was motivated at least in part by the Zuma-led party’s desire to make its own mark on the SABC. Eventually, the amendment passed in 2009 after caretaker President Kgalema Motlanthe insisted it be revised to require “proper inquiry” by parliament before any dismissals.

The ANC’s efforts to exert greater control over the SABC are also reflected in debates over the broadcaster’s finances. In 1996, the SABC received a large injection of cash by privatizing six commercial stations; subsequently, its revenues have come overwhelming (77 percent) from advertising and sponsorships while being supplemented by television license fees (18 percent) and public funds (only 2 percent). (OSI 2010, pg. 147). From the outset of its rule, the ANC has consistently pushed to increase the portion of public funding, both to loosen the SABC’s reliance on commercial interests and to increase its financial dependence on the government (Harber 2007; Tsedu 2007). This push became more formal in 2007, when delegates to the ANC’s national conference in Polokwane resolved to increase public funding up to 60 percent of total. The force behind these efforts has been strengthened helped by gross financial mismanagement at the corporation, including a scandal-inducing after-tax loss of R790 million in 2009. Later that year, in fact, the government introduced a Public Broadcasting Service Bill that would drastically increase public funding of the SABC, mostly via an income tax.

The ANC and the Print Media

As described in detail below, South Africa’s print media is privately owned, shielding it from the kinds of direct political interference discussed above. Nonetheless, coterminous with the ANC’s increased encroachment on SABC independence, the party has also tried to tame an

117 During this so-called “blacklisting scandal,” the private eTV ran ads promoting itself as the station that carried “zero-percent” propaganda.
118 Shapiro is generally known by his pseudonym, Zapiro.
119 All television owners in South Africa must pay a license fee in order to access the SABC; radio is free. SABC revenues
120 The remaining 3 percent of revenues come mostly from merchandise and studio rentals.
often highly adversarial print media via a number of legal mechanisms. In line with our theory, these efforts picked up significantly after the print media played the primary role in exposing a number of high profile corruption scandals among ANC elites. ¹²¹

South Africa’s constitution protects freedom of expression and the press, and the country features vibrant press freedom advocacy and journalists’ organizations (Rosenberg 2009). Nevertheless, the transition to democracy saw the survival of several apartheid-era laws that permit authorities to restrict the publication of information about the police, national defense forces, prisons, and mental institutions, and to compel journalists to reveal sources. In 2004, the government passed an Antiterrorism Law that gives the state even greater latitude to pressure journalists to reveal information to law enforcement or block its publication.

Authorities have used these laws to prevent or inhibit the publication of reports on corruption in both government and the ANC. In 2005, for example, the Mail & Guardian was issued a gag order and made to turn over documents related to its coverage of the ANC-related “Oilgate” corruption scandal (see footnote 16 above). The article was gagged because the newspaper refused to reveal its sources of (allegedly illegally obtained) information for the story. The gag order was eventually lifted in June; however, in September, the government issued a subpoena to the Mail & Guardian’s online host, requiring the M-Web company to deliver records of a bank statement related to “oilgate” published on the Mail & Guardian website. Since then, the newspaper (or its website) have received at least three other government-initiated gag or ders to stop reporting on corruption scandals and turn over related documents. In a similar case, in 2007 then-Health Minister Manto Tshabalala-Msimang sued the Sunday Times for publishing articles claiming her recent liver transplant was necessitated by alcoholism; that she had jumped transplant queues; and that she had stolen from a patient while a medical superintendent in Botswana. The paper was forced to return copies of medical records and pay legal fess, but was allowed to keep reporting on the story. Subsequently, police investigated the editor and deputy editor of the paper for stealing medical records.

In addition, the ANC has pushed to create more legal mechanisms with which bind the investigative capacities of print media. Discussed in ANC circles since the late 1990’s, the ANC formally endorsed the creation of a statutory media tribunal at its 2007 policy conference. The tribunal—for which legislation has not yet been written—would replace the self-regulating Press Council and Press Ombudsman with a state-run body empowered to hear complaints against the press, hand out stiff punishments for violating privacy and for defamation, and force the media to issue retractions and apologies. More concretely, in 2011 the National Assembly passed the controversial Protection of Information Bill despite vociferous opposition from private media outlets, most opposition parties, and a raft of civil society organizes. The law allows state agencies to classify a wide range of information—including “all matters relating to the

¹²¹ Among many other examples, newspapers like The Sunday Times, The Mail & Guardian and This Day exposed much of the so-called 1999 “arms-deal scandal,” which exposed senior ANC figures like chief whip Tony Yengeni, then-deputy president (and current president of the ANC and South Africa) Jacob Zuma, and Zuma ally Schabir Sheikh in a number of corrupt practices surrounding South Africa Defense Forces arms purchases. In 2005, the Mail & Guardian broke the so-called “oilgate” scandal, in which funds from the UN’s “Oil for Food” program with Iraq were allegedly diverted into ANC coffers to fund its 2004 election campaign. In 2005 and 2006, the Sunday Times, the Cape Times, and This Day played a major role in investigating and exposing “travelgate,” whereby MPS were illegally inflating their travel expenses corrupt MPs. And so on. Notably, the government’s attempts to restrict reporting (described below) have had little effect on either the frequency or the adversarial tone of the print media’s reporting on corruption in subsequent years (Rosenberg 2012).
advancement of the public good” and “the survival and security of the state”—as in the “national interest” and thus subject to significant restrictions on publication and disclosure. Critically for journalists, the law does not allow a “public interest” defense. It also mandates prison terms of 3 to 25 years for violations.

The South African Media: Diversity Amid Dominance

In the previous section, we described the political dynamics underlying the ANC’s ability to employ economic propaganda, with a particular emphasis on the SABC. In this section, we explain how the structure and composition of South Africa’s media environment helps inform ANC strategy in this regard. Recalling our theory’s predictions about which types of citizens a founding party will target with propaganda, we demonstrate why SABC outlets—and SABC TV in particular—provide effective mediums for communicating the ANC’s manipulated economic messages. In essence, the argument is a function of access: whereas privately owned, independent media are largely distributed and consumed in the country’s highest-information (i.e. most urban or highly-educated) areas, they are often unavailable to—or simply too expensive for—citizens in lower-information areas. By contrast, the widely accessible SABC—which dominates the country’s broadcast sector—is the primary news source for the vast majority of South Africans. In this way, the South African media landscape is a picture of its party system, combining a diversity of niche outlets operating in a relatively open environment with the clear and entrenched dominance of the SABC.

Print Media

Consider South Africa’s diverse and independent print media, which features scores of newspapers (both daily and weekly) and hundreds of print magazines122, as well as over 200 non-profit and community publications (MDDA 2008). All print outlets are privately owned, with four large companies—AVUSA (previously Johnnic Communications), CTP Pty Ltd (Caxton), Independent Newspapers, and Nasionale Pers (Naspers)—and two smaller companies (M&G Media and UmAfrika) owning the majority of popular publications. Foreign shareholders have large stakes in Independent Newspapers and M&G Media, and ANC officials in party and government have often accused the ownership and management of adversarial publications—particularly the Mail & Guardian and The Sunday Times—as representing “white” or “counter-revolutionary” interests (Rosenberg 2009). Still, domestic interests largely control the print media, and ANC-affiliated officials are represented on the boards and shareholder lists of most media companies, particularly AVUSA. (OSI 2010).

We have already discussed the print media’s often-adversarial relationship with the ANC government. Here, we validate our contention that these information sources are available to only a relatively small segment of the South African population, particularly among the ANC’s core voter base. Indeed, per Figures 3-5 and 3-6, we already know that newspapers are consumed by a significantly smaller percentage of South Africans than both types of broadcast media, and that such consumption (as well as the supply and diversity of newspapers) is substantially larger in more urban provinces than more rural provinces.

122 Among these, the readership of at least 50 newspapers and over 110 magazines were captured in annual surveys by the South African Advertising Research Foundations’ 2009 AMPS survey; further data from this survey will be discussed below (AMPS 2009).
Figures 4-2 and 4-3—which present data from the 2009 AMPS survey—make these findings even more explicit. Figure 4-2 compares the reach of newspapers to those of radio and television; the first panel is broken down spatially (i.e. ‘Metro’, ‘City’, ‘Village’, and ‘Rural’ areas), while the second is broken down socio-economically (i.e. Living Standard Measures 1-5 and 6-10). As we can see, not only is the reach of newspapers clearly the most limited in every category, but these gaps are widest in villages and rural areas and among the lower half of the socio-economic scale—in other words, in lower-information environments and among lower-information citizens. Unsurprisingly, then, newspapers are also far and away the least commonly accessed media among black South Africans (see Figure 4-3).
It is also important to note that—due largely to the absence of a government-run outlet—the newspaper market is relatively fragmented and diverse when compared with its broadcast counterparts. Figures 4-4 and 4-5 adapt Figures 4-2 and 4-3 to show the overall penetration of the three media sectors alongside the penetration of each sector’s most popular outlet: *The Daily Sun* tabloid; SABC radio, and SABC TV. While *The Daily Sun* is far and away the most widely read newspaper in the country (AMPS 2009), it is clearly no match for the SABC’s dominance over the broadcast sector. Moreover, among the groups where *The Daily Sun*’s audience is larger relative to the overall newspaper audience (i.e. blacks and/or the rural poor), so too is the SABC. In addition, overall readership among these groups is quite low.

**Figure 4-4: Media Penetration w/ Top Outlet**

**Spatial & Economic Groups**

![Graph showing media penetration by spatial & economic groups](image-url)

- **Metro**
- **City**
- **Village**
- **Rural**

**Media Penetration (%)**

- All NP
- Daily Sun
- All Radio
- SABC Radio
- TV
- SABC TV

**LSM 1-5**

**LSM 6-10**
Broadcast Media: Radio

While we have already touched on several relevant aspects of South Africa’s broadcast media, here we provide additional detail and analysis.

The radio sector features about 3 private commercial stations and nearly 100 community and short-wave stations surrounding the commanding position of the SABC, which runs 18 stations—including at least one in each of the country’s twelve official languages. The SABC is the only national broadcaster in South Africa; commercial stations are licensed for either regional or metropolitan coverage, with the former covering multiple urban areas within a province or region. Community radio stations—required to be not-for-profit and to serve a specific geographic or interest-based (i.e. religious) community—are granted local licenses, some of which cover relatively large rural areas.

Commercial radio ownership is rather tightly regulated. South Africa law prohibits foreign interests from owning more than 20 percent of a commercial radio station or any person from owning multiple commercial radio licenses. In addition, newspaper owners cannot have

\[\text{Figure 4-5: Media Penetration w/ Top Outlets}\
\text{Racial Groups}\]

\[\text{Table 4-3: Media Penetration (%)}\
\text{Racial Groups}\
\text{Black} \quad \text{Coloured} \quad \text{Indian} \quad \text{White}\
\text{All NP} \quad \text{Daily Sun} \quad \text{All Radio} \quad \text{SABC Radio} \quad \text{TV} \quad \text{SABC TV}\
\]

---

123 Six regional stations are former SABC entities privatized in 1996, while another three were licensed in 2007 to cover the areas around the ‘secondary cities’ of Polokwane (Limpopo), Rustenberg (North West), and Mbombela/Nelspruit (Mpumalanga). In 1997, eight metropolitan stations—four in Johannesburg, three in Cape Town, and one in Durban—were licensed as well. Two stations, both medium wave Afrikaans stations in Johannesburg and Cape Town, have subsequently shut down.

124 See mostly Sec 55 of the Electronic Communications Act.
financial control over any commercial radio station, or over 20 percent control of a station broadcasting in the same area the newspaper is printed. Within these bounds, there is still significant concentration in ownership, with Primedia, African Media Entertainment (AME), Kasigo Media, and Makana Investment Company standing out as particularly large players in the

Radio is the most accessible media in South Africa: 76.6 percent of households own a radio (StatsSA 2007), while 94.1 percent of South Africans report listening to radio at least once in a seven day period (AMPS 2009). Returning to Figures 4-2 and 4-3, it is clear that radio penetrates deeper (or equally as deep) as television or newspapers among all audience categories except LSM 6-10, where it comes in just below television. Indeed, radio stands out as the sector where penetration rates are (a) most consistent across diverse information environments, and (b) largest in otherwise media-poor categories, such as more rural areas and the LSM 1-5 group. Figure 4-2 shows only minimal differences in radio audience rates among its various categories, while Figure 3-5 shows us a (uniquely) negative relationship between radio audience rates and provincial urbanity, indicating that that radio audiences are relatively larger in more rural provinces than in more urban provinces. Notably, radio is the most accessed media source among Africans.

These trends make sense given radio’s low barriers to access: it is low cost (all radio is free-to-air, and radio sets are relatively cheap), listeners need not be literate, and broadcasts can be consumed en masse (unlike, for example, a physical newspaper). Just as importantly, radio’s breadth and accessibility in South Africa is driven in large part by the presence of the SABC. As the country’s sole national broadcaster mandated with broadcasting in every major language, the SABC’s stable of stations dominate the radio waves across a number of spatial, racial, and regional boundaries. In Figures 4-4 and 4-5, we group the nine primary SABC stations into one group and track its penetration against that of the overall radio sector. As we can see, among village dwelling, rural and poorer South Africans—as well as Africans as a group—SABC penetration rates are just about equal to overall radio penetration rates. By contrast, SABC radio claims significantly smaller (though still quite large) portions of audiences in information-rich cities, among richer South Africans, and among the non-African racial groups.

Adapting Figure 3-5 to include SABC penetration rates, Figure 4-6 helps us observe a similar result at the provincial level: the more rural the province, the smaller difference between the overall radio penetration rate and that for the SABC. What’s more, it is striking to note that the relationship between SABC audience size and provincial urbanity—represented by the dashed line in the first panel of the figure—is clearly negative. Obviously, the dominance of SABC radio is diluted by competition from the commercial outlets available in more urban areas.

Broadcast Media: Television

The SABC’s privileged position in the television sector is even more pronounced than that for radio. Of the country’s four national, free-to-air television stations, three—SABC 1, SABC 2, and SABC 3—are controlled by the state broadcaster; the fourth is the privately-owned

---

125 See Figure 3-5.
126 Following the convention of the AMPS survey.
127 Before moving on to our discussion of the television sector, it is worthwhile to note that—with the notable exception of Talk Radio 702 (accessible only in Cape Town and Johannesburg)—most commercial radio stations source their news through the SABC or the state-affiliated South African Press Agency (SAPA). Recently, the government created an even more explicitly state-run news agency, BuaNews.
eTV. As with SABC radio, SABC television stations (as a group) are required to broadcast in all eleven official languages; eTV broadcasts only in English but is required to reach at least 77 percent of all South Africans as part of its license. In addition, there are two subscription services available, one single-channel terrestrial station (M-Net) and one multi-channel satellite service (DSTV/Multi-Choice); both are owned by Naspers. M-Net does not produce its own news programs and is regularly watched by only 6.3 percent of South Africans (and only 1.9 percent of blacks). DSTV carries a number of foreign news stations and has a larger (but still relatively small) audience than M-Net: 15.2 percent of South Africa, including 9 percent of blacks (AMPS 2008).

While television lies between the radio and print sectors in terms of accessibility, it is far closer to the former than the latter: in 2007, 65.6 percent of households owned a television set (compared to 76.6 percent for radio sets), and the total television audience included 83.8 percent of South Africans (versus 94.1 percent for radio and 48.4 percent for newspapers) (StatsSA 2007; AMPS 2008). Like radio, television broadcasts are free, do not require literacy, and can be consumed en masse. As shown in Figure 4-2, television audiences are about the same size as radio audiences in urban and village settings (i.e. middle-to-high information environments) while trailing radio in rural (i.e. low-information) areas and among poorer South Africans. In the same vein, Figure 4-6 reveals a positive relationship between TV audience size and provincial urbanity alongside a slightly negative relationship for radio. Sensibly, then, the total television audience among Africans is slightly smaller than the total radio audience (see Figure 4-3).

As mentioned above, a major driver of television access in South Africa is the breadth of the SABC. The SABC TV commands the lion’s share of the television market all spatial, economic, and racial categories; among low and middling information environments, it is effectively the only game in town. To help demonstrate this fact, we record the audience size of the single most popular SABC station (SABC 1, 2, or 3) in each of our comparison groups and incorporate that data into the television sections of Figure 4-4 and 4-5. As we can see, the audiences for the most popular SABC station among our rural, poorer, and African groupings are effectively on par with those for television in general, while the equivalent audiences in the

---

128 eTV is owned by Sabido Investments, a major shareholder of which is the union investment company Saetwu Investment Holdings (see Chapter 3).
129 In 2007, four subscription services were granted licenses. By 2011, however, none had gone on air.
129 The station does carry a couple popular current events program, however. Interesting, M-Net originally broke the SABC’s monopoly on television broadcasting in 1986, under the apartheid regime.
131 Indeed, according to the SABC, more South Africans do not have access to a radio (5.4 million) than a television set (3.6 million).
metro, city, and richer groupings are about 75 percent of their sector-wide counterparts.\textsuperscript{132} We see similar trends in Figure 4-6: while audience sizes for SABC TV\textsuperscript{133} increase with provincial urbanity, so too does the gap between it and overall TV penetration.

\textit{Summary}

The preceding analysis describes a media environment marked by (1) a diverse and privately owned but relatively inaccessible print media; (2) a highly accessible radio sector dominated by the SABC, particularly in lower-information environments; and (3) a slightly less accessible television sector where SABC dominance is even broader than that for radio, but tails off in the country’s most information-rich settings. Given our theory’s predictions about the types of citizens targeted by a founding party’s economic propaganda—namely, Africans with middle-to-lower access to information—we should expect the government to exploit its control over the SABC to manipulate reporting on the economy and government corruption. While SABC TV appears to be the most theoretically appropriate medium for these manipulations,\textsuperscript{134} SABC radio outlets are attractive options as well. Either way, broadcast media are clearly a more attractive (and amenable) courier of the ANC’s distortions than print media.

As a result, we expect broadcast and print media to vary in their coverage of economic issues in South Africa. Specifically, we predict that SABC outlets will report more negatively (or less positively) on the economy than independent print outlets, especially in relatively “good times.” In addition, we expect that economic coverage by SABC TV may well be even more negative/less positive than coverage by SABC radio.

\textbf{Empirical Analysis of Media Manipulation in South Africa}

We test these expectations using data compiled by Media Tenor South Africa (MTSA), the South African branch of the global, German-based media analysis organization Media Tenor. MTSA’s methodology “combines qualitative and basic statistical methods” to (humanly) code news and editorial reports/articles according to over 700 defined criteria. Critically for our purposes, each report\textsuperscript{135} is assigned a “rating” based on the “bias or tendency contained in the presentation.” More specifically, MTSA codes for two types of tendencies: explicit, “evaluation” bias and implicit, “context” bias. Evaluation bias speaks to “terms of clearly positive or negative judgment,” such as the explicit endorsement or rejection of a government action; context bias captures trends in reporting (i.e. a slew of reports on “bad news” at the exclusion of “good news”).\textsuperscript{136} A more detailed summary of MTSA’s methodology is in the Appendix.

\textsuperscript{132} In clear contrast to SABC radio.
\textsuperscript{133} Represented by each province’s most popular SABC station
\textsuperscript{134} Recall from Chapter 2 that a founding party is best off targeting propaganda at supporters with middling levels of access to information. Whereas economic manipulations are less likely to have an effect on citizens with access to a broad range of information sources, those living in the most information-poor areas may be such poor observers of economic outcomes that the incumbent’s propaganda is superfluous (and thus wasteful).
\textsuperscript{135} Actually, each issue or protagonist within each report is coded, and the results are summarized on the report level.
\textsuperscript{136} Unfortunately, the available MTSA data presents only a single, summary rating for each report; it does not present the separate coding for evaluation and context bias.
Below, we evaluate MTSA data culled from tens of thousands of television and newspaper reports on the South African economy\(^\text{137}\) during the years 2002-2008 (for TV) and 2002-2006 (for newspapers). Unfortunately, no data for radio broadcasts was available. Nevertheless, given the findings of the previous section, we know that comparing TV and newspaper coverage of the economy is a particularly instructive test of our theory’s implications. In order to more effectively execute this comparison, we remove television reports from 2007 and 2008, limiting the TV sample to 2002-2006, the same years covered by the newspaper dataset. Fortunately, this time frame includes both “bad” economic times (2002-2003) and relatively “good” times (2004-2006), allowing us to check for predicted patterns in the nature and tone of economic reporting. For both television and newspapers, we isolate reports covering the South African economy by removing all reports coded as covering a foreign economy or the international economy. This leaves us with samples of nearly 20,500 television reports and 20,000 newspaper reports, covering the years 2002 to 2006. Table 4-1 breaks down both samples by media outlet.\(^\text{138}\)

<table>
<thead>
<tr>
<th>Television</th>
<th>Newspaper</th>
</tr>
</thead>
<tbody>
<tr>
<td>SABC Afrikaans</td>
<td>Beeld</td>
</tr>
<tr>
<td>SABC English</td>
<td>Business Day</td>
</tr>
<tr>
<td>SABC Sotho</td>
<td>The Citizen</td>
</tr>
<tr>
<td>SABC Zulu/Xhosa</td>
<td>The Sowetan</td>
</tr>
<tr>
<td>eTV</td>
<td>The Star</td>
</tr>
</tbody>
</table>

\(N\) (Television) = 20,469; \(N\) (Newspapers) = 19,776

Source: MediaTenorSA

Before proceeding with our analysis of the MTSA data, it is important to recall that our theory’s predictions in many ways oppose the conventional wisdom on an incumbent’s use of economic propaganda. As explained above, both a raft of literature and popular perceptions hold that governments will try gain political traction with voters by putting a more positive spin on economic news, using its influence over any state-controlled media (like the SABC) to do so. By the same token, more adversarial media outlets (such many of South Africa’s most prominent newspapers) may downplay or distort good economic news in order to turn voters against the incumbent. As a result, we may well expect newspaper coverage of economic issues to be more negative than television coverage, the precise opposite outcome as that predicted by our theory. Obviously, our analysis speaks to a different set of dynamics and expectations. And, unfortunately, we do not have any way of isolating the ultimate drivers of variation in coverage: our one candidate—the MTSA’s distinction between evaluation bias and context bias\(^\text{139}\)—is not included in the available datasets, which include only a single, summary rating for each report. Our best bet is to keep this alternative logic in mind when evaluating our findings. Indeed, because it predicts outcomes directly at odds with those implied by our theory, any evidence that validates the theory can actually be treated with extra weight.

\(^{137}\) This includes all reports coded as covering “The Economy” (as opposed to “Politics,” “Sports,” etc)

\(^{138}\) Note that MTSA classifies SABC TV reports according to language, not the SABC channel on which the report was aired. This is an extremely helpful classification scheme for our analysis, as demonstrated below.

\(^{139}\) Evaluation bias could indicate the partisan effects expected by most of the literature, while context bias could indicate the effects anticipated by our theory.
## General Findings

Table 4-2 breaks down the newspaper and TV samples by MTSA’s three ratings categories: positive, neutral, and negative. As mentioned above, a “positive” (“negative”) rating indicates an explicitly positive (negative) judgment embedded in the report; some more implicit positive (negative) bias in the tone or context of the report; or a combination of both. Reports without a positive or negative rating—the vast majority, per Table 4-2—are coded as “neutral.” As we can see, both television and newspaper reports are more positive than negative, while the television sample is more neutral than that for newspapers.

### Table 4-2: Overall Ratings of News Items

<table>
<thead>
<tr>
<th></th>
<th>Positive</th>
<th>Neutral</th>
<th>Negative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Television</td>
<td>2298 (11%)</td>
<td>17031 (83%)</td>
<td>2298 (6%)</td>
</tr>
<tr>
<td>Newspapers</td>
<td>3285 (17%)</td>
<td>14330 (72%)</td>
<td>2161 (11%)</td>
</tr>
</tbody>
</table>

* Source: MediaTenorSA

### Table 4-3: Effects on Various Economic Indicators on Ratings

*Ordered Logistic Regressions, DV = News Item Rating (Positive =1, Neutral = 0, Negative = -1)*

<table>
<thead>
<tr>
<th></th>
<th>TV 1</th>
<th>TV 2</th>
<th>TV 3</th>
<th>TV 4</th>
<th>NEWSPAPERS 1</th>
<th>NEWSPAPERS 2</th>
<th>NEWSPAPERS 3</th>
<th>NEWSPAPERS 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDPYr</td>
<td>-0.376***</td>
<td>(.019)</td>
<td></td>
<td></td>
<td>-0.099***</td>
<td>(.017)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDPQt</td>
<td></td>
<td></td>
<td>-0.189***</td>
<td>(.013)</td>
<td></td>
<td>-0.049***</td>
<td>(.011)</td>
<td></td>
</tr>
<tr>
<td>UE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.232***</td>
<td>(.010)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budget Deficit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.021***</td>
<td>(.001)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residual Deviance</td>
<td>22510.11</td>
<td>22688.92</td>
<td>22372.48</td>
<td>22609.37</td>
<td>30559.33</td>
<td>30575.01</td>
<td>30525.66</td>
<td>30590.04</td>
</tr>
</tbody>
</table>

* N (Television) = 20,469; N (Newspapers) = 19,776

Source: MediaTenorSA, MediaTenorSA (DV); StatsSA (IVs)

Table 4-3 shows results from bivariate regressions of a number of general economic indicators on an ordinal rating variable (‘positive’, ‘neutral’, or ‘negative’) for both samples. Here, we see evidence that television media downplays the state of the South African economy—and that it does so more than newspapers. Among television reports on the economy, the negative coefficients on annual GDP growth and quarterly GDP growth—indicating that reports are likely to be less positive/more negative when growth is more robust—are significantly larger than those generated for newspaper reports. Likewise, the positive co-

---

140 All indicators are sourced from Statistics South Africa (StatsSA) publications. Both annual and quarterly GDP was collected from P0441 – Gross Domestic Product (GDP), the former from the 3rd quarter report of the following year and the latter from each quarterly report. Unemployment was collected from P0210 – Labour Force Survey (LFS), published in March and September of each year (the March report for year X was used for Q1 of year X and Q4 of year X-1; the September report for year X was used for Q2 and Q3 of year X). Budget deficit data was collected from annual budgets published by the National Treasury of South Africa (http://www.treasury.gov.za/documents/national%20budget/default.aspx). The deficit for year X was taken from the budget statement for year X+1.

141 Below, we use “less positive” and “more negative” interchangeably.

142 Relatedly, while all ‘GDP’ coefficients are significant at the p < 0.01 level, note that the television coefficients have much larger t-values.
efficient on the ‘Unemployment’ variable, which indicates more positive (more negative) coverage during periods of higher (lower) unemployment, is larger and more statistically significant for television than for newspapers. Even less ambiguously, ‘Budget Deficit’ variable coefficients show different signs for the two samples. Among newspaper reports, the smaller the deficit, the more likely coverage of the economy will be more positive—an altogether sensible result. However, the opposite is true for television: here, the smaller the deficit, the less positive is coverage of the economy. What’s more, the theory-supporting coefficient from the television sample is larger (though relatively small) and more statistically significant than that for newspapers.

In Figure 4-7, we provide a graphical look at some of the evidence presented in Table 4-3. The top panel plots annual GDP growth against annual average ratings for television and newspaper reports on the economy, culled from the 2002-2006 samples referenced above. Between 2002 and 2005, we see a consistently negative (or, more accurately, less positive) trend in media reports on the economy, despite relatively high growth years in 2004 and 2005. While both television and newspaper ratings track annual GDP growth downwards during the “bad times” 2002-2003 periods, neither adjusts upward during subsequent “good times.” Notably, television features a lower average rating than newspapers for every year in the graph, with the difference becoming particularly stark in the peak growth year of 2006 (when the newspaper average actually increases). Again, given the conventional understanding of South Africa’s print media as generally adversarial toward the ANC and the government, we not be surprised that the average rating for newspaper coverage runs counter to trends in GDP growth rates. What is striking, however, is that television coverage—dominated by the state-run SABC—is even more negative on average than newspapers, and that this trend accelerates during the highest growth period in the graph.

The bottom panel of Figure 4-7 presents a more fine-grained look at these same trends by plotting quarterly GDP growth rates against quarterly average ratings for television and newspaper reports. In this case, newspaper reports are on average less positive than television reports, though the gap between them is (a) largest during the lowest-growth quarters covered in the figure; and (b) smallest during the highest-growth quarters. In fact, it is during the particularly high-growth quarters in 2005 and 2006 that the television quarterly averages drop below those for newspapers, reflecting our theory’s expectation that government manipulation in state-run media will be most likely (and most clear) during relatively “good times” in order to better justify “low-ball” offers to its supporters.
Table 4-4: Television Coverage of ‘The Economy’ By Topic (2002-2008)

<table>
<thead>
<tr>
<th>Topic</th>
<th>Positive</th>
<th>Neutral</th>
<th>Negative</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Situation</td>
<td>1309 (16%)</td>
<td>5738 (71%)</td>
<td>980 (12%)</td>
<td>8027</td>
</tr>
<tr>
<td>Markets and Commodities</td>
<td>1322 (8%)</td>
<td>20056 (86%)</td>
<td>1322 (6%)</td>
<td>23,222</td>
</tr>
<tr>
<td>Budgets and Budget Policies</td>
<td>176 (15%)</td>
<td>514 (63%)</td>
<td>176 (22%)</td>
<td>815</td>
</tr>
<tr>
<td>Economic Policy</td>
<td>68 (21%)</td>
<td>805 (73%)</td>
<td>68 (6%)</td>
<td>1,103</td>
</tr>
<tr>
<td>International Trade and Finance</td>
<td>10 (29%)</td>
<td>777 (63%)</td>
<td>10 (8%)</td>
<td>123</td>
</tr>
</tbody>
</table>

N = 33,390
Source: MediaTenorSA

Table 4-4 breaks down the television sector’s coverage of the South African economy into topics, as assigned by MTSA. Because MTSA does not also categorize its newspaper data by topic, we exclude the newspaper sample and include the full seven years of television reports at our disposal. Recall that our theory is concerned with citizens’ observations of both the state of the economy in general and the size of the government’s budget in particular. In that context, it is interesting (and validating) to note that among all the topics in Table 4-4, coverage of ‘Budgets and Budget Policy’ is far and away the most negative (22%), followed by coverage of the ‘Economic Situation’ in general (12%). Unsurprisingly, the most common news reports on the economy are those focused on ‘Markets and Commodities,’ including updates on the value of the rand and the country’s chief mineral exports, as well as the Johannesburg Stock Exchange.

Figure 4-7: TV & Newspaper Ratings vs. GDP Growth

- **Average Rating**
  - Yearly: 0.00 to 0.20
  - Quarterly: 0.00 to 0.20

- **GDP Growth**
  - Yearly (y/y): 2002 to 2008
  - Quarterly (q/q): 2002 to 2008
(JSE). And, just as expectedly, this type of inherently objective reporting is also the most ‘neutral’ in tone.\(^{143}\)

Figure 4-8 exploits these topics to take a deeper look at the relationship between specific economic indicators and relevant samples of television reports, all of which lend credence to our theory’s predictions. The top panel, for example, plots South Africa’s annual budget deficit (grey dotted line) against the average annual rating for television reports covering the ‘budget and budget policy’ (black line). As we can see, as the budget deficit decreases significantly during “good times”, the tone of television coverage of budget issues actually becomes more negative, leveling off in 2006 and then increasing slightly in 2007 (when South Africa enjoyed a budget surplus). The middle panel repeats this exercise for the ‘markets and commodities’ sample, using the main JSE index to proxy the state of the markets in South Africa. Once again, while markedly less positive/more negative reporting mirrors downward movements in the JSE Index during “bad times”, negative or horizontal shifts in the average rating match upward movements in the index. Finally, the bottom panel isolates television reports on South Africa’s general ‘economic situation’ and plots annual ratings averages against the annual GDP growth measure used above. This panel provides a useful summary of the theory’s expectations: while the ratings appear to accurately reflect “bad times” with more negative ratings, comparatively “good times” see the average rating run against this trend, becoming less and less positive the higher is annual GDP growth.

**Outlet Effects**

Table 4-5 brings the newspaper sample back into the analysis\(^ {144}\) to explore (and compare) relationships between specific media outlets and the tone of their coverage of the economy. Given the discussion and evidence presented above, we have several reasons to do so. First, among the television outlets in the sample, we know that one—eTV—is privately-owned, while all the others are different-language versions of the SABC. Thus, not only does our theory expect a more negative tone (especially in “good times”) among SABC stations, but it also anticipates that this outcome will be more likely among the African language broadcasts (Zulu/Xhosa and Sotho) as opposed to the European language broadcasts (English and Afrikaans). The former are more likely to be consumed by the kinds of ANC supporters—African language speakers with access to television, i.e. citizens living in middling information environments—who are predicted to be the primary targets of economic propaganda. Among the set of privately owned newspaper outlets, our theory does not have clear expectations. However, given the diverse ownership and target audiences of the publications in the sample,\(^ {145}\) it will be instructive nonetheless to explore for significant differences in the tone of coverage.

---

\(^{143}\) Of course, a ‘neutral’ report indicates nothing about the accuracy of the reporting.

\(^{144}\) As a result, we limit the television sample once again to the years 2002 to 2006.

\(^{145}\) The sample includes newspaper reports from: *Business Day*, South Africa’s leading business daily owned by Avusa; *The Citizen*, a Gauteng-based, English language tabloid owned by CTP/Caxton with a core readership among black middle class men; *The Sowetan*, is an English-language daily newspaper owned by AVUSA, aimed at the black lower and middle classes and generally sympathetic to the ANC; *The Star* is a Gauteng-based daily owned by Independent News & Media; *Beeld* is an Afrikaans-language daily with a largely Afrikaans and Coloured readership, owned by Naspers.
The table presents results from a series of ordered logistic regressions. As in Table 4-3, the dependant variable is MTSA’s ordinal system of ‘positive’, ‘neutral’, and ‘negative’ ratings. In all models, we carry over the quarterly GDP growth variable from Table 4-3 as both a control and interactive term for the state of the economy.\textsuperscript{146} Model 1 simply repeats the bivariate regression of quarterly GDP to establish a baseline. In Model 2, we include dummy variables for each outlet included in the television and newspaper samples, respectively, while Model 3 interacts those dummies with quarterly GDP. For the television sample, eTV—the county’s only

\textsuperscript{146} Quarterly GDP growth is the most timely and dynamic of our indicators of the state of the South African economy; it is also the most frequently recorded and announced.
privately-owned free-to-air television station—is the excluded dummy variable. For newspapers, the excluded dummy is that for *Business Day*, South Africa’s leading business daily.

Because interpreting ordinal logistic regressions directly is notoriously difficult (Angrist & Pischke 2009), below we plot out and discuss predicted probabilities derived from the models. For now, we point out a few superficial elements of the analysis. First, note that—as with Model 1 and Table 4-3—the negative quarterly GDP coefficients in Models 2 and 3 for television are much larger and, in the case of Model 3, much more statistically significant than those for newspapers. What’s more, while adding the outlet dummies and the interactive terms into the model increases the size and significance of the negative coefficient on GDP for television, the opposite occurs for newspapers. Thus, after controlling for outlet type and any interactive effects between those outlets and the state of the economy, we can surmise that television reports are likely to be more negative than newspaper reports the higher is quarterly GDP growth. This reinforces the core finding presented above.

Second, note that, as a group, the tone of SABC reports on the economy are less likely to be positive than private eTV reports (controlling for quarterly GDP), while reports in *The Star*, *Beeld*, and especially *The Sowetan* are more likely to be positive than those in *Business Day*, South Africa’s business newspaper of record. With the addition of the interactive terms in Model 3, the comparative negativity of the SABC TV reports becomes even more apparent. Finally, note that while the European-language SABC broadcasts exhibit statistically significant positive interactions with quarterly GDP growth rates, the African-language broadcasts do not, in line with our theory’s expectation that more negative reporting is more likely to be targeted at African citizens.

Figure 4-9 presents six plots of predicted probabilities based on Model 3; the x-axis in each tracks quarterly GDP growth rates for the years 2002 to 2006. The first two panels show the predicted probabilities of positive and negative ratings for TV versus newspapers, providing a rather straightforward summary of our theory’s expectations. Clearly, the higher is quarterly GDP growth, the less likely it is that television reports on the economy will have a positive tone and the more likely it is that such reports will have a negative tone. Moreover, we see that both these trends (a) become steeper as quarterly growth crosses clearly into relatively “good times” territory; and (b) are significantly more pronounced among television than newspaper reports. In the first panel, the probability of a positive rating at the low end of the quarterly growth range (i.e. 1%) is about the same for newspapers and for television. However, for every percent increase in quarterly GDP growth the probability of a positive report drops by 11.4 percent for television and only 3.3 percent for newspapers, with television always less likely to report positively than newspapers. In the second panel, we see that newspaper reports of the economy are predicted to be consistently more negative than those for television. Still, as quarterly growth rates increase, the probability of a negative newspaper report increases by (a total) of only two percent, while the probability of a negative television report increases by five percent.

---

147 We already discovered that newspaper coverage is generally less neutral than television coverage, so the fact that newspapers are predicted to be both more negative and more positive than television is not very surprising.
### Table 4-5: Effects of Quarterly Growth and Media Outlet on Ratings

*Ordered Logistic Regressions, DV = News Item Rating (Positive = 1, Neutral = 0, Negative = -1)*

<table>
<thead>
<tr>
<th>Model</th>
<th>TV</th>
<th>NEWSPAPERS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>GDPRqt (% qt./qt.)</td>
<td>-0.189***</td>
<td>-0.191***</td>
</tr>
<tr>
<td></td>
<td>(.013)</td>
<td>(.013)</td>
</tr>
<tr>
<td>SABC</td>
<td>-0.101</td>
<td>-0.527***</td>
</tr>
<tr>
<td></td>
<td>(.059)</td>
<td>(.161)</td>
</tr>
<tr>
<td>English</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SABC</td>
<td>-0.110</td>
<td>-0.395**</td>
</tr>
<tr>
<td></td>
<td>(.059)</td>
<td>(.159)</td>
</tr>
<tr>
<td>Zulu/Xhosa</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SABC</td>
<td>-0.085</td>
<td>-0.372*</td>
</tr>
<tr>
<td></td>
<td>(.061)</td>
<td>(.163)</td>
</tr>
<tr>
<td>Sotho</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SABC</td>
<td>-0.113</td>
<td>-0.539***</td>
</tr>
<tr>
<td></td>
<td>(.059)</td>
<td>(.160)</td>
</tr>
<tr>
<td>Afrikaans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SABC Eng*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDPRqt</td>
<td>0.117**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(.041)</td>
<td></td>
</tr>
<tr>
<td>SABC Z/X*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDPRqt</td>
<td>0.078</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(.041)</td>
<td></td>
</tr>
<tr>
<td>SABC Sotho*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDPRqt</td>
<td>0.078</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(.042)</td>
<td></td>
</tr>
<tr>
<td>SABC Afrik*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDPRqt</td>
<td>0.118**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(.041)</td>
<td></td>
</tr>
<tr>
<td>The Citizen</td>
<td>-0.16</td>
<td>0.217</td>
</tr>
<tr>
<td></td>
<td>(.043)</td>
<td>(.128)</td>
</tr>
<tr>
<td>Sowetan</td>
<td>0.301***</td>
<td>0.634***</td>
</tr>
<tr>
<td></td>
<td>(.059)</td>
<td>(.162)</td>
</tr>
<tr>
<td>The Star</td>
<td>0.053</td>
<td>0.103</td>
</tr>
<tr>
<td></td>
<td>(.047)</td>
<td>(.119)</td>
</tr>
<tr>
<td>Beeld</td>
<td>0.067</td>
<td>0.225</td>
</tr>
<tr>
<td></td>
<td>(.049)</td>
<td>(.126)</td>
</tr>
<tr>
<td>Citizen*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDPRqt</td>
<td>-0.063</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(.032)</td>
<td></td>
</tr>
<tr>
<td>Sowetan*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDPRqt</td>
<td>-0.094*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(.043)</td>
<td></td>
</tr>
<tr>
<td>Star*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDPRqt</td>
<td>-0.009</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(.033)</td>
<td></td>
</tr>
<tr>
<td>Beeld*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDPRqt</td>
<td>-0.044</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(.034)</td>
<td></td>
</tr>
</tbody>
</table>

Residual Deviance: 22688.92, 22683.96, 22673.53, 30575.01, 30545.82, 30538.19

N (Television) = 20,469; N (Newspapers) = 19,776

Standard errors in parentheses. ***p<0.01, **p<0.05, *p<0.10, one-tailed tests

Source: MediaTenorSA; StatsSA

In panels three through six, we call out specific outlets to sharpen the analysis. Panels three and four present predicted probabilities for *The Sowetan*, the most clearly ANC-aligned newspaper in the sample, and for *Business Day*, South Africa’s economic newspaper of record; recall that *The Sowetan* exhibited the most statistically significant differences with the excluded *Business Day* in Model 3. Note that while *The Sowetan* is clearly less neutral than TV, the ANC-aligned publication’s reports on the economy show nearly the same relationships with GDP growth as the SABC-dominated TV broadcasts: as the quarterly growth rate increases, the probability of a positive report sharply decreases and the probability of a negative report sharply
increases. These trends stand in clear contrast to those for *Business Day*, for which predicted probabilities exhibit almost no relationships with quarterly GDP growth, indicating a far more consistent tenor in reporting across different states of the economy.

Noting the similar results for the two African-language and the two European-language SABC dummies in Model 3, we take one of each—SABC English and SABC Zulu/Xhosa—and compare their predicted probabilities in panels five and six. While the lower GDP growth rates predict more positive coverage by SABC Zulu/Xhosa TV than SABC English TV, this comparison reverses at higher growth rates, mirroring the theory’s expectation that the government is more likely to target negative manipulations at African-language outlets in “good times.” Likewise, SABC Zulu/Xhosa is less likely than SABC English to report negatively at lower levels of quarterly GDP growth. At higher levels of GDP, however, the African-language broadcasts are more likely to be negative than their English language counterparts.

**Summary**

This chapter has presented a wide range of evidence confirming our theory’s predictions about the ANC’s use of economic propaganda to maintain founding party dominance. Mirroring our expectation that a founding party will downplay the state of the economy (especially in “good times”) to justify the low provision of goods and services, we showed how the government consistently under-reports rates of quarterly GDP growth in South Africa, with the largest gaps between current and ex-post estimates occurring around elections. In addition to this ‘direct manipulation,’ we go on to explored ANC efforts to impact citizens’ economic observations by way of ‘media manipulation,’ i.e. by influencing the nature and tone of economic reporting. After discussing the ANC’s steady and increasing encroachments on media independence, we demonstrated how the South Africa’s media environment—which combines largely independent, privately owned but relatively inaccessible print media with a broadcast sector dominated by the widely accessible and state-owned SABC—drives the ANC to deploy economic manipulations via SABC outlets, with a particular emphasis on television and African language broadcasts.

We spent the remainder of the chapter analyzing and comparing economic reporting in South Africa’s television and newspaper sectors, employing media content data compiled by MediaTenor SA. We demonstrated that television outlets downplay the state of the South African economy in their coverage; that they do so more than newspapers; and that this trend is significantly stronger in “good” times than in “bad” times. We also showed how TV outlets cover topics related to government budgets and the general state of the economy more negatively than those concerning financial and commodity markets, and that “good times” coverage in African languages by the SABC are less likely to be positive in tone than SABC reports in European languages. Finally, we pointed out that a newspaper outlet widely regarded as pro-government is less likely to report positively during “good times” than more neutral publications.

---

148 Both of which have larger audiences than SABC Afrikaans or SABC Sotho (OSISA 2009)
Figure 4-9: Predicted Probabilities of MTSA Ratings

Predicted Probabilities of Positive Rating:
TV vs Newspaper

Predicted Probabilities of Negative Rating:
TV vs Newspaper

Predicted Probabilities of Positive Rating:
Business Day vs. Sowetan

Predicted Probabilities of Negative Rating:
Business Day vs. Sowetan

Predicted Probabilities of Positive Rating:
SABC English vs. SABC Zulu/Xhosa

Predicted Probabilities of Negative Rating:
SABC English vs. SABC Zulu/Xhosa
Chapter 5: Economic Observations and Political Outcomes

Throughout the preceding chapters, we have assumed that South Africans vary in their abilities to accurately observe the state of the economy, official corruption, and by extension, the size of the ANC government’s budget. More specifically, we have implied that citizens living in information-poor environments observe these economic outcomes with less accuracy (i.e. with more “noise”) than citizens in comparatively information-rich environments. Indeed, this conjecture is the first observable implication of our theory of founding party dominance, and one that undergirds much of the empirical evidence regarding the ANC’s strategic allocation of state resources and economic propaganda among citizens in its coalition.

In this chapter, we use the Afrobarometer’s series of public opinion surveys in South Africa to validate our assumptions and expectations about South Africans’ observations of the economy and government corruption. Controlling for their personal economic conditions, we find that respondents with less access to information—rural citizens, those that access the media less frequently, and those with less education—are less accurate about the state of the economy than their higher-information counterparts: in “good times,” they believe the economy is worse, and in “bad times,” they believe the economy is better. Likewise, we demonstrate that, in “good times,” more information-rich respondents believe the government is more corrupt than information-poor respondents, variation that effectively disappears in “bad times.” We get very similar results when controlling for respondents’ “trust” of the ANC, which has a consistently positive effect on evaluations of the economy and a consistently negative effect on evaluations of government corruption.

Later in the chapter, we explore how citizens’ economic observations relate to (a) their beliefs about the ANC; and (b) inter-provincial variation in electoral support for the party. More specifically, we examine the gap between citizens’ evaluation of the national economy and their personal living conditions, and analyze this measure in relation to our proxies for ANC beliefs and ANC vote counts. While some of the evidence supports our theory—namely, that smaller gaps in citizens’ respective economic evaluations are associated with more support for the ANC—overall the results are mixed.

Economic Evaluations in Good Times and Bad

To explore variation in economic observations among citizens in the ANC’s dominant coalition, we employ the series of Afrobarometer (AB) public opinion surveys introduced in Chapter 3. Seeking to mirror our theoretical and empirical distinction between “good” economic times and “bad times,” we focus on the AB surveys from 2002 and 2006. Per Figure 3-3, we see that the 2002 survey (conducted in September and October) represents a period of low and declining economic growth, while the 2006 survey (conducted in February) represents a period of high and increasing economic growth. As above, we focus on the ANC’s main constituency (and control for race) by limiting the AB respondents from both surveys to Africans only.149

---

149 Recall that AB does not collect data from the same set of respondents in each survey year. However, do they use the same respondent selection method in each survey.
Table 5-1: Observations of the State of the Economy
Ordered Logistic Regressions, DV = Evaluation of Current Economic Conditions in South Africa*

<table>
<thead>
<tr>
<th></th>
<th>AB 2006</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Model</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Rural</td>
<td>-0.271*** (0.088)</td>
<td>-0.126^ (0.091)</td>
<td>-0.142^ (0.094)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Media Index</td>
<td>0.164*** (0.045)</td>
<td>0.156*** (0.045)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level of Education</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Living Conditions**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Very Good</td>
<td>4.18*** (1.165)</td>
<td>4.08*** (1.165)</td>
<td>4.15*** (1.165)</td>
<td>4.11*** (1.169)</td>
<td>4.03*** (1.171)</td>
<td>4.08*** (1.169)</td>
<td></td>
</tr>
<tr>
<td>Good</td>
<td>0.433*** (0.135)</td>
<td>0.466*** (0.135)</td>
<td>0.434** (0.135)</td>
<td>0.484*** (0.138)</td>
<td>0.521*** (0.139)</td>
<td>0.479*** (0.138)</td>
<td></td>
</tr>
<tr>
<td>Neutral</td>
<td>0.714*** (0.104)</td>
<td>0.713*** (0.104)</td>
<td>0.713*** (0.104)</td>
<td>0.671*** (0.106)</td>
<td>0.673*** (0.106)</td>
<td>0.671*** (0.106)</td>
<td></td>
</tr>
<tr>
<td>Bad</td>
<td>-0.043 (0.093)</td>
<td>-0.050 (0.093)</td>
<td>-0.030 (0.093)</td>
<td>-0.014 (0.095)</td>
<td>-0.021 (0.095)</td>
<td>-0.002 (0.095)</td>
<td></td>
</tr>
<tr>
<td>ANC Trust**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A Little</td>
<td>0.644*** (0.119)</td>
<td>0.628*** (0.119)</td>
<td>0.641*** (0.119)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Somewhat</td>
<td>-0.276** (1.08)</td>
<td>-0.268** (1.08)</td>
<td>-0.258** (1.08)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A Lot</td>
<td>0.086 (0.096)</td>
<td>0.094 (0.097)</td>
<td>0.097 (0.097)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>AB 2002</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>0.257*** (0.091)</td>
<td>0.275** (0.097)</td>
<td>0.294** (0.100)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Media Index</td>
<td>-0.144** (0.048)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level of Education</td>
<td></td>
<td>-0.041^ (0.028)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Living Conditions**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Very Good</td>
<td>3.95*** (0.184)</td>
<td>3.99*** (0.165)</td>
<td>3.96*** (0.184)</td>
<td>3.99*** (0.192)</td>
<td>4.05*** (0.193)</td>
<td>4.01*** (0.192)</td>
<td></td>
</tr>
<tr>
<td>Good</td>
<td>0.279* (0.135)</td>
<td>0.260^ (0.156)</td>
<td>0.268* (0.156)</td>
<td>0.308* (0.162)</td>
<td>0.290* (0.163)</td>
<td>0.300* (0.162)</td>
<td></td>
</tr>
<tr>
<td>Neutral</td>
<td>0.338** (0.111)</td>
<td>0.328* (0.111)</td>
<td>0.355** (0.111)</td>
<td>0.368*** (0.115)</td>
<td>0.359*** (0.116)</td>
<td>0.386*** (0.115)</td>
<td></td>
</tr>
<tr>
<td>Bad</td>
<td>-0.105 (0.112)</td>
<td>-0.128 (0.112)</td>
<td>-0.120 (0.112)</td>
<td>-0.109 (0.115)</td>
<td>-0.138 (0.115)</td>
<td>-0.128 (0.114)</td>
<td></td>
</tr>
<tr>
<td>ANC Trust**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A Little</td>
<td>0.439*** (0.124)</td>
<td>0.432*** (0.124)</td>
<td>0.427*** (0.125)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Somewhat</td>
<td>0.089 (0.109)</td>
<td>0.087 (0.109)</td>
<td>0.063 (0.109)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*'Very Good', 'Good', 'Neutral', 'Bad', 'Very Bad'
**Excluded: Living Conditions (Very Bad), ANC Trust (None)
Standard errors in parentheses. ***p<0.001, **p<0.01, *p<0.05, ^p<.10, one-tailed tests
N = 1,804 (2006), 1,605 (2002)
Table 5-1 presents a series of logistic regressions on an ordinal dependent variable derived from the first question in the AB surveys: “In general, how would you describe the present economic conditions of this country [South Africa]?” Respondents could answer with ‘Very good,’ ‘Good,’ ‘Neither good nor bad,’ ‘Bad,’ or ‘Very bad.’ We include all five options in the variable and code ‘Very bad’ as 1 and ‘Very good’ as 5, such that a positive coefficient on the independent variables indicates a more positive evaluation of the economy and a negative coefficient indicates a more negative evaluation. We test the same models for the 2002 survey as we do for the 2006 survey; the questions we use to derive the variables are identically worded in both surveys, and their order in the survey differs slightly.

Model 1 is a simple bivariate regression, using a Rural dummy as the independent variable. As in previous chapter, we use the urban-rural category as our most general proxy for a citizen’s information environment, and we include Model 1 to establish a baseline for the rest of the analysis. The coefficients on the Rural dummy are precisely those expected by our theory: in “good times,” rural respondents evaluate the economy more negatively than urban respondents, while in “bad times,” they have more positive evaluations. Notably, the size and the significance of these effects are nearly the same in both versions of Model 1.

In Model 2, we keep with the rural dummy but include a control for respondents’ personal economic conditions, which we speculate has a positive effect on evaluations of the economy in general. We use the AB question “In general, how would you describe your own present living conditions?”, which is asked directly after the question about country-wide conditions and shares the same response options. Like the dependent variable, we treat this variable as ordinal and code the five responses from 1 to 5, with ‘Very bad’ as 1 and ‘Very good’ as 5 (‘Very bad’ is excluded in Table 5-1). As we can see, in “good times” adding the ‘living conditions’ control reduces the size and significance of the Rural dummy’s negative coefficient. This tells us that at least part of the urban-rural economic evaluation gap is driven by a corresponding gap in respondents’ personal conditions; in short, rural respondents evaluate both their personal economic condition and that of the economy in general more negatively than urban respondents (see Table 5-3). In “bad times,” however, adding the ‘living conditions’ control actually increases the size of the positive coefficient on the rural dummy. Thus, even when controlling for urban respondents’ better (self-evaluated) personal living conditions, rural respondents evaluate a “bad times” economy more positively (i.e. less ‘accurately’).

In Model 3 and 4 we swap out the rural dummy for two other proxies for respondents’ access to information: first, an index capturing how frequently respondents claim to listen, watch, or read the news; and second, their (self-reported) level of education. In general, we

---

150 They could also answer ‘Don’t know’ or refuse to answer.

151 The question about trust about the ANC is a bit earlier in the 2002 survey than it is in the 2006 survey.

152 The AB surveys do not ask respondents to report their income. However, in addition to the ‘personal living conditions’ question, it does ask about levels of access to a number of basic goods and services, including food, water, medicine, fuel, a cash income, and electricity. In order to check the robustness of my findings, I constructed a ‘class index’ from respondents’ answers to these questions and ran each model in Table 5-1 using this index instead of the ‘living conditions’ variable. The results were nearly identical, and given the proximity and shared response options between the ‘living conditions’ question and our dependent variable, I chose to use ‘living conditions’ in the presentation of our data.

153 We construct the ‘Media Index’ variable by averaging respondents’ answers to three (consecutive) ABSA questions asking, “How often do you get news . . . ” from radio, television, and newspapers, respectively. Respondents could answer each questions with ‘Never,’ ‘Less than once a month,’ ‘A few times a month,’ ‘A few times a week,’ or ‘Every day’. They could also refuse to answer. Given our findings we Chapter 4, we tested a
anticipate that the more a respondent accesses the news, the richer her information environment (see footnote 5 for a discussion of the Media Index in light of our findings in Chapter 4); likewise, the more educated she is, the greater her access to information. Controlling for respondents’ living conditions, we find that more frequent media consumption is related to more positive economic evaluations in “good times” and more negative evaluations in “bad times,” with the size of each effect about equal. Similarly, we find that the higher a respondent’s reported level of education in “good times,” the substantially more positive her evaluation of the economy; while the opposite is true in “bad times,” the size and significance of this ‘education effect’ is much smaller than its “good times” equivalent. Clearly, these results help validate our theoretical expectations about the relationship between a citizen’s access to information and the ‘accuracy’ of her economic observations.

Model 5 through 7 add another control variable to our analysis: respondents’ “trust” of the ANC, data we already explored in depth in Chapter 3. The AB question about ANC trust is our best proxy for partisanship, which a substantial literature argues has a substantial effect on citizens’ evaluations of the economy. Notably—and as also discussed in Chapter 3—this literature suggests that, due to their respective perceptual biases, pro-incumbent partisans will evaluate the economy more positively than anti-incumbent partisans (Popkin 1991; Bartels 2002, 2002; Evans & Andersen 2006). At the same time, our theory suggests that pro-ANC partisanship—by way economic propaganda—may have the opposite effect, especially in “good times.” In this case, we predict that citizens with more favorable beliefs about the ANC are more likely to be targeted with (negative) economic manipulations than their less partisan counterparts.

To examine the effects of our information proxies and partisanship on economic evaluations, we use Models 5 through 7 to plot out the predicted probabilities presented in Figures 5-1 through 5-6. For ease of exposition, we collapse each of our ordinal variables. Figures 5-1 and 5-2 reflect Model 5, which brings back the rural dummy into the analysis; while Figure 5-1 predicts the probability of economic evaluations in “good times” (i.e. the AB 2006 survey), Figure 5-2 predicts evaluations in “bad times” (the 2002 survey). In “good times,” we see that rural respondents are slightly more likely to evaluate the economy as ‘Bad,’ while urban respondents are slightly more likely to evaluate the economy as ‘Good.’ We can also see that, among both groups, trust matters: higher trust of the ruling party significantly reduces the probability of a bad evaluation and significantly increases the probability of a good evaluation, a result in line with the conventional wisdom on partisanship and economic evaluations. Per Figure 5-2, in “bad times” rural respondents clearly less ‘accurate’ than urban citizens: they are

number of models replacing the Media Index with variables (1) derived each of the source-specific questions; and (2) constructed to capture differences between consumption of broadcast versus print media. None of these tests produced results that differed significantly from those presented in Table 5-1 (or Table 5-2, which also uses the Media Index). For all models with the source-specific questions (i.e. frequency of news from radio, TV, and newspapers respectively), the coefficients all closely mirrored those for the larger Media Index, with little differences between the sources. The regression employing the ‘difference’ variables produced no significant results on those variables.

154 Respondents could chose from nine increasing levels of education, ranging from “No formal schooling” to “Postgraduate.” The variable is recoded 0 to 1.

155 By combining the ‘Very good’ and ‘Good’ responses into one option (‘Good’) and the ‘Very bad’ and ‘Bad’ options into another (‘Bad’), we transform both the dependant variable and Living Conditions control variable. For the ANC Trust variable, we combine ‘None’ and ‘A Little’ into ‘Low Trust’ and ‘Somewhat’ and ‘A Lot’ into ‘High Trust.’
more likely to evaluate the economy positively, and less likely to do so negatively, even when controlling for partisanship. ‘ANC Trust’ has the same positive effect on respondents’ economic evaluations as above, though the effect is comparatively smaller.
Figures 5-3 and 5-4 reveal similar patterns between respondents’ predicted economic evaluations and the frequency of their news consumption. As respondents’ scores of the Media Index increase, the probability of a ‘Bad’ evaluation in “good times” decreases while the probability of a ‘Good’ evaluation increases. Likewise, in “bad times,” more media exposure increases the probability of a ‘Bad’ (i.e. more accurate) evaluation, while reduced media exposure makes a ‘Good’ (i.e. less accurate) evaluation more likely. As above, we see that—in both good times and bad—higher trust of the ANC has a clearly positive effect on respondents’ economic evaluations, creating almost parallel versions of the trend lines described above.

It also interesting to note that, among lower trust respondents, there is a clear kink in the relationship between media consumption and the probability of a ‘Good’ economic evaluation—and that this kink appears near the midpoint of the Media Index. In both “good times” and “bad times”, this kink reveals a jump in ‘inaccuracy’ among respondents: in the former, respondents are less likely to evaluate the economy as ‘Good,’ while in the latter, they are more likely to evaluate the economy as ‘Good.’ Although very circumstantial, this evidence points to some of our theory’s more specific predictions about the ANC’s allocation of economic propaganda through the media. Specifically, we predict that citizens living in the middling information environments will be most likely to be targeted with the party’s distortions. In this vein, if we treat respondents’ frequency of media consumption as a proxy for the richness of their media environments, the second panels of Figures 5-3 and 5-4 reveal some particularly compelling patterns.

**Figure 5-3: Economic Evaluations in Good Times**

**Access to News Media**

**Good Times, 'Bad' Evaluation**

**Good Times, 'Good' Evaluation**
Kinks aside, Figures 5-5 and 5-6—which are based on Model 7 and use level of education as a proxy for respondents’ access to information—show the same relationships as those described above. In short: (a) the higher (lower) a respondent’s self-reported level of education, the more (less) likely she is to evaluate “good times” as ‘Good’ and “bad times” as ‘Bad;’ and (b) higher (lower) trust of the ANC always makes her evaluation more (less) positive. As indicated by the relatively large coefficient on the AB 2006 ‘Education’ variable, these relationships are particularly strong in “good times,” explaining the larger slopes and greater ranges of the trend lines in Figure 5-5 than in Figure 5-6.
Perceptions of Corruption

As discussed in previous chapters, citizens’ perceptions of government corruption relate to our theory in two ways. First, and most directly, they help citizens update their beliefs about the true nature of the founding party (per Chapter 2, the party’s ‘type’), and thus about the credibility of its economic promises. If citizens observe extensive corruption by government officials, the ruling party will have a harder time convincing them that it is governing in their interests—in other words, that it is doing its best to deliver on its promises, and that it will do so as soon as possible. This is particularly true if the citizens in question have access to few good goods and services from the state.

Second, and relatedly, observing corruption helps citizens gauge the size of the government’s budget—and thus determine if their supply of goods and services from the state is reflective of the government’s capacity to deliver. As a result, even if citizens are willing to tolerate a certain amount of corruption without abandoning their favorable beliefs about the party (Chabol & Daloz 2006), observing the portion of resources officials allocate to themselves will give citizens a better idea of the size of the entire pie, and thus the relative size of the ruling party’s “offer.”

For these reasons, we predict that the ANC will behave more corruptly vis-à-vis low-information citizens than their higher-information counterparts, a point that we validated in Chapter 3. We also expect that the ANC to reduce or obscure reporting on corruption, particularly in “good times,” a trend that we examined anecdotally in Chapter 4. Here, we fortify these findings by demonstrating how citizens’ information environments impact their perceptions of corruption.

For that purpose, we turn to Table 5-2, which analyzes respondents’ perceptions of government corruption from the AB 2006 and AB 2002 surveys. Our dependant variable is an index constructed by summing the answers to four survey questions. Each question asks respondents, “How many of the following people do you think are involved in corruption . . .” at a different level of government: the Presidency, the National Assembly, national government
officials, and local government officials. As a result, the index tells us about respondents’ perceptions of corruption throughout the government, from the President and MPs to local officials often “deployed” by the ANC to provincial and municipal posts. As above, the 2006 survey represents perceptions in “good times” while the 2002 survey represents perceptions in “bad times.”

In Models 1 through 3, we regress our three proxies for respondents’ access to information independently on the corruption index. As we can see, not only are all the coefficients signed as anticipated by our theory—namely, the greater a respondent’s access to information, the more government corruption she perceives—but the size and significance of these coefficients are also much larger in the 2006, “good times” survey than the 2002, “bad times” survey. Before interpreting these results, it is important to recall that South Africa saw a marked increase in corruption scandals during the 2004-2007 period (see Chapters 3 and 4), a result that echoes our theory’s expectation that the government will be more corrupt in “good times.”

It is also important to try control for respondents’ beliefs about the ANC, which by definition should have a negative effect on a respondent’s evaluation of government corruption. More generally, we know that partisanship helps shape voters’ evaluations of such corruption, with pro-incumbent partisans being less likely to perceive officials as corrupt (and vice-versa). As a result, Models 4 through 6 mimic Model 1 through 3 but include the ‘ANC Trust’ variable as a control. The results are much the same. In “good times,” we see that rural respondents believe the government to be about 5 percent less corrupt than their urban counterparts, while the less than 1 percent difference in “bad times” is not statistically significant. Per Model 5, a one-unit increase in our (4-unit) Media Index grows corruption perceptions by about 2.5 percent in “good times” but has no effect in “bad times.” Finally—and most drastically—moving from the least to the most educated respondents increases perception of corruption by over 10% in “good times,” while the effect in “bad times” is not statistically significant.

---

156 Respondents could answer “None,” “Some of them,” Most of them,” “All of them,” or “Don’t Know.” Or, they could refuse to answer.
Table 5-2: Perceptions of Government Corruption
Linear Regressions, DV = Corruption among Government Officials (Index, 0-9)*

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
<th>Model 6</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Intercept</td>
<td></td>
<td></td>
<td>Intercept</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.84***</td>
<td>3.16***</td>
<td>3.25***</td>
<td>4.12***</td>
<td>3.38**</td>
<td>3.53***</td>
</tr>
<tr>
<td></td>
<td>(.073)</td>
<td>(.162)</td>
<td>(.138)</td>
<td>(.076)</td>
<td>(.018)</td>
<td>(.136)</td>
</tr>
<tr>
<td>Rural</td>
<td>-0.439***</td>
<td>-0.422***</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Media Index</td>
<td>.161**</td>
<td></td>
<td></td>
<td>0.189***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Freq. of news)</td>
<td>(.052)</td>
<td></td>
<td></td>
<td>(.05)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level of Education</td>
<td>0.845**</td>
<td></td>
<td></td>
<td>0.893**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Freq. of news)</td>
<td>(.280)</td>
<td></td>
<td></td>
<td>(.271)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ANC Trust*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A Little</td>
<td>-1.23***</td>
<td>-1.28***</td>
<td>-1.26***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(.014)</td>
<td>(.128)</td>
<td>(0.128)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Somewhat</td>
<td>-0.115</td>
<td>-0.094</td>
<td>-0.081</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(.119)</td>
<td>(.119)</td>
<td>(.119)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A Lot</td>
<td>-0.160</td>
<td>-0.142</td>
<td>-0.150</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(.109)</td>
<td>(.109)</td>
<td>(.012)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R^2</td>
<td>0.011</td>
<td>.007</td>
<td>.006</td>
<td></td>
<td>0.09</td>
<td>0.09</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
<th>Model 6</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Intercept</td>
<td></td>
<td></td>
<td>Intercept</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.18***</td>
<td>2.84***</td>
<td>2.84***</td>
<td>3.10***</td>
<td>2.83***</td>
<td>2.83***</td>
</tr>
<tr>
<td></td>
<td>(.163)</td>
<td>(.154)</td>
<td>(.125)</td>
<td>(.162)</td>
<td>(0.053)</td>
<td>(.129)</td>
</tr>
<tr>
<td>Rural</td>
<td>-0.124</td>
<td>-0.089</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Media Index</td>
<td>0.052</td>
<td></td>
<td></td>
<td>0.047</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Freq. of news)</td>
<td>(.051)</td>
<td></td>
<td></td>
<td>(.052)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level of Education</td>
<td>0.334</td>
<td></td>
<td></td>
<td>0.308</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Freq. of news)</td>
<td>(.265)</td>
<td></td>
<td></td>
<td>(.267)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ANC Trust*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A Little</td>
<td>-0.755***</td>
<td>-0.742***</td>
<td>-0.756***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(.124)</td>
<td>(.125)</td>
<td>(.124)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Somewhat</td>
<td>0.301**</td>
<td>0.313**</td>
<td>0.305**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(.110)</td>
<td>(.110)</td>
<td>(.110)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A Lot</td>
<td>0.226*</td>
<td>0.222*</td>
<td>0.216*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(.093)</td>
<td>(.093)</td>
<td>(.093)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R^2</td>
<td>.001</td>
<td>.001</td>
<td>.001</td>
<td></td>
<td>0.05</td>
<td>0.05</td>
</tr>
</tbody>
</table>

Standard errors in parentheses. ***p<0.001, **p<0.01, *p<0.05, ^p<.10, one-tailed tests

*Index of 4 questions about level of corruption among: President, Parliament, National Govt Officials, Local Govt Officials.

**Excluded: ANC Trust (None)

N = 1,804 (2006), 1,605 (2002)

Given these findings, we can safely validate our expectation that citizen’s with greater access to information will perceive the ANC government to be more corrupt—especially when there is more corruption around to observe. What’s more, the large gap in the findings between the 2006 and 2002 surveys revealed in Table 5-2 helps provide additional evidence that corruption did in fact increase during comparatively “good times.” Taking our information proxies and ‘trust’ control aside, the average Corruption Index score from AB 2006 is 3.63 (out of 9), compared to 2.9 in AB 2002—and increase of 24 percent.
Economic Observations and Beliefs about the ANC

In analyzing variation in respondents’ economic evaluations, we used the ‘ANC Trust’ variable to control for pro-incumbent partisanship, which we know has an inflationary effect on citizens’ evaluations of national economies. At the same time, our theory clearly predicts that these evaluations will influence citizens’ (updated) beliefs about the founding incumbent itself. More specifically, we expect that a citizen’s economic evaluation—relative to her access to goods and services from the government—will influence whether she updates her beliefs in a more or less favorable direction. The more she deems her supply of state resources to be a reflection of the state of the economy in general (and by extension, the government’s budget), the more likely she is to maintain her favorable beliefs about the party. If she observes a robust economy but has access to only minimal resources herself, she will likely update her beliefs negatively; if her access to resources exceeds her perceived capacity of the economy, she will probably update her beliefs positively.157

To help investigate this relationship, we subtract respondents’ answers to the aforementioned (Personal) ‘Living Conditions’ question from their answers to the (National) ‘Economic Conditions’ question to create a new variable, ‘National-Personal Economic Gap’ (NPEG). Because the two questions have the same response options, we know that a positive score on the NPEG indicates a national economic evaluation that is better than a personal living conditions evaluation, while a negative score indicates the opposite. In short, the variable lets us capture citizens’ economic observations relative to her (self-reported) personal living conditions.

In Table 5-4, we regress the NPEG variable on ‘ANC Trust’ for both AB 2006 and AB 2002. Per our speculations above, we expect the relationship between NPEG and ANC Trust to be negative: the larger the gap, the less favorable a citizen’s belief about the party. To be sure, this is a far from perfect test: not only are we unable to untangle prior from posterior beliefs in the survey data,158 but we also know there is a positive relationship between ANC Trust and

---

157 Our theory does not explicitly address this last possibility, though the expectation is common sense in light of the larger theoretical framework.
158 Because the NPEG ranges from -4 to 4, we treat it as a linear variable in Table 5-4. Note that we got the same non-result when treating NPEG as an ordinal variable.
159 As discussed in Chapter 3. In that context, we used ‘ANC Trust’ as a general (albeit highly imperfect) proxy for citizens’ beliefs about the party, and we do the same here, expecting the proxy to include elements of both prior and posterior beliefs.
citizens’ evaluations of the economy (see Table 5-1, Figure 5-1 to 5-6), a fact that will surely dilute any negative relationship between ANC Trust and NPEG. And, indeed, Model 1 in Table 5-4 reveals no such relationship: in both “good times and “bad”, the coefficients on the NPEG variable are very small, positive, and statistically insignificant.

Table 5-4: Effect of National-Personal Economic Gap (NPEG) on ANC Trust
Ordered Logistic Regressions, DV =ANC Trust*

<table>
<thead>
<tr>
<th>Model</th>
<th>AB 2006</th>
<th>AB 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>NPEG</td>
<td>0.042</td>
<td>-0.132**</td>
</tr>
<tr>
<td></td>
<td>(.041)</td>
<td>(.046)</td>
</tr>
<tr>
<td>Economic Conditions**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Very Good</td>
<td>1.06***</td>
<td>0.648***</td>
</tr>
<tr>
<td></td>
<td>(.140)</td>
<td>(.160)</td>
</tr>
<tr>
<td>Good</td>
<td>-0.112</td>
<td>-0.21*</td>
</tr>
<tr>
<td></td>
<td>(.121)</td>
<td>(.136)</td>
</tr>
<tr>
<td>Neutral</td>
<td>-0.042</td>
<td>0.104</td>
</tr>
<tr>
<td></td>
<td>(.102)</td>
<td>(.107)</td>
</tr>
<tr>
<td>Bad</td>
<td>-0.146^</td>
<td>0.027</td>
</tr>
<tr>
<td></td>
<td>(.102)</td>
<td>(.095)</td>
</tr>
<tr>
<td>Living Conditions**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Very Good</td>
<td>1.05***</td>
<td>0.601***</td>
</tr>
<tr>
<td></td>
<td>(.144)</td>
<td>(.159)</td>
</tr>
<tr>
<td>Good</td>
<td>-0.205*</td>
<td>-0.103</td>
</tr>
<tr>
<td></td>
<td>(.122)</td>
<td>(.145)</td>
</tr>
<tr>
<td>Neutral</td>
<td>-0.90</td>
<td>-0.082</td>
</tr>
<tr>
<td></td>
<td>(.101)</td>
<td>(.110)</td>
</tr>
<tr>
<td>Bad</td>
<td>0.059</td>
<td>-0.054</td>
</tr>
<tr>
<td></td>
<td>(.095)</td>
<td>(.114)</td>
</tr>
<tr>
<td>Residual Dev.</td>
<td>4265.5</td>
<td>4191.62</td>
</tr>
</tbody>
</table>

*’None’, ‘A Little’, ‘Somewhat’, ‘A Lot’ (0-3)  
** Excluded: ‘Very Bad’

To take account of the positive relationship between ANC Trust and citizens’ national economic evaluation, Model 2 includes those evaluations (i.e. the ‘Economic Conditions’ variable) as a control. Given that we used the Economic Conditions variable to construct the NPEG in the first place, we are well aware that this model suffers from multicollinearity. Nonetheless, the limitations of the survey data leave us no other option, and it is very interesting to consider the results. Namely, in “good times”, the larger is a respondent’s score on the NPEG, the less she trusts the ANC, the outcome anticipated by our theory. In “bad times”, there is no relationship, a difference that also falls in line with our expectations (i.e. that the gap between a citizen’s general and personal economic evaluations will matter more in good times than in bad). In the interest of completeness, we switch out ‘Economic Conditions’ for (personal) ‘Living Conditions’—the other element in the NPEG—as our control in Model 3. Again, while we acknowledge the weakness of the model, we also think it worthwhile to take note of the results. In this case, ‘controlling’ for respondents’ personal living conditions reveals a clearly positive relationship between NPEG and ANC Trust in both good times and bad, a result consistent with our earlier findings regarding general economic evaluations and trust of the incumbent. In
addition, looking at Model 3 and Model 2 together suggests that the state of respondents’ personal living conditions have different relationships with ANC trust in “good times” versus “bad times”. In short, while lower reported living conditions are related to less ANC Trust in both surveys, the relationship is far stronger and more consistent in “good times” than in bad. This of course follows our expectation that, ceteris paribus, a ‘low offer’ in “good times” will be more likely to dilute citizens’ favorable beliefs than the same offer in “bad times.”

**Voting for the Founding Party**

In Chapter 3, we examined citizens’ electoral support for the ANC through a number of different lenses. Unsurprisingly—and with the noted exception of rural Kwa-Zulu Natal—there is not much variation in ANC vote counts across African constituencies. Nonetheless, we are able to show that ANC vote counts have increased more (and/or decreased less) in South Africa’s more urban provinces, a trend we attribute to the government’s ‘resource bias’ toward better-informed citizens (see Figure 3-2). In this section, we continue to explore ANC vote patterns by drawing on the analysis presented above. Specifically, we extend our investigation of the relationship between economic observations and ANC-related beliefs to look at whether such observations relate to electoral support for the party.

To do so, we return to our provincial data on ANC vote counts and plot it against predicted NPEG values for each province. In light of our theory, we expect that provinces with higher NPEG values with exhibit lower ANC vote counts than provinces with lower NPEG values. Figure 5-7 presents plots for South Africa’s 2004 national and provincial election; 2006 municipal elections; and 2009 national and provincial election. While the 2004 and 2006 NPEG values are calculated from AB surveys conducted those same years, the 2009 values are calculated from the 2008 AB survey, one year before the election (there was no AB survey in 2009).

At first glance, the plots appear to dispel our expectation of a negative relationship: the 2004 and 2006 plots show effectively no relationship, while the 2009 plot shows a clearly positive relationship. Closer inspection, however, reveals some more interesting results. First, note that the 2004 and 2006 data are drawn from a relatively high growth period, while the 2009 data (culled in 2008) is from a decidedly low-growth period. Sensibly, then, the provincial NPEG values are all positive in 2004 and 2006 and nearly all negative in 2008/2009—if nothing else, this helps validate the usefulness of the NPEG as a proxy for citizens’ observations.

Second, it is important to recall that Africans are a minority in both the Northern Cape and the Western Cape, and that the ANC has always been weaker in Kwa-Zulu Natal. With this in mind, we should note how—in the 2004 and 2006 “good times” plots—most of the other provinces cluster in the top-left quadrant, particularly in 2006. Here are the provinces with comparatively low NPEG scores and comparatively high ANC vote counts, and here is the core of the ANC’s African support base. In “bad times,” however, these same provinces cluster in the top-right quadrant of the plot; in this case, vote counts are higher among provinces where (generally negative) NPEG values are relatively large. Taken together, our evidence suggests that the most pro-ANC provinces are those where average living conditions more closely reflect evaluations of the national economy. In general, this pattern tracks the expectation of our theory, particularly in “good time”. In “bad times”, however, it may not. Although our theory does not address the possibility, intuitively we should expect that negative NPEG values—i.e. cases where personal living conditions are evaluated as better than the economy in general—should be
related to higher vote counts. The third panel in Figure 5-7 implies the opposite.\footnote{Of course, this outcome could very well be related to our finding that lower-information Africans evaluate the “bad times” 2002 economy more positively—and thus less accurately—than higher-information citizens. Thus, the mostly low-information respondents in provinces like Limpopo, Mpumalanga, and the Northern Cape (all in the upper left corner of panel 3, Figure 5-7) may very well over-estimate the condition of the economy, producing larger NPEG values.}

**Figure 5-7: NPEG and ANC Vote Counts**

![Graph showing the relationship between NPEG and ANC Vote Counts over different years and elections.]

**Figure 5-8: NPEG and ANC Trust**

![Graph showing the relationship between NPEG and ANC Trust over different years and elections.]

**Summary**

This chapter fills some critical blanks in our analysis of founding party dominance in South Africa. Throughout the preceding chapters, we assume and expect that higher-information citizens are better able to observe economy outcomes—including government corruption—than their lower-information counterparts. Above, we convincingly demonstrate the validity of these assumptions and expectations via a wealth of public opinion data. While high-information respondents are more likely to evaluate the economy as better in “good times” and worse in “bad times”, observations by low-information respondents move in the opposite direction: “good
times” are more likely to be evaluated negatively and “bad times” more positively. Likewise, we show that more informed respondents believe the government to be more corrupt than information-poor respondents, especially when there is more corruption around to observe. We move on to examine how these differing observations relate to citizens’ beliefs about the ANC and their likelihood of voting for the party come election time. While we do not find clear relationships in all of our analyses, we do find some evidence to support our theory. Specifically, we show that Africans who believe their personal living conditions reflect the state of the national economy tend to be more supportive of the ANC than those who do not.
Chapter 6: Conclusion

This dissertation has developed an economic theory of founding party dominance and validated its main implications via an in-depth analysis of South Africa under the ANC. At its core, the theory explains how a founding party like the ANC maintains the credibility of its economic promises in the longer term while generally failing to deliver on them in the shorter term. Ultimately, the credibility of these promises is determined by citizens’ beliefs about the party, which they update by observing economic outcomes. In order to maintain favorable beliefs among the citizenry, the party strategically allocates state resources and economic propaganda across its broad coalition of voters.

Just as our theory predicts, ANC governments have shown a clear resource bias toward their higher-information supporters, who are better able to observe the state of the economy and the extent of government corruption. Not only do the country’s post-apartheid economic policies starkly favor the more urban, better-informed elements in the ANC’s coalition, but we also find that the stronger is the economy, the more state resources are allocated to higher-information provinces as compared to their lower-information counterparts. In the same vein, instances of official corruption—particularly the maladministration of social services—are far more prevalent in lower-information provinces, exacerbating the relative deprivation of citizens living in these environments. And while the overall evidence is mixed, the ANC appears to direct more resources to provinces in which its support among Africans has lagged the most (or increased the least), a well-established trend in distributional politics and an outcome anticipated by our theory.

Even more interestingly, our theory’s unconventional prediction about the ANC’s use of economic propaganda—namely, that the incumbent will strategically downplay the state of the economy in order justify the low provision of state resources—is borne out by the data. Particularly in period surrounding elections, the South African government systematically underestimates the country’s rate of economic growth, only to revise those estimates upward at a later date. We also find that state-owned television outlets downplay the state of the South African economy in their coverage—and that they do so more than privately owned newspapers. Indeed, the stronger the economy, the more negative/less positive is the economic reporting by the SABC. What’s more, SABC broadcasts in African languages are even more negative in tone than equivalent reporting in European languages, while a newspaper outlet widely regarded as pro-government is less likely to report positively during “good times” than more neutral publications. All of this evidence indicates that the ANC is targeting economic propaganda at African citizens with middling access to information, the precise group predicted by our theory.

Given these facts and conditions, we should not be surprised that the ANC—despite its widespread failure to deliver on its material promises—continues to so thoroughly dominate South African politics nearly 20 years after the advent of majority rule. Nor should we be surprised that provinces where the ANC enjoys the most electoral support are also those where the average (African) citizen is most likely to believe that her personal economic conditions reflect those of the broader national economy, as revealed in Chapter 5. Finally, we should be encouraged by an explanation of ANC dominance that goes beyond the traditional emphasis on race, not only because race is a “red herring” explanation⁶¹ that obscures a raft of political and economic dynamics, but also because it allows us to place South Africa’s founding party dominance in a larger scholastic and historical context. As such, we can better speculate on how

---

⁶¹ I borrow this label from Karen Ferree (2011) and address it in detail in Chapter 1
this study helps explain other examples political dominance, as well as what those examples suggest for the future of South African politics. We turn to such speculations below.

(Briefly) Extending the Argument: Botswana, Malaysia, Mexico and China

The dynamics of dominance described above are not limited to South Africa alone. Among both ongoing and expired examples of dominant founding parties, many feature or featured (a) unfulfilled material promises made by a founding incumbent, particularly vis-à-vis the party’s lower-information (i.e. rural) supporters; (b) substantial resource inequalities between high-information and low-information groups; (c) a relatively corrupt political elite; (d) state control or dominance of the broadcast media; and (e) a relatively open electoral environment. In this section, we briefly overview four cross-regional examples: Botswana under the Botswana Democratic Party (BDP), Malaysia under the United Malays National Organizations (UMNO), Mexico under the PRI, and China under the Communist Party. While the last is an explicit one-party system, it is nonetheless a potentially compelling application of our theory.

Botswana under the BDP

Strikingly, our first examples of founding party dominance in line with our theory come from South Africa’s northern neighbor of Botswana (we reserve our discussion of Zimbabwe—yet another Southern African case of founding party dominance—for the following section). Although Botswana is often championed as an African economic success story (Acemoglu et al. 2003; Leith 2005; Robinson and Parsons, 2006), it is nonetheless one of the world’s most economically unequal countries\(^{162}\). Despite significant government accomplishments in providing social services and assistance to the country’s poor rural majority, the country’s wealth remains highly concentrated in the hands of economic (mostly ranching- and diamond-related) and political elites (Good 1994, 2009). At the same time, the ruling BDP was won every election—most of which have been conducted in a relatively democratic and competitive environment—since guiding Botswana to independence from Britain in 1966.

The foundation of BDP dominance is the party’s top-heavy alliance between “middle class nationalists” and rural elites, the latter of who drive the party’s wide and consistent electoral support from rural Batswana (Ramsey & Parson 1998; du Toit 1999). While the government has directed the lion’s share of the country’s substantial resources—first from beef exports and later from diamonds—to the higher-information groups in its coalition, it has invested much more minimally in its rural support base. What’s more, because Botswana features sub-Saharan Africa’s most consistent high-growth economy—in addition to prudent sovereign wealth policies designed shield the economy from adverse shocks—the government has been able to maintain this strategy over time, buying off discontented groups when need be while sustaining the loyalty of the country’s economic elite by gate-keeping access to lucrative export licenses, government-linked contracts, and public sector jobs (Good 1994, 2009; Leith 2005). In addition, and despite its democratic reputation, the government has proven particularly jealous over its control of information, effectively monopolizing the broadcast sector (especially radio but also television) on which the vast majority of citizens rely. Successive BDP administrations have had notoriously adversarial relations with the press and have responded aggressively to media exposures of official corruption (Leepile 1996; AMB 2011).

---

\(^{162}\) Botswana’s Gini-coefficient is estimated between 0.6 and 0.7 (UNDP)
In light of these facts, our theory of founding party dominance seems like a particularly good fit for Botswana. Not only do BDP governments appear to have allocated state resources along ‘informational’ lines, but they have also demonstrated their most authoritarian tendencies when it comes to controlling the flow of information in society. As such, it is reasonable to expect the government to validate its distributional strategy by employing economic propaganda, downplaying the state of the economy (and its own budget) to lower-information supporters in order to justify relatively “low-ball” provisions of state resources.\(^{163}\)

**Malaysia under UMNO**

Malaysia under UMNO—which has effectively ruled the country since independence in 1954—exhibits the same kind of coalition between business and rural elites as we see in Botswana. In addition, the countries history of British colonialism and Malay-Chinese rivalries offers an instructive comparison with South Africa as well. Indeed, despite an initial period of inter-ethnic alliance with the economically dominant Chinese, UMNO soon shifted its focus to consolidating its support among the Malay majority. As in South Africa, the government pursued a range of affirmative action and ethnicity-based capital transfer programs to build a Malay middle class (i.e. the New Economic Policy, Kassner 2006). In the process, the party shifted both state resources and its efforts at political mobilization away from its rural base and toward its more urban constituents (Case 1996; Jesudason 1999). Despite the government’s subsequent neglect of the rural sector, this approach helped maintain UMNO’s political dominance through both a stretch of “bad times” in the 1970s as well as periods of rapid economic growth in the late 1980s and 1990s; as predicted, the latter periods saw an even greater resource bias toward higher-information areas and voters. While UMNO allied with and broke from a range of smaller ethnic parties throughout these periods, its core support came from a coalition of urban and rural Malays (as well as indigenous *bumiputra* also targeted by the New Economic Policy).

Although Malaysia’s economic boom has helped UMNO deliver more widely than the ANC, it has also engaged in more authoritarian tactics—including tight control over both broadcast and print media—to maintain power. These tactics became more prevalent following the Asian financial crisis in the late 1990s and Malaysia’s recovering through the mid 2000s. Interestingly, while UNMO (via its Barisan Natsional alliance) continue to govern Malaysia, the recent 2008 election—a decidedly “bad times” election”—saw a cross-ethnic, middle-class led opposition coalition win 47 percent of the vote and 37 percent of seats in parliament, a record showing for the Malaysian opposition.

**Mexico under the PRI**

As reviewed briefly in Chapter 1, the 80-year reign of Mexico’s Partido Revolucionario Institucional (PRI) has spurred a number of important studies of single-party dominance. In general, these studies emphasize the PRI’s strategic deployment of patronage, institutional manipulation, and—particularly toward the end of its rule—electoral fraud and coercion to maintain power. To be sure, the PRI’s well-documented encroachments on open political competition limit the precise application of our theory. In broad strokes, however, PRI dominance—which began with a party-led revolution against the regime of autocrat Porfirio

\(^{163}\) In light of our analysis in the next section, it is worthwhile to note that the BDP’s opposition—most prominently the Botswana National Front (BNF)—is an urban-based party composed mostly of lower- and middle-class Batswana who have been excluded from the BDP-linked urban economy (public sector jobs, state contracts for manufacturing and service firms, state licenses, etc).
Diaz—matches our theory’s patterns. As Collier and Collier (1991) demonstrate, the PRI dominance was based on a coalition between rural Mexicans (which credited the party for significant land reforms earlier in its rule) and organized labor, as well as the industrial elites associated with the government’s generally statist economic policies. As in South Africa, “[for much of the post-war period,] the party’s claim to represent the nationalist and egalitarian aspirations of the 1920 revolution provided an important foundation of legitimacy.” (Kaufmann 1999, pg. 6) In order to maintain this legitimacy, the PRI pursued a by-now familiar strategy of resource allocation marked by large resource asymmetries between developing, high-information urban centers and their rural, low-information peripheries. Whereas the former benefited from privileged positions in the government’s industrialization efforts, the latter were kept in check via minimalist transfers provided (or withheld) by the party’s wide-ranging clientelist network; this system freed up resources to reward political elites and limit their defections from the ruling party. And while there is no study on the PRI’s use of economic propaganda (as far as we know), the government had a clear stranglehold on the country’s young broadcasters and exerted significant influence on most of its print media.

As Magaloni (2006), Greene (2007), and Kaufmann (1999) all point out, the party was able to sustain this system through the periods of sustained economic growth and gradual economic decline which characterized the Mexican economy through the 1980s. By contrast, the economic crises of the 1980s and early 1990s greatly undermined PRI dominance: having largely failed to incorporate the independent (and largely Northern) middle class that arose in the 1960s and 1970s or the informal sector which expanded during the crises, sustained “bad times” saw the founding party effectively rejected by large segments of urban Mexico—including some of its erstwhile labor allies, who with allied the leftist PRD (which split from the PRI in 1987). Just as in the African examples discussed below, this urban-led rejection drove the party to engage in more explicit vote rigging and coercive acts to maintain power, further reducing its legitimacy among the citizenry and ultimately leading to its demise.

China

We examine founding party rejection in greater detail below. Before then, we very briefly consider the contemporary era’s most well known case of founding party dominance, the Chinese Communist Party (CCP). Far more than PRI-ruled Mexico or UNMO-ruled Malaysia, China is a closed polity with a highly developed coercive apparatus and without even the pretense of electoral competition. Nevertheless, the Chinese case compels us because of (a) the country’s huge (and increasing) resource gaps between urban and rural areas; (b) the government’s emphasis on controlling information flows via propaganda and control of the media; (c) its rent-seeking party elite; and (d) the party’s revolutionary reputation. In light of recent research, we already suspect that party authorities use their control of economic information to accomplish specific political goals, whether by censoring information about official malfeasance (Freedom House 2010) or by selectively granting more openness in order to expose it (Lorentzen 2009). Moreover, China’s experience of rapid economic growth has been accompanied by a massive increase in economic inequality between urban and rural Chinese, a fact—along with cotermious increases in the size and scope of official rent-seeking—that has helped drive a boom of popular protests in the country’s peri-urban towns and rural villages. As a result, the potential application of our theory is quite clear, not only because the CCP has an

164 This network was reinforced by Mexico’s (like South Africa’s) weak federal structure, which empowered local patrons to dispense resources allocated by the central government (Magaloni 2006).
incentive to deploy the kind of (‘negative’) economic propaganda anticipated by our theory, but also because its overall approach to distributing state resources may very well mimic our expectations for a dominant founding party.

Facing Rejection: Bad Times, Better Opposition

Because our theory and empirical analysis has been focused on how founding party dominance is maintained, we have not paid much attention to how such dominance might end, either generally or in the South African context. In this section, we briefly expand on our theory’s “Reject” equilibrium, whereby a citizen or group does not support the founding party, choosing to vote for some alternate ruler instead. In doing so, we sketch out a number of examples from sub-Saharan Africa.

Bad Times, Economic Shocks and “Facing the Music”

To begin, recall that our theory does not allow a citizen or group to ‘Reject’ a founding party in “good times”. Given adequate resources, the incumbent is always able to “buy” acceptance by making a high offer of goods and services from the state. In this case, even a citizen/group with relatively unfavorable beliefs about the party will update those beliefs more favorably in light of the high offer. And while this offer will clearly reduce the resources available to the party itself, we expect that the incumbent always prefers securing re-election (and thus the opportunity to control future budgets) to siphoning off more rents. In sum, a founding party facing potential rejection by discontented voters will be able to avoid that fate by finally delivering on its promises.

In “bad times”, a founding party is more constrained. With fewer resources at its disposal, the incumbent will be far less able to “buy” acceptance, and a group with sufficiently unfavorable beliefs about the party will reject it even if given a state-reflecting offer. In other words, “bad times” may force a rent-seeking incumbent to “face the music” of its previous failures to deliver—and/or its rent-seeking behavior—when times were better. Discontented citizens/groups cannot be swayed, promises are no longer credible, and the party will lose popular support.

This scenario becomes even worse for the party if the economic downturn is relatively sudden, such as via an adverse economic shock. While a gradual downturn would give the incumbent more time to adjust its distributive strategy and citizens more time to contextualize their economic conditions, a rapid change could drive even erstwhile supporters to update their beliefs unfavorably. In this case, the party would be exposed to an even wider loss of support than that depicted above.

Indeed, the historical record of founding parties is full of examples whereby incumbents were effectively rejected by a previously supportive citizenry due to the sudden economic pain and reduced tolerance for corruption produced an adverse shock. Unsurprisingly, it was the more urban, higher-information groups in the party’s coalition that almost invariably drove these rejections (Huntington 1968; Bates 1981; Bratton & Van de Walle 1997; Van de Walle 2001). Per our theory’s expectations, higher-information citizens are more likely to update their beliefs about a corrupt or under-performing incumbent, and are thus more likely to reject it in bad times. This follows the landmark work of Bates (1981), who shows how better informed, more organized urban groups used the threat of anti-incumbent collective action (i.e. strikes and
protests) to secure material inducements from founding governments in Africa.\footnote{As with our theory, these inducements—such as subsidized food and energy, as well as statist industrialization projects—often came at the economic expense of rural populations.} When adverse shocks or economic mismanagement reduced the scope of these inducements, these groups—including trade unions and professional association, opposition party cadres, and a variety of ethno-religious organizations—led popular rejections of the incumbent, with more rural groups following later.

To wit, recall how the coterminous collapse in cocoa prices and the announcement of the government’s highly extractive 1961 budget spurred the protests and strikes which undermined the legitimacy of Ghana’s founding Congress People’s Party (CPP) and its famous leader shortly after independence. Although Nkrumah and the CPP had already restricted political competition to ward off challenges from ethno-regional actors (especially the Asante), the explosion of a more urbanized opposition led by elements from within the CPP’s coalition hastened the government’s creation of a de-jure one-party state in 1964. In this case—as in many others in post-independence Africa—the founding party responded to the possibility of ‘rejection’ by eliminating any political alternatives to its rule. Nonetheless, continued economic deterioration and popular unrest over rising inflation (especially food prices) saw Nkrumah displaced in a coup two years later (Zolberg 1966; Apter Bienen 1970). Notably, the subsequent civilian regime led by Koﬁ Busia was overthrown under similar conditions in 1972.

Likewise, the combination of falling commodity (especially copper) prices and official profligacy during the 1960s spurred major demonstrations and strike actions in urban Zambia, weakening the broad but shallow cross-ethnic coalition of the founding United National Independence Party (UNIP) and its leader Kenneth Kaunda (Bates 1981). As in Ghana, Kaunda and UNIP prevented political rejection by eliminating any official opposition and creating a one-party state (de-facto by 1968 and de-jure by 1972). Nevertheless, it was an urban-based opposition movement—led by trade unionists and driven by the extreme depth of the country’s economic crisis in the 1980s—which eventually forced Kaunda to accede to multi-party elections in 1991 (Bratton & Van de Walle 1997). While the sweeping electoral success of the MMD certainly drew from rural groups as well (particularly regions/ethnicities neglected by Kaunda), it was their higher-information counterparts that first rejected the founding party and opened the door for regime change.

Although still clinging onto power, the recent deterioration of popular support for Zimbabwe’s Zimbabwe African National Union-Patriotic Front (ZANU-PF) provides us with another African example of founding party rejection in line with our theory. Following the party’s initial (and violent) consolidation of power following independence, ZANU-PF and leader Robert Mugabe pursued a governing strategy quite similar to the ANC. Maintaining the country’s (largely white-dominated) economic status quo, government policy reflected the same resource bias toward urban African interests and political elites while largely deferring its redistributionist promises to ZANU-PF’s rural Shona support base (Bond 2007). Through “good times” and more gradual “bad times,” this approach produced sweeping electoral victories for ZANU-PF in a relatively competitive electoral environment. However, the combined effects of drought, lower commodity prices, and harsh austerity measures in the 1990s saw a severe economic downturn in Zimbabwe and the rise of an increasingly powerful, urban-based opposition movement led by trade unions and other economic reformers. After these forces defeated a ZANU-backed constitutional referendum in 2000 and looked poised to end the founding party’s 20-year run in power, Mugabe ordered both a crackdown on the opposition and
forcefully “delivered” on his promises of land redistribution from white to African owners. As a result, Zimbabwe’s previously robust economy effectively collapsed, greatly reducing ZANU-PF’s remaining legitimacy among the citizenry and increasing the government’s use of fraud and coercion to maintain power. By 2008, even the party’s most ardent (i.e. Shona) rural supporters of the party were defecting at the polls; while ZANU-PF conceded its first-ever legislative minority, it launched a campaign of electoral violence and fraud to secure the far more powerful presidency for Mugabe. As predicted by our theory, this environment spurred government and party officials to behave even more corruptly vis-à-vis the citizenry, robbing the state of nearly all funds earned from the country’s mineral exports (CITES).

A More Viable Alternative to the Founding Party

As noted, a founding party is not rejected strictly in its own right, but rather in favor some alternative political force. In our model, this force—i.e. the “opposition”—is represented by \( \delta f \): the citizen/group’s belief about the opposition’s true nature (\( \delta \)) multiplied by flow payoff \( f \). In other words, the opposition is represented by the citizen/group’s expectation of its future payoff from opposition rule. Thus, an opposition held in higher esteem will make rejection of the founding party more likely: given a more attractive future alternative, the incumbent will have to offer citizen/groups more resources in the present in order to maintain the relative credibility of its promises—and thus the same level of popular support. By the same token, an opposition held in lower esteem will make rejection of the founding party less likely.

Per the African (and Mexican) examples above, we see a distinct pattern to the emergence of a more viable opposition. In short, “bad times”—particularly those generated by an adverse shock—expose the founding incumbent’s failures while inflicting greater economic pain on the citizenry. Because both effects are more severe among higher-information citizens—as well their superior ability to organize (Bates 1981)—an urban-based opposition emerges. Assuming the incumbent is unable to suppress it with concessions or repression, this opposition becomes an increasingly attractive political home for more discontented rural citizens, whether former supporters of the incumbent and or groups which had always been outside the founding party’s coalition.

Which Way South Africa?

Above, we have presented a number of cases whereby founding party dominance has been maintained or lost within the general confines of our theory. In this section, we consider how this comparative analysis may inform the future of ANC dominance in South Africa.

---

166 In fact, most of the redistributed land was allocated to ZANU-PF elites and the so-called “war veterans” from Zimbabwe’s independence struggle.
167 This dynamic undergirds Ferree’s (2011) analysis of racial politics in South Africa: the ANC maintains dominance because most Africans believe the opposition is too ‘white’ to truly represent their interests, a “party image” intentionally reproduced by the ANC.
168 Recall that higher-information citizens are (a) better able to observe incumbent failures and corruption; and (b) were more likely to be pacified with greater access to resources in “good times.”
169 Per Chapter 1 (fn. 3) and as implied throughout this dissertation, we define ‘founding party dominance’ by electoral criteria attained in a relatively open political environment. In other words, a dominant founding party requires the non-coerced support of a large majority of citizens. As a result, we do not consider founding party governments that must use fraud or coercion to maintain power to be ‘dominant.’
As we have seen, the ANC has maintained its founding dominance by (a) allocating a greater share of state resources to higher-information groups in its coalition\textsuperscript{170} than their lower-information counterparts; and (b) strategically using economic propaganda to justify relatively “low ball” offers and maintain the credibility of its material promises. To the same end, there is also evidence that ANC governments have directed increased spending to provinces where the party’s electoral support has dropped the most (or increased the least). Finally, we have observed that these costly actions are more prominent in relatively “good times,” during which the government has more resources at its disposal.

Cracks, however, are appearing in the ANC edifice. Echoing nearly all of our examples above, the onset of decidedly “bad times” via the 2008-2009 global recession has spurred a rising tide of discontent among the peri-urban poor, as evidenced by a stark increase in so-called service delivery protests in South Africa’s townships, informal settlements, and the main towns of rural municipalities. Figures 6-1 through 6-3 present three looks at annual trends in these protests.\textsuperscript{171} Figure 6-1 tracks the more inclusive category of “community protests” (including protests over provincial demarcations\textsuperscript{172} or official corruption, for example), while Figure 6-2 shows the number of these protests which turned violent. In Figure 6-3, we only include protests explicitly about the quality or quantity of government services (labeled “major” protests by Jain).\textsuperscript{173} Given the extent of ANC dominance among Africans and the resulting lack of variation in indicators of ANC support, these protests are an extremely useful measure of discontent with the ANC-ruled government. And, as revealed by Figure 6-4, they are concentrated in the country’s most urban provinces [and within those provinces, in the most urban municipalities (Jain 2010, pgs. 29-36)].

The South African economy was officially in a recession between December 2008 and November 2009. As we can see, the number of community protests, violent protests, and “major” protests increased dramatically during this period. While the number of community and violent protests dropped off as the economy (sluggishly) recovered in 2010\textsuperscript{174} and 2011, the number of outright service delivery protests did not. What’s more, the percentage of community protests that turned violent has only increased over time. Thus, while the absolute number of protests may have declined as the economy began to grow, the intensity of the protests has apparently increased.

\textsuperscript{170} Including, of course, party and government officials themselves.
\textsuperscript{171} All data is borrowed with permission from Jain (2010).
\textsuperscript{172} In recent years, a number of municipalities have been moved from the jurisdiction of one province to another following the redrawing of provincial borders by the central government. Because—as we know from this study—South Africa’s provinces vary in size and scope of their budgets, these moves have had significant pecuniary implications for the affected municipalities, in some cases prompting protests and constitutional challenges. Most prominently, the 2006 transfer of the Khustong municipality from (more urban) Gauteng to (more rural) North West province continues to drive protests in the area, even after the Constitutional Court ruled in favor of the government in 2009.
\textsuperscript{173} In rank order: housing, electricity, water, sanitation, and broken promises, among other grievances.
\textsuperscript{174} And as the FIFA World Cup approached, as noted by Jain 2010.
**Figure 6-1**
Community Protests in South Africa

![Bar chart showing average monthly protests from 2007 to 2011.](chart1.png)

**Figure 6-2**
Violent Community Protests in South Africa

![Bar chart showing violent protests as a percentage of total community protests from 2007 to 2011.](chart2.png)
Figure 6-3
Service Delivery Protests in South Africa

Figure 6-4
Community Protests by Province, 2007-2011
Given the “broad church” structure of the ANC’s coalition, as well as South Africa’s well-entrenched “protest culture” (Ballard & Valodia 2006), the trends in service delivery protests may be best interpreted as the urban poor’s use of “voice” rather than an explicit threat of “exit” (Hirschman 1970). Much like the recent and large-scale strikes by COSATU-affiliated public sector unions, service delivery protests are more likely attempts to earn material concessions and influence party and government policy than they are indications that these constituencies will vote for the opposition or fail to turn out for the ANC in significant numbers. Nevertheless, the clear role of urban, economically motivated protests in the demise of founding parties suggests that the above trends may be harbingers of bigger things to come.

More specifically, we see a couple broad scenarios whereby urban discontent with the ANC could play out in the medium-to-long term. First, if South Africa continues on its current low-growth path and the government’s resources become more and more constrained, it would be quite difficult for the party to deliver more goods and services to these constituents while maintaining its current distributional approach. Recall that this approach is based ultimately on the credibility of the party’s promises and its corresponding monopoly on economic legitimacy in the country. If these discontented citizens have updated their beliefs such that they no longer put much stock in the party’s willingness and ability to deliver in the future, they will require more from the government in the present—something the government may not have the resources to do. What’s more, a low- or negative-growth economy combined with the labor market rigidities introduced by the ANC’s alliance with COSATU would perpetuate (if not worsen) South Africa’s massive unemployment problem, exacerbating resource pressures on the state to provide the nearly all services and income (via social grants) to the poor.

In this scenario, continued or accelerated discontent among the peri-urban poor could spur wider and more violent demonstrations or riots, which—given already high levels of violence between white farmers and rural Africans and growing demands for more rapid land reform—might well spread to more rural areas as well. These outcomes would put significant “bottom up” pressure on the increasingly factionalized ANC and its governing alliance: while both leftist and “nationalist” elements would likely call for appeasing the protestors with more aggressively redistributionist policies, conservative and liberal elements would likely support cracking down on the protestors. Such a crackdown could very well spell the (long-predicted) end of the tripartite alliance, with COSATU, the SACP and the party’s more radical leaders splitting from the ANC to try harness urban discontent into a viable, statist opposition party. On the other hand a more populist ANC would ensure continued dominance at the cost of almost certain capital (including human capital) flight and middle class defections, probably worsening the country’s economic situation significantly. Indeed, while an ANC crackdown would be more coercive in the short-term, in the long-term it would probably be more conducive to continued democratic politics in South Africa if it brought about a true splitting of the ANC. On the other hand, a more radical ANC would almost certainly extend ANC dominance, but probably at the expense of the country’s robust democratic institutions and future economic success.

Of course, renewed “good times” in South Africa should largely obviate these scenarios by enabling the ANC to “buy off” urban discontent while keeping its current approach to dominance intact. In fact, given their relatively high-information environment, we expect more urban South Africans to get a larger slice of state resources in “good times” even outside the context of service-delivery protests. Higher economic growth would also increase the demand

---

175 Indeed, the police already routinely use relatively violent methods—rubber bullets, tear gas, and increasingly live fire—to break up service delivery protests (Rosenberg 2009).
for labor, potentially improving the lot of the urban and rural poor outside the state via greater employment opportunities. At the same time, “good times” could very well weaken ANC dominance in the long-term. First, we already know that incumbents with access to more resources are more likely to take a larger share of those resources for themselves, exactly the kind of corrupt behavior which spurs popular opposition when times turn worse and there are less resources to go around. Given that many supporters have already negatively updated their beliefs about the party, it is unlikely that the ANC would be able to withstand a further jolt to their reputation without losing their economic legitimacy. Second, we also know that higher economic growth will encourage the migration of rural, low-information South Africans to more urban, higher-information environments, an outcome we have observed throughout South African history and one that effectively led to the creation of the informal, peri-urban settings in which the service-delivery protests are most common. Again, because higher-information citizens are more expensive votes for the ANC, such migration would almost certainly force the ANC to adjust its distributional and propagandist strategies—adjustments that will be much harder to make if times turn bad.

“If we continue in this way, our gains . . . will be put at risk. Those who feel the pain will say ‘enough is enough’”
~President Jacob Zuma said, closing the 2012 ANC Policy Conference.

176 Of course the relationship between higher growth and greater employment is by no means automatic, especially considering South Africa’s combination of a rigid labor market and a lack of skilled labor.
References


*Special Investigating Units (SIU) and Special Tribunals Act.* 1996. Tshwane: Republic of South Africa.


