

---

# **Spatial Inequalities in SA:**

*Towards a New Research & Policy Agenda*

---

Professor Ivan Turok

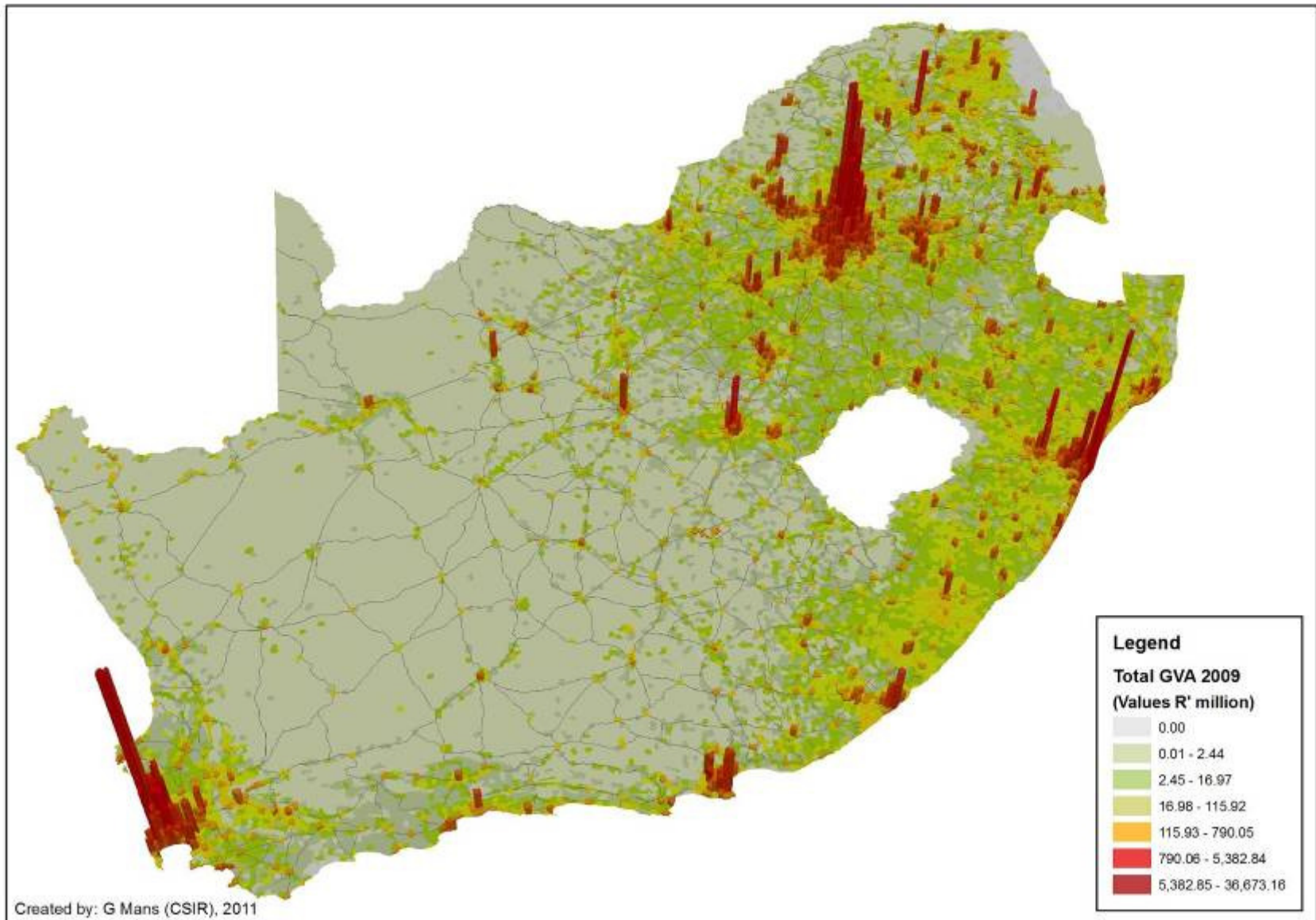
EPD

---

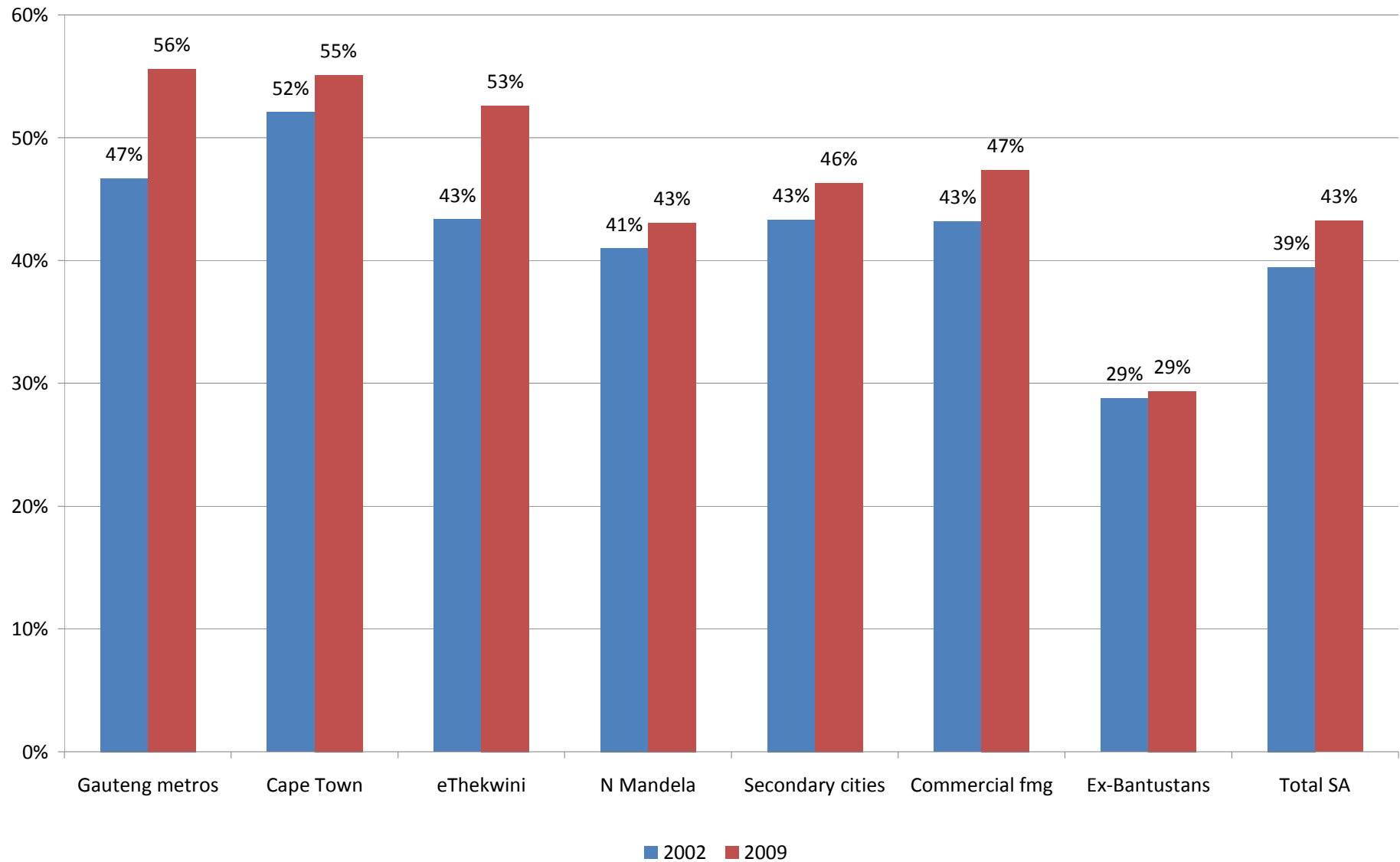
# Outline

1. Spatial inequalities - stylised facts
  2. Spatial inequalities - conventional wisdom
  3. New geographical economics
  4. A broader analytical framework
-

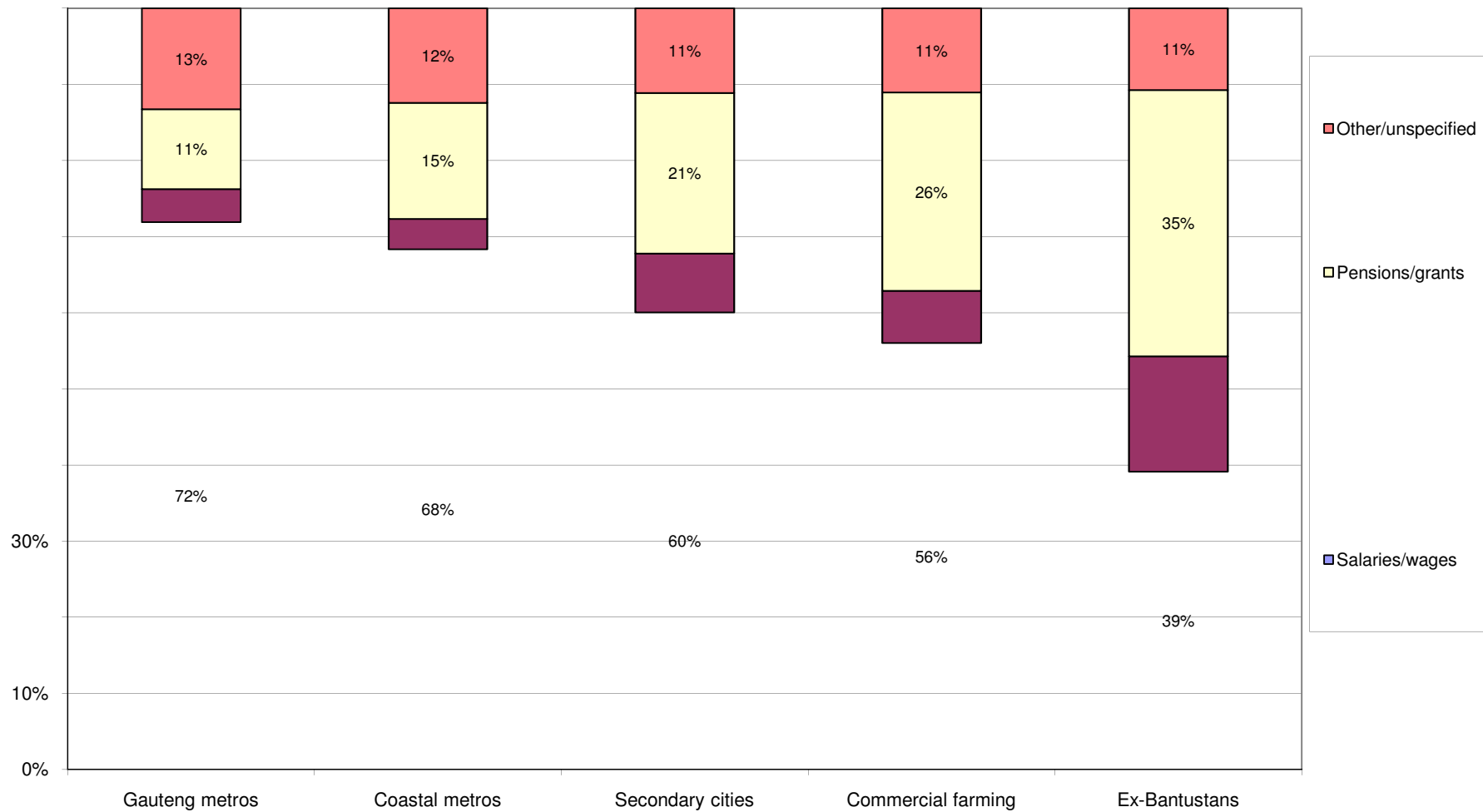
# The 'spiky' SA spatial economy



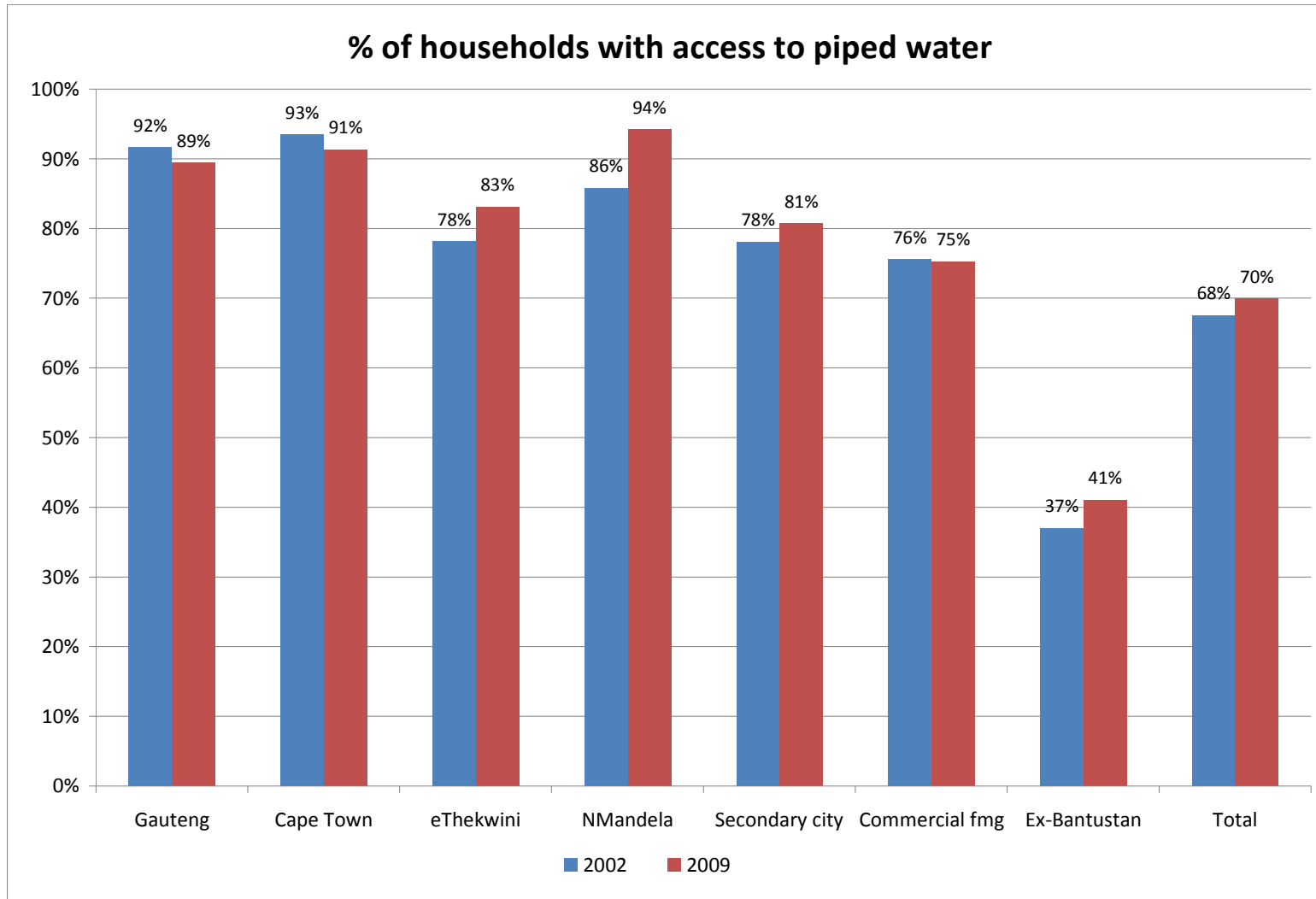
## % employed among 15-64 year olds



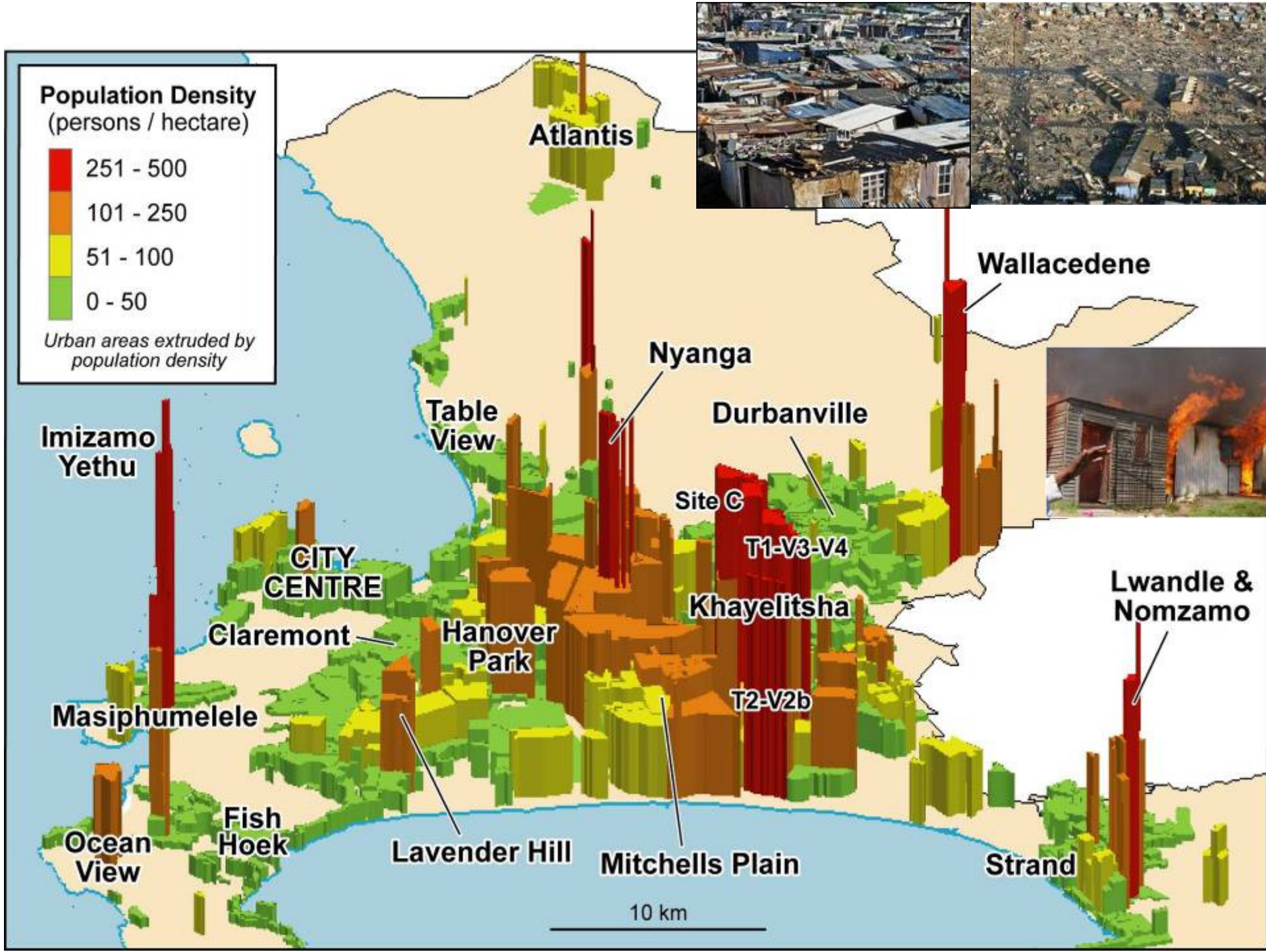
# Main source of household incomes: major transfers from cities to rural



# Social wage: access to water is better in cities



**But  
improving  
in rural  
areas**



# Spatial disparities - conventional wisdom

# Developing rural areas can save this country

Development in South Africa is skewed and should take place in the rural areas first, as it did in China, which is now booming



HERBERT VILAKAZI

**O**UR GOVERNMENT has requested thinkers at universities, in industry and civil society in general to participate in the national debate on the current economic crisis and to make suggestions on what must be done to solve it.

The crisis cuts across the entire spectrum of society. The National Planning Commission has highlighted four critical problems - high unemployment, the health crisis, crime and the terrible failure of the education system to effectively serve its purpose. About two decades ago, *Fortune* magazine pronounced: "The most important capital is intellectual capital."

Zweilintzima Vavi of Cosatu recently issued two warnings: that massive youth unemployment could trigger another 1976 uprising and that the failure to solve the unemployment crisis could lead to uprisings similar to those that overthrew rulers in Tunisia and Egypt.

A recent report by HSRC and the African Strategic Research Corporation states: "Poverty in the Eastern Cape is a national disaster." The report also remarks on the "systematic destruction of an

ruthless dictator reminiscent of Adolf Hitler.

In terms of major policies we are clearly on the wrong path.

Where did we go wrong?

The first wrong committed is the assumption that South Africa is a developing society.

South Africa is an underdeveloped society with strong features and processes of a colonial society still visible and active. The biggest development problem of an underdeveloped society is the pathological relationship existing between the city and the countryside.

During the colonial era, South Africa had the largest concentration of settler-Europeans, who were an embodiment of capitalist industrialisation in Africa.

These settler-Europeans were the extension of Western industrialisation and modernisation in the country. They became the face of South Africa in the world.

However, this very thin layer of industrialisation and modernisation was resting, and still rests, on the economic, educational, technical and social depression of the overwhelming majority of the population, Africans - hence the underdevelopment of the African population.

If South Africa were a normal developing society, the African population, as the vast majority of society would be the basis, the springboard, of the development of the economy and society.

This is not the case. There is in reality an inverse relationship between the base of society, the African people, on one hand, and the industrialised, modernised sector of the economy and society above. That, of course, is the essence of underdevelopment.

Che Guevara put it well: "A dwarf with an enormous head and a swollen chest is underdeveloped inasmuch as his weak legs or short arms do not match the rest of his anatomy. So is the product of an

were told South Africa has two economies: the "First" economy and the "Second" economy.

In actual fact, the First economy is the white-controlled, industrialised, modernised sector of the colonial economy, closely linked to the capitalist system of international trade, international banking, international stock markets and international science.

The Second economy is the non-industrial sector, populated largely by Africans, with hardly any links to capitalist international trade, international banking, international stock markets and international science.

This is the site of malnutrition, terrible diseases and some of the highest death rates in the world (adult and infant mortality).

The statistics on the quality of life in South Africa seem terribly out of place, given the picture we have in our minds of the country as a developing nation.

**“ SA IS NOT REALLY AN URBAN SOCIETY. MOST PEOPLE LIVE IN RURAL AREAS ”**

The Academy of Science of South Africa, in its 2007 HIV/AIDS, TB and Nutrition publication, has stated: "South Africa is in the grip of three concurrent epidemics: malnutrition... HIV/AIDS... and active TB..."

We know that our nation tops the list as the most unequal society

Limpopo, North West, Mpumalanga, Eastern Cape, and KwaZulu-Natal are all heavily rural.

The underdevelopment of African rural areas is now the heavy drag that is pulling down the entire economy of the country. It will remain depressed, and will not develop, as long as African rural areas are underdeveloped.

The underdevelopment of rural areas has migrated to urban areas largely because of the misguided policies that neglect the development of rural areas, which should begin with initiating an agricultural revolution in the African village communities, tied with water provision, aimed at eliminating hunger and malnutrition, which will eliminate the terrible diseases and high death rates.

This will save the government hundreds of millions of rands in medical expenses. Side by side with that should emerge the provision of electricity, good roads, government buildings, schools, housing, computers, community halls and health facilities.

It is astonishing and dismaying to hear politicians boasting about all sorts of development projects without mentioning the first need: the production of food by the African villagers themselves. We miss the point that the industrial revolution in the West was preceded by an agricultural revolution. South Africa also had an agricultural revolution; however, it was confined to white-controlled agriculture. This is white agriculture, which is linked to capitalist world trade, international banking, international stock markets, and international science.

Racism excluded the nation's vast majority (rural) Africans and rural coloureds, from the agricultural revolution, racism only linked rural whites to the world economy. The horrendous tragedy in our mind is that rural Africans and rural coloureds are economi-

cally dispensable according to the logic of the world economy.

A market economy is sustained and developed, first and foremost, by the buying power of the vast majority of the nation's population. As the World Bank stated years ago, the Achilles heel of the South African economy is the smallness of the domestic market.

It is small because the vast majority of the nation's population, Africans, largely in rural areas, are not creative participants in the market economy.

A vibrant domestic market, based on the economic production, income and consumption of the vast majority of society's people, is the powerful first gear in kick-starting the nation's move towards wealth and employment, and towards full participation in the

**“ THE FIRST NEED IS THE PRODUCTION OF FOOD BY THE AFRICAN VILLAGERS ”**

world economy. The massive roadblock to economic growth, development and full employment in South Africa is the poverty and underdevelopment of Africans and coloureds. We must start by eliminating poverty, malnutrition and underdevelopment in rural areas. Africans and coloureds who are

land dispossession, the Anglo-Boer War, the initiation of the capitalist agricultural revolution and the 1929 depression also threw the masses of whites and Africans in South Africa into a depression.

As the vast majority of the nation, Africans, were the conquered sector, suppressed by physical force and law, the politics and psychology of the white population was based on fear of the African. The state was the possession of whites; it was used to protect whites, the land and other resources that had been seized from Africans.

Electoral democracy was fully implemented, embracing the entire white population. White politics then determined that only whites should be lifted out of the depression. The White State therefore invested heavily in developing its police-military capability up to nuclear arms, in initiating and supporting the agricultural revolution and modernisation of white farms; in developing and sustaining jobs, corporations and wealth for whites; in facilitating the establishment and development of international science in white educational and health institutions; and in linking the white-controlled economy with the world economy.

This economy and provisioning of services was only sustainable as long as the immediate aim was to sustain and develop only the white community, a small minority within the nation.

From 1981, there had to be a gigantic change in the relationship between the base of society, its body and its head. During white supremacy, society had been standing on its head - the development dynamic was the white community, its brains, skills, languages and culture. Truly democratic South Africa must stand right side up; the development dynamic, base of society, must be the vast majority, the African community. The basic

tion for the total nation. Introducing the agricultural revolution into every African and coloured village community, and eliminating malnutrition and nutrition-based diseases, shall be measures that will kick-start the development of the national economy. Rural industries should emerge in all provinces. By so doing, we shall end the lopsided nature of our current economy.

We should gain insight from the experience of China. The Post-Mao Great Reforms, which led to China becoming a huge power in the world economy, were first implemented in rural areas. To quote Chinese scholars: "Reform was first implemented in the rural areas, then gradually carried out in cities." (Cao Shuangquan, Liu Guangang and Ma Jueru, *The Market Economy and China*, 1996).

Students of the Chinese economy have reported that almost half of the acceleration in the growth rate during the first reform phase (1978-1983) came from improved agriculture and rural development, according to *China: The Next Decade*, edited by Denis Dwyer, 1994, p 18.

We need to exhibit the same commitment to balanced development as shown by the leaders of China, who have redirected hundreds of billions of the government budget towards developing rural China.

Only initial huge investments in rural development will remove the barrier to growth and development of our economy and have the largest impact in reducing unemployment. Wall-to-wall industrialisation and modernisation of urban and rural areas will also reverse the unsustainable, bloated urbanisation of the country and bring about a reasonable distribution of the population.

Our development strategy should start from the countryside to the cities. The people assisting the government in developing and implementing such a strategy



---

# Spatial inequalities - conventional wisdom

- Urban-rural divide is the main problem:
    - Due to **historic policies** of rural under-development
    - & subsequent neglect (land reform, agric, infrastructure)
  - Enforced migration to urban informal settlements creates social problems and is unmanageable
  - Social costs of **distance** (rural isolation + townships)
  - Response - redress
    - Transport subsidies & connectivity
    - Basic services, land reform, agricultural support + ?
-

---

# Limitations

- Legacy of Apartheid on cities (not just rural)
  - Focus is on equity not efficiency/growth
  - Negative about migration
  - Ambiguous about cities
  - Neglects current causes of spatial inequality  
(implicit assumption - its outcome of wider inequality)
  - Space/place/location seen as an inert/passive container of activity - not significant influence
-

---

# New geographical economics (eg WDR)

- Growth is inevitably unbalanced & unequal
  - Some places have more potential
  - Economies of scale and specialisation enhance productivity & innovation: matching, sharing, learning
  - Arise from **density** and physical **proximity**
  - People adjust via migration
  - Produces eventual catch-up and convergence through trickle-out.                      No quick fixes.
-

---

# New geographical economics

- Spatial policies should:
    - Enable economic **concentration** in a few places through efficient land and labour markets
    - Economic and physical **integration** of leading & lagging areas
    - Focus most resources on universal people-based policies – education, health, water, security
    - **Not** spatial targeting or economic development – place-based policies
-

---

# Two sides of the same coin? Compatible?

## **Conventional wisdom**

- Disparities inequitable
- Historic policy to blame
- Distance is bad
- Neglect informal settlements
- Migration is bad
- Cities are mixed
- Pro-rural policy

## **Geographical economics**

- Disparities are efficient
- Current economic forces
- Proximity is good
- Neglect informal settlements
- Migration is good
- Cities are good
- Neutral policy

Crude urban-rural; Dangers of physical determinism

---

---

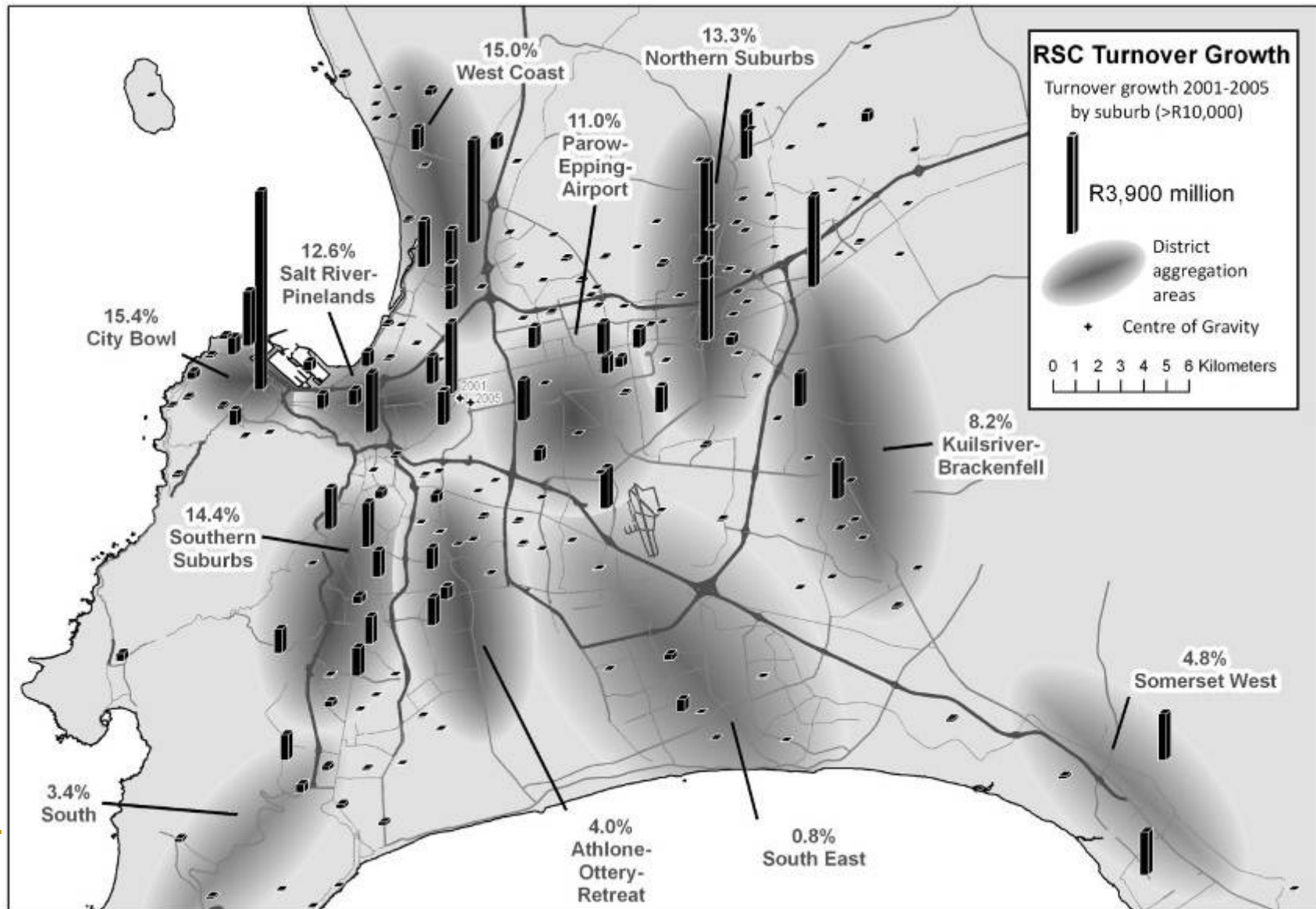
# A broader analytical framework

- Equity and efficiency/growth objectives are both vital
  - Think about social need + economic development potential for durable solutions
  - Inequalities can be state sponsored, market-driven and path dependent
  - Cities are sources of social problems and economic dynamism
  - Migration has costs as well as benefits
  - Avoid narrow urban-rural dichotomy
-

# Key dimensions of spatial differentiation

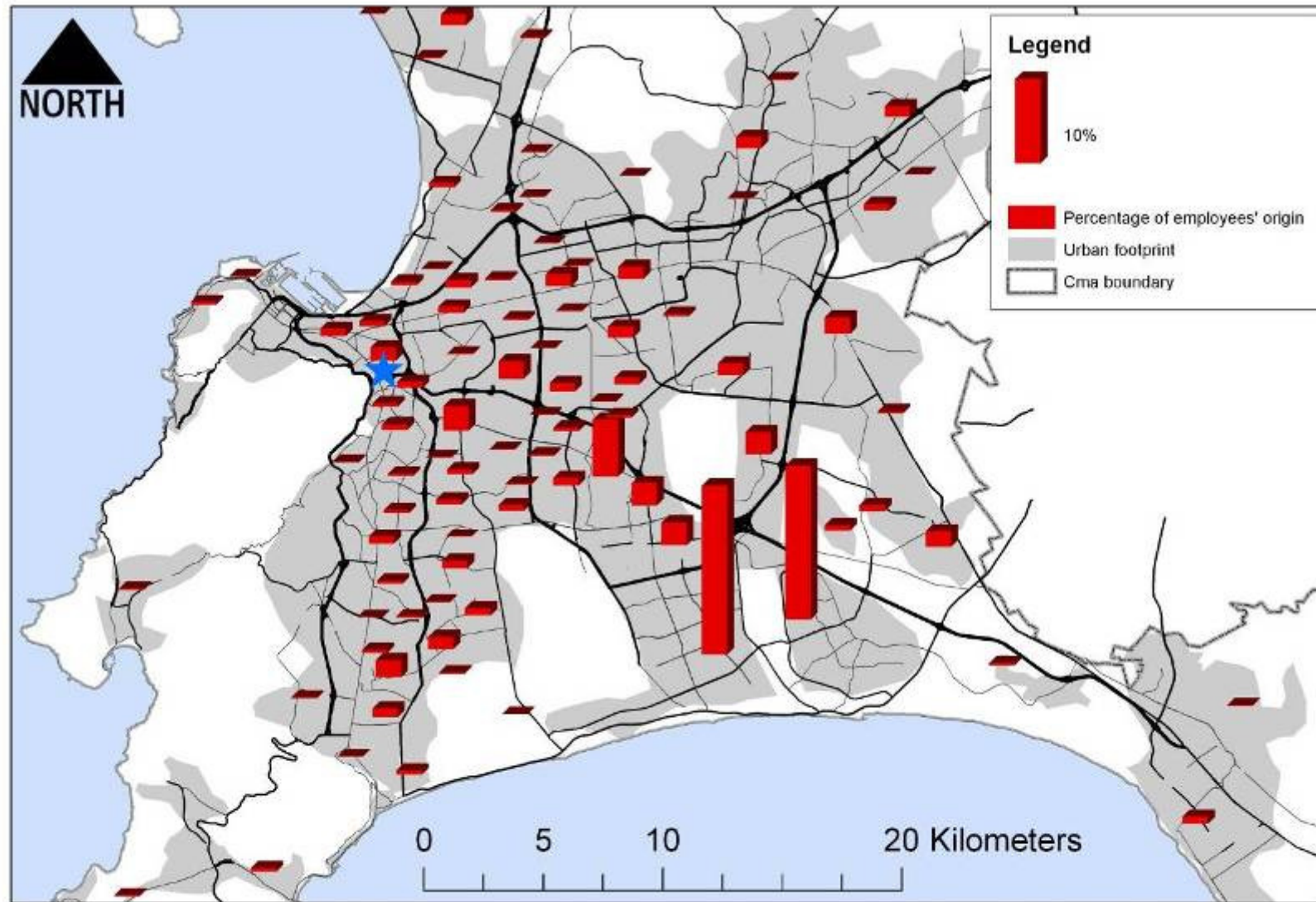
Key influences/constraints on productive activity:	Urban-Rural continuum	Suburb-Township
Density/proximity/distance		
Access to <b>land</b> & security		
<b>Human capital</b> & amenities		
<b>Institutions</b> : non-state		
<b>Institutions</b> : state		

# Location of economic growth (2001-05)





# Where workers live



---

## This matters for 'efficiency' / growth

- Imbalance creates excess travel & congestion
  - Cost of transport subsidies
  - Cost of bulk infrastructure
  - Overheated property markets/asset prices
  - Adverse environmental impacts
  - Cost of township disasters
  - Weaker place attachment, asset investment
  - Neglected township economic potential
-

---

# Conclusion

- Spatial inequalities are not just a legacy issue requiring redress, although that is important
  - Nor just an effect/symptom of wider inequalities
  - Spatial inequalities matter for the economy
  - Its not just urban vs rural or location/distance
  - Need deeper understanding of production systems & factors (land, labour, capital, institutions)
  - Limits to state transfers to poorer regions
-